

6.1 Specialisation and free trade

Name: _____ Class: _____ Date: _____

Total: 18 marks

KEY WORDS trade • free trade • exports • living standards
• imports

Objective

Build the skills to answer exam questions on **specialisation and free trade**
– national **specialisation** , exports and imports , and
the benefits and costs of **free trade** .

You must be able to:

- explain national specialisation, exports and imports
- state the benefits and disadvantages of free trade
- analyse the effect of free trade on consumers and firms

1 Key knowledge and worked examples

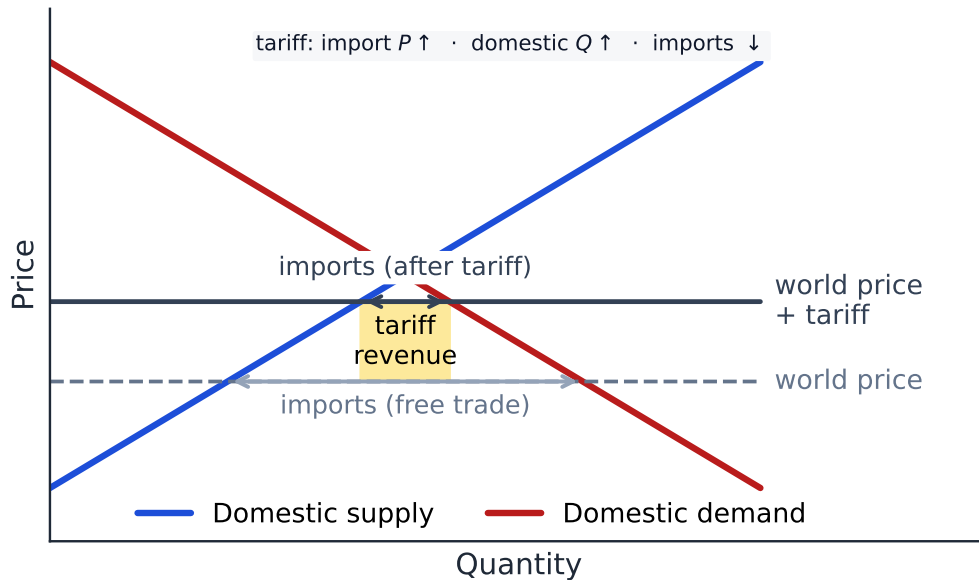
■ Why countries trade



A country focuses on what it makes best, then trades for the rest

- **Specialisation** : a country makes the goods it is best at → **exports**
them and **imports** others.

- **Free trade** : trade with no barriers. **Benefits:** cheaper goods, more choice, economies of scale, more competition → higher **living standards**
- **Costs:** domestic firms may not compete (job losses); over-**dependence** ; **infant industries** may never grow.



Free trade removes barriers like the tariff shown here – lowering price and raising the quantity traded

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 Define the term *free trade*. [2]

2.2 State the difference between *exports* and *imports*. [2]

2.3 State one benefit of free trade to consumers. [1]

3 Exam-style questions

3.1 A benefit of free trade to consumers is:

$$[1]$$


- A** higher prices
B a wider choice of cheaper goods
C more domestic job losses
D less competition

3.2 Explain two benefits to a country of specialising and trading with others.

[4]

3.3 Discuss whether free trade is always good for a country.

[8]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

Each answer shows the steps, then the **result**.

2.1

- **free trade** is trade between countries with **no barriers** – no taxes or limits on imports (K)

2.2

- **exports** are goods a country **sells** to other countries; **imports** are goods it **buys** from other countries (K)

2.3

- any **one** of: **lower prices** / a **wider choice** of goods (K)

3.1 B

- free trade gives consumers a **wider choice of cheaper goods** (K)
- A, C and D are costs, not consumer benefits

3.2

- for **each** of two benefits: K + An
- e.g. **cheaper goods**: a country buys goods more cheaply from abroad than making them itself → higher living standards
- e.g. **bigger markets**: firms sell to the whole world → they gain economies of scale → lower costs

3.3

- **good**: cheaper goods, more choice, economies of scale and stronger competition raise living standards (K + An)
- **bad**: domestic firms may close (job losses); a country can become over-dependent; infant industries may never develop (An)
- **judgement (Ev)**: free trade usually raises living standards, but some **limited, temporary protection** may be justified