

Exercise walk-through

Specialisation and free trade ■ 6.1

eXercise

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

Method — Why countries trade

- **Specialisation 专业化**: a country makes the goods it is best at → **exports 出口** them and **imports 进口** others.
- **Free trade 自由贸易**: trade with no barriers. **Benefits**: cheaper goods, more choice, economies of scale, more competition → higher **living standards 生活水平**.
- **Costs**: domestic firms may not compete (job losses); over-**dependence 依赖**; **infant industries 幼稚产业** may never grow.

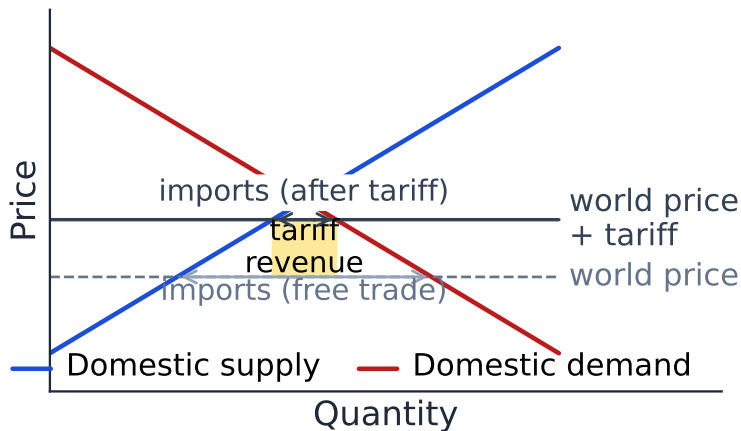
Answer shapes: $K + App + An + Ev$ (a justified judgement, for discuss questions).

Method — Why countries trade



Countries specialise and trade huge volumes of goods

Method — Why countries trade



A tariff raises the price, cuts imports, and earns the government revenue

Practice 2.1 ■ 2 marks

Define the term *free trade*.

Solution 2.1

Method: Why countries trade

Worked steps

trade between countries with no barriers — no taxes or limits on imports (2 for a clear definition; 1 for a partial idea).

Practice 2.2 ■ 2 marks

State the difference between *exports* and *imports*.

Solution 2.2

Method: Why countries trade

Worked steps

exports are goods a country sells to other countries; imports are goods it buys from other countries (2 for a clear difference; 1 for a partial idea).

Practice 2.3 ■ 1 mark

State one benefit of free trade to consumers.

Solution 2.3

Method: Why countries trade

Worked steps

any one of: lower prices; a wider choice of goods (1).

Exam-style 3.1 ■ 1 mark

A benefit of free trade to consumers is:

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

Solution 3.1

Method: Why countries trade

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



Worked steps

B. Free trade gives consumers a wider choice of cheaper goods.

Exam-style 3.2 ■ 4 marks

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

Solution 3.2

Method: Why countries trade

Worked steps

[4] For **each** of two benefits: $K_1 + A_n 1$ — *cheaper goods*: a country buys goods more cheaply from abroad than making them itself $\rightarrow$ lower prices and higher living standards; *bigger markets*: firms sell to the whole world $\rightarrow$ they gain economies of scale $\rightarrow$ lower costs.

Exam-style 3.3 ■ 8 marks

Discuss whether free trade is always good for a country.

Solution 3.3

Method: Why countries trade

Worked steps

[8] K/App/An up to 5 + Ev up to 3. **Good:** cheaper goods, more choice, economies of scale and stronger competition raise living standards. **Bad:** domestic firms may close if they cannot compete (job losses), a country can become over-dependent, and infant industries may never develop. **Judgement (Ev):** free trade usually raises living standards, but it can harm firms that cannot compete and new industries — so some limited, temporary protection may be justified; it depends on the country's industries.