

Definitions and Concepts for AQA Economics A-level

Paper 2: Macroeconomics

Topic 6 – The International Economy

Absolute advantage: When an economy is able to produce greater quantity of output with the same quantity of input.

Aid: Transfer of resources between economies.

Bilateral aid: Aid given from one country to another.

Comparative advantage: When an economy is able to produce a greater quantity of output at a lower opportunity cost.

Debt relief: Partial or total forgiveness of debt slowing of debt growth.

Developed countries: Countries with high GDP per capita; tend to export manufactured goods.

Developing countries: Countries with low GDP per capita; tend to export agriculture.

Economic development: Assessing the standards of living and economic welfare of those in a country.

Economic integration: The process by which economies become more closely linked.

Emerging countries: Countries that aren't fully developed, yet are more developed than LEDCs.

Foreign direct investment (FDI): When firms in one country make investments into another country.

Free trade: Trade with no barriers or restrictions.

Globalisation: The process in which economies become increasingly interconnected and markets become worldwide in scope.

Human Development Index (HDI): Measures an economy's development based on 3 main criteria; life expectancy, educational achievement, and living standards.

Multi-national corporation (MNC): Firms that operate in multiple countries.

Protectionism: When governments enact policies to restrict the free entry of imports into an economy.

Quota: A limit on the amount of a good that can be imported into a country.

Sustainability: Meeting present-day needs without putting the future at risk.

Tariff: Form of tax placed on imported goods, making them less price competitive to disincentivise consumption.

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Trade creation: Creation of trade between members within a bloc.

Trade diversion: Diversion of trade from between a country in a bloc and efficient countries outside a bloc, to less efficient countries within a bloc.

Trade liberalisation: Reduction or removal of protectionist policies.

Trading bloc: Government agreements that promote trade between certain countries.

World Trade Organisation (WTO): International organisation that aims to make trade as free as possible, discussing trade agreements and settling trade disputes.

