

# Leaving Certificate Economics Worksheet

## International Trade (Chapter: Trade)

Name		Date	
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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:

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

(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:

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

where  $v$  = visible and  $i$  = invisible.

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

(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  $\text{€}1 = \text{£}0.82$ , calculate the price in pounds.

1. **What is the primary purpose of the study?** (1 point)

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

1. **What is the primary purpose of the study?** (e.g., to evaluate the effectiveness of a new treatment, to explore the relationship between two variables, to describe a population, etc.)

(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.

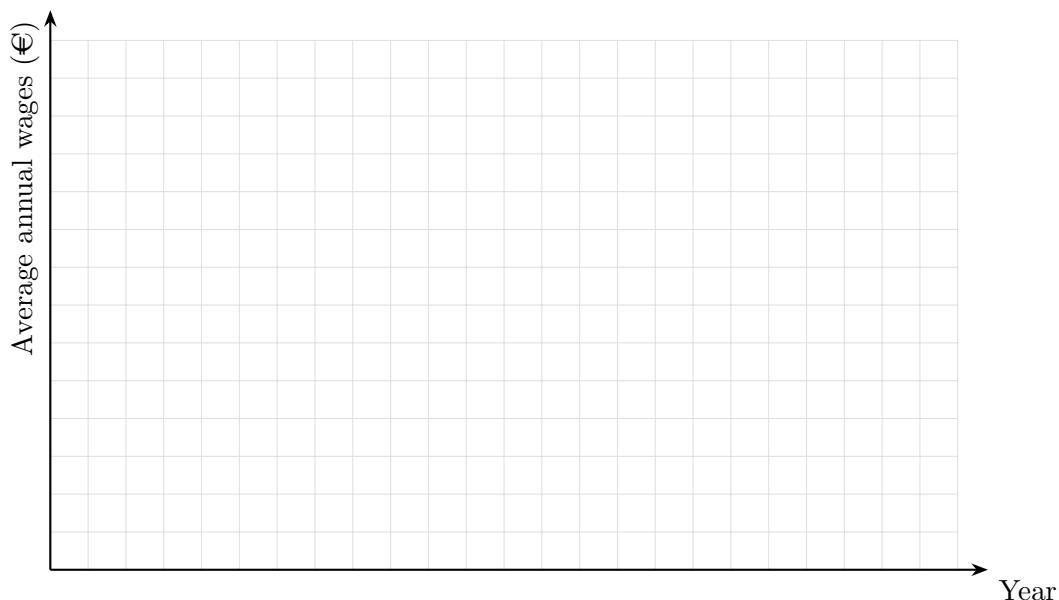

## Section C – Data & visual interpretation

### 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).

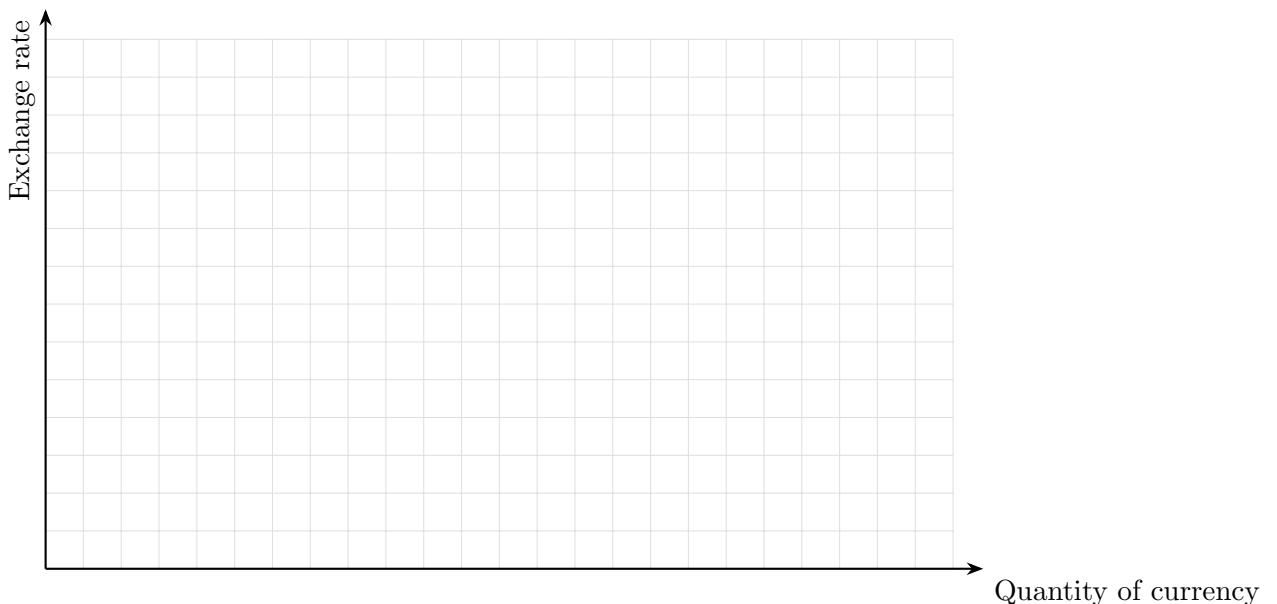
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**C2.3** Explain how a higher Irish inflation rate than trading partners can affect: **(i)** exports, **(ii)** imports, and **(iii)** employment.


### 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?