

Leaving Certificate Economics Worksheet

International Trade (Chapter: Trade)

Name

Date

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:

Visible exports = €84bn, Visible imports = €91bn.

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

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- (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:

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

where v = visible and i = invisible.

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

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

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- (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.

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

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- (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.

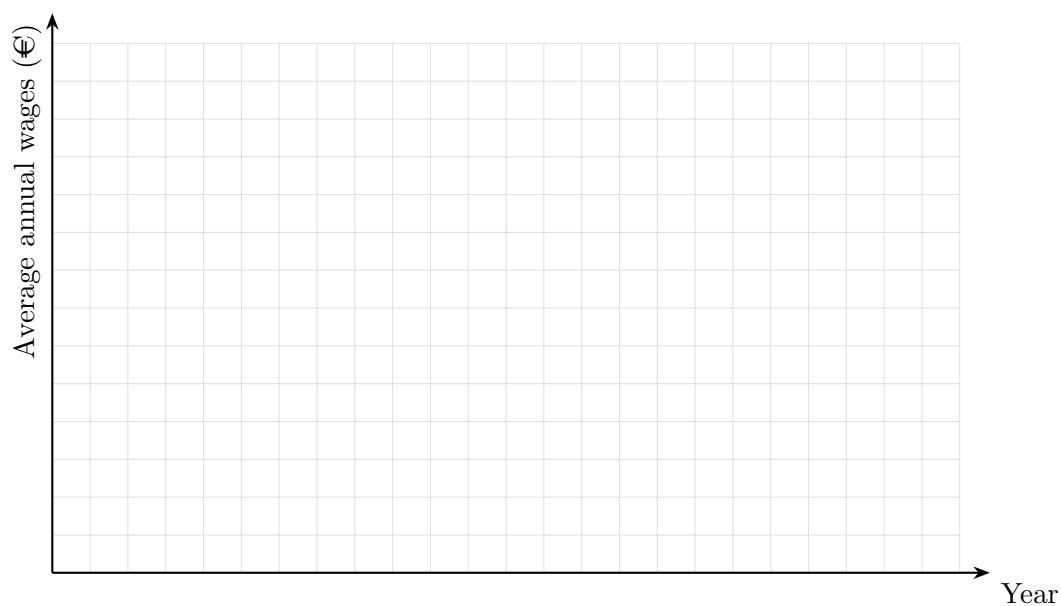
Section C – Data & visual interpretation

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).

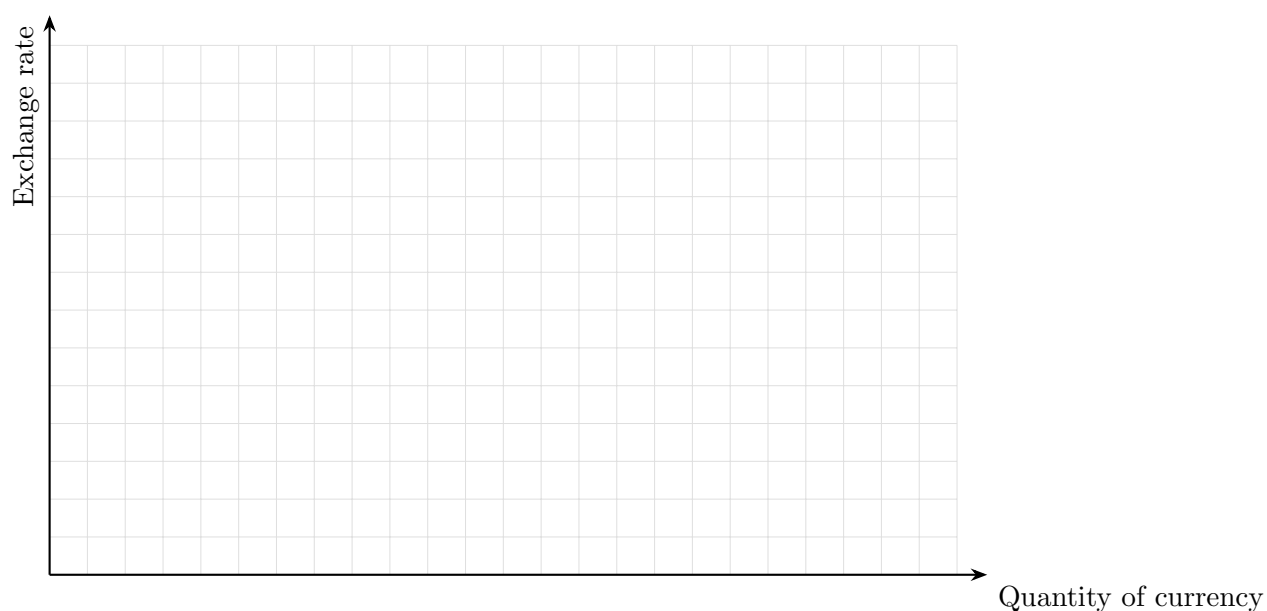
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C2.3 Explain how a higher Irish inflation rate than trading partners can affect: **(i)** exports, **(ii)** imports, and **(iii)** employment.

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?
