

THE FLOWS OF FACTORS

1. REI – International Economy, International Economics
2. International Financial Market
3. International Flows of Labour Force (migration)

1. REI – International Economy, International Economics

International Trade – goods (visible)
- services (invisible)

International Flow of Factors (financial flows, or capital flows and labour force).

2. International Financial Market

- Currency Market
- International Commercial Credits
- International Loans (governments and international organizations)
- International/ Foreign Investments
- Financial Centers “Off Shore”

a) International Currency Market

- The market where the money is changed (euro against dollars, etc) – this type of flow is called “trade with money”
- Assets – clients
- Currency deponents in banks
- The volume is 10 times higher than the volume of international trade with goods and services.

b) International Commercial Credits

- Credits refer only to private companies (private debt)
- Private debt – short (<1 year), medium (1-5 years), long term (5-10 years)
 - Interest rate = the price of the credit
 - LIBOR rate of exchange = interest rate practiced between UK banks (+3 points)
 - Buyers and Sellers on Credit

c) International Loans

- Relations between governments and international organizations like IMF
- Public debt – reasons
 - Flows (from developed countries to developing and transition countries)

d) International foreign investments

- The reasons why companies invest abroad:
 - To be sure they have the raw material as they do not dispose of that resource in their own country
 - To have a better profit investing abroad than using money in their home country

International Economics - Part II.

- To benefit from a cheaper labour force and have lower costs of production (more competitive)
- The volume of foreign investments is very big and registers a continue increase (1500-2000 billion US dollars)
- There are 2 types of International Foreign Investments
 - **Direct investments**, when a foreign investor has a position in a company abroad which allows him to manage the company (>50% from the capital of the company = the majority participation). If an investor has 33% of the capital it is said to have a control position, but he cannot manage.
 - **Portfolio investments** – participation of less than 50%, the investor does not intend to manage, just to take advantage and receive dividends. There is no participation in the management of the company.

e) Transnational Companies

- A company that makes a foreign investment in a foreign country or in many foreign countries, in order to make a profit.
- There were different names: multilateral company, international company etc.
- There is an increase in the number and the power of the Transnational Companies
- Methods of establishment:
 - Greenfield investment
 - Acquisition (buy an existing activity abroad) by negotiating with the existing company or through the stock exchange, is type of action being called “takeover”.

3. International Flows of Labour Force (migration)

- Increase of migration process and in the movement of persons and also in the movement of labour force.
- Concepts of: migration, emigration, immigration
- The no. of international migrants has reached almost 200 million people
- Migration of labour force – emigration
 - immigration
- Migration, return migration
- Flows - from developing countries to developed ones – unqualified persons
 - from developed countries to developing countries - specialists
- Remittances of important sums of money.
- Conflicts