

# Gap Fill-Free Trade

Name:

International trade brings a number of valuable benefits to a country, including:

The exploitation of a country's (1)\_\_\_\_\_ advantage, which means that trade encourages a country to specialise in producing only those goods and services which it can produce more effectively and efficiently, and at the lowest (2)\_\_\_\_\_ cost.

Producing a narrow range of goods and services for the domestic and export market means that a country can produce in at higher volumes, which provides further cost benefits in terms of (3)\_\_\_\_\_.

Trade increases (4)\_\_\_\_\_ and lowers world prices, which provides benefits to consumers by raising the purchasing power of their own income, and leads a rise in (5)\_\_\_\_\_ surplus.

Trade also breaks down domestic monopolies, which face competition from more efficient (6)\_\_\_\_\_ firms.

Trade is also likely to increase employment, given that employment is closely related to production. Trade means that more will be (7)\_\_\_\_\_ in the export sector and, through the multiplier process, more jobs will be created across the whole economy.

However, despite the benefits, trade can also bring some disadvantages, including:

Trade can lead to over-(8)\_\_\_\_\_, with workers at risk of losing their jobs should world demand fall or when goods for domestic consumption can be produced more cheaply abroad. Jobs lost through such changes cause severe (9)\_\_\_\_\_ unemployment.

Certain industries do not get a chance to grow because they face competition from more established foreign firms, such as new (10)\_\_\_\_\_ industries which may find it difficult to establish themselves.

Local producers, who may supply a unique product tailored to meet the needs of the domestic market, may suffer because cheaper (11)\_\_\_\_\_ may destroy their market.

comparative competition consumer economies of scale employed  
foreign imports infant opportunity specialisation structural

## Gap Fill-Free Trade [key]

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The exploitation of a country's comparative advantage, which means that trade encourages a country to specialise in producing only those goods and services which it can produce more effectively and efficiently, and at the lowest opportunity cost.

Producing a narrow range of goods and services for the domestic and export market means that a country can produce in at higher volumes, which provides further cost benefits in terms of economies of scale.

Trade increases competition and lowers world prices, which provides benefits to consumers by raising the purchasing power of their own income, and leads a rise in consumer surplus.

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