

1. absolute advantage (HL)	a situation where a country can produce a good using fewer resources than another country	17. customs union	a trading bloc where the countries agree to trade freely among themselves and agree to adopt common external barriers against other countries not in the bloc
2. account deficit	a situation where the outflows of money on a component of the balance of payments are greater than the inflows	18. debit item	any exchange transaction that leads to money leaving a country (a negative value on the balance of payments)
3. account surplus	a situation where the outflows of money on a component of the balance of payments are less than the inflows	19. depreciation	when the price of one country's currency declines against another country's currency in a floating exchange rate regime
4. administrative barriers	government laws or procedures that may result in reduced trade	20. deterioration of terms of trade (HL)	occurs when the index value of average export prices worsens relative to average import prices; a given amount of exports can buy fewer imports
5. appreciation	when the price of one country's currency rises against another country's currency in a floating exchange rate regime	21. devaluation	when the price of one currency is lowered against another country's currency in a fixed exchange rate regime
6. balance of payments	a record of the value of all the transactions between the residents of one country and the residents of all other countries in the world in a given time	22. direct investment	a component of the financial account; measures the purchase of long-term assets, where the purchaser aims to gain a lasting interest in a company of another company
7. balance of trade in goods (visible balance)	a component of the current account; a measure of the revenue received from the export of physical goods minus the expenditure on the imports of physical goods	23. diversification	a situation where a country uses policies to develop a variety of different products for export, to avoid the risks of over-specialization
8. balance of trade in services (invisible balance)	a component of the current account; a measure of the revenue received from the export of services minus the expenditure on the imports of services	24. Doha Round	the current round of trade negotiations between WTO member countries
9. bilateral trade agreement	an agreement relating to trade between two countries	25. dumping	a situation where a country sells a large quantity of a good, at a price lower than production cost, harming the importing country's industry
10. capital account	a component of the balance of payments consisting of capital transfers and transactions in non-produced, non-financial assets	26. economic and monetary union	a common market with a common currency and a common central bank
11. common market	a customs union with common policies on product regulation and the free movement of factors of production, as well as goods and services	27. economic integration	the process by which countries coordinate and link their economic policies
12. comparative advantage (HL)	a situation where a country can produce a good with a lower opportunity cost than another country	28. embargo	an extreme quota; a complete ban on imports from another country; usually used as political punishment
13. convertible currency	a currency that is widely accepted in exchange for other countries' currencies	29. exchange rate	the price of one currency expressed in terms of another currency
14. credit item	any exchange transaction that leads to money coming into a country (a positive value on the balance of payments)	30. exchange rate regime	the way that a country manages its exchange rate
15. current account	a component of the balance of payments that measures the flow of funds from trade in goods and services, plus other income flows and transfers	31. expenditure reducing policies (HL)	policies used by government that aim to reduce overall expenditure in the economy, shifting AD back, and reducing spending on imports as well as other goods; includes contractionary fiscal policies and contractionary monetary policies
16. current transfers	movement of money to or from another country, where no goods or services are exchanged		

32. expenditure switching policies (HL)	policies used by the government that aim to switch the expenditure of domestic consumers away from imports towards domestically-produced goods and services; includes depreciating or devaluing the currency to make imports more expensive, or using protectionist measures to make imports more expensive or less available	49. managed exchange rate	an exchange rate regime where the currency is allowed to float, but with intervention from the central bank if price changes are extreme
33. exports	a good or service taken out from a country for sale in foreign country	50. Marshall-Lerner condition (HL)	depreciating or devaluing a currency will only improve a current account deficit if the price elasticity of demand for exports and imports together is greater than 1
34. factor endowments	the stock of factors of production that a country has to produce goods and services	51. "most favored nation" status	a requirement that WTO members grant the same trade concessions to all other member countries
35. financial account	a component of the balance of payments; measures the net change in direct investment, portfolio investment and reserve assets	52. multilateral trade agreement	an agreement relating to trade between multiple countries
36. fixed exchange rate	where the price of one country's currency is fixed (pegged) to the price of another country's currency, a basket of currencies, or to the value of a commodity such as gold	53. net factor income from abroad	a component of the current account; a measure of the net monetary movement of profit, interest, dividends moving in and out of a country over a period of time
37. floating exchange rate	where the price of one country's currency is allowed to change according to demand and supply of the currency in Forex markets	54. non-tariff barrier	a form of protectionism that includes measures other than tariffs, like quotas, sanctions, and administrative barriers
38. foreign exchange	a system for dealing in the currencies of other countries; or another name for foreign currencies	55. over-specialization	a situation where a country is excessively dependent on the production of one good or commodity
39. foreign exchange reserves	a store of foreign currencies held by a central bank; used in Forex markets to influence the price of its currency	56. portfolio investment	a component of the financial account; measures stock and bond purchases
40. Forex market	the international market where currencies are traded	57. preferential trading area	a trading bloc that gives preferential access to certain products from certain countries
41. free trade	a situation where there are no barriers to trade between countries	58. primary products	raw materials that are taken from the land or ocean
42. free trade area	a trading bloc where the countries agree to trade freely among themselves, but are able to trade with other countries outside the bloc however they want	59. protectionism	the use of trade barriers to protect a country's domestic industries from competition
43. globalization	the process of international integration arising from the exchange of products, services, ideas and other aspects of culture	60. quota	a limit set by government on the amount of a good that can be produced or imported
44. health and safety standards	government regulations restricting the import of certain goods for health or safety reasons; can be a barrier to trade	61. red tape	administration processes, such as paperwork, that make it more difficult and time-consuming to import a product
45. imports	a good or services brought into the country for sale from a foreign country	62. reserve assets	a component of the financial account; the store of gold and foreign currencies that countries hold
46. improvement of terms of trade (HL)	occurs when the index value of average export prices rises relative to average import prices; a given amount of exports can buy more imports	63. retaliation	when a country imposes a trade barrier on another in response to having barriers imposed on its trade
47. international trade	the exchange of capital, goods, and services across international borders	64. revaluation	when the price of one currency is raised against another country's currency in a fixed exchange rate regime
48. J-Curve (HL)	a diagram showing what should happen to the current account balance in the short run and long run, following a depreciation or devaluation of a country's currency	65. specialization	when a country focuses its resources on the production of one or a few goods
		66. speculation	when an individual or firm buys something (like a currency) with the sole aim of selling it later at a higher price

67. Standards and Trade Development Facility (STDF)	a program that helps developing countries meet product standards to improve their ability of their goods to enter foreign markets
68. subsidy	a government payment to a firm (producer subsidy) or to a consumer (consumer subsidy)
69. sunrise (infant) industries	groups of firms just starting out in a country
70. sunset industries	groups of firms in a country that are in economic decline
71. tariff	a tax on an imported good or service
72. terms of trade (HL)	an index that shows the value of a country's average export prices relative to their average import prices
73. trade creation (HL)	occurs when the entry of a country into a customs union leads to the production of a good or service transferring from a high-cost producer to a low-cost producer
74. trade deficit	a situation where the value of a country's imports is greater than the value of a country's exports
75. trade diversion (HL)	occurs when the entry of a country into a customs union leads to the production of a good or service transferring from a low-cost producer to a high-cost producer
76. trade surplus	a situation where the value of a country's exports is greater than the value of a country's imports
77. trade war	when countries try to damage each other's trade, usually through tariffs or quota restrictions.
78. trading bloc	a group of countries that make an agreement to increase trade between themselves
79. World Trade Organization (WTO)	an international organization that sets the rules for global trading and resolves disputes between its member countries