

AP Economics Unit 10: International Trade



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COMPARATIVE ADVANTAGE

Create a scenario in which the true cost of trade is greater than its gains?

- ☐ Identify the secondary costs that make trade a net loss for society.
- ☐ What is the scenario when trade is not good?

Synthesize your knowledge of the PPC, opportunity cost and terms of trade.

- ☐ Identify a range for the terms of trade to be mutually beneficial.

Analyze comparative advantage.

- ☐ Illustrate comparative advantage on a PPC.
- ☐ Using graphical and tabular analysis, show the benefit of employing comparative advantage

Apply knowledge of comparative advantage.

- ☐ Using a table, identify comparative advantage.
- ☐ Calculate the opportunity cost of production.

Retrieve/Recall Basic Trade Vocabulary.

- ☐ Absolute Advantage
- ☐ Comparative Advantage
- ☐ Terms of trade
- ☐ Trade is GOOD!

FREE TRADE

Evaluate the gains from trade when a domestic market price is lower than world price.

- ☐ Illustrate the effects of free trade on a domestic market graph.

Utilize your knowledge of S/D to show why trade restrictions reduce the gains from trade.

- ☐ Using a S/D graph, identify the gains from international trade.
- ☐ Graph the effects trade restrictions have on a domestic market.

Analyze why there are gains from international trade when the world price is lower than domestic price.

- ☐ Identify the winners and losers of international trade.
- ☐ Compare international trade with domestic trade

Identify the arguments for restricted trade.

- ☐ Protectionist
- ☐ Infant industry
- ☐ Environmental
- ☐ Humanitarian

Retrieve/Recall Basic Trade Balance Vocabulary.

- ☐ Free Trade
- ☐ Tariff
- ☐ Quota

BALANCE OF PAYMENTS

Evaluate how Monetary Policy by China's central bank has encouraged large trade surpluses for the Chinese.

- ☐ How does that impact foreign demand for US government bonds?

Utilize your knowledge of the Financial Account to illustrate how it affects the LF market.

- ☐ How do Fin. Cap. Inflows and Outflows affect the
 - ☐ RIR?
 - ☐ QLF?

Analyze how the following affect the Balance of Payments.

- ☐ Relative PL.
- ☐ Relative RIR.

Calculate the Balance of Payments.

- ☐ Identify the two accounts, their components and their relationship.
- ☐ Current Account
- ☐ Financial Account

Retrieve/Recall Basic Trade Balance Vocabulary.

- ☐ Import
- ☐ Export
- ☐ Fin. Capital Inflows
- ☐ Fin. Capital Outflows

FOREIGN EXCHANGE

Evaluate how Monetary Policy by China's central bank has kept the international value of the Yuan low.

- ☐ What is China's objective?
- ☐ What will be the long term costs to China?

Assess how a domestic change to a Fx is reciprocated in the foreign country's market.

- ☐ Opposite line, same shift.
- ☐ Each currency is relative to every other currency.

How will that value affect trade? (LR-circular)

Illustrate how the supply and demand of Fx drives its value.

- ☐ Currency is bought and sold like any other product.
- ☐ S/D of Fx
- ☐ Determinants of Demand
- ☐ Determinants of Supply

Identify how the value of currency is affected by:

- ☐ Demand for foreign products.
- ☐ RIR
- ☐ Relative PL

Retrieve/Recall Foreign Exchange Vocabulary.

- ☐ Foreign Currency (Fx)
- ☐ Fixed Exchange rate
- ☐ Flexible exchange rate