A-LEVEL ECONOMICS • EXERCISE SHEET

# 6.1 The reasons for international trade

Name: ____________ Class: ________ Date: __________ **Total: 22 marks**

## Objective

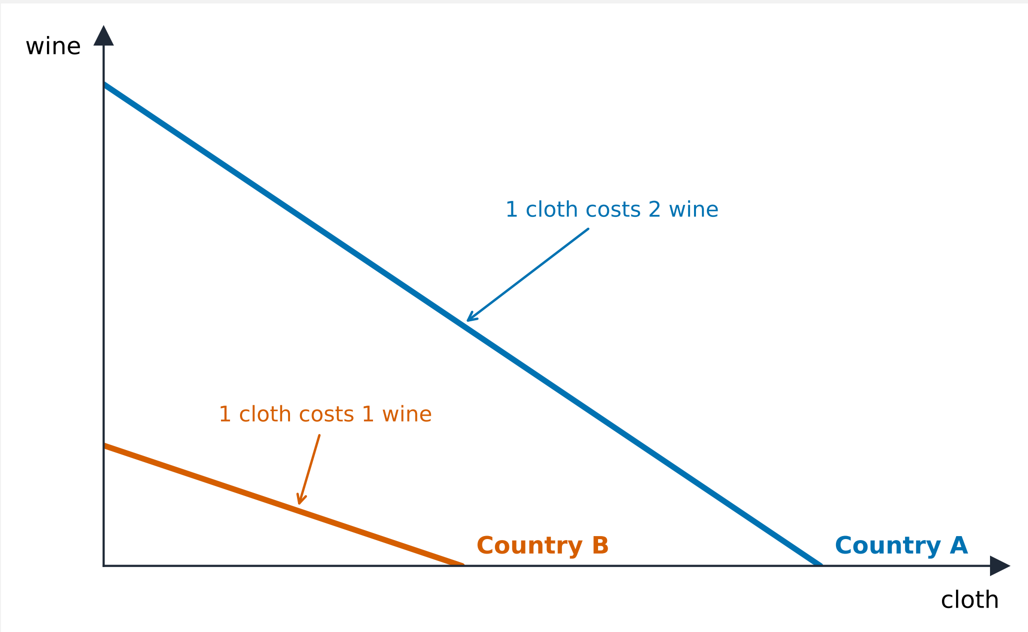
Build the skills to answer exam questions on **the reasons for international trade** 国际贸易的原因—**absolute and comparative advantage** 绝对优势与比较优势, the **terms of trade** 贸易条件, and the limits of the theory.

**You must be able to:**

- define absolute and comparative advantage
- work out comparative advantage from opportunity-cost data
- analyse the gains from trade and the theory's limits

## 1 Worked examples

### ■ Comparative advantage

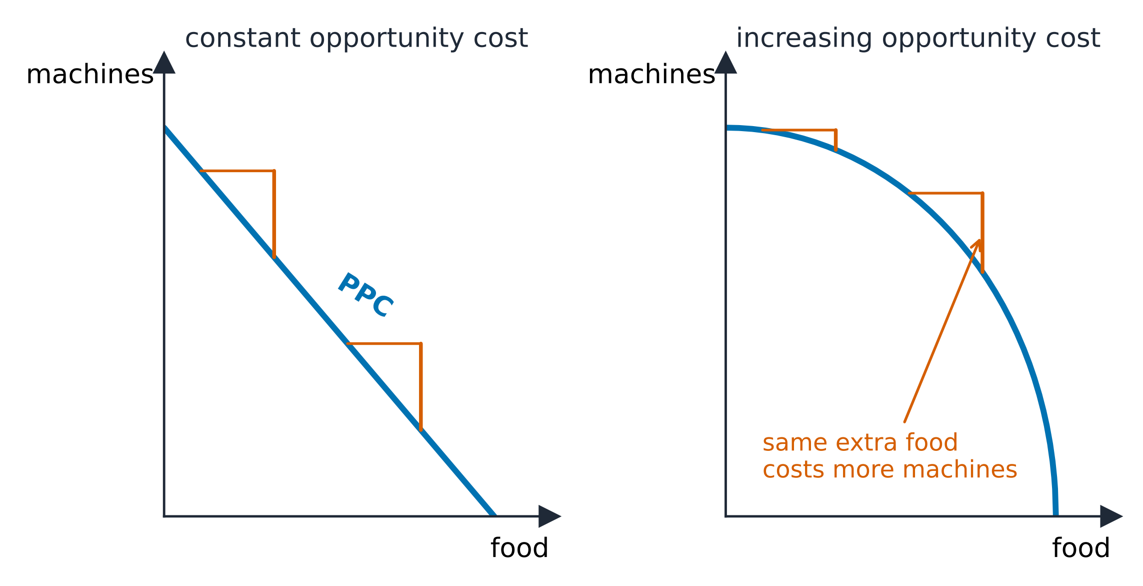



*A country should make the good it gives up **least** to produce*

With the same resources: A makes 20 wine **or** 10 cloth; B makes 5 wine **or** 5 cloth.

- In A, 1 cloth costs 2 wine; in B, 1 cloth costs 1 wine → **B has the comparative advantage in cloth**.

- A specialises in wine, B in cloth, they trade → **both** can consume more.




*Gains from trade: specialisation lets each country consume beyond its own PPC*

- **Terms of trade 贸易条件**: the price of exports relative to imports.

**Answer shapes:** AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

## 2 Practice

**2.1** Define the term *comparative advantage*. [2]

**2.2** A country can make 30 units of food **or** 10 units of cloth. State the opportunity cost of 1 unit of cloth. [1]

**2.3** State one limitation of the theory of comparative advantage. [1]

## 3 Exam-style questions

**3.1** A country has a **comparative** advantage in a good if it can produce it at a: [1]

- **A** higher money price than other countries

- **B** lower opportunity cost than other countries
- **C** larger total quantity than other countries
- **D** higher quality than other countries

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**3.2** Explain how specialisation according to comparative advantage can raise total world output. [6]

**3.3** Discuss whether a country should always specialise in the goods in which it has a comparative advantage. [12]

## 4 Go further

You are now ready for the real exam questions on this subtopic. Open the **6.1 The reasons for international trade** past-paper sheet in the Library, or try these in **Practice mode**:

- 9708/11 N25 —Q28 (comparative advantage)
- 9708/12 N25 —Q26 (gains from trade)
- 9708/12 N25 —Q27 (terms of trade)

## Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

**2.1** the ability to produce a good at a lower opportunity cost than another country (2 for a clear definition; 1 for a partial idea).

**2.2** 1 unit of cloth costs 3 units of food ($30 \div 10 = 3$) (1).

**2.3** any one of: ignores transport costs; ignores trade barriers; assumes constant costs; specialising is risky if the price falls (1).

**3.1 B**. Comparative advantage means a lower opportunity cost.

**3.2** *[6]* AO1 1 + AO3 up to 5 —if each country makes the good it gives up least to produce and trades for the rest, resources are used where they are most productive → total output of both goods rises → trade lets both countries consume beyond their own PPC.

**3.3** *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** specialisation raises efficiency, output and living standards. **Against:** over-reliance on one good is risky if its world price falls; it can cause structural unemployment and the loss of strategic industries; the theory ignores transport costs and barriers. Judgement: specialising on comparative advantage usually raises welfare, but some diversification reduces risk —it depends on the good's price stability and the country's flexibility.