**TOPIC 1: Global Interdependance**

1. **linkages between economies, including trade, investment, tourism and immigration**

Describe how the linkages between economies are created.

Explain how the linkages between countries have been affected by the global COVID-19 pandemic. Give specific examples.

1. **the patterns and trends in global trade**

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Taken from: <https://ourworldindata.org/trade-and-globalization>

Use the chart above to help you describe the trends in global trade from 1990. In your answer, briefly account for this change in global trade.

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Taken from: <https://www.wto.org/english/res_e/statis_e/merch_trade_stat_e.htm>

Using the chart above, describe the direction in global trade.

1. **the concept, and determinants, of international competitiveness**

Define the concept of ‘international competitiveness’.

Describe the determinants of international competitiveness. (Min. 4 factors)

1. **the concept, and extent, of globalisation**
2. **the factors facilitating globalisation**

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Source: <https://ourworldindata.org/trade-and-globalization>

1. Define ‘globalisation’. (1 mark)
2. Describe the trend in international migration from 1980-1996. (1 mark)
3. Use the graph above to describe the extent of globalisation. (4 marks)
4. Explain three factors facilitating globalisation. (6 marks)
5. **economic effects of globalisation**

Describe three positive and three negative effects of globalisation.

Evaluate the impacts of globalisation.

**TOPIC 2: Free trade and Protectionism**

1. **the significance of trade for the Australian economy**

‘Significance’ is another way of referring to ‘the importance of’.

Explain the significance of trade to the Australian economy.

1. **sources of comparative advantage**

Explain the sources of comparative advantage within Australia. (at least 2 reasons)

1. **demonstrate the gains from specialisation and trade i.e. the theories of absolute and comparative advantage, using the demand and supply model, the production possibility frontier model and/or the concept of opportunity cost**

Demonstrate and explain the gains from trade using the following theories:

1. Absolute and comparative advantage, concept of opportunity cost
2. Demand and supply model (gains from imports)
3. Demand and supply model (gains from exports)
4. Production possibility frontier (ability to consume beyond the PPF)
5. **identify different forms of protection**
6. **demonstrate the operation of tariffs and subsidies as forms of protection and their effects on trade and market efficiency**

Graph of Tariff rate, applied, weighted mean, all products (%) - Australia

Chart, line chart

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Taken from: <https://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS?end=2018&locations=AU&start=2008>

1. Define ‘tariffs’. (1 mark)
2. With reference to the graph above, describe the trend in the level of tariffs in Australia. Demonstrate and explain the impact of this trend. (6 marks)

Subsidies in fuel industry

It is estimated that those in the fossil fuel business receive more than $10 billion per year in government subsidies, with the mining industry receiving the lion’s share. One of those subsidies is the enticingly named Fuel Tax Credit Scheme. It is worth more than $5 billion per year. Under this scheme if you use diesel for transport on non-public roads you do not pay fuel excise tax. Originally it was primarily aimed at farmers but the biggest beneficiary is the mining industry.

Source: <https://www.tai.org.au/node/451>

1. Define ‘subsidies’. (1 mark)
2. Demonstrate and explain the impact of the implementation of subsidies within the fossil fuel industry. (5 marks)

Explain the concept of a quota.

1. **arguments for and against trade liberalisation**

Explain, using the following models, arguments for trade liberalisation.

1. Absolute and comparative advantage, including the concept of opportunity cost
2. Demand and supply model (gains from imports)
3. Demand and supply model (gains from exports)
4. Production possibility frontier (ability to consume beyond the PPF)

Explain the arguments against trade liberalisation, including:

1. Infant industry argument
2. Anti-dumping argument
3. Strategic industry argument (or National defence argument)

Any other arguments:

Evaluate the concept of trade liberalisation using the previous arguments for and against trade liberalisation.

1. **the influence of trade agreements, organisations and blocs on world trade**

Explain the influence of each of the following on world trade. Give examples of each:

1. Trade agreements
2. Trade organisations
3. Trade blocs

**TOPIC 3: Pattern of Trade**

1. **Australia’s trade intensity**
2. **Patterns and trends in the composition and direction of Australia’s trade**

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1. With reference to the graph above, describe the trends in Australia’s trade intensity from 2000 to 2014. (1 mark)
2. With reference to the graph above, state the largest destination for Australian exports. Explain the reason for this observation. (3 marks)
3. With reference to the graph above, explain the changes in Australia’s trade destinations over time. (5 marks)
4. Describe and explain the composition of Australia’s top exports and imports. (4 marks)

**TOPIC 4: Balance of Payments**

1. **structure of Australia's balance of payments**

Describe the structure of Australia’s balance of payments.

Detail the components of the current account.

Detail the components of the capital and financial account.

1. **The concept of the current account balance**

Table

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Taken from: <https://www.abs.gov.au/statistics/economy/international-trade/balance-payments-and-international-investment-position-australia/latest-release#current-account>

1. State the change in the current account balance from the previous quarter.
2. With reference to the table, describe the main contributor to the change in the current account.
3. Explain possible factors that have led to shift of our current account balance to a current account surplus.
4. **recent (the last ten years) trends in Australia’s current account**

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With reference to the graph above, describe the trends in Australia’s current account balance over the last 10 years.

1. **structural and cyclical reasons for Australia’s current account deficit**

Distinguish between structural and cyclical factors affecting Australia’s current account deficit.

Explain four cyclical factors affecting Australia’s current account deficit.

Explain three structural causes of Australia’s current account deficit.

1. **differing views as to the significance of Australia’s current account deficit**

Explain how a current account deficit can be viewed as a sign of economic strength.

Explain how a current account deficit can be viewed as a sign of economic weakness.

Evaluate the current account deficit in Australia.

**TOPIC 5: Terms of Trade**

1. **the concepts of the terms of trade and the terms of trade index**

Define ‘terms of trade’.

Define ‘terms of trade index’.

1. **factors that affect the terms of trade**

“After years of weak commodity prices following on from the global financial crisis — which prompted one expert to warn of the 'death' of Tasmania's mining sector within 10 years — a rally in ore prices last year has seen mining companies across the island state pump money back into the business. With the value of iron ore doubling from around $40 dollars to nearly $80 a tonne, Mr Maynard says there is growing confidence mining will remain profitable in the state for years to come.”

Extract from: https://www.abc.net.au/news/2018-05-20/mining-resurgence-in-tasmania-amid-rising-prices/9779098

1. From the excerpt, describe the change in the value of iron ore. (2 marks)
2. Explain the impact of commodity prices on Australia’s terms of trade. (3 marks)
3. Explain three other factors that would impact Australia’s terms of trade. (6 marks)
4. **recent (the last ten years) trends in Australia’s terms of trade**

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With reference to the diagram, describe the trends in Australia’s terms of trade over the last 10 years.

1. **the significance of changes in Australia’s terms of trade**

For each of the following sections, explain how a movement in Australia’s terms of trade would affect it.

1. Rural
2. Mining
3. Services
4. Manufacturing

Explain how a change in Australia’s terms of trade would affect the Australian economy overall.

**TOPIC 6: Exchange rates**

* **the concept of an exchange rate**

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Calculate the USD/AUD exchange rate.

Explain the concept of an exchange rate.

* **the trade weighted index**

Define the ‘trade-weighted index’.

Distinguish between the trade-weighted index and the exchange rate.

* **demonstrate the determination of, and movements in, the exchange rate (i.e. an appreciation and a depreciation of the exchange rate) under a freely floating system using the demand and supply model**
* **demonstrate the impact of changes in the factors that affect the exchange rate using the demand and supply model**

At a very basic level there's a big range in which the Australian dollar could move depending on the price of iron ore, Australian interest rates relative to those overseas, levels of economic growth at home and abroad, and rises and falls in the US dollar.

It's produced a wide range of forecasts for the Australian dollar from roughly 75 US cents to 82 US cents.

But ANZ's David Plank says a 10 per cent fall in the Australian dollar from its current level of around 76 US cents would put "material" upwards pressure on interest rates (because of the impact it would have on inflation).

Taken from: <https://www.abc.net.au/news/2021-03-10/mortgage-interest-rates-may-soon-be-on-the-way-up/13230942>

1. State the forecasted value of the Australian dollar in USD.
2. With reference to the extract, list the factors that influence the exchange rate.
3. Demonstrate and explain how each of the factors in part (b) would affect the exchange rate.

* **the relationship between the balance of payments and the exchange rate**

Explain how a change in the exchange rate would affect the current account.

Explain how a change in the exchange rate would affect the financial account.

* **effects of movements in the exchange rate on various sectors of the economy**

“The low Australian dollar that is boosting the value of farm exports is having the opposite effect on oil imports.” – Extracted from: https://www.abc.net.au/news/rural/2016-01-14/low-exchange-rate-and-oil-rice-helps-farmers-miners/7088874

Consider the above statement and explain why a low Australian dollar would have opposite effects on the farming (rural) industry as opposed to the resource industry.

Explain how a low Australian dollar would affect the services and manufacturing industries.

Explain the impact of an appreciating Australian dollar.

* **recent (the last ten years) trends in Australia’s exchange rate**

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Describe the trends in the Australian dollar over the last 10 years.

Demonstrate and explain possible reasons for the recent depreciation in the AUD.

**TOPIC 7: Foreign Investment**

1. **the concept of foreign investment in terms of foreign assets and foreign liabilities**

Define foreign investment.

Define foreign assets.

Define foreign liabilities.

1. **the concept of foreign liabilities i.e. foreign debt and equity**

Define foreign debt.

Define foreign equity.

1. **the relationship between the current account outcome and foreign liabilities**

Australia's net foreign debt has expanded beyond $1 trillion for the first time on record.

Net foreign debt in the December quarter came in at $1,006 billion — an increase of 2.8 per cent on the previous quarter's $971 billion. Figures released by the Australian Bureau of Statistics also show that the quarterly current account deficit has blown out to $21.1 billion, the second deepest deficit since the data was first recorded in 1959.

Extracted from: https://www.abc.net.au/news/2016-03-01/australias-net-foreign-debt-tips-over-$1-trillion/7210622

1. Using the extract, state the value of the current account deficit.
2. With reference to the extract, describe the change in net foreign debt.
3. Explain the relationship between the current account outcome and foreign liabilities. Tip: Refer to data in your answer.
4. **the extent of, and recent (the last ten years) trends in, Australia’s foreign direct investment and foreign debt**

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Describe the extent of foreign liabilities in Australia.

Describe and explain the trends in foreign liabilities in Australia over the last 10 years.

1. **benefits and costs of foreign direct investment and foreign debt to Australia**

Describe the benefits of foreign direct investment.

Describe the costs of foreign direct investment.

Describe the benefits of foreign debt.

Describe the costs of foreign debt.

Evaluate the benefits and costs of foreign debt in Australia.