

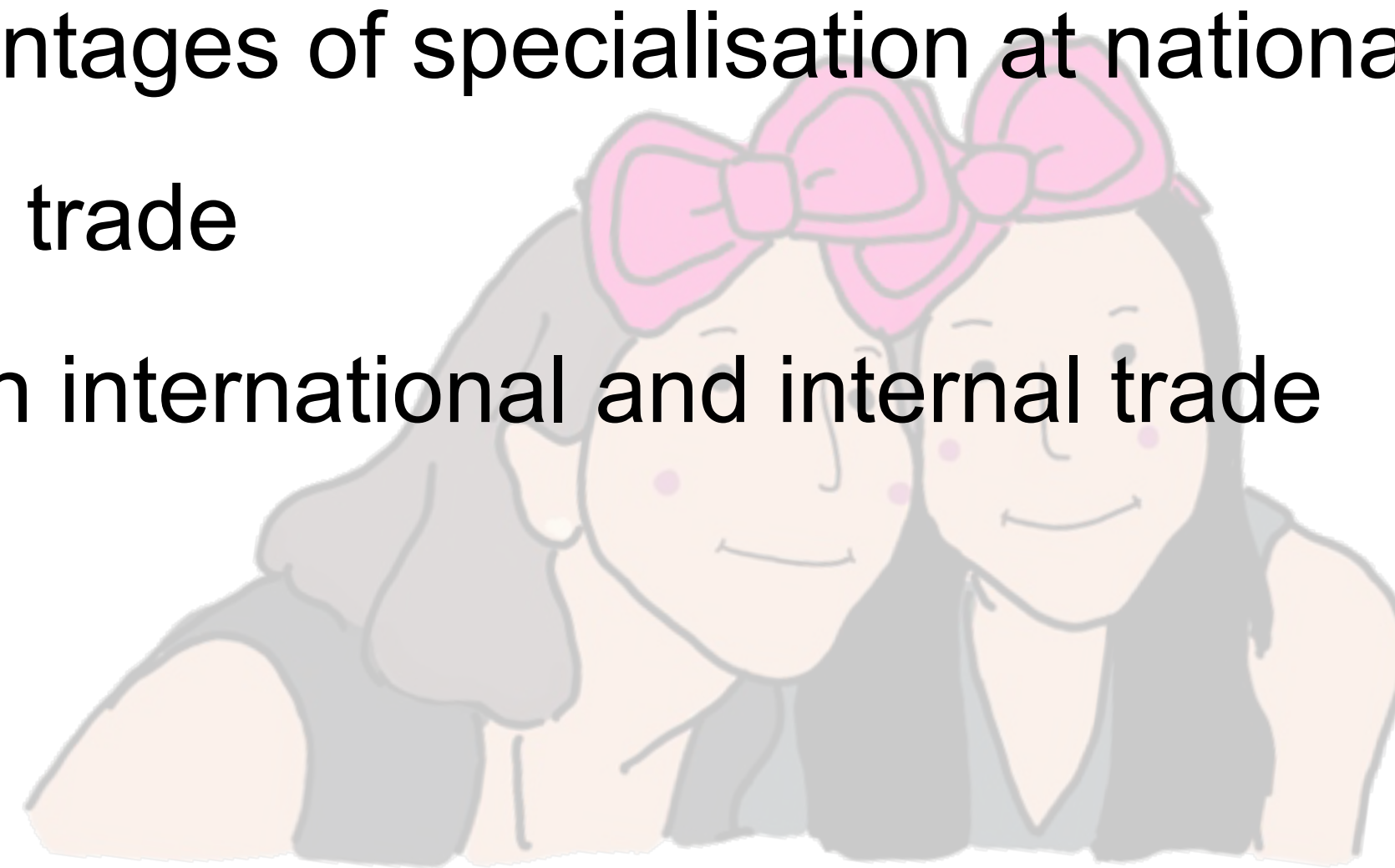


MACROECONOMICS - International Specialisation

By Kru P'Da and Kru P'Eve Knockout.Economics

Overviews

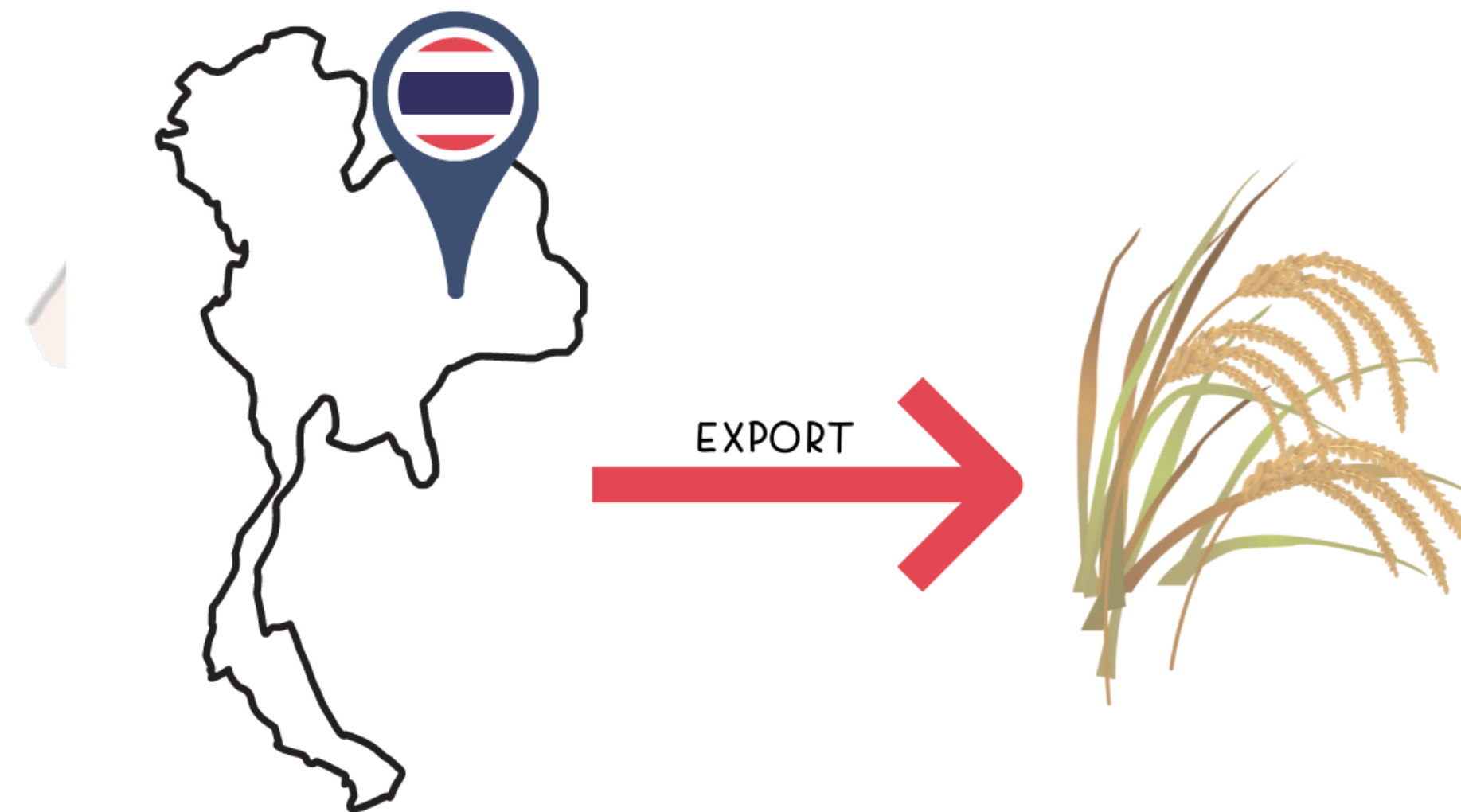
1. The concept of specialisation
2. Advantages & Disadvantages of specialisation at national level
3. Pattern of international trade
4. The difference between international and internal trade



1. The concept of specialisation

Specialization of countries at a national level

: when countries concentrate on producing those products they are best at making in term of quantity and quality



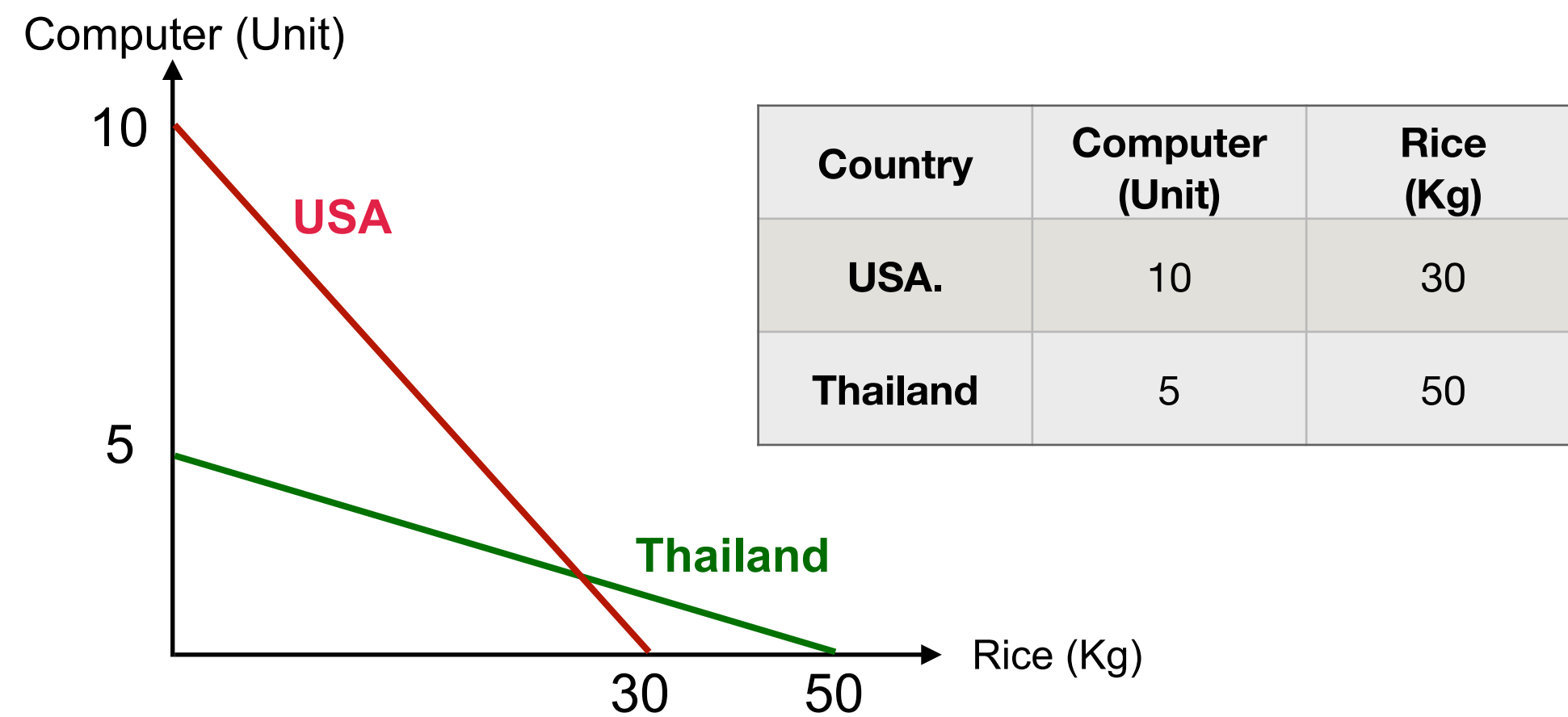
2. Advantages and disadvantages of specialisation at national level

Advantages	Disadvantages
For consumers	For consumers
<ul style="list-style-type: none">• Higher output from specialisation => standard of living improved• Better quality from concentrating on producing a product• Economies of scale => lower cost => cheaper price	<ul style="list-style-type: none">• It can cause monopoly which might restrict output to push up price.• Problems from over dependence on imported goods.
For Producers	For Producers
<ul style="list-style-type: none">• Firms can take advantage from economies of scale eg. Buying raw material in bulk.• Firms can learn new technology from oversea products	<ul style="list-style-type: none">• Producers might overdependent on countries which products are exported and raw material are imported.• Domestic firms cannot compete with foreign firms.
For Economy	For Economy
<ul style="list-style-type: none">• Country concentrates on what it is most efficient at producing => National output increases.• It creates reputation in producing a particular product => higher export revenue.	<ul style="list-style-type: none">• Structural unemployment if demand for exported goods are no longer wanted.• High transportation cost might offset advantage a country has in producing.

3. Pattern of international trade

Absolute advantages

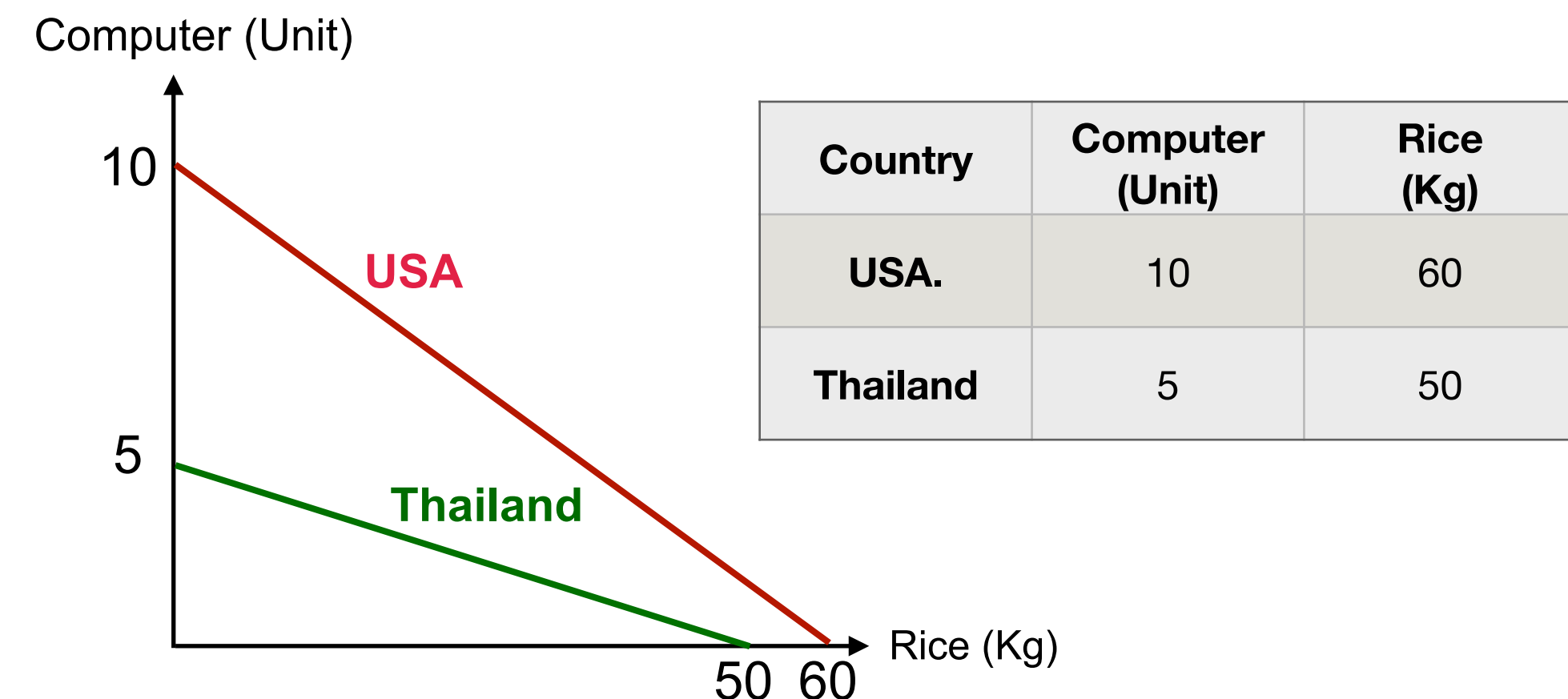
(A country has absolute advantage meaning that it can produce by using fewer resources than other countries)



- Thailand has absolute advantage in producing rice.
- USA has absolute advantage in producing computer.

Comparatives advantages

(A country has comparative advantage meaning that it can produce at a lower opportunity cost)



Case 1 : Find opportunity cost of a unit of computers

- USA 1 computer = 6 rice
- TH 1 computer = 10 rice

Therefore, USA has lower opportunity cost in producing computer at 6 units of rice

Case 2 : Find opportunity cost of a unit of rice

- USA 1 rice = 1/6 computer
- TH 1 rice = 1/10 computer

Therefore, Thailand has lower opportunity cost in producing rice at 1/10 units of computer

4. The difference between international and internal trade

Internal Trade	International trade
<ul style="list-style-type: none">• Exchange goods and service within the country	<ul style="list-style-type: none">• Exchange goods and services between countries
<ul style="list-style-type: none">• Domestic demand	<ul style="list-style-type: none">• World market demand
<ul style="list-style-type: none">• Same languages and culture	<ul style="list-style-type: none">• Different culture and consumer behaviour
<ul style="list-style-type: none">• No trade restrictions	<ul style="list-style-type: none">• Trade restrictions eg. Tariff, Quota
<ul style="list-style-type: none">• Same currency	<ul style="list-style-type: none">• Different currency

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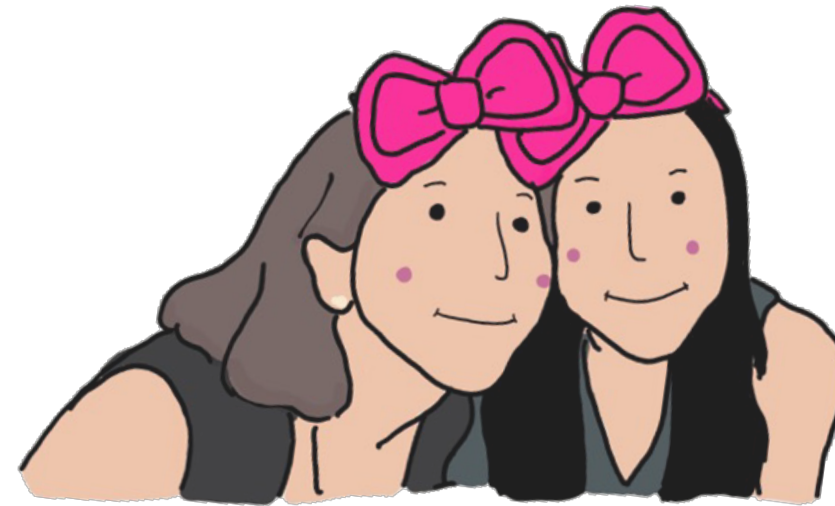
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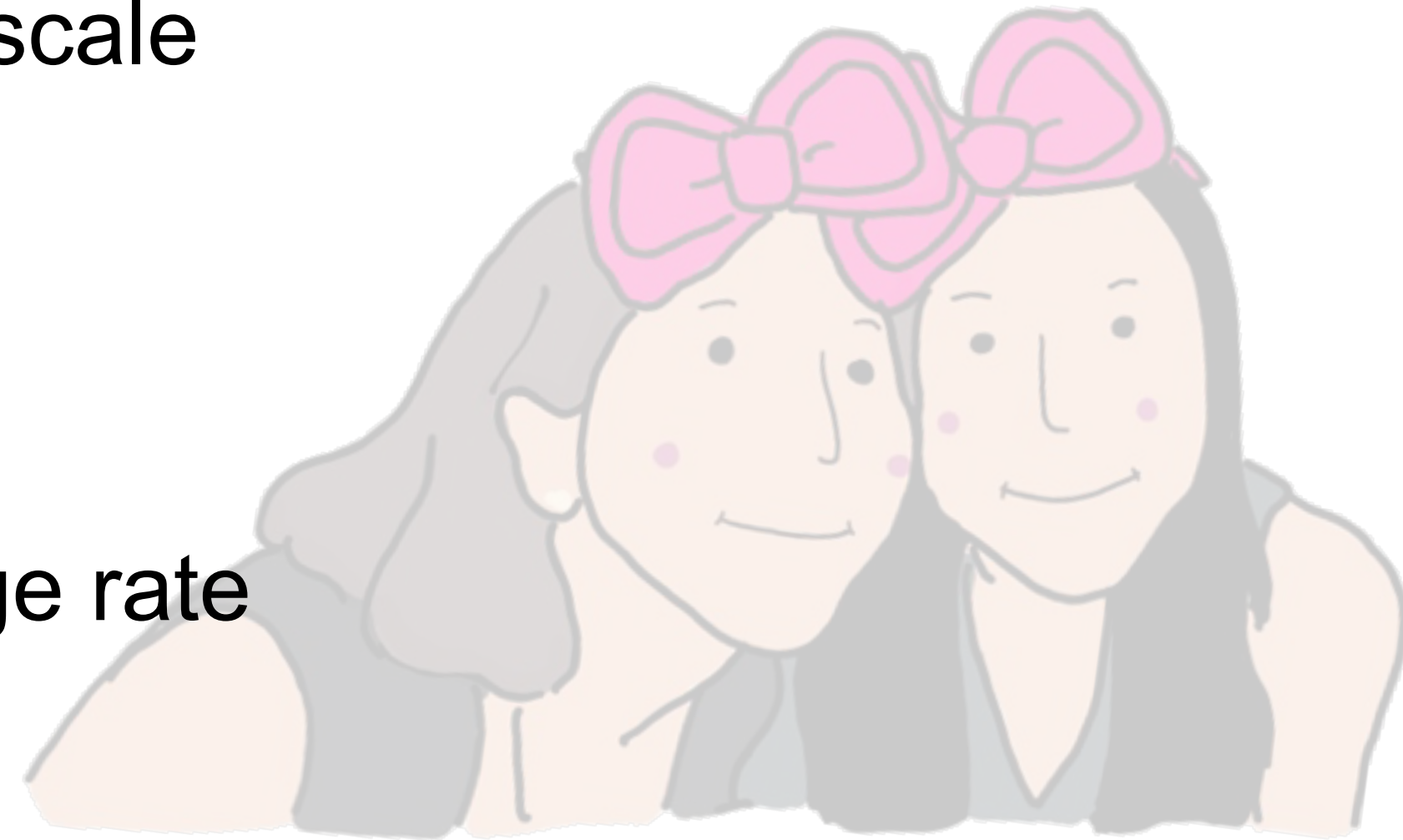
MACROECONOMICS - **Exercise : International Specialisation**

By Kru P'Da and Kru P'Eve Knockout.Economics

Exercise: MCQ

1.) What encourages international specialisation?

- A. Diseconomies of scale
- B. Tariff
- C. Free trade
- D. Unstable exchange rate



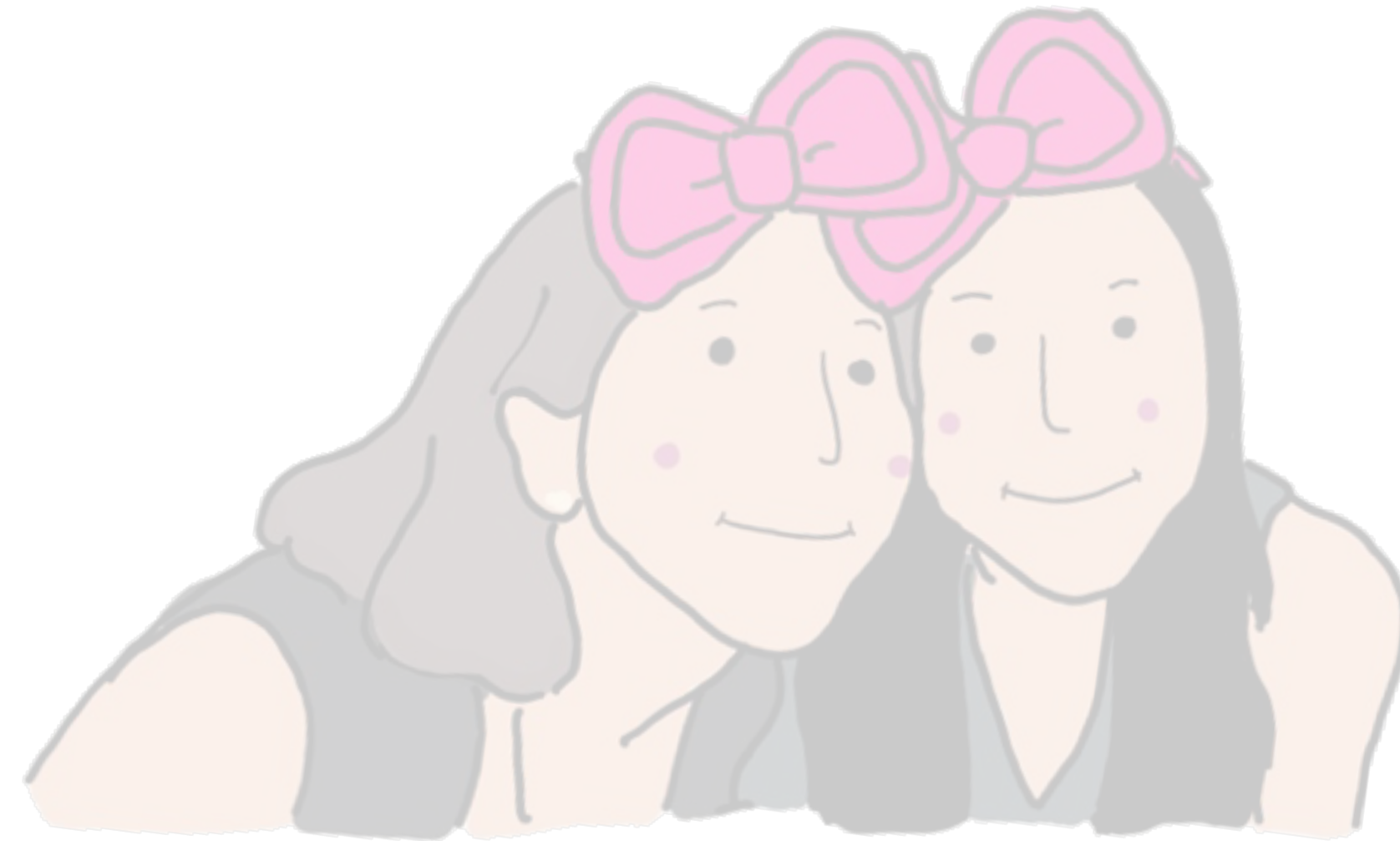
Exercise: MCQ

2.) Thailand specialises in rice production and the country mainly export rice. What might be a disadvantages of this specialisation?

- A. It has high cost of training as each worker needs training in different skills
- B. The industry face difficulties in achieving economies of scale.
- C. It may cause structural unemployment if the demand for rice is no longer wanted.
- D. Workers have variety of job opportunities.

Exercise: Essay

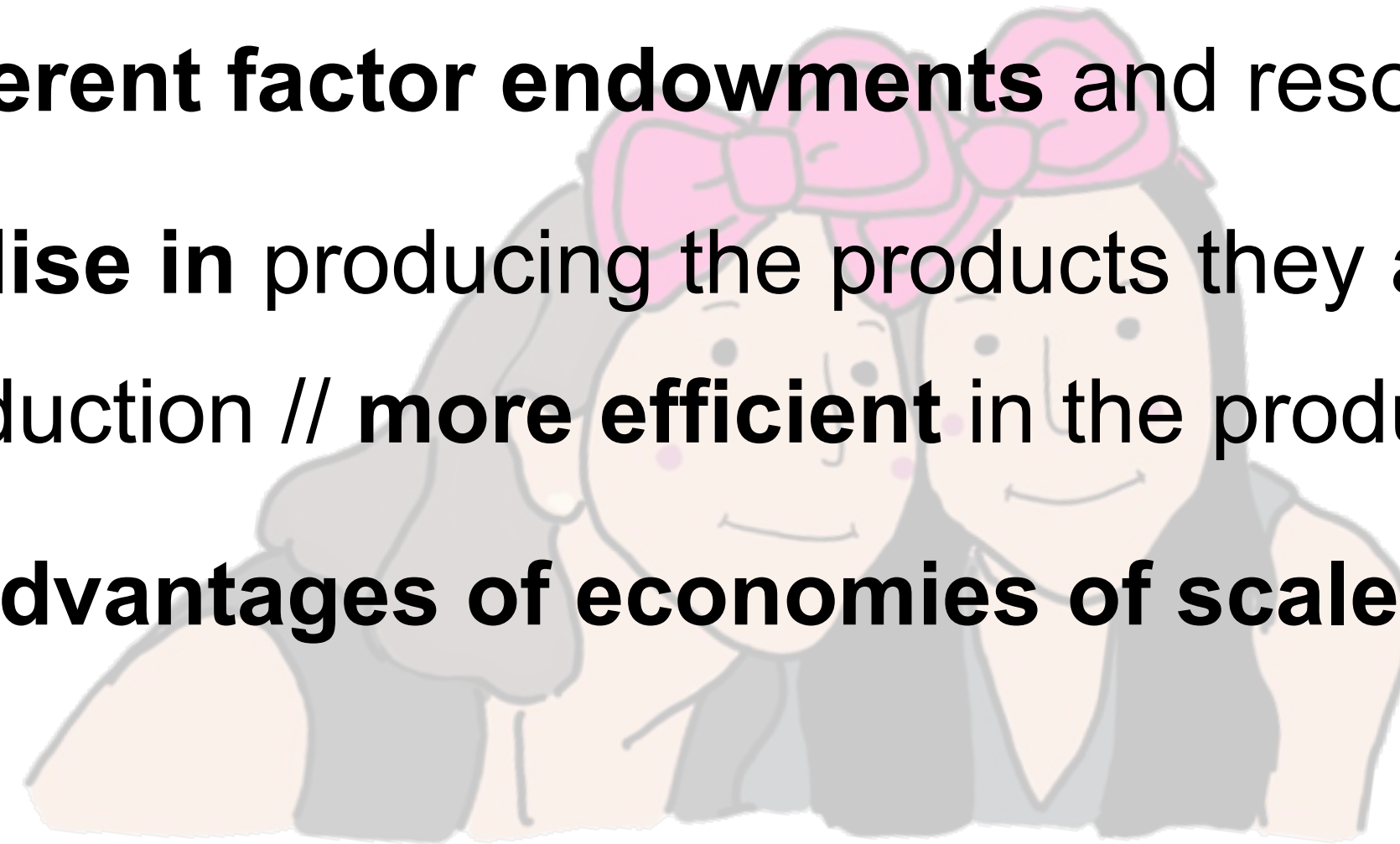
1.) Explain why specialisation is an important aspect of international trade. [4]



Exercise: Essay

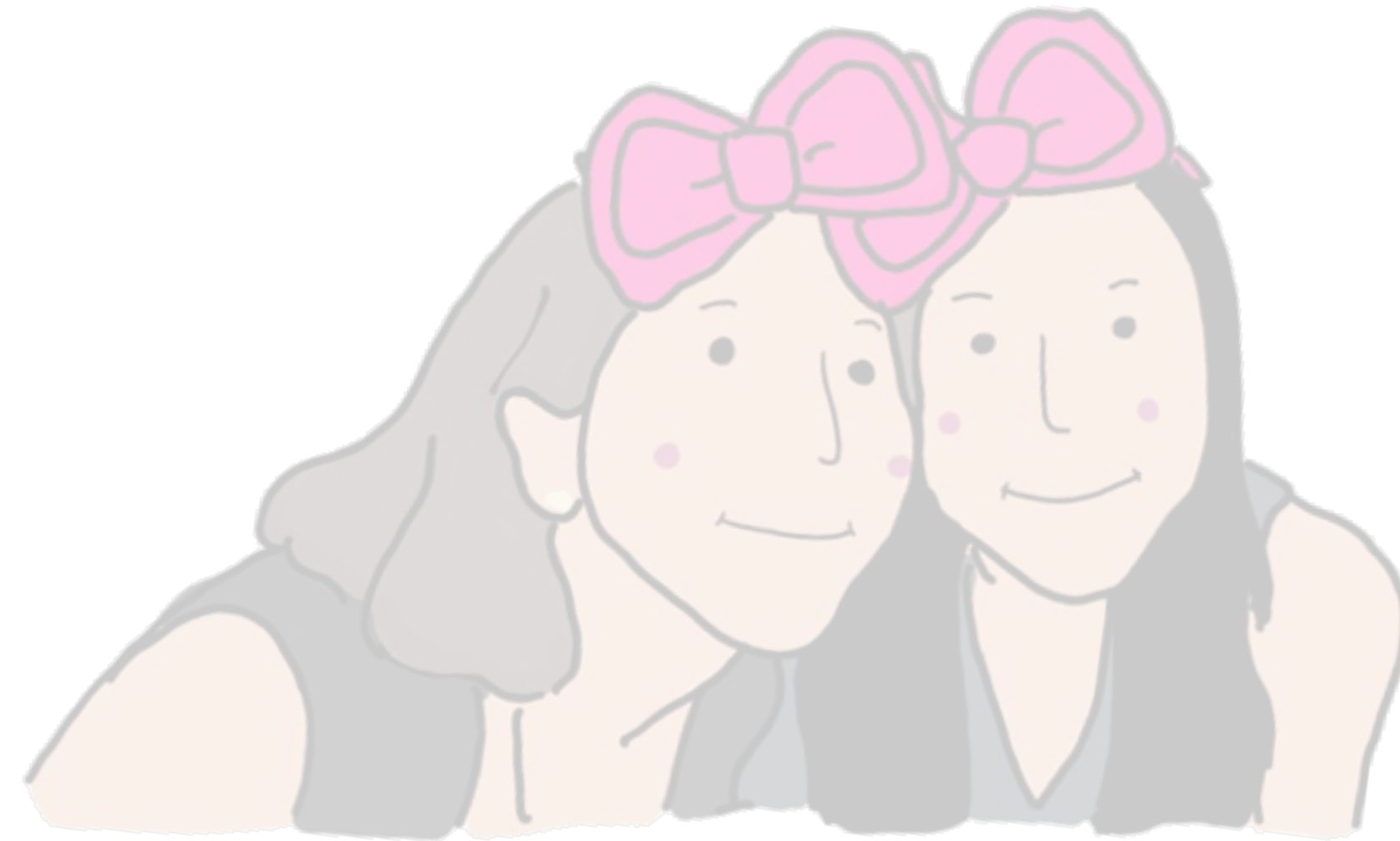
1.) Explain why specialisation is an important aspect of international trade. [4]

- Each countries have **different factor endowments** and resources.
- Countries should **specialise in** producing the products they are best at // have **lower opportunity cost** at production // **more efficient** in the production.
- The countries can **take advantages of economies of scale** => lower average costs and lower prices.
- **Higher world output** and **better standards of living**.



Exercise: Essay

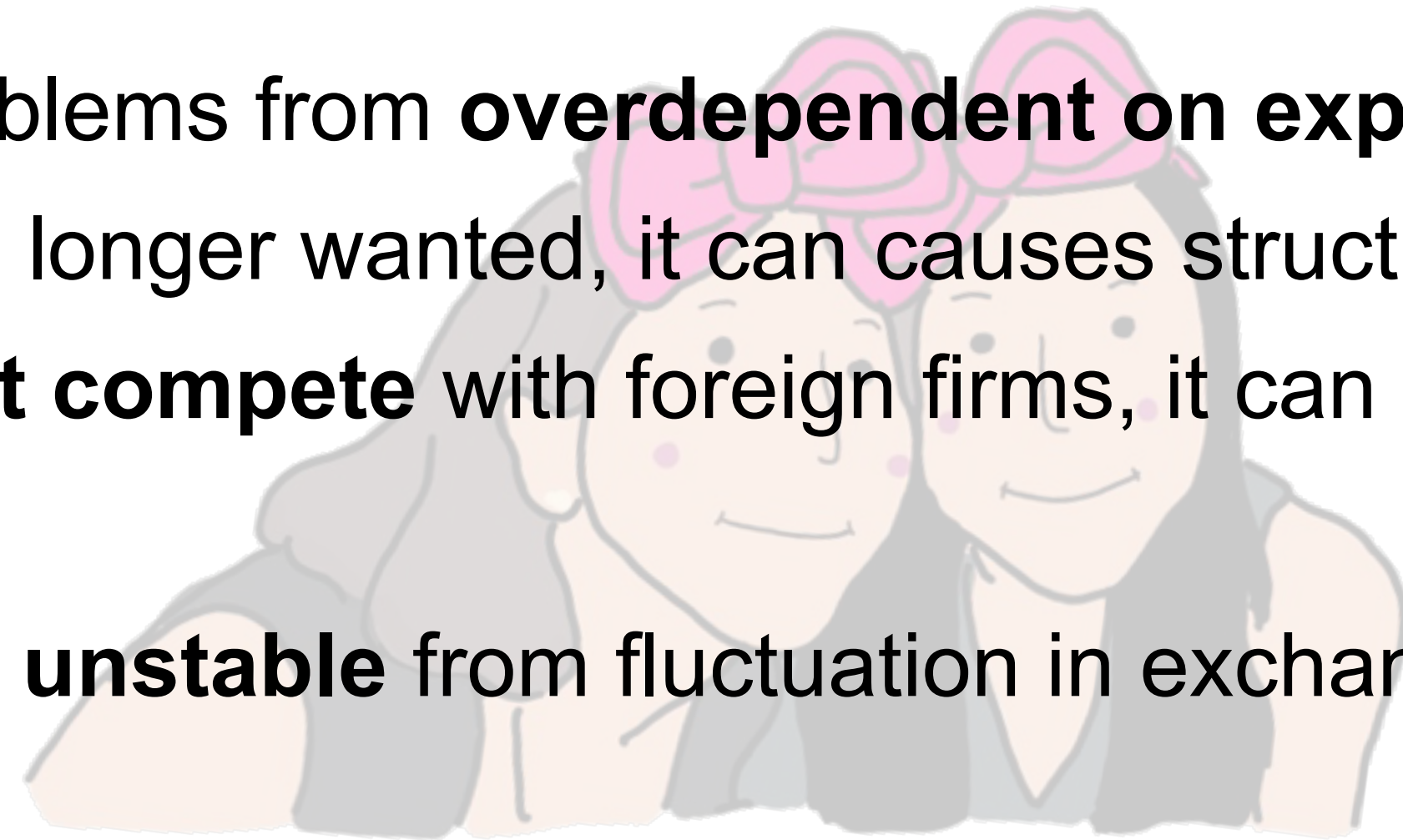
2.) Explain 2 disadvantages of international specialisation. [4]



Exercise: Essay

2.) Explain 2 disadvantages of international specialisation. [4]

- The country may face problems from **overdependent on export and import**. E.g. if demand for exported goods are no longer wanted, it can causes structural unemployment.
- If **domestic firms cannot compete** with foreign firms, it can cause them to fail and unemployment may rise.
- **National income maybe unstable** from fluctuation in exchange rate.



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