

**Friday 25 May 2012 – Afternoon**

**GCSE ECONOMICS**

**A593/01/SM** The UK Economy and Globalisation

**STIMULUS MATERIAL**

**Duration:** 1 hour 30 minutes



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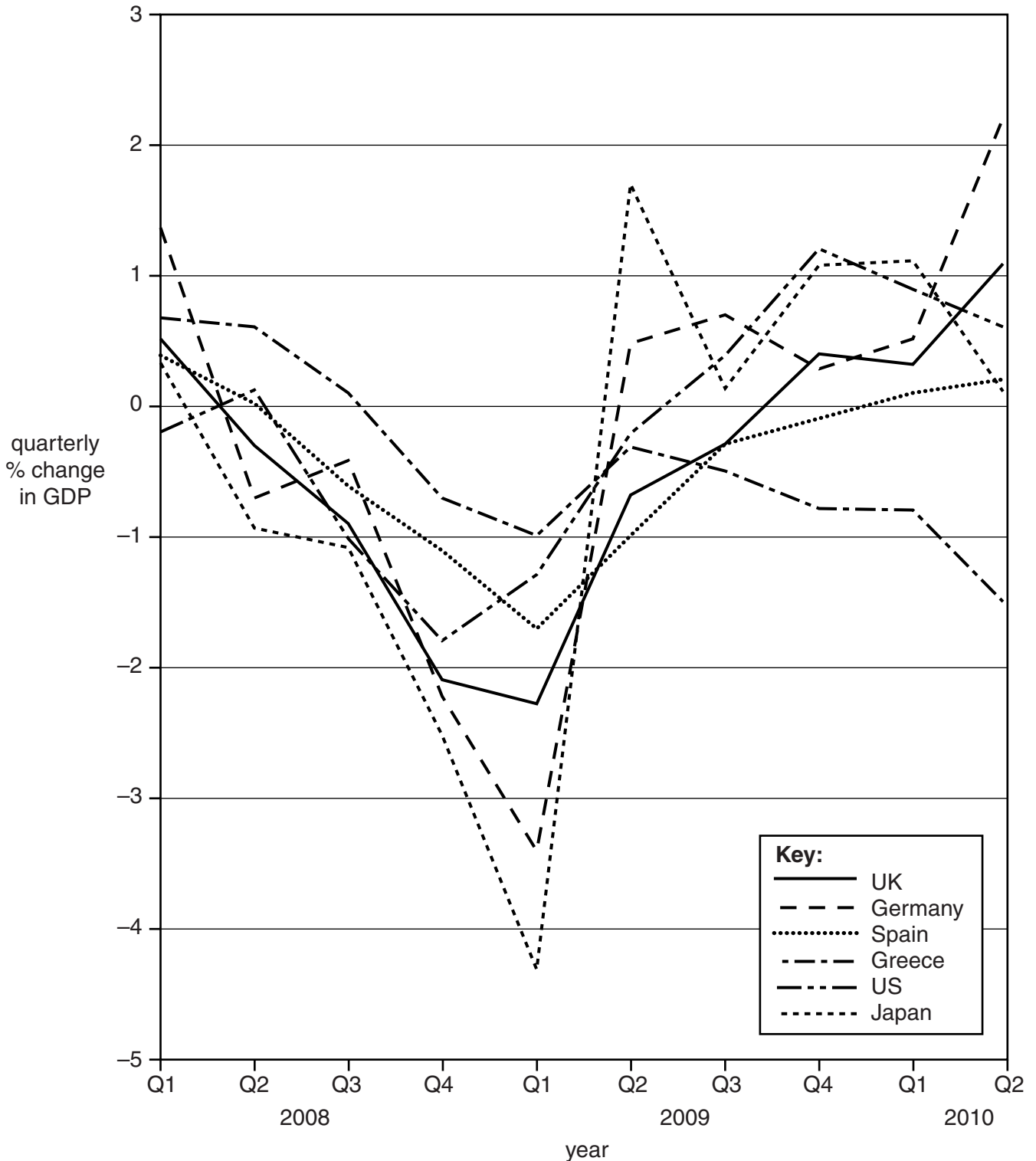
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## Trade benefits all?

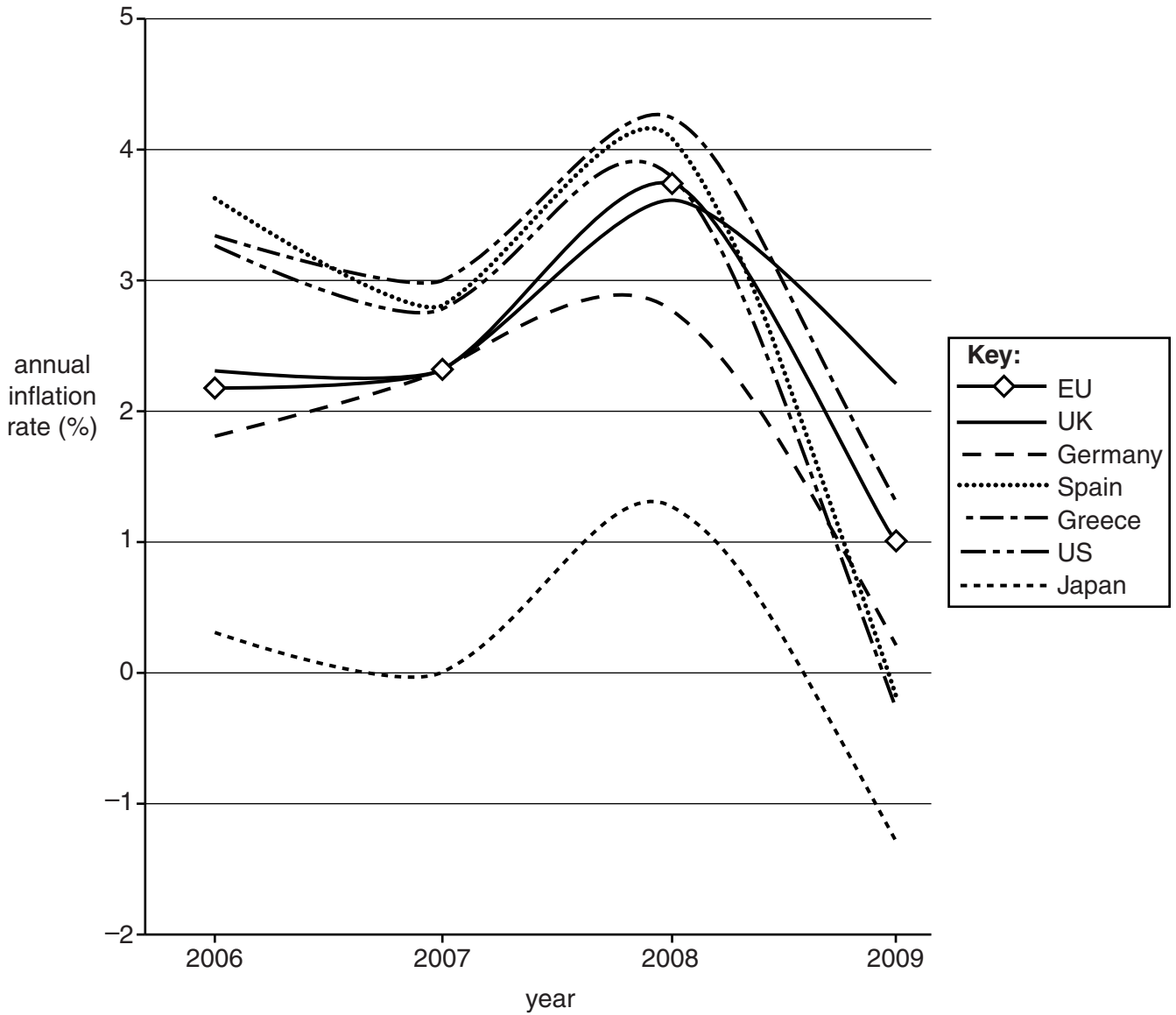
The growth in world trade has significantly increased over the last few decades. Emerging economies such as the BRIC nations (Brazil, Russia, India and China) have contributed to this growth. There are many benefits to economies of this increase in trade, but alongside these there are also a number of drawbacks. The recent global recession shows how economies around the world are now interconnected.

**Fig. 1 – GDP growth in selected economies – Q1 2008 to Q2 2010**



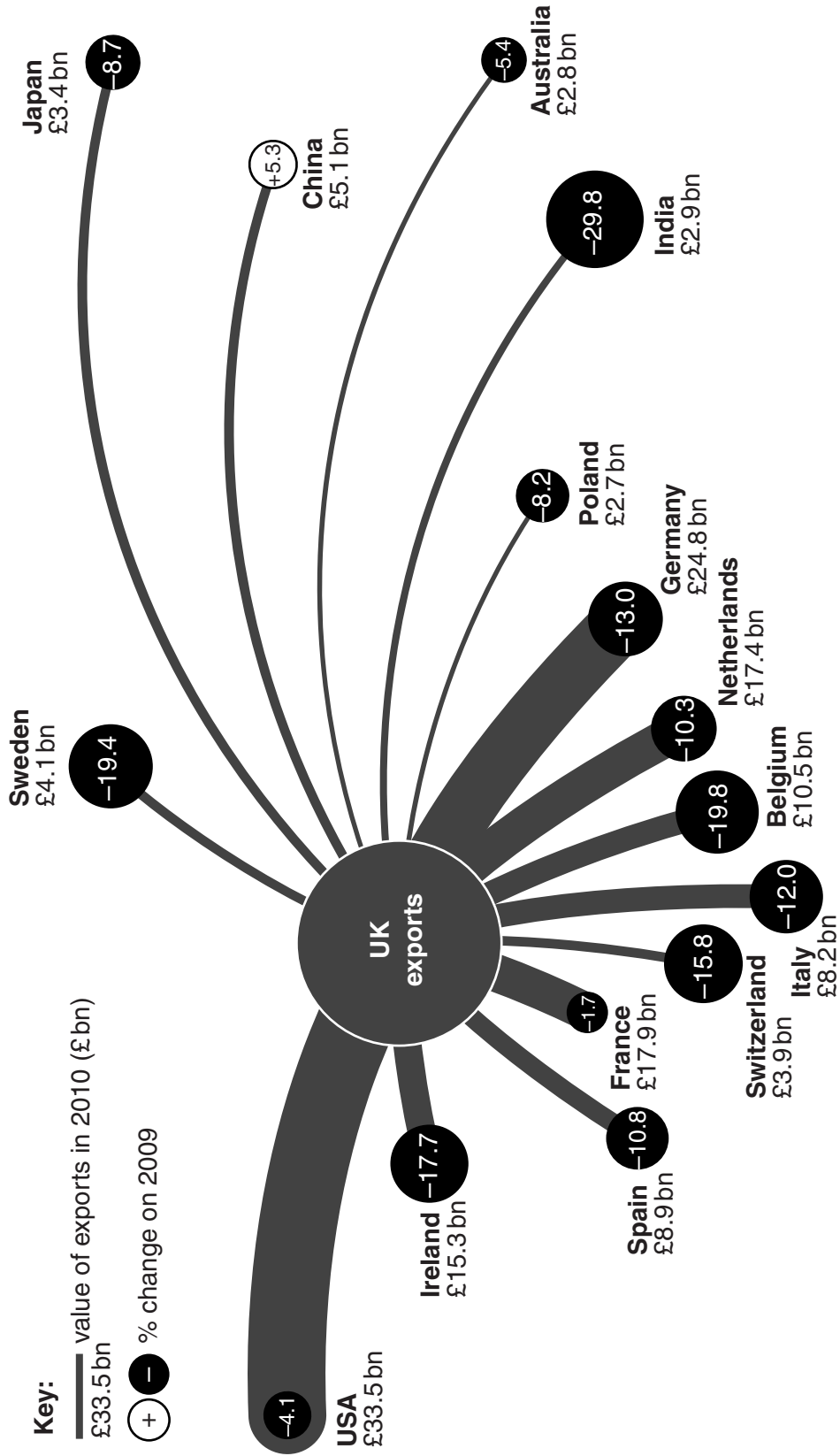
The control of inflation is a major objective of most economies. Recent inflation rates within selected economies are shown in Fig. 2.

**Fig. 2 – Annual inflation rates in selected economies**



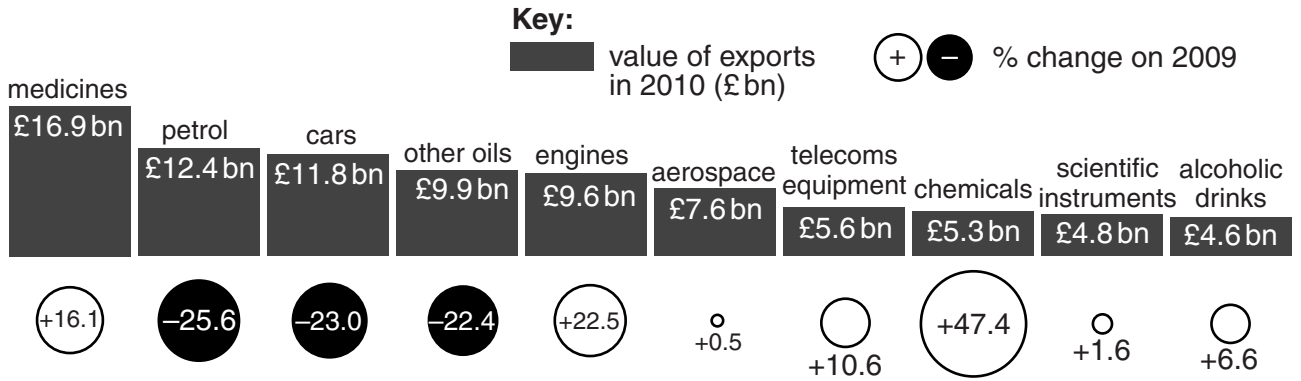
The UK is a major trading nation and its exports to selected economies are shown in Fig. 3.

Fig. 3 – UK exports to selected economies

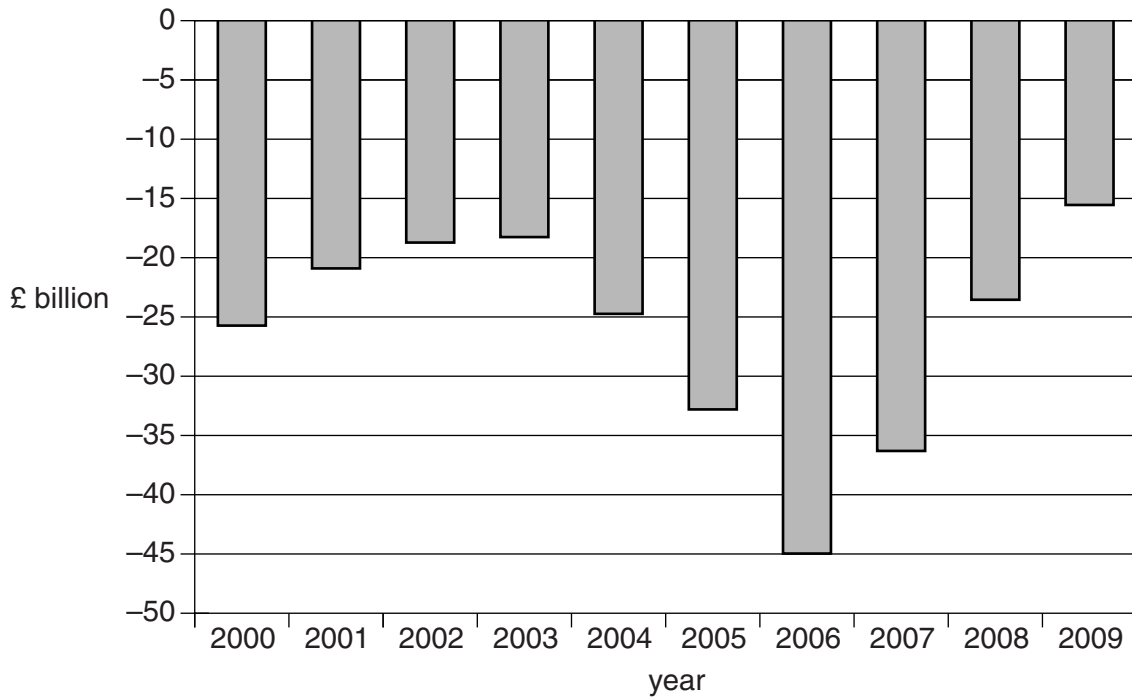


**Fig. 4 – The main goods exported from the UK**

**What the UK sells overseas – the Top 10 products**



**Fig. 5 – UK Current account balance**



International trade can cause countries to clash as shown in Figs. 6 and 7.

**Fig. 6 – Newspaper headlines in 2010**

Headline A

**‘EU puts a quota on cotton imported from China’**

Headline B

**‘US increases tariff on steel imported from the EU by 10%’**

**Fig. 7 – China and the USA – a trade war?**

**China is to enforce anti-dumping duties on chicken imports from the USA, accusing US poultry firms of exporting the meat at unfairly low prices.**

In just the latest in a series of trade disputes between the two countries, China’s Commerce Department said the tariffs will start shortly.

China launched an investigation into chicken imports from the USA in September 2010, a day after the USA put tariffs on imports of tyres from China.

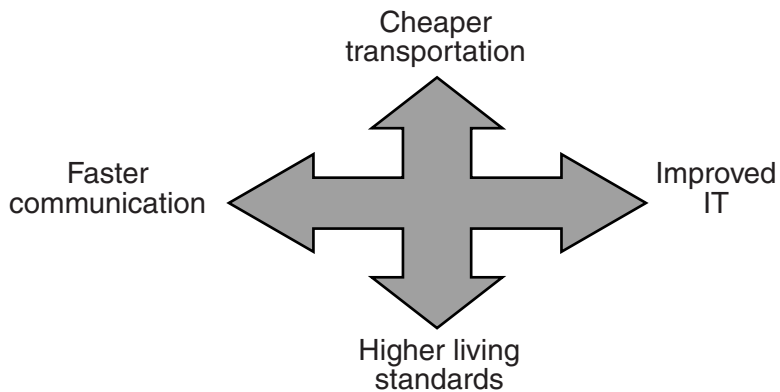
President Obama said that he would get “much tougher” with China on trade.

**Fig. 8 – Increasing globalisation**

Globalisation is a word which is on everyone's lips these days, from politicians to businessmen.

Globalisation is not new, but it is a product of the industrial revolution. Britain grew rich in the 19th century as the first global economic superpower. The pace, scope and scale of globalisation have accelerated dramatically since World War II, and especially in the last 25 years. The rapid spread of information technology and the Internet are changing the way companies organise production, and increasingly allowing services as well as manufacturing to be globalised.

Drivers which have affected globalisation are shown in Fig. 9.

**Fig. 9 – What has driven globalisation?**

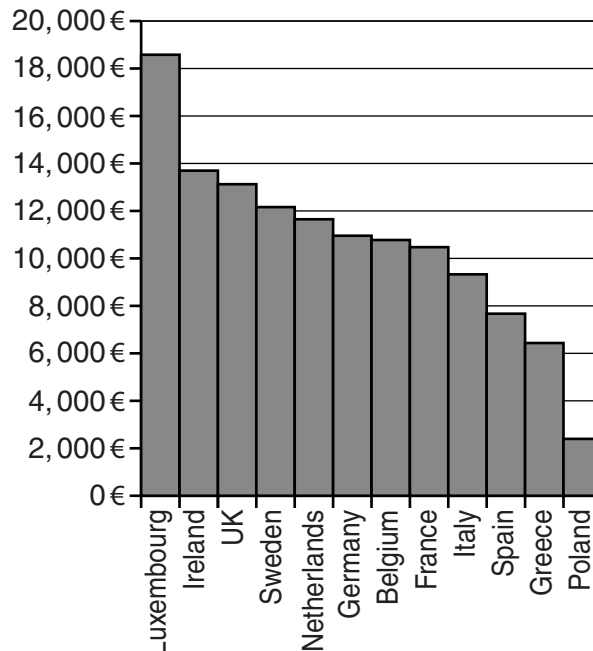
### Fig. 10 – Poverty and the impact of trade on poverty

Nearly 13 million people live in relative poverty in the UK. The UK has a higher proportion of its population living in relative poverty than most other EU countries.

Absolute poverty is all about not having enough money to pay for the things you need. This means that you may not have enough to eat, may be unable to heat your home, and may not have adequate warm clothing.

Trade between countries can help to reduce poverty in a country. It can help people in a country to earn more money and, therefore, spend more on material goods. However, trade can also cause an increase in the income inequality in a country.

**Fig. 11 – Relative poverty in selected EU countries in 2010 (= 60% of median income after housing costs.)**



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