

Leaving Certificate Economics Worksheet

International Trade (Chapter: Trade)

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Instructions:

- Answer all questions in **Section A** and **Section C**.
- In **Section B**, answer **3** questions.
- In **Section D**, answer **1** question.
- Show workings in calculations and use correct terms: **visible/invisible trade, balance of payments, balance of trade, current/capital/financial account, competitiveness, comparative advantage, protectionism (tariff/quota/embargo), fair trade, exchange rate, appreciation/depreciation, hot money/capital flight, PPP, devaluation, floating vs fixed, WTO/World Bank/OECD**.
- Diagrams must have axes and clear labels.

Section A – Short questions

Answer briefly.

(15 × 2 marks)

A1. Define **visible exports** and give one Irish example.

A2. Define **invisible imports** and give one example.

A3. State the formula: **Balance of Payments (visible trade)**.

A4. State the formula: **Balance of Trade (total trade)**.

A5. Define a **BOP surplus** and a **BOP deficit**.

A6. Name the **three main accounts** in Ireland's balance of payments.

A7. Give one item recorded in the **current account**.

A8. State one impact of a **BOP surplus** on the circular flow of income.

A9. Give one benefit of **imports** for Irish consumers.

A10. Give one benefit of **exports** for employment in Ireland.

A11. Define **competitiveness**.

A12. State **two** factors that influence Ireland's international competitiveness.

A13. Define **comparative advantage**.

A14. Define a **tariff** and a **quota**.

A15. Define the **exchange rate**.

Section B – Calculations & interpretation (Answer 3 of 5)

Each question: 12 marks (Workings + final answer + brief interpretation where asked.)

B1. Balance of Payments (visible trade)

An economy records the following in a year:

$$\text{Visible exports} = €84\text{bn}, \quad \text{Visible imports} = €91\text{bn}.$$

- (i) Calculate the **visible BOP balance**. State if it is a surplus or deficit.

- (ii) Explain **two** likely impacts of a persistent BOP **deficit** on the Irish economy (use: circular flow, reserves, jobs).

- (iii) Suggest one policy or market change that could **reduce** this deficit.

B2. Balance of Trade (total: visible + invisible)

A country records:

$$X_v = €120\text{bn}, \quad M_v = €105\text{bn}, \quad X_i = €54\text{bn}, \quad M_i = €66\text{bn}.$$

where v = visible and i = invisible.

(i) Calculate **total exports** and **total imports**.

(ii) Calculate the **balance of trade**. State surplus/deficit.

(iii) Explain why a trade surplus can be described as an **injection** into the circular flow.

B3. Comparative advantage (opportunity cost)

Two countries can produce either **software services** or **beef** in one week using all resources.

	Software (units)	Beef (units)
Ireland	40	20
Country B	30	30

(i) Calculate the **opportunity cost** of 1 unit of software in each country.

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- (ii) State which country has the **comparative advantage** in software and which in beef.

- (iii) Explain how both countries can **gain from trade** even if one country is “better” at producing both goods.

B4. Exchange rates and export competitiveness

An Irish firm sells a product for €180.

- (i) If €1 = £0.82, calculate the price in pounds.

1. The following table summarizes the results of the study. The first column lists the variables, the second column lists the descriptive statistics, and the third column lists the regression coefficients.

- (ii) The euro **appreciates** and now $\text{€}1 = \text{£}0.90$. Calculate the new pound price.

- (iii) Explain how euro appreciation can affect: (a) exports, (b) imports, and (c) the trade balance.

B5. Protectionism: tariff effects

A pair of imported trainers has a world price of €100. The Irish government imposes a **25% tariff**.

- (i) Calculate the new price paid by Irish consumers.

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- (ii) Explain **two** reasons a government might impose protectionism (use: revenue, infant industry, dumping).

- (iii) Give one likely **cost** of protectionism to Irish consumers or firms.

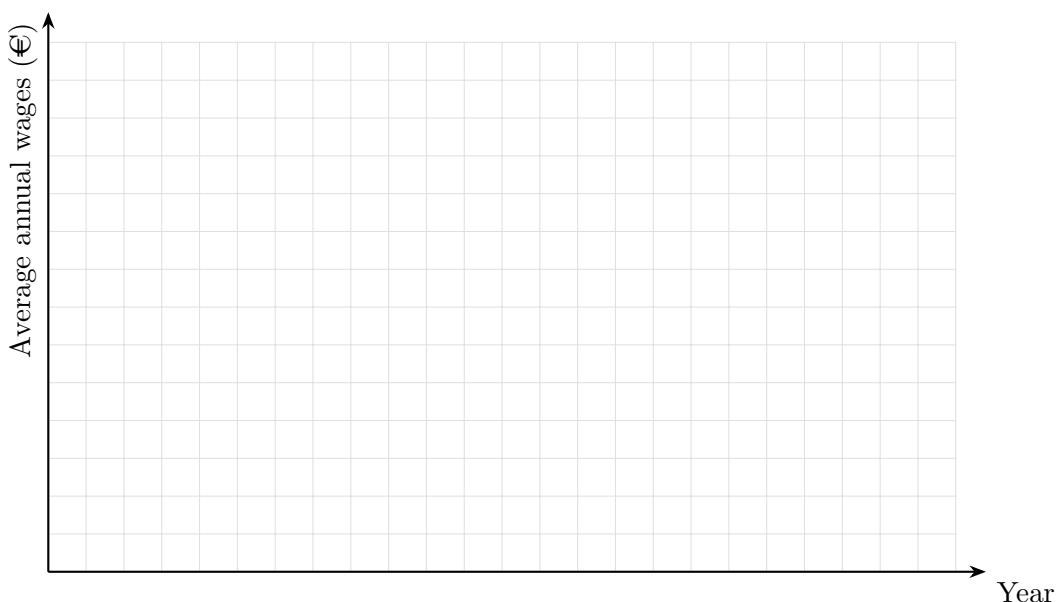
Section C – Data & visual interpretation

C1. Wages (cost of labour) and competitiveness

Stimulus (wages): Average annual wages in Ireland (selected years, €, current prices).

Year	2000	2008	2012	2016	2020	2024
Wages (€)	27,302	42,766	42,517	52,032	55,591	55,591

C1.1 Plot a line graph of wages (y-axis) against year (x-axis).



C1.2 Calculate the **percentage increase** in wages from 2000 to 2008.

C1.3 Explain how rising wages can affect Ireland's **international competitiveness**. Give **one** channel where higher wages may **help** competitiveness as well as **one** channel where they may **hurt** competitiveness.

C2. Inflation gaps and trade performance

Stimulus (HICP-style indices): Base year = 100. A higher index indicates a higher price level.

	2019	2020	2021	2022
Ireland (index)	102	103	108	120
Trading partners (index)	101	102	105	114

C2.1 Calculate the **inflation rate** (approx.) for Ireland from 2021 to 2022 using the index.

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C2.2 Identify the **price competitiveness gap** in 2022 (difference in index points).

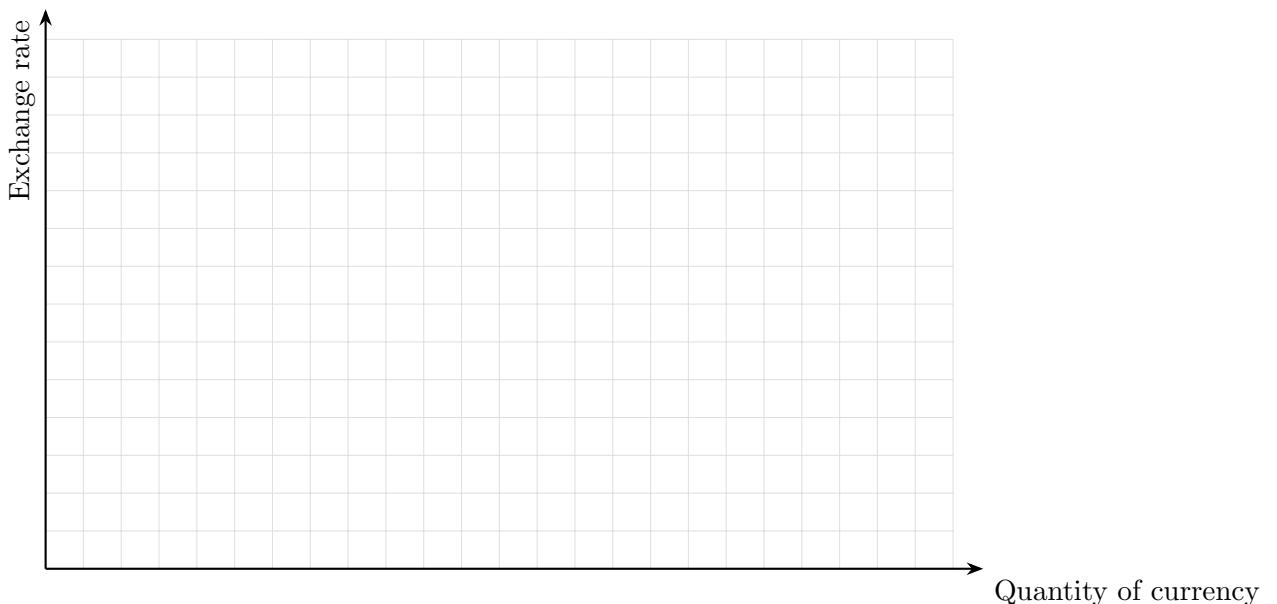
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C2.3 Explain how a higher Irish inflation rate than trading partners can affect: **(i)** exports, **(ii)** imports, and **(iii)** employment.

C3. Exchange rates: determinants and impacts

The notes explain determinants such as **interest rates (hot money/capital flight)**, **money supply**, and **speculation**. You must use a currency supply-and-demand diagram.

- C3.1** Draw a supply and demand diagram for the **euro** in terms of a foreign currency. Show how **higher eurozone interest rates** could lead to **euro appreciation**. (Shift the correct curve and label: E_1, E_2).



- C3.2** Explain, in everyday terms, what “**hot money**” means and why it can change the exchange rate quickly.

- C3.3** Explain **three** effects of euro appreciation on the Irish economy (choose from: exports/imports, inflation, tourism, jobs, BOP).

Section D – Evaluation & discussion

HL style: definitions + developed arguments + Irish context + counterargument + clear judgement.

D1. “Free trade benefits Ireland more than protectionism.” Discuss.

In your answer:

- explain benefits of trade to Ireland (choice, prices, jobs, export-led growth),
 - explain challenges for a small open economy (exposure to shocks, rising costs, skills mismatches),
 - outline **two** arguments for protectionism (revenue, infant industry, anti-dumping) and **one** cost,
 - include a brief note on **fair trade** (equity and supply-chain power),
 - finish with a judgement (when does protectionism/fair trade make sense?).

D2. “Devaluation is the best way to fix a trade deficit.” Discuss.

In your answer:

- define **devaluation** and explain how it changes export and import prices,
 - explain **two** reasons a country may devalue (competitiveness, reduce trade deficit, debt burden),
 - explain **two** risks/costs (imported inflation, loss of confidence, retaliation, higher import bills),
 - refer to a real-world case mentioned in the notes (UK 1992 / Ireland 1993),
 - finish with a judgement: when is devaluation helpful and when is it dangerous?