

International Trade Long Questions

1997 Q4

- (a) Define:
- (i) The Law of Comparative Advantage.
  - (ii) The Terms of Trade. (20 marks)
- (b) Explain, with the aid of an example, the Law of Comparative Advantage. (25 marks)
- (c) Discuss the reasons why the Irish economy engages in international trade. (30 marks)
- [75 marks]

1999 Q7

- (a) State and explain **FIVE** factors which affect the foreign exchange value of the Irish currency. (25 marks)
- (b) Irish exports have been steadily rising in recent years. Discuss the effects of this development on each of the following:
- (i) the level of Irish imports;
  - (ii) the amount of borrowing by the Irish government. (25 marks)
- (c) The Industrial Development Authority has succeeded in attracting more foreign firms into Ireland in recent years. Describe how this affects Ireland's Balance of Payments. (25 marks)
- [75 marks]

**2000 Q5**

The table below illustrates the Law of Comparative Advantage.

<u>COUNTRY</u>	<u>COMMODITY</u> <i>(PRODUCTION PER HOUR PER PERSON)</i>	
	<b>FOOD</b>	<b>MACHINERY</b>
<b>Country A</b>	<b>8 tonnes</b>	<b>2 units</b>
<b>Country B</b>	<b>16 tonnes</b>	<b>8 units</b>
<b>Total Output</b>	<b>24 tonnes</b>	<b>10 units</b>

- (a) (i) State the Law of Comparative Advantage.  
(ii) Using the above example, explain why international trade should take place between the above countries.  
(iii) Calculate the limits within which the **terms of trade** would lie for **both** food and machinery. (25 marks)
- (b) (i) Define the following terms:  
Terms of Trade **and** Balance of Trade.  
(ii) Discuss the effects which an improvement in a country's Terms of Trade would have on a country's Balance of Trade. (25 marks)
- (c) State and explain **FIVE** possible advantages to the Irish economy of Ireland's agreement to introduce the EURO. (25 marks)  
**[75 marks]**

**2001 Q5**

- (a) Define clearly any **THREE** of the following terms:  
(i) Invisible Exports;  
(ii) Tariffs;  
(iii) Balance of Payments on Current Account;  
(iv) Balance of Payments on Capital Account. (25 marks)
- (b) Irish exports have been steadily rising in recent years. Discuss how this development affects each of the following:  
(i) the level of Irish imports;  
(ii) the amount of borrowing by the Irish government. (25 marks)
- (c) Discuss the possible effects on the Irish economy of the EURO declining in value relative to other international currencies. (25 marks)  
**[75 marks]**

**2002 Q6**

- (a) (i) State the Law of Comparative Advantage.  
(ii) State and explain the assumptions underlying this law. (30 marks)
- (b) The table below illustrates the Law of Comparative Advantage.

<u>Country</u>	<u>Commodity</u> (Hourly Production per Person)	
	<b>Food</b>	<b>Machinery</b>
<b>Country X</b>	5 tonnes	10 units
<b>Country Y</b>	20 tonnes	30 units
<b>Total Output</b>	25 tonnes	40 units

- (i) Use the above example to show how **both** countries could benefit from international trade.  
(ii) Calculate the terms of trade for **both** commodities. (20 marks)
- (c) Ireland, as a small open economy, relies on international trade. Discuss the factors which affect the competitiveness of Irish-based firms in international trade. (25 marks)

**2003 Q8**

- (a) Explain how specialisation and the division of labour promotes globalisation/international trade. (20 marks)
- (b) The World Trade Organisation (WTO) aims to reduce trade barriers between countries.  
(i) Outline **THREE** possible economic advantages of free trade.  
(ii) Explain **THREE** economic reasons why countries may impose barriers to restrict trade.  
(iii) State and explain **TWO** methods of restricting free trade. (35 marks)

**2004 Q7**

- (a) Explain **FOUR** assumptions underlying the Law of Comparative Advantage. (20 marks)
- (b) Ireland relies heavily on international trade.  
Explain **THREE** factors which affect the competitiveness of Irish-based firms in international trade. Use examples to support your answers. (30 marks)

**2005 Q5**

- (a) Explain the following terms:  
(i) Balance of Trade;  
(ii) Balance of Payments on Capital Account;  
(iii) Terms of Trade. (25 marks)
- (b)

Country	Output (production per worker per week)	
	MACHINES	CARS
SPAIN	20	5
JAPAN	40	15
<b>Total Output</b>	<b>60</b>	<b>20</b>

- (i) Explain how benefits for both countries arise from international trade, in the above example.  
(ii) Calculate the Total Output when specialisation takes place. **Show your workings.**  
(iii) Calculate the **terms of trade** for both commodities. **Show your workings.** (25 marks)
- (c) Ireland is promoted abroad as an attractive location for investment by foreign firms.  
(i) Discuss **THREE** economic reasons why foreign firms choose to invest here.  
(ii) Describe how these foreign firms, operating in Ireland, may affect Ireland's Balance of Payments. (25 marks)

**2006 Q6**

- (a) (i) Explain why international trade is essential for the Irish economy.  
(ii) Has Ireland, in recent years, tended to have a surplus or a deficit on the Balance of Payments Current Account? Outline the economic consequences of this situation. *(30 marks)*
- (b) State and explain how **imports** into the Euro-zone would be affected by each of the following developments:  
(i) the US dollar **rises** in value against the euro;  
(ii) employment within the Euro-zone **increases**. *(20 marks)*
- (c) Ireland has attracted many multinational companies to establish operations in recent years. There has also been a recent trend for some of these companies to relocate to eastern Europe or Asia.  
(i) Outline reasons why these multinational companies locate in Ireland.  
(ii) Outline possible reasons for the current relocation to other regions. *(25 marks)*

**[75 marks]**

**2007 Q7**

- (a) The Balance of Payments is made up of the Current Account and the Capital Account.

Explain each of the underlined terms. Include details of the main components of **each** account in your explanations.

*(30 marks)*

- (b) Suppose the euro (€) increases in value relative to the American dollar (\$) and sterling (£). Outline the likely effects this increase would have on any **THREE** components of the Balance of Payments, which you listed in answering (a) above.

[At least one component should be from the Capital Account.]

*(25 marks)*

**2008 Q5**

- (a) The table below illustrates the Law of Comparative Advantage.

Country	Output (production per worker per week)	
	Clothing	Televisions
South Korea	30 units	10 units
China	40 units	20 units
<b>Total Output</b>	70 units	30 units

- (i) State the Law of Comparative Advantage.  
 (ii) Explain how both countries benefit from international trade in the above example.  
 (iii) Calculate the **terms of trade** for both goods. (Show all your workings).

(30 marks)

- (b) Discuss the economic consequences of a **decrease** in the value of the US dollar (\$) relative to the euro (€) for the Irish economy.

(20 marks)

- (c) It is becoming more difficult to attract Foreign Direct Investment (multinational companies) into Ireland. Discuss the economic reasons for this development.

(25 marks)

**2009 DEB Q6**

- (a) Explain **each** of the following terms:

- (i) Terms of Trade;  
 (ii) Balance of Trade;  
 (iii) Balance of Payments on Current Account;  
 (iv) Balance of Payments on Capital Account.

(20 marks)

- (b) The table below illustrates the Law of Comparative Advantage.

Country	Output (production per worker per week)	
	Computers	Vans
Ireland	40 units	10 units
United Kingdom	80 units	30 units
<b>Total Output</b>	120 units	40 units

- (i) State the Law of Comparative Advantage.  
 (ii) Explain how both countries benefit from international trade in the above example.  
 (iii) Calculate the **total output** when specialisation takes place. (Show all your workings.)  
 (iv) Calculate the **terms of trade** for both commodities. (Show your workings.)

(35 marks)

- (c) In recent months, the euro (€) has increased dramatically in value relative to sterling (£).

Discuss the possible effects of this development on the Irish economy.

(20 marks)

**[75 marks]**

**2009 Q7**

- (a) The 'Law of Comparative Advantage' suggests that specialisation and trade increases world output.
- (i) Explain the meaning of the underlined term in the context of international trade.
  - (ii) Identify the main assumptions underlying this law.
  - (iii) Identify **two** sources of comparative advantage for the Irish economy. (30 marks)
- (b) Ireland is a small open economy which relies very heavily on international trade.
- (i) Discuss the importance of international trade to the Irish economy.
  - (ii) Are there any economic justifications for a government intervening in order to restrict international trade? Outline reasons for your answer. (30 marks)

**2010 EC Q8**

- (b) (i) Outline the advantages and disadvantages of international trade to a **less developed country (LDC)**
- (ii) Outline **TWO** methods of restricting free trade between countries. (30 marks)

**2010 DEB Q5**

- (a) (i) State and explain **three** factors which affect the foreign exchange value of the euro against other currencies such as the dollar (\$) and sterling (£).
- (ii) Discuss **two** economic consequences of a decrease in the value of sterling relative to the euro for the Irish Economy. (25 marks)
- (b) (i) Discuss the importance of imports to the Irish economy.
- (ii) Is the level of imports likely to vary with changes in the level of economic activity in Ireland? Explain your answer. (30 marks)
- (c) 'Ireland relies heavily on international trade.'  
Outline **four** factors affecting the competitiveness of Irish-based firms in international trade. (20 marks)
- [75 marks]**

2011 EC Q6

(a) Explain each of the following terms:

- (i) Terms of Trade.
- (ii) Balance of Trade.
- (iii) Balance of Payments on Current Account.
- (iv) Balance of Payments on Capital Account.

(20 marks)

(b) The table below illustrates the Law of Comparative Advantage.

Country	Output (production per worker per week)	
	Computers	Beer
Ireland	40 units	10 units
United Kingdom	80 units	30 units
<b>Total Output</b>	120 units	40 units

- (i) State the Law of Comparative Advantage.
- (ii) Explain how **both** countries benefit from international trade in the above example.
- (iii) Calculate the **total output** when specialisation takes place. (Show all your workings.)
- (iv) Calculate the **terms of trade** for **both** commodities. (Show all your workings.)

(35 marks)

(c) 'Ireland relies heavily on international trade.' Outline **four** factors affecting the competitiveness of Irish-based firms involved in International trade.

(20 marks)

[75 marks]



**2011 DEB Q5**

- (a) (i) State the **Law of Comparative Advantage**.  
 (ii) State and explain the main assumptions underlying this law.  
 (iii) Discuss **three** of the assumptions in relation to the Irish economy.

(30 marks)

- (b) The table below illustrates the Law of Comparative Advantage.

Country	Output (Production per worker per week)	
	Wine (bottle)	Oranges (crate)
France	15 units	5 units
Spain	20 units	10 units
Total output	35 units	15 units

- (i) Explain how **both** countries benefit from international trade in the above example.  
 (ii) Calculate the terms of trade for **both** goods. **Show all your workings.**

(20 marks)

- (c) (i) Outline why countries participate in international trade.  
 (ii) Explain **three** economic reasons why a country may impose barriers to restrict international trade.  
 (iii) Name and explain **three** methods of restricting free trade.

(25 marks)

**[75 marks]**

**2012 Q7**

- (a) The table below illustrates the Law of Comparative Advantage.

Country	Output (production per worker per week)	
	Food	Clothing
United Kingdom	40 units	10 units
China	60 units	20 units
Total Output	100 units	30 units

- (i) State the *Law of Comparative Advantage*.  
 (ii) Explain how both countries benefit from international trade in the above example.  
 (iii) Calculate the terms of trade for both goods. Show your workings.

(30)

- (b) (i) Discuss **three** economic factors which affect the competitiveness of Irish firms in international trade.  
 (ii) Outline how international trade benefits Irish consumers.

(25)

**2012 EC Q6**

- (a) (i) State and explain **three** factors which affect the foreign exchange value of the euro against other currencies such as the dollar (\$) and sterling (£).  
(ii) Discuss **two** economic consequences of a decrease in the value of sterling relative to the euro for the Irish economy. (25)
- (b) (i) Discuss the importance of imports to the Irish economy.  
(ii) Is the level of imports likely to vary with changes in the level of economic activity in Ireland? Explain your answer. (30)
- (c) 'Ireland relies heavily on international trade'.  
Outline **four** factors affecting the competitiveness of Irish-based firms involved in international trade. (20)

**2013 Q7**

- (a) 'The Balance of Payments figures give the most detailed information on Ireland's large and rapidly growing internationally traded services sector' (*The Irish Times*, September 2012).  
(i) Explain the term Balance of Payments Current Account.  
(ii) Explain **two** economic consequences of a surplus on the Balance of Payments Current Account.  
(iii) Describe how foreign firms operating in Ireland may affect Ireland's Balance of Payments Current Account. (30)
- (b) Discuss the possible economic effects for the Irish economy of the euro rising in value relative to many other international currencies. (25)
- (c) 'Exporting businesses need to become the engine of economic growth.'  
(Statement of Strategy 2011-2014, Department of Jobs, Enterprise and Innovation)  
Discuss the key challenges for Irish businesses on international markets. (20)

**2014 Q 7**

- (c) "The World Trade Organisation (WTO) is the only international organisation dealing with the global rules of trade between nations."  
(i) Outline **two** economic benefits claimed for 'free trade'.  
(ii) Outline **three** reasons why countries might choose to impose barriers to free trade. (25)