

GLOBAL ECONOMY (ECONOMICS)(GE)

**and
World Economic
Relations (WER)**

CONTENT:

1. General definitions and terms of GE.
2. Theories of the world trade (WT).
3. WT regulation. Free trading and protectionism.
INCOTERMS 2010.
4. Economic integration.
5. Currency. International monetary system.
6. Transnational companies.
7. Balance of payments.
8. Offshores.



Part 1.

**General definitions and terms of
GE.**

The difference between similar terms:

• ***economic/economical***

Economic pertains to the economy.

Economical means not wasteful.

• ***economy/economics***

The ***economy*** is the relationship between production, trade and the supply of money in a particular country or region (*The economy is in recession*).

Economics is a science that studies economies and develops possible models for their functioning (*He studied economics at the LSE (London School of Economics)*).

The world economy or global economy is the economy of the world, considered as the international exchange of goods and services that is expressed in monetary units of account (money).

In some contexts, the two terms are distinguished: the "international" or "global economy" being measured separately and distinguished from national economies while the "world economy" is simply an aggregate of the separate countries' measurements.



A subject matter of GE is WER.

WER:

- trade of goods and services;
- capital flow;
- labour migration;
- intellectual property trade;
- currency relations;
- credit relations (World Bank, International Monetary Fund);
- co-operation of production (multinational companies/transnational corporations).

BACKGROUND AND FORMATION PERIOD OF GE:

- 1. Definition of GE and global market.**
- 2. International division of labour (IDL)
and factors of production.**
- 3. Groups of countries in GE.**



IDL - the allocation of various parts of the production process to different places in the world.

2 main processes of IDL:

-specialization

-co-operation

GENERAL MEANING OF THE TERM «GE»:

- a system of world economic relations, national economies` cooperation;
- A combination of different economic sectors and branches of national economies;
- national economies` unity and world economic relations that help to make a complete and stable system.

Stages of GE's formation:

1. Age of Discovery
2. Before the 1st World War
3. Between 2 World Wars
4. From the 2nd World War to the 80th
5. Nowadays

**List of the 25 largest economies
by GDP (PPP) at their peak level of GDP in Millions US\$[[]**

Rank	Country	Value (USD\$)	Peak Year
—	<i>World</i>	126,688,083	2017
1	 China	23,194,411	2017
—	 <i>European Union</i>	20,852,702	2017
2	 United States	19,417,144	2017
3	 India	9,489,302	2017
4	 Japan	5,420,228	2017
5	 Germany	4,134,668	2017
6	 Russia	3,938,001	2017
7	 Brazil	3,306,570	2014
8	 Indonesia	3,257,123	2017
9	 United Kingdom	2,905,392	2017
10	 France	2,833,064	2017
11	 Mexico	2,406,199	2017
12	 Italy	2,303,108	2017

GE – a system of Goods, Services and Capital exchange between Buyers (Customers) and Sellers.

Attributes/ peculiarities/ characteristics of GE:

- Entirety/ unity
- Hierarchy |'hɪərəʊ:kɪ|
- Self-adjustment/ self-regulation
- Adaptation

World Trade theories:

1. Mercantilism
2. Absolute advantages
3. Comparative advantages
4. Heckscher-Ohlin theorem
5. Technological gap by Posner and Product Life-Cycle Model by Vernon

A decorative graphic on the left side of the slide, consisting of a light green vertical bar and a white rounded rectangle with a green border. A thick dark blue horizontal bar is positioned above the text.

Part 2.

Theories of WT.

Adam Smith VS David Ricardo:

- 2 countries and 2 items of goods (labour costs):

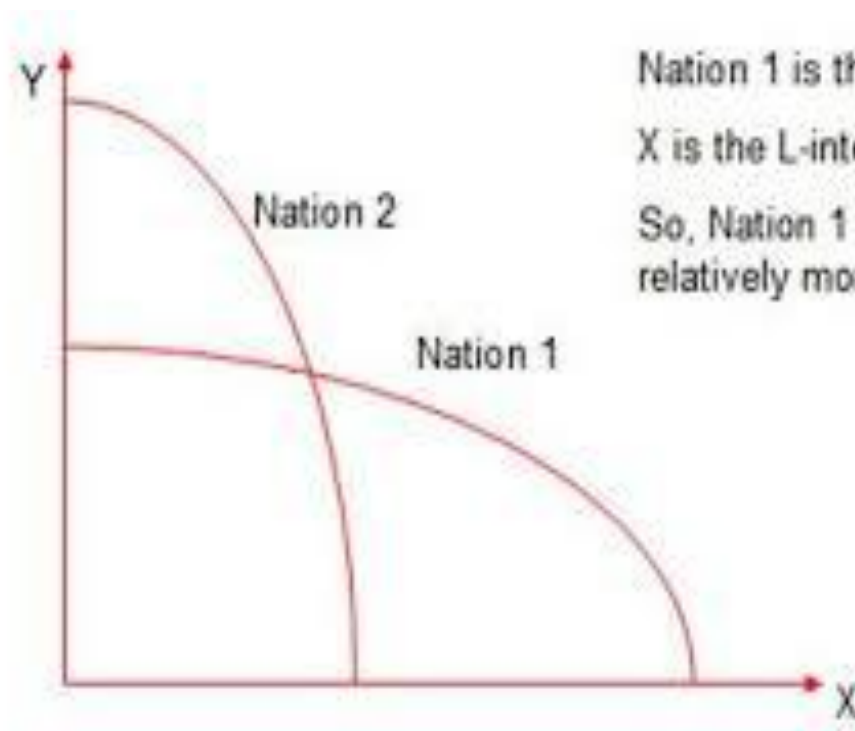
	cloth	wine
England	100	120
Portugal	90	80

- Alternative costs for the cloth in England are lower than in Portugal: 0,83 instead of 1,125 per a unit of wine.
- The same situation is with wine for Portugal to export: 0,89 instead of 1,2 per a unit of cloth.

Basics of Heckscher Ohlin theory:

- 2 countries
- 2 items of goods – cloth and food
- 2 resources – Labour and Land (to produce the items) (you can also take Capital instead, but you should change an item of goods – cars for example)
- 2 production possibility curves (combination of 2 goods` max production with full usage of production factors in a country)
- 2 indifference curves (geometrical combination of 2 goods with equal utility)
 - There are also some assumptions 😊

The H-O theory says that countries will export products that use their abundant and cheap factor and import products that use countries' scarce factor.



Nation 1 is the L-abundant nation;
X is the L-intensive commodity
So, Nation 1 can produce relatively more of commodity x

C. Illustration of the Heckscher-Ohlin Theory

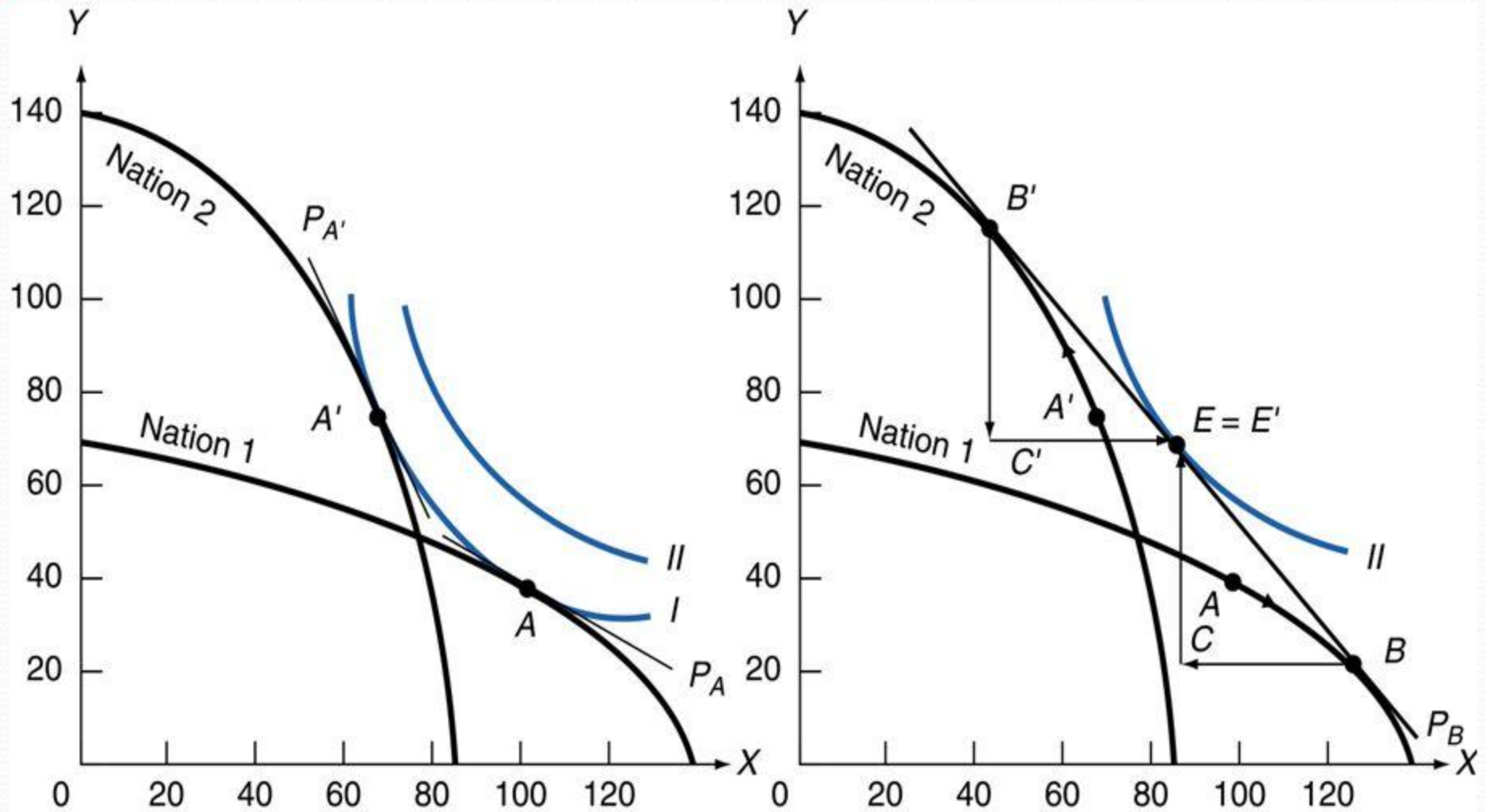
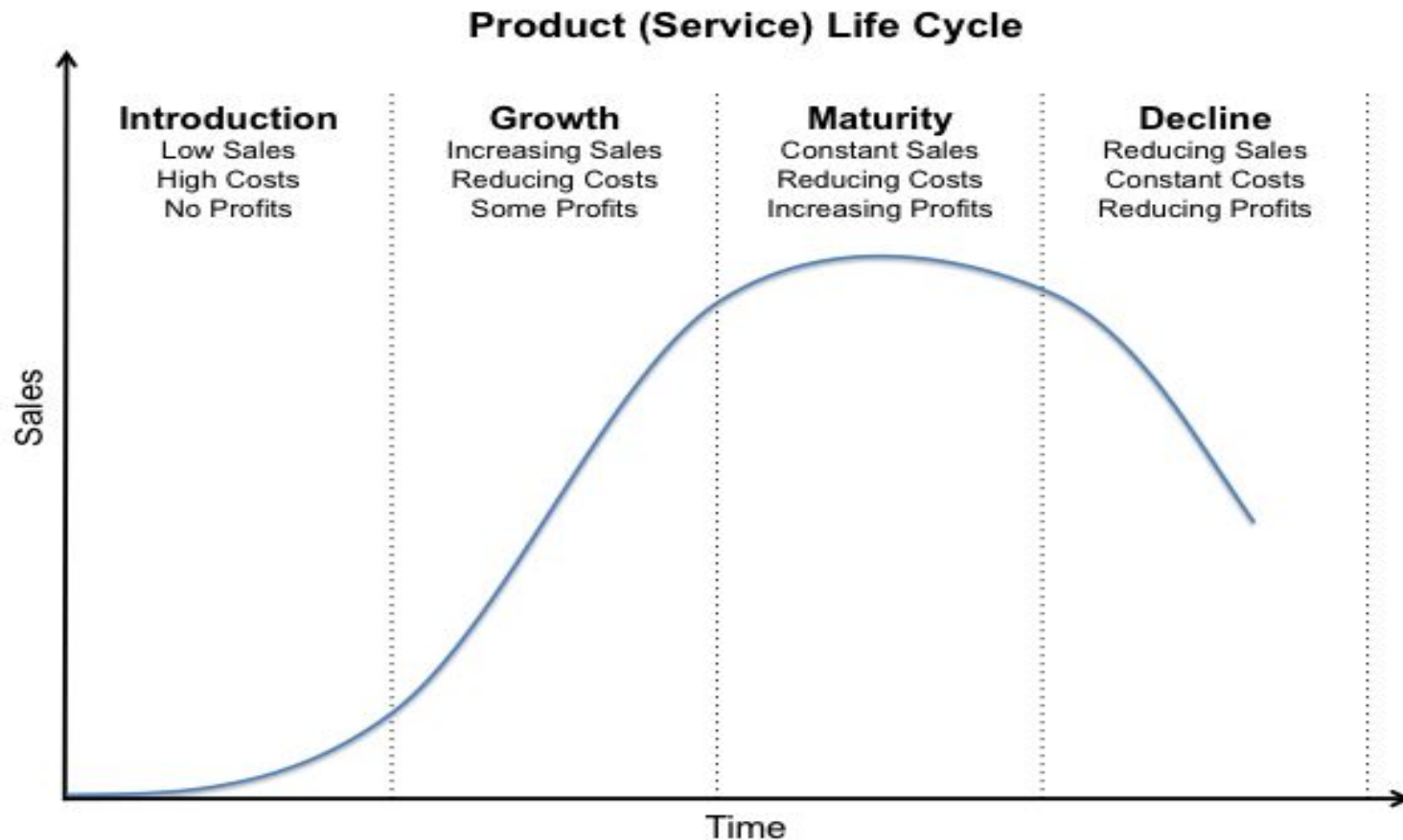


FIGURE 5-4 The Heckscher-Ohlin Model.

Product Life-Cycle Model by Vernon





Part 3.

**WT regulation. Free trading and
protectionism. INCOTERMS 2010.**

2 ways to control world trade by a state : free-trade & protectionist practices. World trade (for tradable goods):

PROS

- It's profitable (beneficial).
- Usually customers get quality goods for a lower price.

CONS

- Domestic goods can't meet competition, with low demand and production level.
- As a result people don't get a salary (are not paid) and their ability to pay goes down (reduces)

FREETRADING

PROS

- Market saturation with cheap & quality goods
- Growing of foreign tax payments (fiscal charges)
- New workplaces

CONS

- Guess what)
- Addiction to (dependence on) imported goods
- Bull market or it simply raises prices....

What`s the difference between tradable and non-tradable goods:

- A price for TG is defined by a ratio between demand & supply;
- A balance of D&S for NTG is more important for there`s no opportunity to substitute them with foreign goods;
- Local (domestic) prices for TG and their change (rise & fall) usually depends on foreign one.

To trade or not to trade?

A kind of goods	A type (TG or NTG)
Agriculture (+fisheries)	+
Raw materials (mining) industry	+
Processing (manufacturing) industry	+
Utility and building services, traffic infrastructure	-
Wholesale and retail trade, hotel and catering business	-
Military industry	-
Social services (education and health)	-

Tariff and Non-tariff Regulations (the Customs Code of the Customs Union – the RF)

- Duty rate (custom tariff)
- Customs duties
- Customs Commodity Code (FEACN - Foreign Economic Activity Commodity Nomenclature)
- Licensing
- Quota allocation (setting quotas) (*+voluntary export restrictions*)
- Certification
- Safeguards (special safeguard measures:
 - special custom duty
 - antidumping duty
 - countervailing (compensatory) duty

Eurasian Economic Union

- is an economic union of states located primarily in northern Eurasia.
- The Treaty aiming for the establishment of the EAEU was signed on 29 May 2014 by the leaders of Belarus, Kazakhstan and Russia, and came into force on 1 January 2015.
- Treaties aiming for Armenia's and Kyrgyzstan's accession to the Eurasian Economic Union were signed on 9 October and 23 December 2014, respectively.

Duty VS Fee (Charge) Import VS Export

- ad valorem duties
- fixed (specific) duties
- combined (mixed) duties
- customs processing fee
- charge for clearance
- terminal handling charges

Russia VS other countries

1. General rate of duties
2. Most favoured nation treatment
3. Preferential duties

Let`s count all our customs payments:

- Customs value (cost)
- Customs duty
- Excise tax
- VAT
- Customs fee (charge)

How much is the fish? No, Spanish fizzy wine

Payments	Rate	Sum
1. Customs value	-	2000€ (per 500 liters)
2. Customs duty	12,5%	250€
3. Excise tax	27 rub/liter	198€
4. VAT	18%	441€
Customs fee	375*2	11€
Total payments	-	900€ (+45% from the CV)

How can customs value be estimated (calculated, defined, assessed)?

The methods of customs valuation, in descending order of precedence, are:

- Transaction Value (TV)* of Imported Merchandise
- Transaction Value of Identical Merchandise (goods, commodities) – 90 days
- Transaction Value of Similar Merchandise – 90 days
- Deductive Value
- Computed Value
- Derivative Method

* TV is the price actually paid or payable for the goods when sold for export to the country of importation

Deductive Value:

Domestic price (Customs Union) –

1. Agent commission (broker`s fee, profit %)
2. Transporting (transfer, move, haul, shipping) costs + cargo-handling costs + insurance costs
3. Customs payments (duties, taxes, fees)

Computed Value:

Goods estimated (calculated) value

=

1. Operating (production) cost (expenditure) – all we need to produce smth – materials, energy, labour, depreciation etc.
+
2. Move & insurance costs
+
3. Packaging costs
+
3. Selling and administration costs
+
4. Agent commission

Defined terms in Incoterms: (International Commercial Terms)

- define obligations, costs, and risks involved in the delivery of goods from the seller to the buyer
- don't define price payable, currency or credit items

- **Delivery**: The point in the transaction where the risk of loss or damage to the goods is transferred from the seller to the buyer
- **Arrival**: The point named in the Incoterm to which carriage has been paid
- **Free**: Seller has an obligation to deliver the goods to a named place for transfer to a carrier
- **Carrier**: Any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport by rail, road, air, sea, inland waterway or by a combination of such modes
- **Freight forwarder**: A firm that makes or assists in the making of shipping arrangements;
- **Terminal**: Any place, whether covered or not, such as a dock, warehouse, container yard or road, rail or air cargo terminal
- **To clear for export**: To file Shipper's Export Declaration and get export permit

FROM «E» TO «D»:

- **EXW – Ex Works (named place of delivery)** maximum obligation on the buyer and minimum obligations on the seller



- **DDP – Delivered Duty Paid (named place of destination)** maximum obligations on the seller and minimum obligations on the buyer

The Economic Integration between two countries is a measure of how much two or more countries work together, or give preference to each other.

Micro-approach: MNC (TNC)

Macro-approach: interstate organizations and integration associations



Part 4.

Economic integration.

Economic integration:

- is the unification of economic policies between different states;
- the partial or full abolition of tariff and non-tariff restrictions;
- lower prices for distributors and consumers with the goal of increasing the level of welfare

Economic integration is an economic arrangement between different regions, marked by the reduction or elimination of trade barriers and the coordination of monetary and fiscal policies. The aim of economic integration is to reduce costs for both consumers and producers, and to increase trade between the countries taking part in the agreement.

The more integrated the economies become, the fewer trade barriers exist, and the more economic and political coordination there is between the member countries.

What is the basis of economic integration?

- Comparative advantage refers to the ability of a person or a country to produce a particular good or service at a lower marginal and opportunity (alternative) cost over another.
- Economies of scale refers to the cost advantages that an enterprise obtains due to expansion. There are factors that cause a producer's average cost per unit to fall as the scale of output is increased. Economies of scale is a long run concept and refers to reductions in unit cost as the size of a facility and the usage levels of other inputs increase.

Degrees of economic integration:

- Preferential trading area
- Free trade area (North American Free Trade Agreement)
- Customs union
- Common market can be united into one degree
- Economic union
- Economic and monetary union
- Complete economic integration

These differ in the degree of unification of economic policies, with the highest one being the completed economic integration of the states, which would most likely involve political integration as well.

Additional info about degrees:

- A "free trade area" (FTA) is formed when at least two states partially or fully abolish custom tariffs on their inner border. To exclude regional exploitation of zero tariffs within the FTA there is a rule of certificate of origin for the goods originating from the territory of a member state of an FTA.
- A "customs union" introduces unified tariffs on the exterior borders of the union (CET, common external tariffs).
- A "monetary union" introduces a shared currency.
- A "common market" add to a FTA the free movement of services, capital and labor.
- An "economic union" combines customs union with a common market. A "fiscal union" introduces a shared fiscal and budgetary policy. In order to be successful the more advanced integration steps are typically accompanied by unification of economic policies (tax, social welfare benefits, etc.), reductions in the rest of the trade barriers, introduction of supranational bodies, and gradual moves towards the final stage, a "political union".

Pros and Cons of Economic Integration:

- **Trade benefits:**
 - a reduction in the trade cost;
 - an improved availability and wider selection of goods and services;
 - a greater purchasing power
- **Employment, technology and capital:**
 - a market expansion;
 - sharing of technology;
 - cross-border flows of investment
- **Political cooperation:**
 - stronger economic ties;
 - a peaceful conflicts` resolve.
- **Trade diversion**
- **Erosion of national sovereignty***
- **An obligation to adhere to rules on trade, monetary policy and fiscal policy**

* Sovereignty, in fact, was one of the key debates in the United Kingdom's decision to leave the European Union (EU) in 2016.

Measuring Economic Integration

The methodology for measuring economic integration typically involves the combination of multiple economic indicators, including:

- 1. trade in goods and services,***
- 2. cross-border capital flows,***
- 3. labor migration and others.***

It also includes measures of institutional conformity, such as membership in trade unions and the strength of institutions that protect consumer and investor rights. *A standardized ranking of European Union countries shows that Finland, Austria, Spain and France are the most integrated into the EU.*



Part 5.

Currency. International monetary system.

Currency refers to a particular authorized monetary system, monetized in specific units (euros, dollars, pesos, etc.) which may be given international value by their exchange values in foreign exchange.

Each currency typically **has a main currency unit** (the dollar, for example, or the euro) and a **fractional unit**, often defined as $\frac{1}{100}$ of the main unit: 100 cents = 1 dollar, 100 centimes = 1 franc, 100 pence = 1 pound, although units of $\frac{1}{10}$ or $\frac{1}{1000}$ occasionally also occur. Some currencies do not have any smaller units at all, such as the Icelandic króna.

Convertibility of a currency determines the ability of an individual, corporate or government to convert its local currency to another currency or vice versa with or without central bank/government intervention.

Based on the above restrictions or free and readily conversion features, currencies are classified as:

- **Fully convertible** When there are no restrictions or limitations on the amount of currency that can be traded on the international market, and the government does not artificially impose a fixed value or minimum value on the currency in international trade. The US dollar is an example of a fully convertible currency and, for this reason, US dollars are one of the major currencies traded in the foreign exchange market.

- **Partially convertible** Central banks control international investments flowing in and out of the country, while most domestic trade transactions are handled without any special requirements, there are significant restrictions on international investing and special approval is often required in order to convert into other currencies. The Indian rupee and Renminbi are examples of a partially convertible currency.
- **Nonconvertible** Neither participate in the international FOREX market nor allow conversion of these currencies by individuals or companies. As a result, these currencies are known as blocked currencies. e.g.: North Korean won and the Cuban peso.

In the foreign exchange market, a **currency pair** is the quotation of the relative value of a currency unit against the unit of another currency.

1. direct quotation or price quotation

for example, $\text{USD } 1.00 = \text{EUR } 0.851$ in the Eurozone

2. indirect quotation or quantity quotation

for example, $\text{EUR } 1.00 = \text{USD } 1.17$ in the Eurozone

Example:

Russian rouble is the national currency.

Direct quotation is 57,03 USD/RUB which means you can buy 1\$ for 57 rubles.

Indirect quotation is 0,017 RUB/USD and this means you can pay 1 rouble and get 0,017 \$ for it)

Lets find the cross-rate for the Russian ruble:

- The C-R is an exchange rate between two currencies, in which the home country's currency is not included. In the U.S.A., the euro/yen rate would be considered a cross rate, while in Europe or Japan it would be considered a primary pair.
- For the Russian Federation:
1 EUR = 68.98 RUB
1 USD = 59.28 RUB
So the C-R for EUR/USD is 1,1636.

An exchange-rate regime (ERR)

- is the way an authority manages its currency in relation to other currencies and the foreign exchange market. It is closely related to monetary policy and the two are generally dependent on many of the same factors.

There are 3 basic types of ERR:

1. a **floating exchange rate**, where the economy dictates movements in the exchange rate;
2. a **pegged float**, where a central bank keeps the rate from deviating too far from a target band or value;
3. a **fixed exchange rate**, which ties the currency to another currency, mostly reserve currencies such as the U.S. dollar or the euro or a basket of currencies.

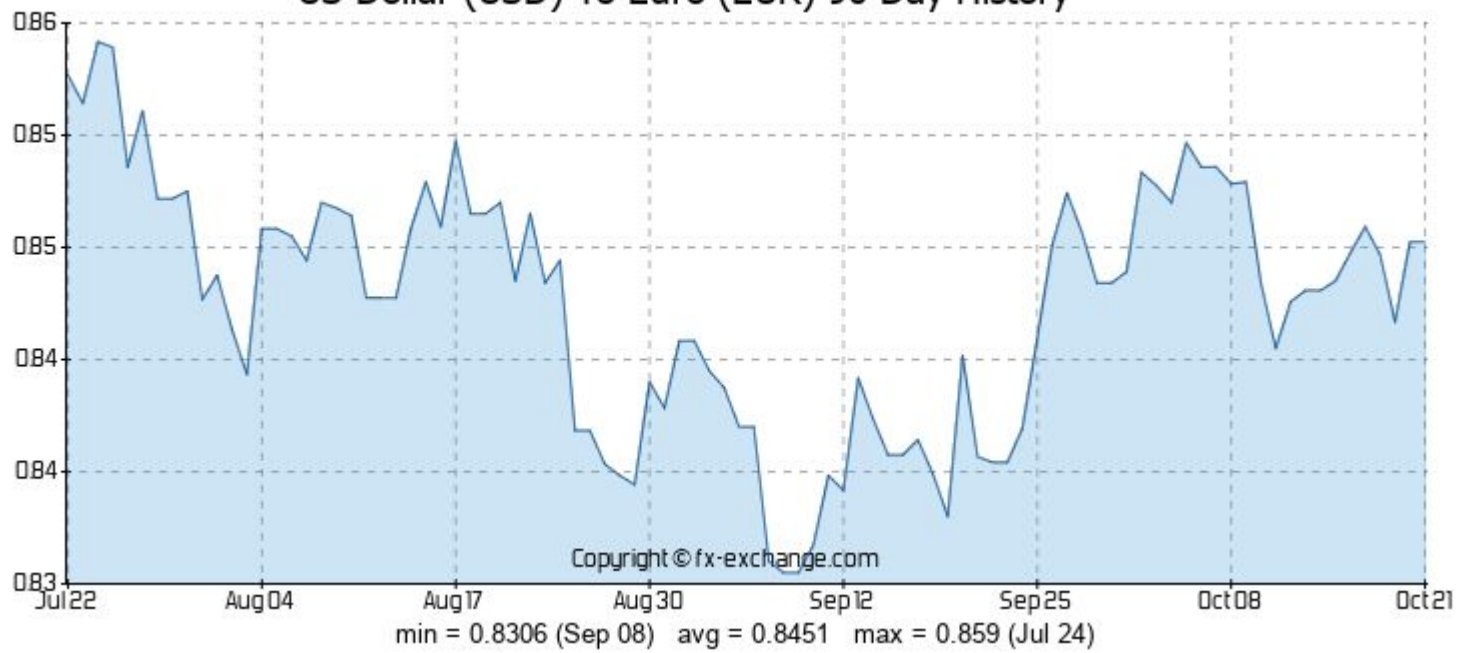
- **Floating rates** are the most common exchange rate regime today. For example, the dollar, euro, yen, and British pound all are floating currencies.
- However, since central banks frequently intervene to avoid excessive appreciation or depreciation, these regimes are often called managed float or a dirty float.
- **Managed float regime** is the current international financial environment in which exchange rates fluctuate from day to day, but central banks attempt to influence their countries' exchange rates by buying and selling currencies. It is also known as a **dirty float**.

- **Pegged floating currencies** are pegged to some band or value, either fixed or periodically adjusted. During the 1950s and most of the 1960s, for example, the United States pegged the dollar to gold (\$35.00 was equal to one ounce of gold), and most other countries had pegged their currencies to the dollar (the German Mark was fixed at four marks equal to one dollar for much of this time).
- The **band of fluctuation** is the range within which the market value of a national currency is permitted to fluctuate by international agreements, or by unilateral decision by the central bank.

Fixed rates are those that have direct convertibility towards another currency.

In case of a separate currency, also known as a currency board arrangement, the domestic currency is backed one to one by foreign reserves. A pegged currency with very small bands (< 1%) and countries that have adopted another country's currency and abandoned its own also fall under this.

US Dollar (USD) To Euro (EUR) 90 Day History



Colombian Peso (COP) To US Dollar (USD) 2015 History



International monetary systems (IMS)

International monetary systems are sets of internationally agreed rules and supporting institutions, that facilitate international trade, cross border investment* and generally the reallocation of capital between nations.

* is an investment in the form of a controlling ownership in a business in one country by an entity based in another country.

What do IMS provide?

- Confidence
- Sufficient liquidity for fluctuating levels of trade
- Means by which global imbalances can be corrected

International monetary systems over two centuries

Date	System	Reserve assets	Leaders
1803–1873	<u>Bimetallism</u>	<u>Gold, silver</u>	<u>France, UK</u>
1873–1914	<u>Gold standard</u>	<u>Gold, pound</u>	<u>UK</u>
1914–1924	<u>Anchored dollar standard</u>	<u>Gold, dollar</u>	<u>US, UK, France</u>
1924–1933	<u>Gold standard</u>	<u>Gold, dollar, pound</u>	<u>US, UK, France</u>
1933–1971	<u>Anchored dollar standard</u>	<u>Gold, dollar</u>	<u>US, G-10</u>
1971–1973	<u>Dollar standard</u>	<u>Dollar</u>	<u>US</u>
1973–1985	<u>Flexible exchange rates</u>	<u>Dollar, mark, pound</u>	<u>US, Germany, Japan</u>
1985–1999	<u>Managed exchange rates</u>	<u>Dollar, mark, yen</u>	<u>US, G7, IMF</u>
1999-	<u>Dollar, euro</u>	<u>Dollar, euro, yen</u>	<u>US, Eurozone, IMF</u>

Competing ideas for the next international monetary system

System	Reserve assets	Leaders
<u>Flexible exchange rates</u>	<u>Dollar</u> , <u>euro</u> , <u>renminbi</u>	<u>US</u> , <u>Eurozone</u> , <u>China</u>
<u>Special drawing rights standard</u>	<u>SDR</u>	<u>US</u> , <u>G-20</u> , <u>IMF</u>
<u>Gold standard</u>	<u>Gold</u> , <u>dollar</u>	<u>US</u>
<u>Delhi Declaration</u>	<u>Currency basket</u>	<u>BRICS</u>

By the way, what's about the Russian ruble?

As for the ruble, in spite of high oil prices it's under pressure:

1. Low demand for federal (loan) bonds
2. High demand for the foreign currency both by Russian corporations and the RF` Ministry of Finance.

All the rent income is spent on buying currency in order to increase the foreign exchange reserves.

3. Geopolitics



Part 6.
Transnational corporations.

Transnational Corporations

Transnational corporations - those corporations which operate in **more than one country or nation** at a time - have become some of the most powerful economic and political entities in the world today.

While global in reach, these corporations' home bases are mostly concentrated in the Northern industrialized countries, where 80% of all transnationals are based. **The US, China, Germany, Japan, France and the UK** make up the **top six economic entities** followed by Italy, Brazil and Canada. But despite their growing numbers, power is concentrated at the top. i.e., the 300 largest corporations account for *one-quarter of the world's productive assets*.

The London-based campaign group said the 10 biggest corporations – including **Walmart, Apple and Shell** – make more money than most countries in the world combined.

The United Nations has justly described TNC as “the productive core of the globalizing world economy.”

Their **270,000 foreign affiliates** account for most of the world's industrial capacity, technological knowledge, international financial transactions, and ultimately the power of control.

1. **In terms of energy**, they mine, refine and distribute most of the world’s oil, gasoline, diesel and jet fuel, as well as build most of the world’s oil, coal, gas, hydroelectric and nuclear power plants.
2. They extract most of the world’s **minerals from the ground.**
3. They manufacture and sell most of the world’s **automobiles, airplanes, communications satellites, computers, home electronics, chemicals, medicines and biotechnology products.**
4. They **harvest** much of the world’s **wood** and make most of its paper.
5. They **grow** many of the world’s **major agricultural crops**, while **processing and distributing much of its food.**

Sustainable Development Goals (SDGs) and TNCs

- The globalization of economic activity in general, and the growing role of **transnational corporations (TNCs)** in particular, have increasingly directed attention toward the environmental consequences of these developments. That is to say given their dominance of politics, economics and technology, it is not surprising to find the big transnationals deeply involved in most of the world's serious environmental crises
- **Emerging-market multinational enterprises (EMNEs)** play an increasingly important role as investors in developing economies. When certain conditions are met, their foreign investment can contribute to host-country progress towards **the Sustainable Development Goals (SDGs)**.

The Sustainable Development Goals (SDGs).

- Goal 1: No Poverty
- Goal 2: Zero Hunger
- Goal 3: Good Health and Well-Being
- Goal 4: Quality Education
- Goal 5: Gender Equality
- Goal 6: Clean Water and Sanitation
- Goal 7: Affordable and Clean Energy
- Goal 8: Decent Work and Economic Growth
- Goal 9: Industry, Innovation and Infrastructure
- Goal 10: Reduced Inequalities
- Goal 11: Sustainable Cities and Communities
- Goal 12: Responsible Consumption and Production
- Goal 13: Climate change
- Goal 14: Life Below Water
- Goal 15: Life on Land
- Goal 16: Peace, Justice and Strong Institutions
- Goal 17: Partnerships for the Goals

What are the functions of TNC?

- Importing and exporting goods and services
- Making significant investments in a foreign country
- Buying and selling licenses in foreign markets
- Engaging in contract manufacturing—permitting a local manufacturer in a foreign country to produce their products
- Opening manufacturing facilities or assembly operations in foreign countries

The 5 Cons of Multinational Corporations.

1. **The Market Dominance of Multinational Corporations** - The market dominance of multinational corporations makes it hard for the local small firms to succeed and thrive. For instance, there are arguments stating that the larger supermarkets squeeze out a notable margin of the local corner stores that lead to lesser diversity.
2. **Consumer's Expenses** - Companies are usually interested at the consumer's expense. The multinational companies commonly have the power of monopoly that gives them the chance of making excess profit.
3. **Pushing Local Firms Out Of Business** - In the developing economies, these giant multinationals use the economies of scale for pushing the local firms out of their businesses.
4. **Criticized For Using "Slave Labor"** - Multinational corporations are being criticized for using the so-called slave labor wherein the workers are paid with very small wages.
5. **Environment Threat** - For the sake of profit, these global companies commonly contribute to pollution as well as make use of the non-renewable resources that can be a threat to the environment.

WHAT DO YOU THINK ABOUT THE STATEMENT BELOW:
Transnational Corporations are one of the primary agents of Global Capitalism and many have been criticized because of the social and environmental harms they cause in the pursuit of profit.





Part 7. Balance of payments.

Порядок	Значение	Короткая шкала		Длинная шкала		СИ
		Название	Логика построения	Название	Логика построения	
0	10^0	один	$1000^{1+(-1)}$	один	$1\ 000\ 000^0$	
1	10^3	тысяча	1000^{1+0}	тысяча	$1\ 000\ 000^{0.5}$	кило-
2	10^6	миллион	1000^{1+1}	миллион	$1\ 000\ 000^{1.0}$	мега-
3	10^9	биллион (миллиард) ^[2]	1000^{1+2}	тысяча миллионов (миллиард)	$1\ 000\ 000^{1.5}$	гига-
4	10^{12}	триллион	1000^{1+3}	биллион	$1\ 000\ 000^{2.0}$	тера-
5	10^{15}	квадриллион	1000^{1+4}	тысяча биллионов (биллиард)	$1\ 000\ 000^{2.5}$	пета-
6	10^{18}	квинтиллион	1000^{1+5}	триллион	$1\ 000\ 000^{3.0}$	кса-
7	10^{21}	секстиллион	1000^{1+6}	тысяча триллионов (триллиард)	$1\ 000\ 000^{3.5}$	зетта-
8	10^{24}	септиллион	1000^{1+7}	квадриллион	$1\ 000\ 000^{4.0}$	йотта-
9	10^{27}	октиллион	1000^{1+8}	тысяча квадриллионов (квадриллиард)	$1\ 000\ 000^{4.5}$	
10	10^{30}	нониллион	1000^{1+9}	квинтиллион	$1\ 000\ 000^{5.0}$	
11	10^{33}	дециллион	1000^{1+10}	тысяча квинтиллионов (квинтиллиард)	$1\ 000\ 000^{5.5}$	

What is «a balance of payments»?

It's a doc which summarizes an economy's transactions with the rest of the world for a specified time period.

The balance of payments, also known as *balance of international payments*, encompasses (covers) all transactions between a country's residents and its nonresidents involving goods, services and income; financial claims on and liabilities to the rest of the world; and transfers such as gifts.

Resident VS Non-residents

resident is person living at a location or in an area while **nonresident** is one who is not a resident; an alien; a foreigner.

Is that a well worth definition?!

To say the truth, NO.

СТРУКТУРА ПБ

1. Счёт текущих операций

А. Торговый баланс

В. Баланс услуг

С. Текущие трансферты и доходы, в том числе, от инвестиций

2. Счёт операций с капиталом и финансовыми инструментами

А. Счёт операций с капиталом (капитальные трансферты)

В. Финансовый счёт:

- Прямые инвестиции
- Портфельные инвестиции
- Ссуды и займы

3. Чистые пропуски и ошибки

4. Изменение официальных резервов (резервных активов)

ОТТОК/ ПРИТОК

- Положительное сальдо счёта движения капитала определяется как чистый приток капитала в страну.
- Наоборот, чистый отток (или вывоз капитала) возникает на фоне дефицита счёта движения капитала, когда расходы на покупки активов за границей превосходят доходы от их продажи за рубежом.

Операции	Кредит, плюс (+)	Дебет, минус (—)
1. Товары и услуги	<ul style="list-style-type: none"> • Экспорт товаров • Экспорт услуг (услуги, оказываемые резидентами нерезидентам) 	<ul style="list-style-type: none"> • Импорт товаров • Импорт услуг (услуги, оказываемые нерезидентами резидентам)
2. Доходы от инвестиций и оплата труда	<ul style="list-style-type: none"> • Полученные резидентами от нерезидентов • Доход от инвестиций (Россия - кредитор) 	<ul style="list-style-type: none"> • Выплаченные резидентами нерезидентам • Проценты по предоставленным инвестициям (Россия - заемщик)
3. Трансферты (текущие и капитальные)	Безвозмездное получение средств	Безвозмездная передача средств
4. Операции с финансовыми активами или обязательствами	<ul style="list-style-type: none"> • <u>Увеличение обязательств перед нерезидентами</u> (на пример, приобретение нерезидентами наличной национальной валюты) • <u>Уменьшение требований к нерезидентам</u> (например, снятие со счетов резидентов в банках нерезидентов) • Приток прямых и иностранных инвестиций (Россия - заемщик) 	<ul style="list-style-type: none"> • <u>Увеличение требований к нерезидентам</u> (например, предоставление кредитов нерезидентам) • <u>Уменьшение обязательств перед нерезидентами</u> (например, погашение резидентами ценных бумаг, приобретенных нерезидентами) • Международные кредиты и

Economic policies are often targeted at specific objectives that, in turn, impact the balance of payments.

For example, a country may adopt policies specifically designed to attract foreign investment in a particular sector.

Another nation may attempt to keep its currency at an artificially depressed level to stimulate exports and build up its currency reserves.

The impact of these policies is ultimately captured in the balance of payments data.

A little bit of macroeconomics...

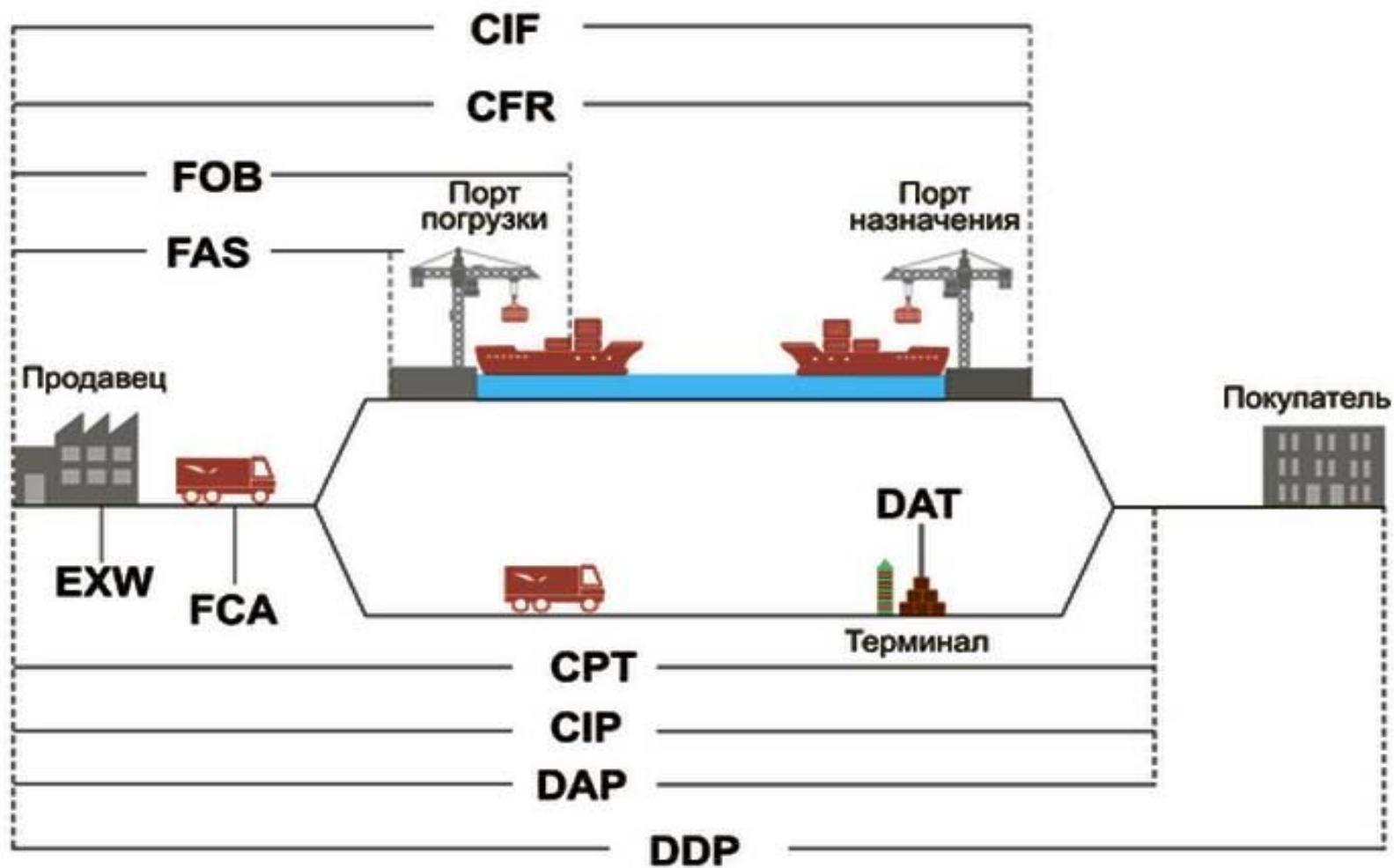
- $Ex-Im=Xn=Y-(C+I+G)$
- $BP=Xn+CF=\Delta R$
- $Y=C+I+G+Xn$let`s subtract $(C+G)$ from both parts of formula
- We`ll get $Y-C-G=C+I+G+Xn-(C+G)$ and « $Y-C-G$ » we know as S (savings), so we have $S=I+Xn$ or **$Xn=S-I$**

МВФ рекомендует оценивать и экспорт и импорт единообразно — по цене на границе экспортирующей экономики.

Таким образом, для оценки и экспорта, и импорта следует использовать цены FOB.

Часто на практике данные об импортных поставках известны в ценах CIF (Cost, Insurance and Freight) и вводится соответствующая поправка. Эта поправка для таких стран, как США, Германия, Франция составляет от 5 до 7 % объёма импорта в ценах FOB.

Инкотермс-2010



Does the B.O.P actually balance?

In theory, a current account deficit would have to be financed by a net inflow in the capital and financial account.

While a current account surplus should correspond to an outflow in the capital and financial account for a net figure of zero.

In actual practice, however, the fact is:

data compiled from multiple sources give(s) rise to some degree of measurement error.

Дефицит счёта текущих операций платёжного баланса может быть профинансирован:

- путём продажи части активов иностранцам, то есть за счёт вложения иностранного капитала в экономику данной страны в форме прямых или портфельных инвестиций;
- с помощью зарубежных займов у иностранных банков, правительств или международных организаций;
- за счёт сокращения официальных валютных резервов, хранящихся в Центральном банке.



Part 8. Offshores.

An offshore financial center (OFC)

- It is a small, low-tax jurisdiction specializing in providing corporate and commercial services to non-resident offshore companies, and for the investment of offshore funds*.
- Although information is still limited, there is strong evidence that OFCs captured a significant amount of global financial flows and functions both as back doors and partners of leading financial center.

* An **offshore fund** is a term which generally refers to a collective investment scheme domiciled in an offshore jurisdiction. Like the term "offshore company", the term is more descriptive than definitive, and both the words 'offshore' and 'fund' may be construed differently.

Proponents VS Opponents

- Proponents suggest that reputable offshore financial centers play a legitimate and integral role in international finance and trade, and that their zero-tax structure allows financial planning and risk management and makes possible some of the cross-border vehicles necessary for global trade.
- Opponents view OFCs as draining tax revenues away from developed countries by allowing tax arbitrage, and rendering capital flows into and out of developing countries opaque.

Confidentiality: I've never heard before.....

Statutory banking secrecy is a feature of several financial centers, notably *Switzerland* and *Singapore*.

However, many offshore financial centers have no such statutory right. Jurisdictions including Aruba, the Bahamas, Bermuda, the British Virgin Islands, the Cayman Islands, Jersey, Guernsey, the Isle of Man and the Netherlands Antilles have signed tax information exchange agreements, which commits them to sharing financial information about foreign residents suspected of evading home-country tax.

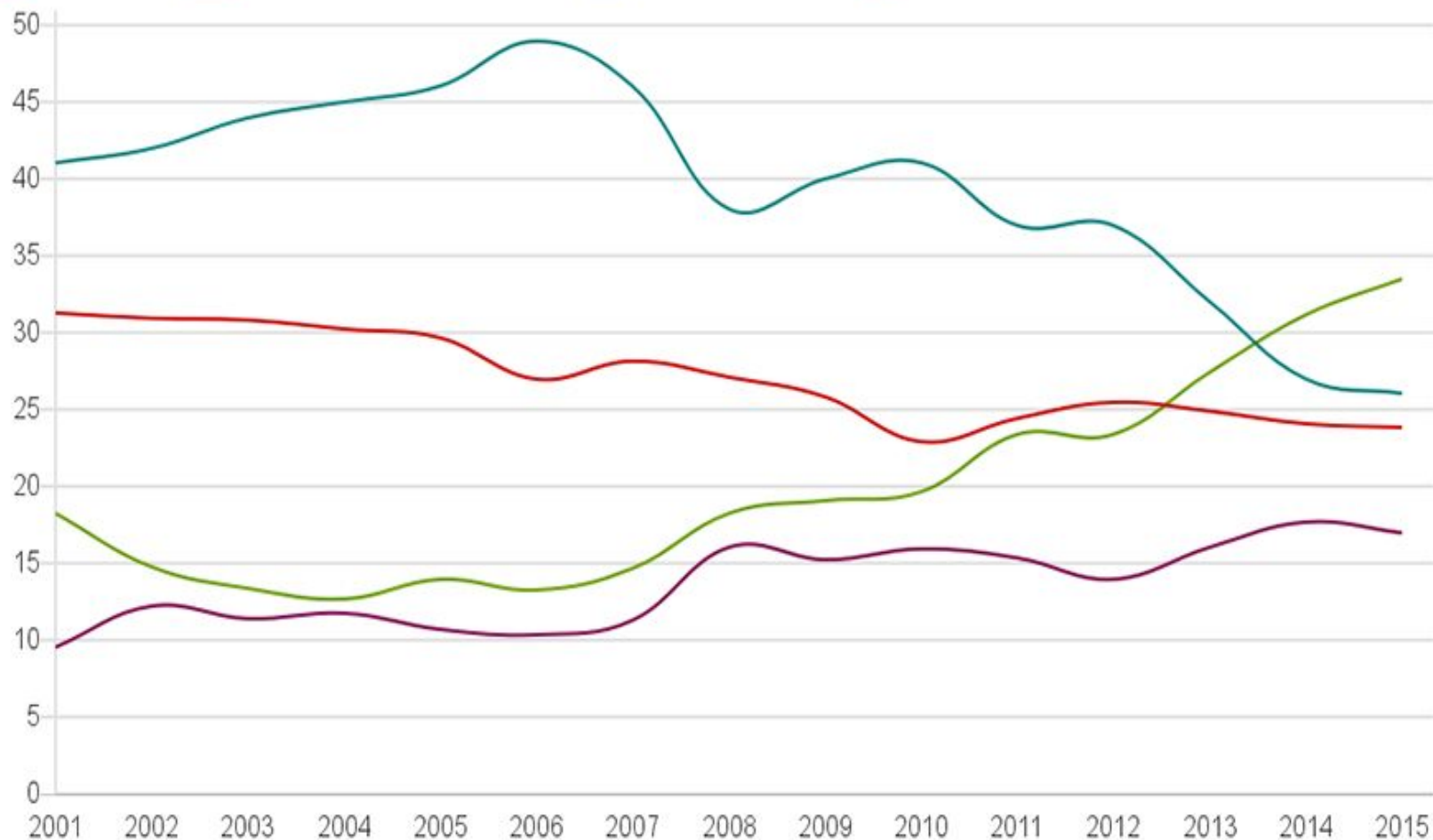
Сколько денег хранится в офшорах, кто их там прячет и почему?

- Получить ответы на эти вопросы чрезвычайно важно, так как это поможет в изучении неравенства, экономического развития и политики, отмечают исследователи Национального бюро экономических исследований (НБЭИ).
- «Поправка на офшорные капиталы» позволяет оценить, какой на самом деле разрыв между богатыми и бедными в каждой стране.
- Но считать деньги состоятельных людей становится сложнее. С одной стороны, увеличивается число стран, согласившихся на автоматический обмен финансовой информацией. Сейчас в таком списке уже 115 стран (они опубликованы на сайте Организации экономического сотрудничества и развития). В их числе популярные офшорные юрисдикции, такие как Панама и Каймановы острова.
- С другой стороны, офшоры, предлагающие широкий спектр финансовых услуг, к примеру, легально сократить налоговые выплаты и облегчить ведение бизнеса, также помогают скрыть капиталы от посторонних глаз. И часть клиентов офшоров — пусть и небольшая — использует офшорные юрисдикции для сокрытия нечестно полученных доходов, пишут эксперты НБЭИ.

Самые популярные офшоры

Данные представлены в процентах от всего объема средств в офшорах

— Швейцария — Другие европейские офшоры — Азиатские офшоры — Американские офшоры



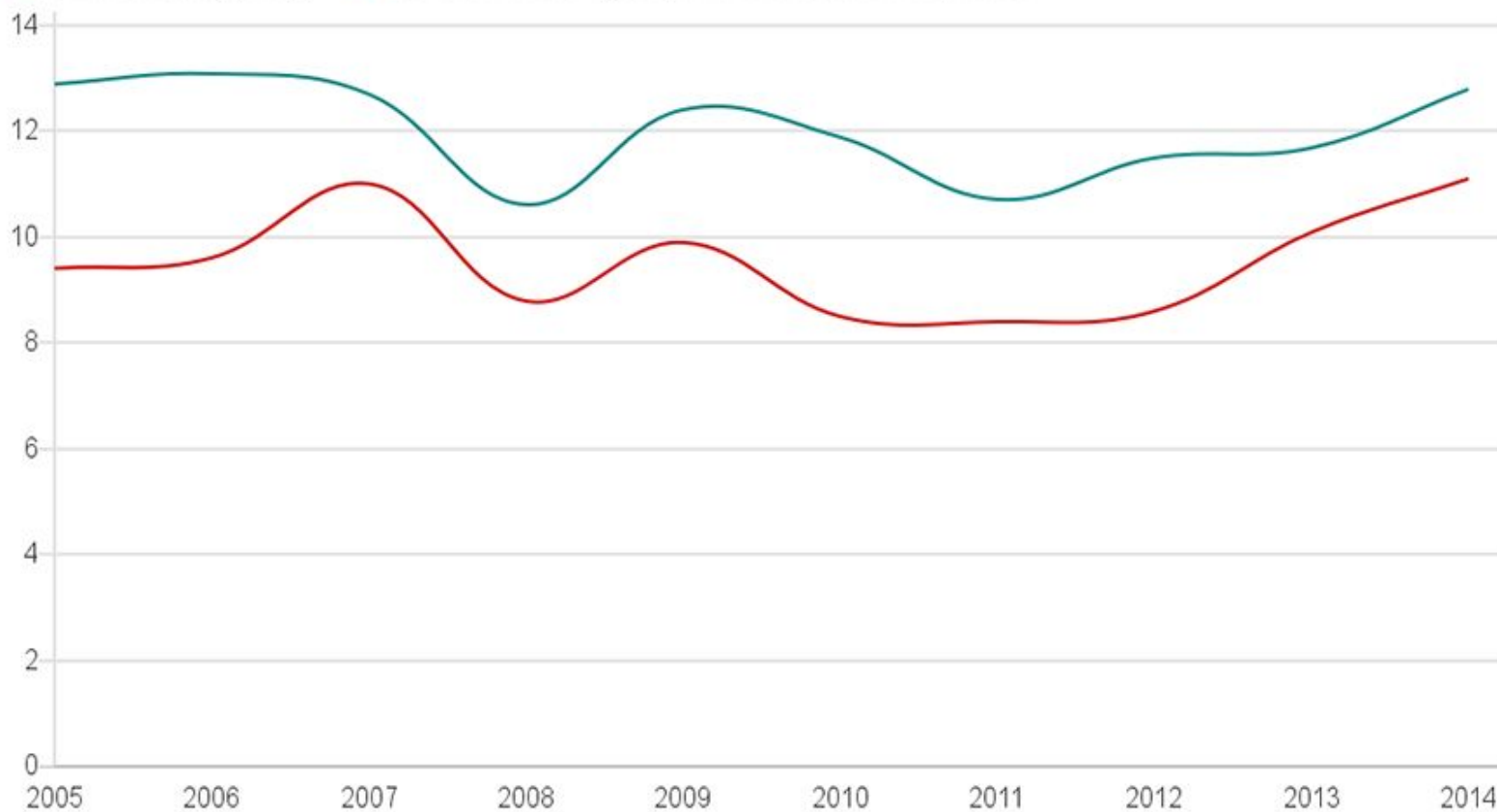
Головная боль ... офшоры

- В абсолютных значениях объемы средств в офшорах растут: с 6 трлн долларов в 2005 году до 10 трлн долларов в 2016 году, Это данные Boston Consulting Group, полученные в ходе интервью со специалистами по управлению частными активами. По консервативным оценкам, в офшорах спрятано 10–13% мирового ВВП, считают в Boston Consulting Group.
- А некоммерческая организация Tax Justice Network подсчитала не только финансовые активы, но и различные ценности, записанные на офшоры: яхты, предметы искусства, недвижимость. По данным Tax Justice Network, только в 2010 году в офшорах хранилось 21–32 трлн долларов.

Сколько денег (в процентах к мировому ВВП) находится в офшорах

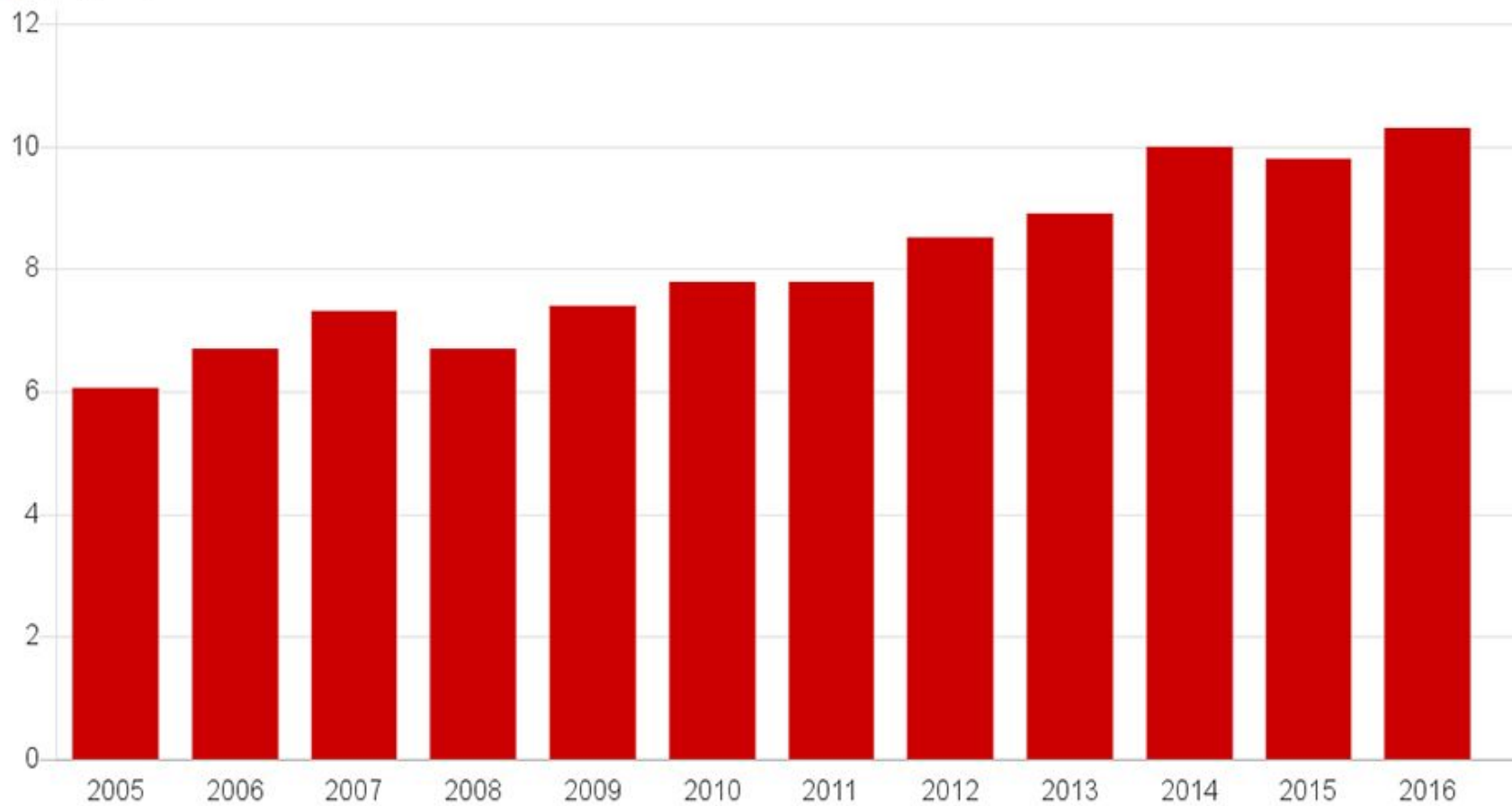
Оценки исследователей:

— Boston Consulting Group — Расчеты А. Альстадсетер, Н. Йоханессена и Г. Зукмана



Объем средств в офшорах

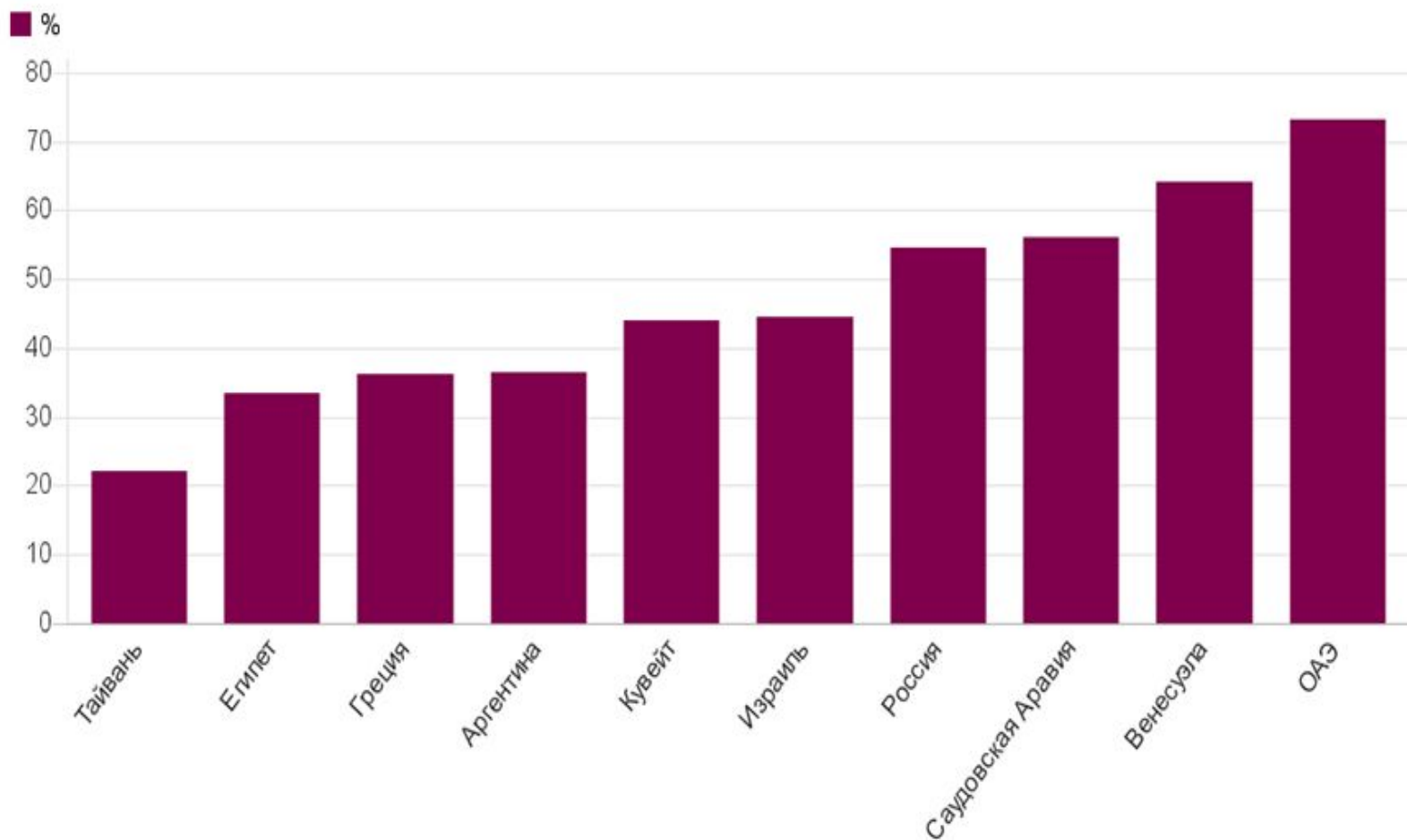
■ трлн долларов



Данные Boston Consulting Group

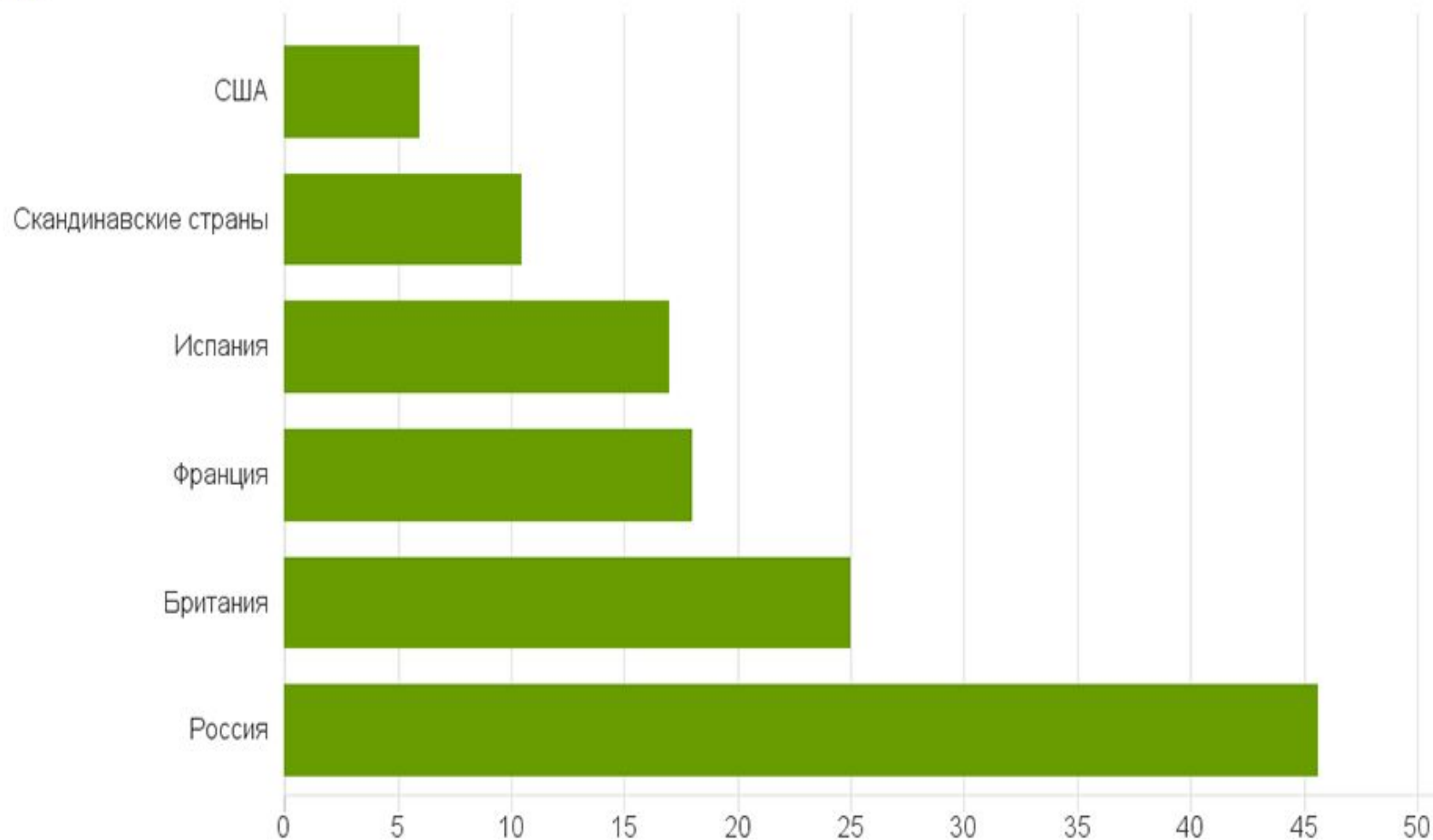
BBC

Объем средств, которые резиденты отдельных стран держат в офшорах, 2007 год (в процентах по отношению к ВВП этих стран)



Какая доля состояния 0,1% богатейших людей страны находится в офшорах

■ %



Резюме.

- Меньше всего услугами налоговых гаваней пользуются скандинавские страны. К примеру, в скандинавских странах лишь 10,5% состояния 0,1% богатейших жителей хранится в офшорах.
- Для России показатели другие: более 45% средств 0,1% самых богатых граждан находится в офшорах. Похожая ситуация наблюдается в странах Персидского залива и некоторых латиноамериканских государствах, таких как Венесуэла.