**Міністерство освіти і науки України**

**Національний університет «Одеська політехніка»**

**Кафедра іноземних мов**

**Методичні вказівки до практичних занять з англійської мови**

**за спеціальністю**

**292 Міжнародні економічні відносини**

**для студентів І курсу**

Одеса

Одеська політехніка

2022

Методичні вказівки до практичних занять з англійської мови за спеціальністю 292 Міжнародні економічні відносини для студентів І курсу/ Авт.: Кудінова Т.І., Петрова О.І., Сиротенко Т.В. – О.: Одеська політехніка, 2022.- 47с.

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**Передмова**

Метою «Методичних вказівок» є формування впродовж 78 годин аудиторних занять у студентів (вхідний рівень володіння мовою – В1) вмінь та навичок читання за тематикою спеціальності 292 Міжнародні економічні відносини на І курсі навчання ІБЄІТ (вихідний рівень володіння мовою – В2). За рахунок тренування і виконання читання текстівстуденти зможуть досягти практичного володіння англійською мовою за фахом.

Практичне володіння іноземною мовою в рамках даного курсу припускає наявність таких умінь в різних видах мовної комунікації, які дають можливість:

1. вільно читати оригінальну літературу іноземною мовою у відповідній галузі знань;
2. оформляти витягнуту з іноземних джерел інформацію у вигляді перекладу або резюме;
3. робити повідомлення і доповіді іноземною мовою на теми, пов’язані з науковою роботою майбутнього фахівця.

Кожний урок складається з тексту й вправ, які розраховані на удосконалення навичок активізації словарного і граматичного мінімуму професійного спрямування.

«Методичні вказівки» забезпечують підготовку до спілкування англійською мовою для спеціальних цілей, а саме – оволодіння лексичними, граматичними і стилістичними навичками, а також умінням читати, переписуватися, перекладати, конспектувати англомовну інформацію наукового функціонального стилю, що передбачено вимогами Програми вивчення іноземних мов у нефілологічному ВНЗі.

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Lesson 1

*International Economics*

**Read and translate the text:**

International Economics is an exciting and dynamic subject that equips students with the tools with which to tackle important real-world issues in this age of globalisation and financial integration. Globalisation has seen the integration of world markets. Goods made in Asia can be sold in Europe at a fraction of the cost and technology has allowed activities to be outsourced for greater efficiency. As a result, governments have to carefully consider their trade policies and the macroeconomic landscape to ensure local social and economic goals are met.

Ever since 19th-century economists put forth their theories of international economics, the subject has consisted of two distinct but connected parts: (1) the “pure theory of [international trade](https://www.britannica.com/topic/international-trade),” which seeks to account for the gains obtained from trade and to explain how these gains are distributed among countries, and (2) the “theory of balance-of-payments adjustments,” which analyzes the workings of the foreign exchange market, the effects of alterations in the exchange rate of a currency, and the relations between the balance of payments and level of economic activity.

In modern times, the Ricardian pure theory of international trade was reformulated by American economist [Paul Samuelson](https://www.britannica.com/biography/Paul-Samuelson), improving on the earlier work of two Swedish economists, [Eli Heckscher](https://www.britannica.com/biography/Eli-Filip-Heckscher) and [Bertil Ohlin](https://www.britannica.com/biography/Bertil-Ohlin). The so-called [Heckscher-Ohlin theory](https://www.britannica.com/topic/Heckscher-Ohlin-theory) explains the pattern of international trade as determined by the relative land, labour, and capital endowments of countries: a country will tend to have a relative cost advantage when producing goods that maximize the use of its relatively abundant factors of production (thus countries with cheap labour are best suited to export products that require significant amounts of labour).

This theory subsumes Ricardo’s law of comparative costs but goes beyond it in linking the pattern of trade to the economic structure of trading nations. It implies that foreign trade is a substitute for international movements of labour and capital, which raises the intriguing question of whether foreign trade may work to equalize the prices of all factors of production in all trading countries. Whatever the answer, the Heckscher-Ohlin theory provides a model for analyzing the effects of a change in trade on the industrial structures of economies and, in particular, on the distribution of income between factors of production. One early study of the Heckscher-Ohlin theory was carried out by [Wassily Leontief](https://www.britannica.com/biography/Wassily-Leontief), a Russian American economist. Leontief observed that the United States was relatively rich with capital. According to the theory, therefore, the United States should have been exporting capital-intensive goods while importing labour-intensive goods. His finding, that U.S. exports were relatively more labour-intensive and imports more capital intensive, became known as the [Leontief Paradox](https://www.britannica.com/topic/Leontief-Paradox) because it disputed the Heckscher-Ohlin theory. Recent efforts in international economics have attempted to refine the Heckscher-Ohlin model and test it on a wider range of [empirical](https://www.britannica.com/science/empirical-method) evidence.

International economics has emerged as one of the most essential concepts for countries. Over the years, the field of international economics has developed drastically with various theoretical, empirical, and descriptive contributions. The economic activities between nations differ from activities within nations. International economics refers to a study of international forces that influence the domestic conditions of an economy and shape the economic relationship between countries. In other words, it studies the economic interdependence between countries and its effects on economy.

1. **Look up new words given below in your dictionary and memorise them:**

To equip, to tackle, issue, to ensure, at a fraction, to be outsourced, to put forth, adjustment, endowment, intriguing, [empirical](https://www.britannica.com/science/empirical-method) evidence, to emerge, drastically.

1. **Write down your own sentences with the words given below:**

* at a fraction
* to tackle
* to be outsourced
* endowment
* to emerge

1. **Answer the following questions:**
2. Why do governments have to carefully consider their trade policies and the macroeconomic landscape?
3. What theory seeks to account for the gains obtained from trade and to explain how these gains are distributed among countries?
4. What does the “theory of balance-of-payments adjustments” analyze?
5. Who reformulated the Ricardian pure theory of international trade?
6. What and whose finding was known as the [Leontief Paradox](https://www.britannica.com/topic/Leontief-Paradox)?
7. **Complete the gaps.**

*numerous principal maintenance of competition monopoly negligible Economics regulation competitive*

The \_\_\_\_\_\_\_\_\_\_\_\_\_\_ concerns of international economics are the structure of markets, public policy toward\_\_\_\_\_\_\_\_\_\_\_\_\_\_, the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of public utilities, and the economics of technical change. The monopoly problem, or, more precisely, the problem of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, does not fit well into the received body of economic thought. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_started out, after all, as the theory of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_enterprise, and even today its most impressive theorems require the assumption of \_\_\_\_\_\_\_\_\_\_\_\_\_ small firms, each having a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ influence on price.

1. **Complete the charts with the different parts of speech.**

|  |  |  |
| --- | --- | --- |
| VERB | ADJECTIVE | NOUN |
| To relate |  |  |
| To locate |  |  |
| To connect |  |  |
| To adjust |  |  |
| To endow |  |  |
| To require |  |  |
| To care |  |  |

Lesson 2

*Macroeconomics*

**Read and translate the text:**

Macroeconomics is a branch of economics that studies how an overall economy—the market or other systems that operate on a large scale—behaves. Macroeconomics studies economy-wide phenomena such as [inflation](https://www.investopedia.com/terms/i/inflation.asp), price levels, rate of[economic growth](https://www.investopedia.com/terms/e/economicgrowth.asp), national income,[gross domestic product (GDP)](https://www.investopedia.com/terms/g/gdp.asp), and changes in[unemployment](https://www.investopedia.com/terms/u/unemployment.asp).

Some of the key questions addressed by macroeconomics include: What causes unemployment? What causes[inflation](https://www.investopedia.com/terms/i/inflation.asp)? What creates or stimulates economic growth? Macroeconomics attempts to measure how well an economy is performing, to understand what forces drive it, and to project how performance can improve.

Macroeconomics deals with the performance, structure, and behavior of the entire economy, in contrast to[microeconomics](https://www.investopedia.com/terms/m/microeconomics.asp), which is more focused on the choices made by individual actors in the economy (like people, households, industries, etc.).

There are two sides to the study of economics: macroeconomics and microeconomics. As the term implies, macroeconomics looks at the overall, big-picture scenario of the economy. Put simply, it focuses on the way the economy performs as a whole and then analyzes how different sectors of the economy relate to one another to understand how the aggregate functions. This focuses on variables like unemployment,[GDP, and inflation](https://www.investopedia.com/ask/answers/112814/why-does-inflation-increase-gdp-growth.asp). Macroeconomists develop models explaining relationships between these factors. Such macroeconomic models, and the forecasts they produce, are used by government entities to aid in the construction and evaluation of economic, monetary, and fiscal policy; by businesses to set strategy in domestic and global markets; and by investors to predict and plan for movements in various asset classes.

Given the enormous scale of government budgets and the impact of economic policy on consumers and businesses, macroeconomics clearly concerns itself with significant issues. Properly applied, economic theories can offer illuminating insights on how economies function and the long-term consequences of particular policies and decisions. Macroeconomic theory can also help individual businesses and investors make better decisions through a more thorough understanding of the effects of broad economic trends and policies on their own industries.

A key distinction between micro- and macroeconomics is that macroeconomic aggregates can sometimes behave in ways that are very different or even the opposite of the way that analogous microeconomic variables do. For example, Keynes referenced the so-called Paradox of Thrift, which argues that while for an individual, saving money may be the key building wealth, when everyone tries to increase their savings at once it can contribute to a slowdown in the economy and less wealth in the aggregate.

Meanwhile, microeconomics looks at economic tendencies, or what can happen when individuals make certain choices. Individuals are typically classified into subgroups, such as buyers,[sellers](https://www.investopedia.com/terms/s/seller.asp), and business owners. These actors interact with each other according to the laws of[supply and demand](https://www.investopedia.com/terms/l/law-of-supply-demand.asp) for resources, using money and interest rates as pricing mechanisms for coordination. It is necessary to stress out that the law of supply and demand is perhaps one of the most fundamental concepts and it is the backbone of a market economy. Demand refers to the quantity of a product or service that buyers want. The quantity demanded of a product is the quantity that people are willing to buy at a given price; the relationship between the price and the quantity demanded is known as the demand ratio. Supply represents how much the market can supply. The quantity supplied of a given good is the quantity that producers are willing to supply when they receive a given price. The correlation between the price and the quantity of a good or service supplied to the market is known as the supply ratio.

1. **Look up new words and memorise them:**

gross domestic product, entire, to be focused on, household, to imply, to forecast, asset class, insight, consequences, thorough understanding, aggregate, ratio.

**2. Read the text again. Find the mistakes in the sentences given below. Correct them.**

1. Microeconomics studies economy-wide phenomena such as [inflation](https://www.investopedia.com/terms/i/inflation.asp), price levels, rate of[economic growth](https://www.investopedia.com/terms/e/economicgrowth.asp), national income,[gross domestic product (GDP)](https://www.investopedia.com/terms/g/gdp.asp), and changes in[unemployment](https://www.investopedia.com/terms/u/unemployment.asp).

2. Macroeconomics deals with the performance, structure, and behavior of several parts of economy, in contrast to[microeconomics](https://www.investopedia.com/terms/m/microeconomics.asp), which is more focused on the choices made by individual actors in the economy (like people, households, industries, etc.).

3. This focuses on variables like unemployment,[GDP, and inflation](https://www.investopedia.com/ask/answers/112814/why-does-inflation-increase-gdp-growth.asp). Macroeconomists develop models explaining ratio between these factors.

4. Macroeconomic theory can also help individual businesses and investors make better decisions through a more flimsy understanding of the effects of broad economic trends and policies on their own industries.

5. A key distinction between micro- and macroeconomics is that macroeconomic aggregates can never behave in ways that are very different or even the opposite of the way that analogous microeconomic variables do.

**3. Write questions to the following answers.**

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Macroeconomics deals with the performance, structure, and behavior of the entire economy, in contrast to[microeconomics](https://www.investopedia.com/terms/m/microeconomics.asp), which is more focused on the choices made by individual actors in the economy (like people, households, industries, etc.).

2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

There are two sides to the study of economics: macroeconomics and microeconomics.

3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

The correlation between the price and the quantity of a good or service supplied to the market is known as the supply ratio.

4. **Complete the following sentences.**

1. Supply represents how much …

2. Individuals are typically classified into …

3. Such macroeconomic models, and the forecasts they produce, are used by… ; by … ; and by …. .

4. As the term implies, macroeconomics looks at …

5. Demand refers to …

1. **Find some more information about *Paradox of Thrift*. Make a presentation.**

Lesson 3

*Limits of Macroeconomics*

**Read and translate the text:**

It is also important to understand the limitations of economic theory. Theories are often created in a vacuum and lack certain real-world details like taxation, regulation, and transaction costs. The real world is also decidedly complicated and includes matters of social preference and conscience that do not lend themselves to mathematical analysis.

Even with the limits of economic theory, it is important and worthwhile to follow the major macroeconomic indicators like GDP, inflation, and unemployment. The performance of companies, and by extension their stocks, is significantly influenced by the economic conditions in which the companies operate and the study of macroeconomic statistics can help an investor make better decisions and spot turning points.

Likewise, it can be invaluable to understand which theories are in favor and influencing a particular government administration. The underlying economic principles of a government will say much about how that government will approach taxation, regulation, government spending, and similar policies. By better understanding economics and the ramifications of economic decisions, investors can get at least a glimpse of the probable future and act accordingly with confidence.

Macroeconomics is a rather broad field, but two specific areas of research are representative of this discipline. The first area is the factors that determine long-term[economic growth](https://www.investopedia.com/terms/e/economicgrowth.asp), or increases in the national income. The other involves the causes and consequences of short-term fluctuations in national income and employment, also known as the[business cycle](https://www.investopedia.com/terms/b/businesscycle.asp).

*History of Macroeconomics*

While the term "macroeconomics" is not all that old (going back to the 1940s), many of the core concepts in macroeconomics have been the focus of study for much longer. Topics like unemployment, prices, growth, and trade have concerned economists almost from the very beginning of the discipline, though their study has become much more focused and specialized through the 20th and 21st centuries. Elements of earlier work from the likes of Adam Smith and[John Stuart Mill](https://www.investopedia.com/terms/j/john-stuart-mill.asp) clearly addressed issues that would now be recognized as the domain of macroeconomics.

Macroeconomics, as it is in its modern form, is often defined as starting with[John Maynard Keynes](https://www.investopedia.com/terms/j/john_maynard_keynes.asp) and the publication of his book The General Theory of Employment, Interest, and Money in 1936. Keynes offered an explanation for the fallout from the[Great Depression](https://www.investopedia.com/terms/g/great_depression.asp), when goods remained unsold and workers unemployed. Keynes's theory attempted to explain why markets may not clear.

Prior to the popularization of Keynes' theories, economists did not generally differentiate between micro- and macroeconomics. The same microeconomic laws of supply and demand that operate in individual goods markets were understood to interact between individuals markets to bring the economy into a[general equilibrium](https://www.investopedia.com/terms/g/general-equilibrium-theory.asp), as described by Leon Walras. The link between goods markets and large-scale[financial](https://www.investopedia.com/ask/answers/what-is-finance/) variables such as price levels and interest rates was explained through the unique role that money plays in the economy as a medium of exchange by economists such as Knut Wicksell, Irving Fisher, and Ludwig von Mises. Throughout the 20th century, Keynesian economics, as Keynes' theories became known, diverged into several other schools of thought.

**1. Look up new words and memorise them:**

Lack, taxation, decidedly, conscience, worthwhile, extension, spot turning points, ramification, glimpse, the core concepts, domain, fallout, [financial](https://www.investopedia.com/ask/answers/what-is-finance/) variables, diverge.

**2. Match the parts of the sentences.**

|  |  |
| --- | --- |
| A | B |
| 1. The concept of macroeconomics overlooks the importance of … | a)… be similar in structure or composition. |
| 2. The individual data may not … | b)… becomes arduous and holds no significance. |
| 3. The extensive application of the macroeconomics measures seems … | c) … is generally taken to be true for all the individuals. |
| 4. When the individual data have different units, the aggregation … | d)… the individual unit or consumer since the fundamental is to make use of the aggregates. |
| 5. The conclusion derived from the aggregation of the data, … | e) … to be irrelevant when aimed at 100% results. |

**3. Underline the correct verb form in the sentences.**

Economic growth refers/has referred/ refer to an increase in aggregate production in an economy. Macroeconomists is trying/try/has tried to understand the factors that either promote or retard economic growth in order to support economic policies that will support development, progress, and rising living standards. Adam Smith's classic 18th-century work, An Inquiry into the Nature and Causes of the Wealth of Nations, which to advocate/advocated/had advocated free trade, laissez-faire economic policy, and expanding the division of labor, was arguably the first, and certainly one of the seminal works in this body of research. By the 20th century, macroeconomists began studying/study/to study growth with more formal mathematical models. Growth is commonly modeled/ is being commonly modeled/ have been commonly modeled as a function of physical capital, human capital, labor force, and technology. Superimposed over long term macroeconomic growth trends, the levels and rates-of-change of major macroeconomic variables such as employment and national output went/ go/ going through occasional fluctuations up or down, expansions and recessions, in a phenomenon known as the business cycle. The 2008 financial crisis were/had been/is a clear recent example, and the Great Depression of the 1930s is/ was/ being actually the impetus for the development of most modern macroeconomic theory.

**4. Put *a tick* if a sentence is correct, put *a cross* if a sentence is wrong.**

1. It is not very important to understand the limitations of economic theory.

2. Knowing the limits of economic theory, there is no sense to follow the major macroeconomic indicators like GDP, inflation, and unemployment.

3. By better understanding economics and the ramifications of economic decisions, investors can get at least a glimpse of the probable future and act accordingly with confidence.

4. Topics like unemployment, prices, growth, and trade were not concerned by the economists from the very beginning of the discipline.

5. Throughout the 20th century, Keynesian economics, as Keynes' theories became known, diverged into several other schools of thought.

1. **Complete the gaps.**

*Focuses need satisfy influence consumer differs hire urgent unemployment law*

*Macroeconomics vs. Microeconomics*

Macroeconomics[1. \_\_\_\_\_\_\_\_\_\_\_ from microeconomics](https://www.investopedia.com/ask/answers/difference-between-microeconomics-and-macroeconomics/), which 2. \_\_\_\_\_\_\_\_\_\_\_\_\_on smaller factors that affect choices made by individuals and companies. Factors studied in both microeconomics and macroeconomics typically have an 3. \_\_\_\_\_\_\_\_\_\_\_on one another. For example, the 4. [\_\_\_\_\_\_\_\_\_\_\_\_\_\_](https://www.investopedia.com/terms/u/unemployment.asp) level in the economy as a whole has an effect on the supply of workers from which a company can 5. \_\_\_\_\_\_\_\_.

[Economics](https://www.investopedia.com/terms/e/economics.asp) involves the study of how people use limited means to 6. \_\_\_\_\_\_\_\_\_\_\_\_ unlimited wants. The 7. \_\_\_\_ of demand focuses on those unlimited wants. Naturally, people prioritize more 8. \_\_\_\_\_\_\_\_ wants and needs over less urgent ones in their economic behavior, and this carries over into how people choose among the limited means available to them. For any economic good, the first unit of that good that a 9. \_\_\_\_\_\_\_\_\_\_\_ gets their hands on will tend to be put to use to satisfy the most urgent 10.\_\_\_\_\_\_\_\_ the consumer has that that good can satisfy.

<https://www.investopedia.com/terms/l/lawofdemand.asp>

Lesson 4

*Macroeconomic Schools of Thought*

**Read and translate the text:**

The field of macroeconomics is organized into many different schools of thought, with differing views on how the markets and their participants operate.

[Classical economists](https://www.investopedia.com/terms/c/classicaleconomics.asp) held that prices, wages, and rates are flexible and markets tend to clear unless prevented from doing so by government policy, building on Adam Smith's original theories. The term “classical economists” is not actually a school of macroeconomic thought, but a label applied first by Karl Marx and later by Keynes to denote previous economic thinkers with whom they respectively disagreed, but who themselves did not actually differentiate macroeconomics from microeconomics at all.

[Keynesian economics](https://www.investopedia.com/terms/k/keynesianeconomics.asp) was largely founded on the basis of the works of John Maynard Keynes, and was the beginning of macroeconomics as a separate area of study from microeconomics. Keynesians focus on [aggregate demand](https://www.investopedia.com/terms/a/aggregatedemand.asp) as the principal factor in issues like unemployment and the business cycle. Keynesian economists believe that the business cycle can be managed by active government intervention through fiscal policy (spending more in recessions to stimulate demand) and monetary policy (stimulating demand with lower rates). Keynesian economists also believe that there are certain rigidities in the system, particularly [sticky prices](https://www.investopedia.com/terms/p/price_stickiness.asp) that prevent the proper clearing of supply and demand.

The [Monetarist](https://www.investopedia.com/terms/m/monetarism.asp) school is a branch of Keynesian economics largely credited to the works of Milton Friedman. Working within and extending Keynesian models, Monetarists argue that monetary policy is generally a more effective and more desirable policy tool to manage aggregate demand than fiscal policy. Monetarists also acknowledge limits to monetary policy that make fine tuning the economy ill advised and instead tend to prefer adherence to policy rules that promote stable rates of inflation.

New Classical

The New Classical school, along with the New Keynesians, is built largely on the goal of integrating microeconomic foundations into macroeconomics in order to resolve the glaring theoretical contradictions between the two subjects. The New Classical school emphasizes the importance of microeconomics and models based on that behavior. New Classical economists assume that all agents try to maximize their utility and have [rational expectations](https://www.investopedia.com/terms/r/rationaltheoryofexpectations.asp), which they incorporate into macroeconomic models. New Classical economists believe that unemployment is largely voluntary and that discretionary fiscal policy is destabilizing, while inflation can be controlled with monetary policy.

New Keynesian

The[New Keynesian](https://www.investopedia.com/terms/n/new-keynesian-economics.asp) school also attempts to add microeconomic foundations to traditional Keynesian economic theories. While New Keynesians do accept that households and firms operate on the basis of rational expectations, they still maintain that there are a variety of market failures, including sticky prices and wages. Because of this "stickiness", the government can improve macroeconomic conditions through fiscal and monetary policy.

Austrian

The[Austrian Schoo](https://www.investopedia.com/articles/economics/09/austrian-school-of-economics.asp)[l](https://external.investopedia.com/terms/a/austrian_school.asp) is an older school of economics that is seeing some resurgence in popularity. Austrian economic theories mostly apply to microeconomic phenomena, but because they, like the so-called classical economists never strictly separated micro- and macroeconomics, Austrian theories also have important implications for what are otherwise considered macroeconomic subjects. In particular the Austrian business cycle theory explains broadly synchronized (macroeconomic) swings in economic activity across markets as a result of monetary policy and the role that money and banking play in linking (microeconomic) markets to each other and across time.

**1. Look up new words and memorise them:**

School of thought, to clear, prevent, to denote, [aggregate demand](https://www.investopedia.com/terms/a/aggregatedemand.asp), recession, rigidity, fine tuning, adherence, glaring, assume, fiscal policy, otherwise

**2. Write down your own sentences with the words given below:**

- to clear

- fine tuning

- [aggregate demand](https://www.investopedia.com/terms/a/aggregatedemand.asp)

- glaring

- school of thought

**3. Make the statements negative.**

1. [Classical economists](https://www.investopedia.com/terms/c/classicaleconomics.asp) held that prices, wages, and rates are flexible and markets tend to clear unless prevented from doing so by government policy, building on Adam Smith's original theories.

2. Keynesians focus on [aggregate demand](https://www.investopedia.com/terms/a/aggregatedemand.asp) as the principal factor in issues like unemployment and the business cycle.

3. The [Monetarist](https://www.investopedia.com/terms/m/monetarism.asp) school is a branch of Keynesian economics largely credited to the works of Milton Friedman.

4. The New Classical school emphasizes the importance of microeconomics and models based on that behavior.

5.Because of this "stickiness", the government can improve macroeconomic conditions through fiscal and monetary policy.

**4. Read the text again. Find the mistakes in the sentences given below. Correct them.**

1.The term New Classical economists is not actually a school of macroeconomic thought, but a label applied first by Karl Marx and later by Keynes to denote previous economic thinkers with whom they respectively disagreed, but who themselves did not actually differentiate macroeconomics from microeconomics at all.

2. Austrian economists also believe that there are certain rigidities in the system, particularly [sticky prices](https://www.investopedia.com/terms/p/price_stickiness.asp) that prevent the proper clearing of supply and demand.

3.The classical economists is a branch of Keynesian economics largely credited to the works of Milton Friedman.

4. While Monetarists do accept that households and firms operate on the basis of rational expectations, they still maintain that there are a variety of market failures, including sticky prices and wages.

5. Monetarists mostly apply to microeconomic phenomena, but because they, like the so-called classical economists never strictly separated micro- and macroeconomics.

**5. Find some more information about Macroeconomic Schools of Thought. Make a presentation.**

Lesson 5

*International finance*

**Read and translate the text:**

International finance is the study of monetary interactions between two or more countries, focusing on areas such as foreign direct investment and currency exchange rates.

Basic Principles

* International finance is the study of monetary interactions that transpire between two or more countries.
* International finance focuses on areas such as foreign direct investment and currency exchange rates.
* Increased globalization has magnified the importance of international finance.
* An initiative known as the Bretton Woods system emerged from a 1944 conference attended by 40 nations and aims to standardize international monetary exchanges and policies in a broader effort to nurture post World War II economic stability.

International finance deals with the economic interactions between multiple countries, rather than narrowly focusing on individual markets. International finance research is conducted by large institutions such as the [International Finance Corp.](https://www.investopedia.com/terms/i/international-finance-corporation.asp) (IFC), and the [National Bureau of Economic Research](https://www.investopedia.com/terms/n/nber.asp) (NBER). Furthermore, the U.S. Federal Reserve has a division dedicated to analyzing policies germane to U.S. capital flow, external trade, and the development of global markets.

International finance analyzes the following specific areas of study:

* The Mundell-Fleming Model, which studies the interaction between the goods market and the money market, is based on the assumption that price levels of said goods are fixed.
* International Fisher Effect is an international finance theory that assumes nominal interest rates mirror fluctuations in the spot exchange rate between nations.
* The optimum currency area theory states that certain geographical regions would maximize economic efficiency if the entire area adopted a single currency.
* Purchasing power parity is the measurement of prices in different areas using a specific good or a specific set of goods to compare the absolute purchasing power between different currencies.
* Interest rate parity describes an equilibrium state in which investors are indifferent to interest rates attached to bank deposits in two separate countries.

The [Bretton Woods system](https://www.investopedia.com/terms/b/brettonwoodsagreement.asp) was created at the Bretton Woods conference in 1944, where the 40 participating countries agreed to establish a fixed exchange rate system. The collective goal of this initiative was to standardize international monetary exchanges and policies in a broader effort to create post World War II stability.

The Bretton Woods conference catalyzed the development of international institutions that play a foundational role in the global economy. These include the [International Monetary Fund](https://www.investopedia.com/terms/i/imf.asp) (IMF), a consortium of 189 countries dedicated to creating global monetary cooperation, and the [International Bank for Reconstruction and Development](https://www.investopedia.com/terms/i/international-bank-of-reconstruction-and-development.asp), which later became known as the World Bank.

The purpose of the IMF was to monitor [exchange rates](https://www.investopedia.com/terms/e/exchangerate.asp) and identify nations that needed global monetary support. The World Bank, initially called the International Bank for Reconstruction and Development, was established to manage funds available for providing assistance to countries that had been physically and financially devastated by World War II.﻿ In the twenty-first century, the IMF has 189 member countries and still continues to support global monetary cooperation. Tandemly, the World Bank helps to promote these efforts through its loans and grants to governments.

International finance is closely associated with international trade, which is arguably the most important influencer of global prosperity and growth. But nowadays there are worries related to the fact the United States has shifted from being the largest international creditor, to becoming the world's largest international debtor, absorbing excess amounts of funding from organizations and countries on a global basis. This may affect international finance in unforeseen ways.

**1. Look up new words and memorise them:**

currency exchange rates , to transpire, to magnify, entire to emerge, to nurture, germane, assumption, to assume, purchasing power parity ,conduct, to devastate, excess amounts.

**2. Answer the questions.**

**1.** What specific areas does international finance analyze?

2. When was the [Bretton Woods system](https://www.investopedia.com/terms/b/brettonwoodsagreement.asp) created? What was the main goal?

3. What did the Bretton Woods conference catalyze?

4. What was the purpose of the [International Monetary Fund](https://www.investopedia.com/terms/i/imf.asp)?

5. What does the IMF continue to do in the XXI century?

**3. Underline the correct verb form in the sentences.**

International finance was closely associated\is closely associated\have been closely associated with international trade, which is\are\have been arguably the most important influencer of global prosperity and growth. But nowadays there is\will be\are worries related to the fact the United States had shifted\has shifted\was shifted from being the largest\large\larger international creditor, to becoming the world's largest international debtor, absorbed\absorbing\to absorb excess amounts of funding from organizations and countries on a global basis. This must\may\have to affect international finance in unforeseen ways.

**4. Complete the following sentences.**

1. International finance is the study of …\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. International finance research is conducted …. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. The collective goal of this initiative was …\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. The World Bank, initially called the International Bank for Reconstruction and Development, was established … \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. Tandemly, the World Bank helps …\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. **Find synonyms for the following words:**

To transpire - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Germane - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Research - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Entire - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

To devastate - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Lesson 6

*The World Bank*

**Read and translate the text:**

The World Bank is an international organization dedicated to providing financing, advice, and research to developing nations to aid their economic advancement. The bank predominantly acts as an organization that attempts to fight poverty by offering developmental assistance to middle- and low-income countries.

Currently, the World Bank has two stated goals that it aims to [achieve by 2030](https://www.worldbank.org/en/about/what-we-do" \t "_blank). The first is to end extreme poverty by decreasing the number of people living on less than $1.90 a day to below 3% of the world population. The second is to increase overall prosperity by increasing income growth in the bottom 40% of every country in the world.

Basic Principles

* The World Bank is an international organization that provides financing, advice, and research to developing nations to help advance their economies.
* The World Bank and International Monetary Fund (IMF)—founded simultaneously under the Bretton Woods Agreement—both seek to serve international governments.
* The World Bank has expanded to become known as the World Bank Group with five cooperative organizations, sometimes known as the World Banks.
* The World Bank Group offers a multitude of proprietary financial assistance, products, and solutions for international governments, as well as a range of research-based thought leadership for the global economy at large.
* The World Bank's Human Capital Project seeks to help nations invest in and develop their human capital to produce a better society and economy.

The World Bank is a provider of financial and technical assistance to individual countries around the globe. The bank considers itself a unique financial institution that sets up partnerships to reduce poverty and support economic development.

First of all, the World Bank supplies qualifying governments with low-interest loans, zero-interest credits, and grants, all to support the development of individual economies. Debt borrowings and cash infusions help with global education, healthcare, public administration, infrastructure, and private-sector development. The World Bank also shares information with various entities through policy advice, research and analysis, and technical assistance. It offers advice and training for both the public and private sectors.

Also, the World Bank provides financing, advice, and other resources to developing countries in the areas of education, public safety, health, and other areas of need. Often nations, organizations, and other institutions partner with the World Bank to sponsor development projects. Here are some projects created by the World Bank.

Human Capital Project

In 2017, the World Bank launched the Human Capital Project, which seeks to help countries invest in and develop their people to be productive citizens and active contributors to their economy. World leaders are urged to prioritize investments in education, healthcare, and social protections, and, in return, they will realize a stronger economy is full of healthy, thriving adults.

National Immunization Support Project

In April 2016, the World Bank approved the National Immunization Support Project for Pakistan. This project, costing an estimated $377.41 million, aims to increase the equitable distribution of vaccines to children ages 0 to 23 months.

Learning for the Future

The Learning for the Future project was created to enhance children's readiness for school. The project consists of two components: increasing the equitable access of early childhood education and improving the effectiveness of instruction in secondary education.

It must be pointed out that the World Bank is an organization, rather than a bank. Therefore, its financials are not comparable to traditional financial institutions. Within the organization operates different sectors: the International Bank of Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA).

1. **Look up new words and memorise them:**

economic advancement, predominantly, poverty, simultaneously, proprietary, to reduce, cash infusions, entity, thriving, to enhance.

2. **Read the text again. Find the mistakes in the sentences given below. Correct them.**

- The World Bank is an international organization dedicated to providing financing, advice, and research to developing nations to aid their economic devastation.

- The World Bank has two stated goals that it aims to [achieve by 2035.](https://www.worldbank.org/en/about/what-we-do" \t "_blank)

- The World Bank has expanded to become known as the World Bank Group with four cooperative organizations, sometimes known as the World Banks.

- The World Bank is a provider of only financial assistance to individual countries around the globe.

- The World leaders are urged to prioritize investments in education, healthcare, and social protections, and, in return, they will realize a weak economy full of healthy, thriving adults.

3. **Match the parts of the sentences.**

|  |  |
| --- | --- |
| A | B |
| 1. Originally the organization worked to improve conditions in countries | a) the U.S., Japan, Germany, France and the U.K. |
| 2. There are now [189 countries](http://www.worldbank.org/en/who-we-are" \t "_blank) who | b) (money made from issuing new securities and expenses) from international markets and earnings from its own assets. |
| 3. The leading members of the Group are | c) are members of the World Bank Group. |
| 4. The World Bank is [backed by](https://www.theguardian.com/world/2001/sep/04/globalisation.qanda" \t "_blank) subscriptions paid by its member countries, [bond flotations](http://www.investopedia.com/terms/f/flotationcost.asp" \t "_blank) | d) its diverse staff of economists, professionals in public policy and social scientists. |
| 5. The World Bank attributes much of its success to | e) devastated by World War II, but this quickly evolved into efforts to end global poverty once and for all. |

4. **Underline the correct verb form in the sentences.**

International finance has been\is\ are defined as the set of relations for the creation and using of funds (assets), needed for foreign economic activity of international companies and countries. Assets in the financial aspect have been\is\are considered not just as money, but money as the capital, i.e. the value that brings added value (profit). Capital is\was\has the movement, the constant change of forms in the cycle that passes through three stages: the monetary, the productive, and the commodity. So, finance were\is\was the monetary capital, money flow, serving the circulation of capital. If money is\are\have the universal equivalent, whereby primarily labor costs were\was\are measured, finance is the economic tool. The definition of international finance as the combination of monetary relations, that develop\developed\has developed in process of economic agreements - trade, foreign exchange, investment - between residents of the country and residents of foreign countries, were\has\is not exhaustive. It does\do\did not reflect all the essential features, that have been\are\is generated by the set of conditions outside the company (i.e. the external environment of the international business), which effect on their activity in practice.

1. **Find more information about the World Bank and its activity.   
   Make a presentation.**

Lesson 7

*World Bank Financials*

**Read and translate the text:**

The World Bank is an organization, rather than a bank. With 189 member countries, staff from more than 170 countries, and offices in over 130 locations, the World Bank Group is a unique global partnership: five institutions working for sustainable solutions that reduce poverty and build shared prosperity in developing countries. Therefore, its financials are not comparable to traditional financial institutions. Within the organization operates different sectors: the International Bank of Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). The IBRD, the original World Bank, loans money to creditworthy low-income or middle-income countries. For the fiscal year ended June 30, 2020, the IBRD recorded net interest revenues of $2,414 million and allocable income of $1,381 million. Its equity-to-loans ratio was 22.8%.

The IDA issues credits, or interest-free loans, to the poorest nations. For the fiscal year ended June 30, 2020, the World Bank recorded an adjusted net income of $724 million and a deployable strategic capital (DSC) ratio of 35.8%, which is the available capital divided by the capital needed to support the portfolio.

IFC provides funds and guidance to the private sector for the purpose of helping developing nations stay on a growth trajectory. For the fiscal year ended June 30, 2020, the World Bank recorded net income loss of $1,672 million and a total comprehensive income loss of $2,424. Its DSC ratio was 18%.

Lastly, MIGA directs investments to the poorest countries to help reduce poverty and improve the welfare of a nation's citizens. For the fiscal year ended June 30, 2020, the World Bank recorded net interest revenues of $57 million.

The World Bank was created in 1944 out of the [Bretton Woods Agreement](https://www.investopedia.com/terms/b/brettonwoodsagreement.asp), which was secured under the auspices of the United Nations in the latter days of World War II. The Bretton Woods Agreement included several components: a collective international monetary system, the formation of the World Bank, and the creation of the International Monetary Fund (IMF). Since their founding, both the World Bank and the International Monetary Fund have worked toward many of the same goals. The original goals of both [the World Bank and IMF](https://www.investopedia.com/ask/answers/043015/what-difference-between-international-monetary-fund-and-world-bank.asp) were to support European and Asian countries needing financing to fund post-war reconstruction efforts.

The World Bank and IMF are headquartered in Washington, D.C. The World Bank currently has more than 10,000 employees in more than 130 offices worldwide. The World Bank and its subsidiary groups operate within their own provisions and develop their own proprietary financial assistance products, all with the same goal of serving countries' capital needs internationally.

The World Bank’s counterpart, the IMF, is structured more like a credit fund. The differing in the structuring of the two entities and their product offerings allows them to provide different types of financial lending and financing support. Each entity also has several of its own distinct responsibilities for serving the global economy.

The World Bank is led by President David Malpass. The organization's Board of Directors is comprised of four separate Boards, one for each division of the World Bank. Each Board oversees the operations of their respective sector. For example, the Board for the International Bank for Reconstruction and Development (IBRD) oversees the operations for that segment, and the Board for the International Development Agency (IDA) oversees the operations for that segment. The comparative advantage of the World Bank Group is its ability to work with different stakeholders. This ability comes from the powerful combination of country depth and global breadth, public and private sector instruments and relationships, multisector knowledge, and the ability to mobilize and leverage financing.

1. **Look up new words and memorise them:**

Sustainable, interest-free loans, deployable, guidance, comprehensive, welfare, auspices, the latter days, to be headquartered, subsidiary, to be comprised, to oversee.

1. **Write down the full names for the following abbreviations:**

IBRD -\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

IDA – \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

IFC – \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

MIGA – \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

DSC – \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

IMF – \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. **Answer the questions:**

1. What sectors operate within The World Bank?
2. What countries does the IBRD, the original World Bank, loan money to?
3. Why does MIGA direct investments to the poorest countries
4. What were the original goals of both [the World Bank and IMF](https://www.investopedia.com/ask/answers/043015/what-difference-between-international-monetary-fund-and-world-bank.asp)?
5. How many employees does the World Bank currently have?

**4. Give synonyms for the following words.**

Advantage – \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Assistance –\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Employee – \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

To adjust – \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

To support – \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**5. Match the words with the definitions.**

|  |  |
| --- | --- |
| **Word** | **Definition** |
| 1.central bank | a) The value of currency against other currencies |
| 2.exchange rate | b) The annual cost of borrowing money from a bank |
| 3.interest rates | c) The principal national banking authority |
| 4.national debt | d) Government spending |
| 5.public spending | e) The number, or percentage, of people out of work |
| 6.unemployment rate | f) The total amount of money that a government owes |

Lesson 8.

*International trade*

**Read and translate the text:**

International trade allows countries to expand their markets and access goods and services that otherwise may not have been available domestically. As a result of international trade, the market is more competitive. This ultimately results in more competitive pricing and brings a cheaper product home to the consumer.

International trade was key to the rise of the global economy. In the global economy, supply and demand—and thus prices—both impact and are impacted by global events.

Political change in Asia, for example, could result in an increase in the cost of labor. This could increase the manufacturing costs for an American sneaker company that is based in Malaysia, which would then result in an increase in the price charged for a pair of sneakers that an American consumer might purchase at their local mall.

A product that is sold to the global market is called an [export](https://www.investopedia.com/terms/e/export.asp" \l "axzz1n1rLWewe), and a product that is bought from the global market is an [import](https://www.investopedia.com/terms/i/import.asp" \l "axzz1n1rLWewe). Imports and exports are accounted for in the [current account](https://www.investopedia.com/terms/c/currentaccount.asp) section in a country's balance of payments.

Global trade allows wealthy countries to use their resources—for example, labor, technology, or [capital](https://www.investopedia.com/terms/c/capital.asp" \l "axzz1n1rLWewe)—more efficiently. Different countries are endowed with different assets and natural resources: land, labour, capital, and technology, etc. This allows some countries to produce the same good more efficiently—in other words, more quickly and at lower cost. Therefore, they may sell it more cheaply than other countries. If a country cannot efficiently produce an item, it can obtain it by trading with another country that can. This is known as [specialization](https://www.investopedia.com/terms/s/specialization.asp" \l "axzz1n1rLWewe) in international trade.

For example, England and Portugal have historically both benefited by specializing and trading according to their comparative advantages. Portugal has plentiful vineyards and can make wine at a low cost, while England is able to more cheaply manufacture cloth given its pastures are full of sheep. Each country would eventually recognize these facts and stop attempting to make the product that was more costly to generate domestically in favor of engaging in trade. Indeed, over time, England stopped producing wine, and Portugal stopped manufacturing cloth. Both countries saw that it was to their advantage to stop their efforts at producing these items at home and, instead, to trade with each other in order to acquire them.

These two countries realized that they could produce more by focusing on those products for which they have a [comparative advantage](https://www.investopedia.com/terms/c/comparativeadvantage.asp). In such a case, the Portuguese would begin to produce only wine, and the English only cotton. Each country can now create a specialized output of 20 units per year and trade equal proportions of both products. As such, each country now has access to both products at lower costs. We can see then that for both countries, the [opportunity cost](https://www.investopedia.com/terms/o/opportunitycost.asp) of producing both products is greater than the cost of specializing.

Comparative advantage can contrast with [absolute advantage](https://www.investopedia.com/terms/a/absoluteadvantage.asp). Absolute advantage leads to unambiguous gains from specialization and trade only in cases wherein each producer has an absolute advantage in producing some good. If a producer lacked any absolute advantage, then they would never export anything. But we see that countries without any clear absolute advantage do gain from trade because they have a comparative advantage.

 According to the international trade theory, even if a country has an absolute advantage over another, it can still benefit from specialization.

**1. Look up new words and memorise them.**

expand, impact, cost of labor, be charged for, are endowed, assets, obtain, benefit, in favour of, in order to, access, output, unambiguous gain.

**2. Put a tick(✓) if the sentence is right and a cross (×)if it is wrong. Correct the mistake.**

1. International trade is the purchase of goods and services by countries.
2. Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries, or more expensive domestically.
3. Political economists such as Adam Smith and David Ricardo were not sure of the importance of international trade.
4. Still, some argue that international trade can actually be bad for smaller nations, putting them at a greater disadvantage on the world stage.
5. Countries without any clear absolute advantage can not gain from trade because they have only a comparative advantage

**3. Match the parts.**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. | [current](https://www.investopedia.com/terms/c/currentaccount.asp) | a | advantage |
| 2. | [absolute](https://www.investopedia.com/terms/a/absoluteadvantage.asp) | b | cost |
| 3. | [comparative](https://www.investopedia.com/terms/c/comparativeadvantage.asp) | c | account |
| 4. | [opportunity](https://www.investopedia.com/terms/o/opportunitycost.asp) | d | from trade |
| 5. | natural | e | resources |
| 6. | gain | f | advantage |

**4. Add a prefix to the adjectives below to give each an opposite meaning.**

1. relevant experience\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. democratic society \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. happy employees \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. popular advertisement\_\_\_\_\_\_\_\_\_\_\_\_

5. a complete CV \_\_\_\_\_\_\_\_\_\_\_\_\_\_

6. independent work \_\_\_\_\_\_\_\_\_\_\_\_\_\_

7. a fair decision \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

8. satisfied staff \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

9. an expected promotion \_\_\_\_\_\_\_\_\_\_\_\_\_\_

10. a responsible worker \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**5. Complete the advert below with the words from the list.**

***Competitive degree experience manager market plus resources responsibility successful***

SWATCH

Be an important part of our winning team! We are presently seeking 1. \_\_\_\_\_\_\_\_\_\_\_\_\_ sales professionals who are dedicated, professional, dynamic and energetic.

Marketing 2. \_\_\_\_\_\_\_

3. \_\_\_\_\_\_ candidate will develop and execute overall marketing strategy, work with key accounts and take hands-on 4. \_\_\_\_\_\_\_\_ for small profit centre. Qualified candidates must have 5+ years' sales/marketing experience dealing with this kind of 5. \_\_\_\_\_\_ . BA 6. \_\_\_\_\_\_in marketing and familiarity with international market a 7. \_\_\_\_\_\_\_\_.

We offer 8. \_\_\_\_\_ compensation and a comprehensive benefits package. For consideration, please send confidential resume with sales history to Ms. Clarke, Human 9. \_\_\_\_\_\_ manager.

Lesson 9

*Theory of Comparative Advantage*

**Read and translate the text:**

The theory of comparative advantage has been attributed to the English political economist [David Ricardo](https://www.investopedia.com/terms/d/david-ricardo.asp). Comparative advantage is discussed in Ricardo's book On the Principles of Political Economy and Taxation, published in 1817.

Comparative advantage famously showed how England and Portugal both benefit by specializing and trading according to their comparative advantages. In this case, Portugal was able to make wine at a low cost, while England was able to cheaply manufacture cloth. Ricardo predicted that each country would eventually recognize these facts and stop attempting to make the product that was more costly to generate.

A more contemporary example of comparative advantage is China’s comparative advantage over the United States in the form of cheap labor. Chinese workers produce simple consumer goods at a much lower opportunity cost. The comparative advantage for the U.S. is in specialized, capital-intensive labor. American workers produce sophisticated goods or investment opportunities at lower opportunity costs. Specializing and trading along these lines benefit each country.

The theory of comparative advantage helps to explain why [protectionism](https://www.investopedia.com/terms/p/protectionism.asp) has been traditionally unsuccessful. Protectionismis a policy of protecting domestic industries against foreign competition by means of [tariffs](https://www.britannica.com/topic/tariff), [subsidies](https://www.britannica.com/topic/subsidy), import [quotas](https://www.britannica.com/topic/quota), or other restrictions or handicaps placed on the imports of foreign competitors. If a country removes itself from an international trade agreement, or if a government imposes tariffs, it may produce an immediate local benefit in the form of new jobs. However, this is rarely a long-term solution to a trade problem. Eventually, that country will grow to be at a disadvantage relative to its neighbors: countries that were already better able to produce these items at a lower opportunity cost.

As with all theories, there are opposing views. International trade has two contrasting views regarding the level of control placed on trade between countries.

Free trade is the simpler of the two theories. This approach is also sometimes referred to as [laissez-faire](https://www.investopedia.com/terms/l/laissezfaire.asp) economics. With a laissez-faire approach, there are no restrictions on trade. The main idea is that [supply and demand](https://www.investopedia.com/articles/economics/11/intro-supply-demand.asp) factors, operating on a global scale, will ensure that production happens efficiently. Therefore, nothing must be done to protect or promote trade and growth because market forces will do this automatically.

Protectionism holds that regulation of international trade is important to ensure that markets function properly. Advocates of this theory believe that market inefficiencies may hamper the benefits of international trade, and they aim to guide the market accordingly. Protectionism exists in many different forms, but the most common are [tariffs](https://www.investopedia.com/terms/t/tariff.asp), [subsidies](https://www.investopedia.com/terms/s/subsidy.asp), and [quotas](https://www.investopedia.com/terms/q/quota.asp). These strategies attempt to correct any inefficiency in the international market.

As international trade opens up the opportunity for specialization, and thus more efficient use of resources, it has the potential to maximize a country's capacity to produce and acquire goods. Opponents of global free trade have argued, however, that international trade still allows for inefficiencies that leave developing nations compromised. What is certain is that the global economy is in a state of continual change.

**1. Look up new words and memorise them.**

comparative advantage, to benefit, predict, contemporary, opportunity cost, [protectionism](https://www.investopedia.com/terms/p/protectionism.asp), by means of , restriction, impose, long-term solution, [laissez-faire](https://www.investopedia.com/terms/l/laissezfaire.asp) economics, ensure, aim to.

**2. Answer the following questions.**

1. What book is the theory of comparative advantage discussed in?
2. What famous example illustrates the theory of comparative advantage?
3. What did Ricardo predict?
4. What does the theory of comparative advantage help to explain?
5. What is protectionism?
6. What approach is called laissez-faire?
7. What are the most common forms of protectionism?
8. What potential does the international trade open?

**3. Match the parts of the sentences.**

|  |  |
| --- | --- |
| 1. International trade not only results in increased efficiency,  2. In theory, economies can thus grow more efficiently and become competitive economic participants more easily.  3. For the receiving government, FDI is  4. FDI raises employment levels and, theoretically,  5. For the investor, FDI offers company expansion and growth, | a. and become competitive economic participants more easily.  b. leads to a growth in the [gross domestic product](https://www.investopedia.com/terms/g/gdp.asp) (GDP).  c. but it also allows countries to participate in a global economy, encouraging the opportunity for [foreign direct investment](https://www.investopedia.com/terms/f/fdi.asp) (FDI).  d. which means higher revenues.  e. a means by which [foreign currency and expertise can enter the country](https://www.investopedia.com/terms/r/repatriation.asp). |

**4. Complete the gaps with the necessary forms of the words.**

*Criticisms of Comparative Advantage*

Why 1. \_\_\_\_\_(not) the world have open trading between countries? When there 2. (to be) free trade, why do some countries remain poor at the expense of others? There are many reasons, but the 3. \_\_\_\_\_ (influence) is something that economists call [rent seeking](https://www.investopedia.com/terms/r/rentseeking.asp). Rent seeking 4. \_\_\_\_\_\_ (to occur) when one group organizes and 5. \_\_\_\_\_\_ (lobby) the government to protect its interests.

Say, for example, the 6. \_\_\_\_\_\_\_ (produce) of American shoes understand and agree with the free-trade 7. \_\_\_\_\_\_\_ (argue) but also know that cheaper foreign shoes would negatively impact their narrow interests. Even if 8. \_\_\_\_\_\_\_ ( labour) would be most productive by 9. \_\_\_\_\_\_(switch) from making shoes to making computers, nobody in the shoe industry 10. \_\_\_\_\_\_\_ ( to want) to lose their job or see profits decrease in the short run.

This desire could lead the shoemakers to lobby for special tax breaks for their 11. \_\_\_\_\_\_\_ (produce) or extra duties (or even outright bans) on foreign footwear. Appeals to save American jobs and preserve a time-honored American craft abound—even though, in the long run, American laborers would be relatively less productive and American 12. \_\_\_\_\_\_\_ (consume) relatively poorer as a result of such protectionist tactics.

**5. Make up sentences from the given words.**

1. measures, are, Government-levied, protectionist, tariffs, chief, the.

2. products, goods, Tariffs, imported, raise, price, making, expensive, domestic, them, the, than, of , more.

3. historically, tariffs, [Protective,](https://www.britannica.com/topic/protective-tariff)   employed, stimulate, industries, countries, beset,  [recession](https://www.britannica.com/topic/recession), [depression](https://www.britannica.com/topic/depression-economics), been, to, have, in, by, or.

4. may, industries, Protectionism, nations, helpful, emergent, developing, be, in, to.

5. absolute, be, be, Import, imported, set, quotas, tariffs, limit, goods, amount, certain, can, country, tend, effective, protective, more, an, on, of, to, that, than, into, a, the, and.

Lesson 10

*Globalization*

**Read and translate the text:**

In international economics, globalization is the web of relationships between economies worldwide by way of international trade and investments. While the history of globalization dates back to ancient times, the modern era of globalization began in earnest in the early nineteenth century. Starting with the Industrial Revolution, advancements in transportation (like railroads and steamships) and [communication](https://masterclass.com/articles/robin-robertss-tips-for-effective-communication" \t "_blank) (like the telegraph) allowed increased economic interaction and cooperation across country borders.

. Globalization has made it possible for international organizations to be created through treaties between many different countries. Examples include the European Union, the United Nations, the World Bank, the World Trade Organization (WTO), and the International Monetary Fund (IMF).

Many governments across the world have been engaged in treaties or trade policies to make it easier for international investment and trade. These treaties, called free-trade agreements, include the North American Free Trade Agreement (NAFTA) and the Comprehensive Economic and Trade Agreement (CETA).

Globalization can benefit a country’s economy in many ways:

* Increases economic growth. By increasing the international exchange of goods, technological advances, and information, globalization increases economic development for any country participating in the global economy. An increase in economic growth means better living standards, higher incomes, more wealth in a country, and, often, less poverty—in short, the overall well-being of a country.
* Makes production more affordable. A global market allows businesses wider access to production opportunities and consumers, meaning that there are more goods available at a wider range of price points.
* Promotes working together. When different countries come together to engage in trade and investments in a global financial market, they become interdependent and often come to rely on one another for certain goods and services.
* Brings opportunities to poorer countries. Globalization allows companies to move their production from high-cost locations to lower-cost locations abroad—this means bringing jobs, information technology, and other economic opportunities to countries with fewer resources.

While it can benefit nations, there are also several negative effects of globalization.

* Unequal economic growth. While globalization tends to increase economic growth for many countries, the growth isn’t equal—richer countries often benefit more than developing countries.
* Lack of local businesses. The policies permitting globalization tend to advantage companies that have the resources and infrastructure to operate their supply chains or distribution in many different countries, which can hedge out small local businesses—for instance, a local New York hamburger joint may struggle to compete with the prices of a multinational burger-making corporation.
* Increases potential global recessions. When many nations’ economic systems become interdependent, the likelihood of a global recession increases dramatically—because if one country’s economy starts to struggle, this can set off a chain reaction that can affect many other countries simultaneously, causing a worldwide financial crisis.
* Exploits cheaper labor markets. Globalization allows businesses to increase jobs and economic opportunities in developing countries, where the cost of labor is often cheaper. However, overall economic growth in these countries may be slow or stagnant.
* Causes job displacement. Globalization doesn’t result in an increased number of jobs; rather, it redistributes jobs by moving production from high-cost countries to lower-cost ones. This means that high-cost countries often lose jobs due to globalization, as production goes overseas.

1. **Look up new words and memorise them:**

Treaty, to be engaged in, access, interdependent, to rely on, to lack, to hedge, joint, recession, stagnant.

1. **Complete the sentences.**

1. While the history of globalization dates back to …

2. Globalization has made it possible for …

3. An increase in economic growth means …

4. While globalization tends to increase …

5. When many nations’ economic systems become …

**3. What is globalization? Enumerate positive and negative effects and give information about each of them. Use additional sources of information.**

**4. Write derivatives**

|  |  |  |
| --- | --- | --- |
| Verb | Adjective | Noun |
| To free |  |  |
| To differ |  |  |
| To engage |  |  |
| To rely |  |  |
| To promote |  |  |

**5. Fill in the gaps.**

*interaction groups of people may global is refers holds economic at easier phrase are Furthermore*

Globalization is a system of 1. \_\_\_\_\_\_\_\_\_\_\_ between countries throughout the world aimed at developing the 2. \_\_\_\_\_\_\_\_\_\_\_ economy. Globalization 3. \_\_\_\_\_\_\_\_ to the worldwide interconnectedness of economies and societies. Advances in communication, transportation, and 4. \_\_\_\_\_\_\_\_\_\_\_\_ enable technological, 5. \_\_\_\_\_\_\_\_\_\_\_ , political, and cultural exchanges, resulting in globalization. Since the 1980s, when computer technology initially made it 6. \_\_\_\_\_\_\_\_\_ and faster to do international business, the 7. \_\_\_\_\_\_\_\_\_ has been used in this meaning. The key aspects of this integration are international trade and cross-border investment flows. As a result, globalization is an amalgamation of interaction and integration among distinct 8. \_\_\_\_\_\_\_\_\_\_\_\_\_ , organizations, and governments from other countries.

Globalization 9. \_\_\_\_\_\_ based on the comparative advantage hypothesis, which 10. \_\_\_\_\_\_\_ that countries that are good 11. \_\_\_\_\_ producing a particular good are better off selling it to less efficient countries. In turn, the latter country can export the items it produces cost-effectively to the former, which 12. \_\_\_\_\_\_ be lacking in the same. The basic concept is that not all countries 13. \_\_\_\_\_\_\_ capable of manufacturing all types of goods, hence trading with one another is beneficial.14. \_\_\_\_\_\_\_\_\_\_\_\_\_, due to wage disparities and the diverse ways that different countries are endowed with different resources, countries stand to benefit from trading with one another.

Lesson 11

*International Monetary System*

**Read and translate the text:**

International Monetary System (IMS) is a well-designed system that regulates the valuations and exchange of money across countries. It is a well-governed system looking after the cross-border payments, exchange rates, and mobility of capital. This system has rules and regulations which help in computing the exchange rate and terms of international payments. In other words, International Monetary System mobilizes the capital from one nation to another by felicitating trade.  There are many participants like MNCs (Multinational Corporations), Investors, Financial Institutions, etc in the International Monetary System.

The main purpose of the International Monetary System today is to enhance high growth in the world with stable price levels. Earlier the scope was only up to exchange rates, now the system has a broader scope by taking financial stability into consideration. International Monetary System has established International Monetary Fund (IMF) and the World Bank in the year 1944.

Over the past 75 years, the International Monetary System has modified according to the prevailing conditions. The scope has evolved over the years, but the purpose of the system has remained constant.

The first phase of the International Monetary System was the Classic Gold Standard from 1816 to 1914. In the initial years of the Gold Standard, only a few countries adopted this standard. Later almost all countries accepted it. Usually, coins and billions of gold were useful during this standard. This gold standard gave birth to a fixed exchange rate system with minimal fluctuations.

After the end of World War 1, the Classic Gold Standard collapsed. During World War, many countries printed more money in order to finance their military requirements. As a result of this, the money in circulation exceeded the gold reserves of the country and so, those countries had to give up on Classic Gold Standard. Only the United States of America didn’t give up on Classic Gold Standards.

The period between World War 1 and World War 2 is known as the Interwar Period. This was the next episode of the International Monetary System from 1915 to 1944. During this time, Britain was replaced by the United States of America as the dominant financial powerhouse across the globe. The fixed exchange rate system collapsed with a higher supply of money.

The period after World War 2, gave birth to Bretton Woods System. This monetary system was in existence from 1945 to 1972. This system gave birth to the pegging of domestic currency in terms of US Dollars. A price of $35 was set for 1 ounce of gold. The countries rather than linking their currency to the gold-linked it to US Dollars.

After the downfall of the Bretton Woods System, there has not been any formal International Monetary System in place. The present-day International Financial Architecture is a managed float system. All the currencies of all the countries can freely float against one another in an open market under the managed float system. The government intervenes only when the currency needs to be stabilized. Managed Float System is in place since 1976 with the Jamaica Agreement. Later in 1980, the International Financial Architecture was regulated by G-5 countries. This G-5 group has currently turned into G-20, with a group of 20 countries managing the exchange rate on managed float system.

1. **Look up new words and memorise them:**

cross-border, to felicitate, to enhance, to establish, to evolve, fluctuation, to give up, pegging, to float, prevailing conditions.

1. **Make the following sentences negative.**

1.This system has rules and regulations which help in computing the exchange rate and terms of international payments.

2. There are many participants like MNCs (Multinational Corporations), Investors, Financial Institutions, etc in the International Monetary System.

3**.** The scope has evolved over the years, but the purpose of the system has remained constant.

4. This gold standard gave birth to a fixed exchange rate system with minimal fluctuations.

5. After the downfall of the Bretton Woods System, there has not been any formal International Monetary System in place.

1. **Write questions to the following answers.**

1.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

The main purpose of the International Monetary System today is, to enhance high growth in the world with stable price levels.

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

After the end of World War 1, the Classic Gold Standard collapsed.

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Bretton Woods System was in existence from 1945 to 1972.

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

The government intervenes only when the currency needs to be stabilized.

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Later in 1980, the International Financial Architecture was regulated by G-5 countries.

1. **Choose the correct variant.**

International Monetary System has appeared \ has evolved over the years. However, sometimes it becomes \ begins difficult to devastate \ manage Exchange Rate Stability, Monetary Policy Independence, and Free Capital Mobility altogether. According to \ Due to experts, these criticisms can be overcome \ can be filled by filling the gaps in the national gold \ monetary system of each country \ town and the International Financial Architecture at a large. Rather than seldom \ completely replacing the current system, a little \ a few modification in the changes \ regulations would make the current International Financial Architecture foolproof \ flimsy.

1. **Fill in the gaps.**

***interest rates building societies balance of payment exchange rates exports consumer spending unemployment deficit***

**Managing exchange rates**

When banks and 1. **\_\_\_\_\_\_\_\_\_\_\_\_\_**offer credit, or cheap loans at low 2. **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**, consumer spending rise and 3. **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**go up. High 4. **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**creates pressure to increase wages. High consumer spending also creates more demand for imports. This causes problems for the 5. **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**. Imports also cost more when the exchange rate is high. A high exchange rate also means lower 6. **\_\_\_\_\_\_\_\_\_\_\_\_**. Together these factors can make a worse balance of payments 7. **\_\_\_\_\_\_\_\_\_\_\_\_\_**and higher inflation. Higher inflation usually leads to higher 8. **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**.

Lesson 12

*International Monetary Fund (IMF)*

**Read and translate the text:**

The International Monetary Fund (IMF) is an international organization that promotes global [economic growth](https://www.investopedia.com/terms/e/economicgrowth.asp) and financial stability, encourages international trade, and reduces poverty. Quotas of member countries are a key determinant of the voting power in IMF decisions. Votes comprise one vote per 100,000 [special drawing right](https://www.investopedia.com/terms/s/sdr.asp) (SDR) of quota plus basic votes. SDRS are an international type of [monetary reserve](https://www.investopedia.com/terms/m/monetary-reserve.asp) currency created by the IMF as a supplement to the existing money reserves of member countries.

The International Monetary Fund (IMF) is based in Washington, D.C. The organization is currently composed of 189 member countries, each of which has representation on the IMF's executive board in proportion to its financial importance.3﻿ Quotas are a key determinant of the voting power in IMF decisions. Votes comprise one vote per SDR100,000 of quota plus basic votes (same for all members).﻿

The IMF's website [describes](http://www.imf.org/en/About" \t "_blank) its mission as "to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world." ﻿

The IMF was originally created in 1945 as part of the [Bretton Woods Agreement](https://www.investopedia.com/terms/b/brettonwoodsagreement.asp), which attempted to encourage international financial cooperation by introducing a system of convertible currencies at [fixed exchange rates](https://www.investopedia.com/terms/f/fixedexchangerate.asp). The dollar was redeemable for gold at $35 per ounce at the time.﻿ The IMF oversaw the system: for example, a country was free to readjust its exchange rate by up to 10% in either direction, but larger changes required the IMF's permission.

The IMF also acted as a gatekeeper: Countries were not eligible for membership in the International Bank for Reconstruction and Development (IBRD)—a [World Bank](https://www.investopedia.com/terms/w/worldbank.asp) forerunner that the Bretton Woods agreement created in order to fund the reconstruction of Europe after World War II—unless they were members of the IMF. Since the Bretton Woods system collapsed in the 1970s, the IMF has promoted the system of [floating exchange rates](https://www.investopedia.com/terms/f/floatingexchangerate.asp), meaning that market forces determine the value of currencies relative to one another. This system continues to be in place today.

The IMF's primary methods for achieving these goals are monitoring capacity building and lending. First of all, the IMF makes loans to countries that are experiencing economic distress to prevent or mitigate financial crises. It collects massive amounts of data on national economies, [international trade](https://www.investopedia.com/insights/what-is-international-trade/), and the global economy in aggregate. It also provides regularly updated economic forecasts at the national and international levels. These forecasts, published in the [World Economic Outlook](https://www.imf.org/en/Publications/WEO/" \t "_blank), are accompanied by lengthy discussions on the effect of fiscal, monetary, and trade policies on growth prospects and financial stability.

The impact of IMF loans has been widely debated. Opponents of the IMF argue that the loans enable member countries to pursue reckless domestic economic policies knowing that, if needed, the IMF will bail them out. This safety net delays needed reforms and creates long-term dependency. Opponents also argue that the IMF rescues international bankers who have made bad loans, thereby encouraging them to approve ever riskier international investments. Moreover, critics contend that IMF policy prescriptions provide uniform remedies that are not adequately tailored to each country’s unique circumstances. These standard and strict loan conditions reduce economic growth and deepen and prolong financial crises, creating severe hardships for the poorest people in borrowing countries.

**1. Look up new words and memorise them:**

Comprise, [special drawing right](https://www.investopedia.com/terms/s/sdr.asp), executive board, key determinant, to foster, to facilitate, sustainable, to encourage, redeemable, eligible, to pursue, to bail out, severe hardships.

**2 Read the text again. Find the mistakes in the sentences given below. Correct them.**

1. The International Monetary Fund (IMF) is an international organization that promotes global [economic collapse](https://www.investopedia.com/terms/e/economicgrowth.asp) and financial instability, encourages international devastation, and improves poverty.

2. The International Monetary Fund (IMF) is based in Washington.

3. The IMF was originally created in 1914 as part of the [Bretton Woods Agreement](https://www.investopedia.com/terms/b/brettonwoodsagreement.asp), which attempted to encourage international financial cooperation by introducing a system of convertible currencies at [fixed exchange rates](https://www.investopedia.com/terms/f/fixedexchangerate.asp).

4. Since the Bretton Woods system collapsed in the 1970s, the IMF has promoted the system of [stable exchange rates](https://www.investopedia.com/terms/f/floatingexchangerate.asp), meaning that market forces determine the value of currencies relative to one another.

5. The IMF makes debts in the countries that are experiencing economic distress to prevent or mitigate financial crises.

1. **Give synonyms for the following words.**
2. To reserve - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. To comprise - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. Poverty - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
5. Prospect - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
6. Rescue - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
7. **Choose the correct variant.**

Most people think **politicians/bankers** are better than **politicians/bankers** at running an economy.

Independent central banks have a good record on controlling **inflation/public opinion**.

Freedom to control **monetary policy/banking regulations** means being able to change **exchange rates/political opinion**.

**Low interest rates/high interest rates** help to control **inflation/small banks**.

High interest rates often cause **small banks/central banks** to fail.

In developing countries, central banks cannot help small banks because of the risk of **low inflation/hyper-inflation.**

Newly independent central banks are limited by their agreements with **the International Monetary Fund/the United Nations.**

Any risk of inflation can mean **disinvestment/new investment** on the part of **investment fundholders/national governments.**

If an economy is experiencing major falls in the price of goods and a lack of demand, as well as falling employment, this is called a **recession/stagflation.** (the difference between the recession and stagflation is rapidly falling prices under stagflation)

**5.** **Find some interesting facts about IMF. Make a presentation.**

Lesson 13

*The Basics of Tariffs*

**Read and translate the text:**

International trade increases the number of goods that domestic consumers can choose from, decreases the cost of those goods through increased competition, and allows domestic industries to ship their products abroad. While all of these effects seem beneficial, [free trade](https://www.investopedia.com/terms/f/free-trade.asp) isn't widely accepted as completely beneficial to all parties.

In simplest terms, a [tariff](https://www.investopedia.com/terms/t/tariff.asp) is a tax. It adds to the cost borne by consumers of imported goods and is one of several trade policies that a country can enact. Tariffs are paid to the customs authority of the country imposing the tariff.

It is important to recognize that the taxes owed on imports are paid by domestic consumers and not imposed directly on the foreign country's exports.﻿ The effect is nonetheless to make foreign products relatively more expensive for consumers, but if manufacturers rely on imported components or other inputs in their production process, they will also pass the increased cost on to consumers.

Often, goods from abroad are cheaper because they offer cheaper capital or labor costs; if those goods become more expensive, then consumers will choose the relatively costlier domestic product. Overall, consumers tend to lose out with tariffs, where the taxes are collected domestically

Tariffs are often created to protect [infant industries](https://www.investopedia.com/terms/e/emergingindustry.asp) and developing economies but are also used by more [advanced economies](https://www.investopedia.com/terms/a/advanced-economies.asp) with developed industries.9﻿ 10﻿ Here are five of the top reasons tariffs are used:

Protecting Domestic Employment

The [levying of tariffs](https://www.investopedia.com/ask/answers/051315/what-are-examples-products-and-companies-rely-protective-tariffs-survive.asp) is often highly politicized. The possibility of increased competition from imported goods can threaten domestic industries. These domestic companies may fire workers or shift production abroad to cut costs, which means higher [unemployment](https://www.investopedia.com/terms/u/unemploymentrate.asp) and a less happy electorate.

Protecting Consumers

A government may levy a tariff on products that it feels could endanger its population. For example, South Korea may place a tariff on imported beef from the United States if it thinks that the goods could be tainted with a disease.

Infant Industries

The use of tariffs to protect infant industries can be seen by the [Import Substitution Industrialization](https://www.investopedia.com/terms/i/importsubstitutionindustrialization.asp) (ISI) strategy employed by many developing nations. The government of a developing economy will levy tariffs on imported goods in industries in which it wants to foster growth. This increases the prices of imported goods and creates a domestic market for domestically produced goods while protecting those industries from being forced out by more [competitive pricing](https://www.investopedia.com/terms/c/competitive-pricing.asp). It decreases unemployment and allows developing countries to shift from agricultural products to finished goods.

National Security

[Barriers](https://www.investopedia.com/terms/b/barrierstoentry.asp) are also employed by developed countries to protect certain industries that are deemed strategically important, such as those supporting national security. Defense industries are often viewed as vital to state interests, and often enjoy significant levels of protection. For example, while both Western Europe and the United States are industrialized, both are very protective of defense-oriented companies.

Retaliation

Countries may also set tariffs as a retaliation technique if they think that a trading partner has not played by the rules. For example, if France believes that the United States has allowed its wine producers to call its domestically produced sparkling wines "Champagne" (a name specific to the Champagne region of France) for too long, it may levy a tariff on imported meat from the United States. If the U.S. agrees to crack down on the improper labeling, France is likely to stop its retaliation. Retaliation can also be employed if a trading partner goes against the government's foreign policy objectives.

1. **1.Look up new words and memorise them:**

Beneficial, borne, to impose, to rely on, costly, infant industry, to levy, to be tainted with,

to foster, to deem, defense-oriented company, retaliation.

2. **Make up your own sentences with the words:**

-costly

- to foster

- infant industry

- to levy

- beneficial

3. **Match the parts of the sentences.**

|  |  |
| --- | --- |
| **A** | **B** |
| 1. A tariff is a tax on an imported product that is designed | a) they no longer have a [comparative advantage](https://www.investopedia.com/terms/c/comparativeadvantage.asp) (not to be confused with an [absolute advantage](https://www.investopedia.com/terms/a/absoluteadvantage.asp)). |
| 2. The unemployment argument often shifts to domestic industries complaining about cheap foreign labor, and how | b) revolve around the cost of [subsidizing](https://www.investopedia.com/terms/s/subsidy.asp) the development of infant industries. |
| 3. In economics, however, countries will continue to produce goods until | c) poor working conditions and lack of regulation allow foreign companies to produce goods more cheaply. |
| 4. Criticisms of this sort of [protectionist](https://www.investopedia.com/terms/p/protectionism.asp) strategy | d) lower quality goods, and the subsidies required to keep the state-backed industry afloat could sap [economic growth](https://www.investopedia.com/terms/e/economicgrowth.asp) |
| 5. If an industry develops without competition, it could wind up producing | e) to limit trade in addition to generating tax revenue. |

4.**Match the definition with the appropriate word.**

***Tax haven income tax tax loss tax shelter corporation tax money laundering value added tax excise duty***

1. People pay this tax on the money they earn \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Companies pay this tax on their profits \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. Government tax on the things such as cigarettes, alcohol and petrol \_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. A clever but still legal way of reducing the amount of tax to an absolute minimum \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. This tax is added to the price of goods and services \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
5. Investment schemes which allow people to postpone paying tax \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
6. Handling money made from illegal activity \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
7. In the accounts the company is seen to make this if capital expenditures is brought forward to use up profits \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
8. **Fill in the gaps.**

**benefit imposed on consumers trade barrier imported global market multiple tariff rounds**

* Tariffs, or taxes1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_ imports, have been making news lately as the Trump administration initiated 2.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ on China and elsewhere.
* Tariffs are a type of protectionist 3.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that can come in several forms.
* While tariffs may 4.\_\_\_\_\_\_\_\_\_\_\_ a few domestic sectors, economists agree that free trade policies in a 5.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are ideal.
* Tariffs are paid by domestic 6.\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and not the exporting country, but they have the effect of raising the relative prices of 7.\_\_\_\_\_\_\_\_\_\_\_\_\_\_ products.

Lesson 14

*Subsidies and countervailing measures*

**Read and translate the text:**

The Agreement on Subsidies and Countervailing Measures (Subsidies Agreement) of the World Trade Organization (WTO) provides rules for the use of government subsidies and for the application of remedies to address subsidized trade that has harmful commercial effects. This agreement does two things: it disciplines the use of subsidies, and it regulates the actions countries can take to counter the effects of subsidies. It says a country can use the WTO’s [dispute settlement procedure](https://www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm) to seek the withdrawal of the subsidy or the removal of its adverse effects. Or the country can launch its own investigation and ultimately charge extra duty (known as “countervailing duty”) on subsidized imports that are found to be hurting domestic producers.

The agreement contains a definition of subsidy. It also introduces the concept of a “specific” subsidy — i.e. a subsidy available only to an enterprise, industry, group of enterprises, or group of industries in the country (or state, etc) that gives the subsidy. The disciplines set out in the agreement only apply to specific subsidies. They can be domestic or export subsidies.

The agreement defines two categories of subsidies: prohibited and actionable. It originally contained a third category: non-actionable subsidies. This category existed for five years, ending on 31 December 1999, and was not extended. The agreement applies to agricultural goods as well as industrial products, except when the subsidies are exempted under the Agriculture Agreement’s “peace clause”, due to expire at the end of 2003.

**Prohibited subsidies**: subsidies that require recipients to meet certain export targets, or to use domestic goods instead of imported goods. They are prohibited because they are specifically designed to distort international trade, and are therefore likely to hurt other countries’ trade. They can be challenged in the WTO dispute settlement procedure where they are handled under an accelerated timetable. If the dispute settlement procedure confirms that the subsidy is prohibited, it must be withdrawn immediately. Otherwise, the complaining country can take counter measures. If domestic producers are hurt by imports of subsidized products, countervailing duty can be imposed.

**Actionable subsidies**: in this category the complaining country has to show that the subsidy has an adverse effect on its interests. Otherwise the subsidy is permitted. The agreement defines three types of damage they can cause. One country’s subsidies can hurt a domestic industry in an importing country. They can hurt rival exporters from another country when the two compete in third markets. And domestic subsidies in one country can hurt exporters trying to compete in the subsidizing country’s domestic market. If the Dispute Settlement Body rules that the subsidy does have an adverse effect, the subsidy must be withdrawn or its adverse effect must be removed. Again, if domestic producers are hurt by imports of subsidized products, countervailing duty can be imposed.

Some of the disciplines are similar to those of the Anti-Dumping Agreement. Countervailing duty (the parallel of anti-dumping duty) can only be charged after the importing country has conducted a detailed investigation similar to that required for anti-dumping action. There are detailed rules for deciding whether a product is being subsidized (not always an easy calculation), criteria for determining whether imports of subsidized products are hurting (“causing injury to”) domestic industry, procedures for initiating and conducting investigations, and rules on the implementation and duration (normally five years) of countervailing measures. The subsidized exporter can also agree to raise its export prices as an alternative to its exports being charged countervailing duty.

**1. Look up new words and memorise them:**

Subsidy, withdrawal, adverse effects, ultimately, countervailing duty, non-actionable, to exempt, to expire, to distort, rival, anti-dumping duty, implementation.

**2. Read the text again. Find the mistakes in the sentences given below. Correct them.**

1. The country must launch its own investigation and but anyway can’t charge extra duty (known as “countervailing duty”) on subsidized imports that are found to be hurting domestic producers.

2. The agreement defines four categories of subsidies: prohibited, non-prohibited, actionable and non-actionable.

3. If the dispute settlement procedure confirms that the subsidy is actionable, it must be withdrawn immediately.

4. If the Dispute Settlement Body rules that the tariff does have an adverse effect, the tariff must be withdrawn or its adverse effect must be removed.

5. The subsidized exporter can also agree to low its export prices as an alternative to its exports being charged countervailing duty.

3**. Write derivatives to the following words:**

* monopoly\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* competitor \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* to deregulate \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* authorized \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* legislator \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* protection \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* to nationalize \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* regulator \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* partnership \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* trader \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* subsidized \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**4. Fill in the gaps.**

*Monopoly deregulate competitor protected trade partnership subsidized*

**BT to gain from EU competition laws**

British Telecom is going to attack the 1. \_\_\_\_\_\_\_\_\_\_ position of its German 2. \_\_\_\_\_\_\_\_\_\_\_\_\_Deutsche Telecom. BT wants a 3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_ with two German competitors, RWE and Viag. The EU is trying to 4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the European telecoms industry.

The EU wants to increase competition and open up 5. \_\_\_\_\_\_\_\_\_\_ across frontiers. In France, for example, France Telecom is in a strongly 6. \_\_\_\_\_\_\_\_\_\_\_\_\_\_ domestic market. The company is also 7.\_\_\_\_\_\_\_\_\_\_\_\_\_by the government.

**5.** **Choose the correct variant.**

|  |  |
| --- | --- |
| 1. The market consisting of the country where a company is based and no other countries. | a) servant market  b) domestic market  c) local market |
| 2. Factors which *a)* may have a negative affect on company performance, but which *b)* are outside the company’s control and *c)* are identified during an analysis of marketing performance and prospects. | a) weakness  b) threats  c) quotas |
| 3. A contract which allows another company to make your product and states the terms of payment. | a) franchise  b) a patent  c) a license agreement |
| 4. The action of making illegal duplicates of copyright material. | a) black market  b) cloning  c) copyright infringement |
| 5. A large company with subsidiaries in many different countries. | a) a multinational  b) a holding company  c) a corporation |
| 6. Cash incentives provided by a government to encourage a company to do business overseas. | a) export taxes  b) export tariffs  c) export subsidies |

Lesson 15

*Quotas.*

**Read and translate the text:**

A quota is a government-imposed trade restriction that limits the number or monetary value of goods that a country can import or export during a particular period. Countries use quotas in international trade to help regulate the [volume of trade](https://www.investopedia.com/terms/v/volumeoftrade.asp) between them and other countries. Countries sometimes impose quotas on specific products to reduce [imports](https://www.investopedia.com/terms/i/import.asp) and increase domestic production. In theory, quotas boost domestic production by restricting foreign competition.

Government programs that implement quotas are often referred to as [protectionism](https://www.investopedia.com/terms/p/protectionism.asp) policies. Additionally, governments can enact these policies if they have concerns over the quality or safety of products arriving from other countries.

In business, a quota can refer to a sales target that a company wants a salesperson or sales team to achieve for a specific period. Sales quotas are often monthly, quarterly, and yearly. Management can also set sales quotas by region or business unit. The most common type of sales quota is based on [revenue](https://www.investopedia.com/terms/r/revenue.asp).

Quotas are different from [tariffs](https://www.investopedia.com/terms/t/tariff.asp) or customs, which place taxes on imports or exports. Governments impose both quotas and tariffs as protective measures to try to control trade between countries, but there are distinct differences between them.

Quotas focus on limiting the quantities (or, in some cases, cumulative value) of a particular good that a country imports or [exports](https://www.investopedia.com/terms/e/export.asp) for a specific period, whereas tariffs impose specific fees on those goods. Governments design tariffs (also known as customs duties) to raise the overall cost to the producer or supplier seeking to sell products within a country. Tariffs provide a country with extra revenue and they offer protection to domestic producers by causing imported items to become more expensive.

 Quotas are more effective in restricting trade than tariffs, especially if domestic demand for something is not price-sensitive. Quotas may also be more disruptive to [international trade](https://www.investopedia.com/video/play/what-international-trade/) than tariffs. Applied selectively to various countries, they can be utilized as a coercive economic weapon.

The U.S. Customs and Border Protection Agency, a federal law-enforcement agency of the U.S. Department of Homeland Security, oversees the regulation of international trade, collecting customs, and enforcing U.S. trade regulations. Within the United States, the three forms of quotas are absolute, tariff-rate, and tariff-preference level:﻿

1. An absolute quota provides a definitive restriction on the quantity of a particular good that may be imported into the United States, although this level of restriction is not always in use. Under an absolute quota, once the quantity permitted by the quota is filled, merchandise subject to the quota must be held in a bonded warehouse or entered into a foreign trade zone until the opening of the next quota period.
2. Tariff-rate quotas allow a country to import a certain quantity of a particular good at a reduced [duty](https://www.investopedia.com/terms/d/duty.asp) rate. Once the tariff-rate quota is met, all subsequently imported goods are charged at a higher rate.
3. A separate set of negotiations create tariff-preference levels, such as those established through [Free Trade Agreements](https://www.investopedia.com/terms/f/free-trade.asp) (FTAs).

Goods Subject to Tariff-Rate Quotas

Various commodities are subject to tariff-rate quotas when entering the United States. These eligible [commodities](https://www.investopedia.com/terms/c/commodity.asp) include, but are not limited to, milk and cream, cotton fabric, blended syrups, Canadian cheese, cocoa powder, infant formula, peanuts, sugar, and tobacco.

Highly restrictive quotas coupled with high tariffs can lead to trade disputes, [trade wars](https://www.investopedia.com/terms/t/trade-war.asp), and other problems between nations. Let's study a real example: in January 2018, President Trump imposed 30% tariffs on imported solar panels from China. This move signaled a more aggressive approach toward China's political and economic stance. It was also a blow to the U.S. solar industry, which was responsible for generating $18.7 billion of investment in the American economy and which at the time imported 80% to 90% of its solar panel products.

**1. Look up and memorise them.**

trade restriction, [volume of trade](https://www.investopedia.com/terms/v/volumeoftrade.asp), impose on, have concerns, sales target, [revenue](https://www.investopedia.com/terms/r/revenue.asp), cumulative value, demand for, utilize, coercive, collect customs, [duty](https://www.investopedia.com/terms/d/duty.asp) rate, commodity.

**2. Give definitions for the following terms.**

1. A quota\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. An import \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. [Protectionism](https://www.investopedia.com/terms/p/protectionism.asp) policy \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. A [tariff](https://www.investopedia.com/terms/t/tariff.asp) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. An export \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**3. Put a tick (✓) if the sentence is right and a cross (×) if it is wrong. Correct the mistakes.**

* 1. Countries use quotas in international trade to help regulate the volume of trade between them and other countries.
* 2. Countries impose quotas on all products to reduce [imports](https://www.investopedia.com/terms/i/import.asp) and enlarge domestic production.
* 3. Within the United States, there are three forms of quotas: absolute, tariff-rate, and tariff-preference level.
* 4. Quotas place taxes on imports and exports.
* 5. Tariffs are taxes one country imposes on the goods and services imported from another country.
* 6. Because tariffs increase the cost of imported goods and services, they make them less attractive to domestic consumers.
* 7. Tariffs are more effective in restricting trade than quotas.
* 8. Highly restrictive quotas coupled with high tariffs can lead to trade disputes and other problems between nations.

**4. Add a prefix to the adjectives below to give each an opposite meaning.**

1. responsible worker \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. patient customer \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. efficient stuff\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. replaceable commodities\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. a loyal employee\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

6. reversible decision\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

7. an effective letter of application \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

8. sufficient training \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

9. an equal salary \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

10. a logical argument \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**5. Complete the following text with the words given below**.

***entry, export, goods, key, labour, market, measure, ministry, opportunity, regulation, restriction, trading***

In just forty years, Taiwan has become an economic giant. The 1.\_\_\_\_\_\_\_\_\_\_\_\_ to this success is the strength of its 2. \_\_\_\_\_\_\_\_\_\_ performance. It is now the world's 13th 3. \_\_\_\_\_\_\_\_\_\_\_\_\_ nation. The country's rapid development has come mainly from a very great number of industries requiring considerable amount of 4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_, such as textiles and footwear. The country's competitively priced 5. \_\_\_\_\_ can be found all over the world. This prosperity has improved the standard of living of many Taiwanese. Per capita GNP is now $10,566, the 25th highest in the world.

However, due to rapidly increasing land and labour costs, entrepreneurs are seeking 6. \_\_\_\_\_ in other Asian countries. Taiwan's government has therefore

introduced 7. \_\_\_\_\_\_\_\_\_\_\_ to modernise its industries and to invest in advanced technology, such as computers and smartphones. The 8. \_\_\_\_\_\_of Economic Affairs is presently examining ways to attract foreign investors. Incentives are being offered to foreign corporations that will assist in the development of strategic industries. Banking and financial 9. \_\_\_\_\_\_\_ have undergone a thorough liberalization and foreign banks can now set up branch offices in Taiwan. Some of the other advantages are Taiwan's location, its skilled workforce and abundant capital resources.

Taiwan's upcoming 10. \_\_\_\_\_\_\_\_\_ into GATT will increase its global perspectives, and already trade 11. \_\_\_\_\_\_ have been reduced: goods are now permitted to pass freely in and out of Taiwan. Taiwan's main export 12.\_\_\_\_\_\_\_\_ are the United States, Hong Kong and Japan, but exports to mainland China have been increasing steadily.

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Keys

**Lesson 1**

**3.**

Why do governments have to carefully consider their trade policies and the macroeconomic landscape? (Governments have to carefully consider their trade policies and the macroeconomic landscape to ensure local social and economic goals are met)

What theory seeks to account for the gains obtained from trade and to explain how these gains are distributed among countries?

(The “pure theory of [international trade](https://www.britannica.com/topic/international-trade),” which seeks to account for the gains obtained from trade and to explain how these gains are distributed among countries)

What does the “theory of balance-of-payments adjustments” analyze? (The “theory of balance-of-payments adjustments,” which analyzes the workings of the foreign exchange market, the effects of alterations in the exchange rate of a currency, and the relations between the balance of payments and level of economic activity).

Who reformulated the Ricardian pure theory of international trade? (The Ricardian pure theory of international trade was reformulated by American economist [Paul Samuelson](https://www.britannica.com/biography/Paul-Samuelson), improving on the earlier work of two Swedish economists, [Eli Heckscher](https://www.britannica.com/biography/Eli-Filip-Heckscher) and [Bertil Ohlin](https://www.britannica.com/biography/Bertil-Ohlin)).

What and whose finding was knownas the [Leontief Paradox](https://www.britannica.com/topic/Leontief-Paradox)? (His finding, that U.S. exports were relatively more labour-intensive and imports more capital intensive, became known as the [Leontief Paradox](https://www.britannica.com/topic/Leontief-Paradox))

**4.**

The principal concerns of international economics are the structure of markets, public policy toward monopoly, the regulation of public utilities, and the economics of technical change. The monopoly problem, or, more precisely, the problem of the maintenance of competition, does not fit well into the received body of economic thought. Economics started out, after all, as the theory of competitive enterprise, and even today its most impressive theorems require the assumption of numerous small firms, each having a negligible influence on price.

**5.**

|  |  |  |
| --- | --- | --- |
| VERB | ADJECTIVE | NOUN |
| To relate | Related, relative | Relation, relationship |
| To locate | Local, located | location |
| To connect | Connecting, connected | Connector, connection, connectedness |
| To adjust | Adjusted, adjustable, adjusting | Adjustment, adjustor |
| To endow | endowed | endowment |
| To require | Required, requiring | requirement |
| To care | Careful, careless | Care, overcare, aftercare |

**Lesson 2**

**2.** 1. Macroeconomics2. the entire 3. relationships4. thorough 5. sometimes

**4.** 1. Supply represents how much …the market can supply.

2. Individuals are typically classified into …subgroups, such as buyers,[sellers](https://www.investopedia.com/terms/s/seller.asp), and business owners.

3. Such macroeconomic models, and the forecasts they produce, are used by… government entities to aid in the construction and evaluation of economic, monetary, and fiscal policy; by …businesses to set strategy in domestic and global markets; and by …investors to predict and plan for movements in various asset classes.

4. As the term implies, macroeconomics looks at … the overall, big-picture scenario of the economy.

5. Demand refers to … the quantity of a product or service that buyers want.

**Lesson 3**

**1**.spot turning points(определить поворотные моменты), ramification(последствия, ответвление), fallout(негативные последствия),

**2**.1-d, 2-a, 3-e, 4-b, 5-c

**3**.Economic growth refers/has referred/ refer to an increase in aggregate production in an economy. Macroeconomists is trying/try/has tried to understand the factors that either promote or retard economic growth in order to support economic policies that will support development, progress, and rising living standards. Adam Smith's classic 18th-century work, An Inquiry into the Nature and Causes of the Wealth of Nations, which to advocate/advocated/had advocated free trade, laissez-faire economic policy, and expanding the division of labor, was arguably the first, and certainly one of the seminal works in this body of research. By the 20th century, macroeconomists began studying/study/to study growth with more formal mathematical models. Growth is commonly modeled/ is being commonly modeled/ have been commonly modeled as a function of physical capital, human capital, labor force, and technology. Superimposed over long term macroeconomic growth trends, the levels and rates-of-change of major macroeconomic variables such as employment and national output went/ go/ going through occasional fluctuations up or down, expansions and recessions, in a phenomenon known as the business cycle. The 2008 financial crisis were/had been/is a clear recent example, and the Great Depression of the 1930s is/ was/ being actually the impetus for the development of most modern macroeconomic theory.

**4**.-It is not very important to understand the limitations of economic theory. (It is also important to understand the limitations of economic theory.)

- Knowing the limits of economic theory, there is no sense to follow the major macroeconomic indicators like GDP, inflation, and unemployment. (Even with the limits of economic theory, it is important and worthwhile to follow the major macroeconomic indicators like GDP, inflation, and unemployment.)

-Topics like unemployment, prices, growth, and trade were not concerned by the economists from the very beginning of the discipline. (Topics like unemployment, prices, growth, and trade have concerned economists almost from the very beginning of the discipline).

**5.**

Macroeconomics vs. Microeconomics

Macroeconomics[differs from microeconomics](https://www.investopedia.com/ask/answers/difference-between-microeconomics-and-macroeconomics/), which focuses on smaller factors that affect choices made by individuals and companies. Factors studied in both microeconomics and macroeconomics typically have an influence on one another. For example, the[unemployment](https://www.investopedia.com/terms/u/unemployment.asp) level in the economy as a whole has an effect on the supply of workers from which a company can hire.

[Economics](https://www.investopedia.com/terms/e/economics.asp) involves the study of how people use limited means to satisfy unlimited wants. The law of demand focuses on those unlimited wants. Naturally, people prioritize more urgent wants and needs over less urgent ones in their economic behavior, and this carries over into how people choose among the limited means available to them. For any economic good, the first unit of that good that a consumer gets their hands on will tend to be put to use to satisfy the most urgent need the consumer has that that good can satisfy.

**Lesson 4**

**1**.School of thought (научная школа), to clear (преодолевать препятствия), [aggregate demand](https://www.investopedia.com/terms/a/aggregatedemand.asp) (совокупный спрос),

**4**.1.(“classical economists”) is not actually a school ….

2. (Keynesian economists) also believe that …

3.([Monetarist](https://www.investopedia.com/terms/m/monetarism.asp) school) is a branch of ….

4. (New Keynesians) do accept that …

5. (Austrian economic theories) mostly apply to ….

**Lesson 5**

**1**.purchasingpowerparity (паритет покупательской способности)

**3**.International finance was closely associated\is closely associated\have been closely associated with international trade, which is\are\have been arguably the most important influencer of global prosperity and growth. But nowadays there is\will be\are worries related to the fact the United States had shifted\has shifted\was shifted from being the largest\large\larger international creditor, to becoming the world's largest international debtor, absorbed\absorbing\to absorb excess amounts of funding from organizations and countries on a global basis. This must\may\have to affect international finance in unforeseen ways.

**4.**1. International finance is the study of … monetary interactions that transpire between two or more countries.

2. International finance research is conducted…. by large institutions such as the [International Finance Corp.](https://www.investopedia.com/terms/i/international-finance-corporation.asp) (IFC), and the [National Bureau of Economic Research](https://www.investopedia.com/terms/n/nber.asp) (NBER).

3. The collective goal of this initiative was …to standardize international monetary exchanges and policies in a broader effort to create post World War II stability.

4. The World Bank, initially called the International Bank for Reconstruction and Development, was established… to manage funds available for providing assistance to countries that had been physically and financially devastated by World War II.

**5.** Tandemly, the World Bank helps … to promote these efforts through its loans and grants to governments.

**Lesson 6**

**2**.- The World Bank is an international organization dedicated to providing financing, advice, and research to developing nations to aid their economic devastation (advancement).

- The World Bank has two stated goals that it aims to [achieve by 2035.](https://www.worldbank.org/en/about/what-we-do" \t "_blank)(2030)

- The World Bank has expanded to become known as the World Bank Group with four(five) cooperative organizations, sometimes known as the World Banks.

- The World Bank is a provider of only financial assistance to individual countries around the globe. (and technical assistance)

- The World leaders are urged to prioritize investments in education, healthcare, and social protections, and, in return, they will realize a weak(stronger) economy is full of healthy, thriving adults.

**3**. 1-e, 2-c, 3-a, 4-b, 5-d

**4**.International finance has been\is\ are defined as the set of relations for the creation and using of funds (assets), needed for foreign economic activity of international companies and countries. Assets in the financial aspect have been\is\are considered not just as money, but money as the capital, i.e. the value that brings added value (profit). Capital is\was\has the movement, the constant change of forms in the cycle that passes through three stages: the monetary, the productive, and the commodity. So, finance were\is\was the monetary capital, money flow, serving the circulation of capital. If money is\are\have the universal equivalent, whereby primarily labor costs were\was\are measured, finance is the economic tool. The definition of international finance as the combination of monetary relations, that develop\developed\has developed in process of economic agreements - trade, foreign exchange, investment - between residents of the country and residents of foreign countries, were\has\is not exhaustive. It does\do\did not reflect all the essential features, that have been\are\is generated by the set of conditions outside the company (i.e. the external environment of the international business), which effect on their activity in practice.

**Lesson 7**

**2**.IBRD - the International Bank of Reconstruction and Development,

IDA - the International Development Association,

IFC - the International Finance Corporation,

MIGA - the Multilateral Investment Guarantee Agency

DSC - deployable strategic capital

IMF - the International Monetary Fund

**3.**

1. What different sectors do operate within the organization? the International Bank of Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA).

2.To what countries does the IBRD, the original World Bank, loan money? to creditworthy low-income or middle-income countries

3.Why does MIGA direct investments to the poorest countries? to help reduce poverty and improve the welfare of a nation's citizens.

4. What were the original goals of both [the World Bank and IMF](https://www.investopedia.com/ask/answers/043015/what-difference-between-international-monetary-fund-and-world-bank.asp)? were to support European and Asian countries needing financing to fund post-war reconstruction efforts.

5. How many employees does the World Bank currently have? more than 10,000 in more than 130 offices worldwide.

**5.** 1-c, 2-a, 3-b, 4-f, 5-d, 6-e,

**Lesson 8**

**2.** 1. F International trade is the exchange of goods and services between countries. 2. T, 3. F The importance of international trade was recognized early on by political economists such as Adam Smith and David Ricardo.4. T, 5. F. We see that countries without any clear absolute advantage do gain from trade because they have a comparative advantage.

**3**. 1. [current account](https://www.investopedia.com/terms/c/currentaccount.asp) 2. [absolute advantage](https://www.investopedia.com/terms/a/absoluteadvantage.asp) 3.[comparative advantage](https://www.investopedia.com/terms/c/comparativeadvantage.asp) 4. [opportunity cost](https://www.investopedia.com/terms/o/opportunitycost.asp) 5.natural resources 6. gain from trade

4. 1.irrelevant; 2. undemocratic; 3. . unhappy; 4. unpopular; 5. incomplete; 6. dependent; 7. unfair; 8. un/dissatisfied; 9. unexpected; 10.irresponsible

**5.** 1. experienced 2.manager 3.successful 4.responsibility 5.market 6.degree 7. plus 8. competitive 9.resources

**Lesson 9**

**2**. 1. Comparative advantage is discussed in Ricardo's book On the Principles of Political Economy and Taxation, published in 1817

2. Comparative advantage famously showed how England and Portugal both benefit by specializing and trading according to their comparative advantages.

3.Ricardo predicted that each country would eventually recognize these facts and stop attempting to make the product that was more costly to generate.

4. The theory of comparative advantage helps to explain why [protectionism](https://www.investopedia.com/terms/p/protectionism.asp) has been traditionally unsuccessful.

5. Protectionism is a policy of protecting domestic industries against foreign competition by means of [tariffs](https://www.britannica.com/topic/tariff), [subsidies](https://www.britannica.com/topic/subsidy), import [quotas](https://www.britannica.com/topic/quota), or other restrictions or handicaps placed on the imports of foreign competitors.

6. With a laissez-faire approach, there are no restrictions on trade. The main idea is that [supply and demand](https://www.investopedia.com/articles/economics/11/intro-supply-demand.asp) factors, operating on a global scale, will ensure that production happens efficiently. Therefore, nothing must be done to protect or promote trade and growth because market forces will do this automatically.

7. Protectionism exists in many different forms, but the most common are [tariffs](https://www.investopedia.com/terms/t/tariff.asp), [subsidies](https://www.investopedia.com/terms/s/subsidy.asp), and [quotas](https://www.investopedia.com/terms/q/quota.asp).

8. As international trade opens up the opportunity for specialization, and thus more efficient use of resources, it has the potential to maximize a country's capacity to produce and acquire goods.

**3**. 1c; 2a; 3e; 4b; 5d;

**4.** 1. doesn't; 2. is; 3. most influential; 4. occurs; 5. lobbies; 6. producers; 7. argument; 8. laborers; 9. switching; 10. wants; 11. products; 12. consumers

**5**. 1. Government-levied tariffs are the chief protectionist measures.

2. Tariffs raise the price of imported goods, making them more expensive than domestic products.

3. [Protective tariffs](https://www.britannica.com/topic/protective-tariff) have historically been employed to stimulate industries in countries beset by [recession](https://www.britannica.com/topic/recession) or [depression](https://www.britannica.com/topic/depression-economics).

4. Protectionism may be helpful to emergent industries in developing nations.

5. Import quotas set an absolute limit on the amount of certain goods that can be imported into a country and tend to be more effective than protective tariffs.

**Lesson 10**

**2.**

1. While the history of globalization dates back to… ancient times, the modern era of globalization began in earnest in the early nineteenth century.

2. Globalization has made it possible for … international organizations to be created through treaties between many different countries.

3. An increase in economic growth means… better living standards, higher incomes, more wealth in a country, and, often, less poverty—in short, the overall well-being of a country.

4. While globalization tends to increase … economic growth for many countries, the growth isn’t equal—richer countries often benefit more than developing countries.

5. When many nations’ economic systems become …interdependent, the likelihood of a global recession increases dramatically.

**4.**

|  |  |  |
| --- | --- | --- |
| Verb | Adjective | Noun |
| To free | free | freedom |
| To differ | different | difference |
| To engage | engaged | engagement |
| To rely | reliable | reliance |
| To promote | promotional | promotion |

**5**.Globalization is a system of interaction between countries throughout the world aimed at developing the global economy. Globalization refers to the worldwide interconnectedness of economies and societies. Advances in communication, transportation, and infrastructure enable technological, economic, political, and cultural exchanges, resulting in globalization. Since the 1980s, when computer technology initially made it easier and faster to do international business, the phrase has been used in this meaning. The key aspects of this integration are international trade and cross-border investment flows. As a result, globalization is an amalgamation of interaction and integration among distinct groups of people, organizations, and governments from other countries.

Globalization is based on the comparative advantage hypothesis, which holds that countries that are good at producing a particular good are better off selling it to less efficient countries. In turn, the latter country can export the items it produces cost-effectively to the former, which may be lacking in the same. The basic concept is that not all countries are capable of manufacturing all types of goods, hence trading with one another is beneficial. Furthermore, due to wage disparities and the diverse ways that different countries are endowed with different resources, countries stand to benefit from trading with one another.

**Lesson 11**

**1**.pegging(искусственное поддержание цен на определённом уровне),

**4**.International Monetary System has appeared \ has evolved over the years. However, sometimes it becomes\begins difficult to devastate\manage Exchange Rate Stability, Monetary Policy Independence, and Free Capital Mobility altogether. According to\Due to experts, these criticisms can be overcome\ can be filled by filling the gaps in the national gold\monetary system of each country\town and the International Financial Architecture at a large. Rather than seldom\completely replacing the current system, a little\a few modification in the changes\regulations would make the current International Financial Architecture foolproof\flimsy.

**5**.Managing exchange rates

When banks and building societies offer credit, or cheap loans at low interest rates, consumer spending rises and exchange rates go up. High consumer spending creates pressure to increase wages. High consumer spending also creates more demand for imports. This causes problems for the balance of payment. Imports also cost more when the exchange rate is high.

A high exchange rate also means lower exports. Together these factors can make a worse balance of payments deficit and higher inflation.

Higher inflation usually leads to higher unemployment.

**Lesson 12**

**1**.[special drawing right](https://www.investopedia.com/terms/s/sdr.asp) (специальные права заимствования )

**2.-** The International Monetary Fund (IMF) is an international organization that promotes global [economic collapse](https://www.investopedia.com/terms/e/economicgrowth.asp) and financial unstability, encourages international devastation, and improve spoverty. The International Monetary Fund (IMF) is an international organization that promotes global [economic growth](https://www.investopedia.com/terms/e/economicgrowth.asp) and financial stability, encourages international trade, and reduces poverty.

- The International Monetary Fund (IMF) is based in Washington. The International Monetary Fund (IMF) is based in Washington, D.C.

- The IMF was originally created in 1914 as part of the [Bretton Woods Agreement](https://www.investopedia.com/terms/b/brettonwoodsagreement.asp), which attempted to encourage international financial cooperation by introducing a system of convertible currencies at [fixed exchange rates](https://www.investopedia.com/terms/f/fixedexchangerate.asp). The IMF was originally created in 1945 as part of the [Bretton Woods Agreement](https://www.investopedia.com/terms/b/brettonwoodsagreement.asp), which attempted to encourage international financial cooperation by introducing a system of convertible currencies at [fixed exchange rates](https://www.investopedia.com/terms/f/fixedexchangerate.asp).

- Since the Bretton Woods system collapsed in the 1970s, the IMF has promoted the system of [stable exchange rates](https://www.investopedia.com/terms/f/floatingexchangerate.asp), meaning that market forces determine the value of currencies relative to one another.Since the Bretton Woods system collapsed in the 1970s, the IMF has promoted the system of [floating exchange rates](https://www.investopedia.com/terms/f/floatingexchangerate.asp), meaning that market forces determine the value of currencies relative to one another.

- The IMF makes debts in the countries that are experiencing economic distress to prevent or mitigate financial crises. The IMF makes loans to countries that are experiencing economic distress to prevent or mitigate financial crises.

**4.**Most people think politicians/bankers are better than politicians/bankers at running an economy.

Independent central banks have a good record on controlling inflation/public opinion.

Freedom to control monetary policy/banking regulations means being able to change exchange rates/political opinion.

Low interest rates/high interest rates help to control inflation/small banks.

High interest rates often cause small banks/central banks to fail.

In developing countries, central banks cannot help small banks because of the risk of low inflation/hyper-inflation.

Newly independent central banks are limited by their agreements with the International Monetary Fund/the United Nations.

Any risk of inflation can mean disinvestment/new investment on the part of investment fundholders/national governments.

If an economy is experiencing major falls in the price of goods and a lack of demand, as well as falling employment, this is called a recession/stagflation.(the difference between the recession and stagflation is the rapidly falling prices under stagflation)

**Lesson 13**

**3**.1-e, 2-c, 3-a, 4-b, 5-d

**4**. People pay this tax on the money they earn income tax

Companies pay this tax on their profits corporation tax

Government tax on the things such as cigarettes, alcohol and petrol excise duty

A clever but still legal way of reducing the amount of tax to an absolute minimum Tax haven

This tax is added to the price of goods and services value added tax

Investment schemes which allow people to postpone paying tax tax shelter

Handling money made from illegal activity money laundering In the accounts the company is seen to make this if capital expenditures is brought forward to use up profits tax loss

**5.**

Tariffs, or taxes imposed on imports, have been making news lately as the Trump administration initiated multiple tariff rounds on China and elsewhere.

Tariffs are a type of protectionist trade barrier that can come in several forms.

While tariffs may benefit a few domestic sectors, economists agree that free trade policies in a global market are ideal.

Tariffs are paid by domestic consumers and not the exporting country, but they have the effect of raising the relative prices of imported products.

**Lesson 14**

**2**.1. The country must launch its own investigation and but anyway can’t charge extra duty (known as “countervailing duty”) on subsidized imports that are found to be hurting domestic producers.

- the country can launch its own investigation and ultimately charge extra duty (known as “countervailing duty”) on subsidized imports that are found to be hurting domestic producers.

2. The agreement defines four categories of subsidies: prohibited, non-prohibited, actionable and non-actionable.

-The agreement defines two categories of subsidies: prohibited and actionable.

3. If the dispute settlement procedure confirms that the subsidy is actionable, it must be withdrawn immediately.

-If the dispute settlement procedure confirms that the subsidy is prohibited, it must be withdrawn immediately.

4. If the Dispute Settlement Body rules that the tariff does have an adverse effect, the tariff must be withdrawn or its adverse effect must be removed.

-If the Dispute Settlement Body rules that the subsidy does have an adverse effect, the subsidy must be withdrawn or its adverse effect must be removed.

5. The subsidized exporter can also agree to low its export prices as an alternative to its exports being charged countervailing duty.

-The subsidized exporter can also agree to raise its export prices as an alternative to its exports being charged countervailing duty.

**3.**

|  |  |  |  |
| --- | --- | --- | --- |
| Verb | Agent | General noun | Adjective |
| To monopolize | - | monopoly | monopolistic |
| To compete | competitor | competition | competitive |
| To deregulate | - | deregulation | deregulated |
| To authorize | - | authority | authorized |
| To legislate | legislator | legislation | legislative |
| To protect |  | protection | protective |
| to nationalize | - | nationalization | nationalized |
| To regulate | regulator | regulation | regulatory |
| To partner |  | partnership | - |
| To trade | trader | trade | Traded/trading |
| To subsidize | - | subsidy | subsidized |

**4**.BT to gain from EU competition laws

British Telecom is going to attack the monopoly position of its German competitor Deutsche Telecom. BT wants a partnership with two German competitors, RWE and Viag. The EU is trying to deregulate the European telecoms industry.

The EU wants to increase competition and open up trade across frontiers. In France, for example, France Telecom is in a strongly protected domestic market. The company is also subsidized by the government.

**5**.1-b, 2- b, 3- c, 4- c, 5- a, 6- c

**Lesson 15**

**2**. 1. A quota is a government-imposed trade restriction that limits the number or monetary value of goods that a country can import or export during a particular period.

2. An import is a good or service bought in one country that was produced in another.

3. Protectionism refers to government policies that restrict international trade to help domestic industries. Protectionist policies are usually implemented with the goal to improve economic activity within a domestic economy but can also be implemented for safety or quality concerns.

4. A tariff is a [tax imposed](https://www.investopedia.com/ask/answers/051315/what-are-examples-products-and-companies-rely-protective-tariffs-survive.asp) by one country on the goods and services imported from another country.

5. Exports are goods and services that are produced in one country and sold to buyers in another.

**3.** 1. T; 2. F Countries sometimes impose quotas on specific products to reduce [imports](https://www.investopedia.com/terms/i/import.asp) and increase domestic production; 3.T; 4. Quotas are different from [tariffs](https://www.investopedia.com/terms/t/tariff.asp) or customs, which place taxes on imports or exports. 5. T; 6. T; 7. F Quotas are more effective in restricting trade than tariffs. 8. T

**4.** 1. irresponsible worker 2. impatient customer ,3. inefficient stuff 4. irreplaceable commodities, 5. a disloyal employee, 6. irreversible decision , 7. an ineffective letter of application 8. insufficient training 9. an unequal salary

10. an illogical argument

**5**. 1. key, 2. export, 3. trading, 4. labour, 5. goods, 6. opportunities, 7. measures, 8. ministry, 9. regulations, 10. entry, 11. restrictions, 12. markets.