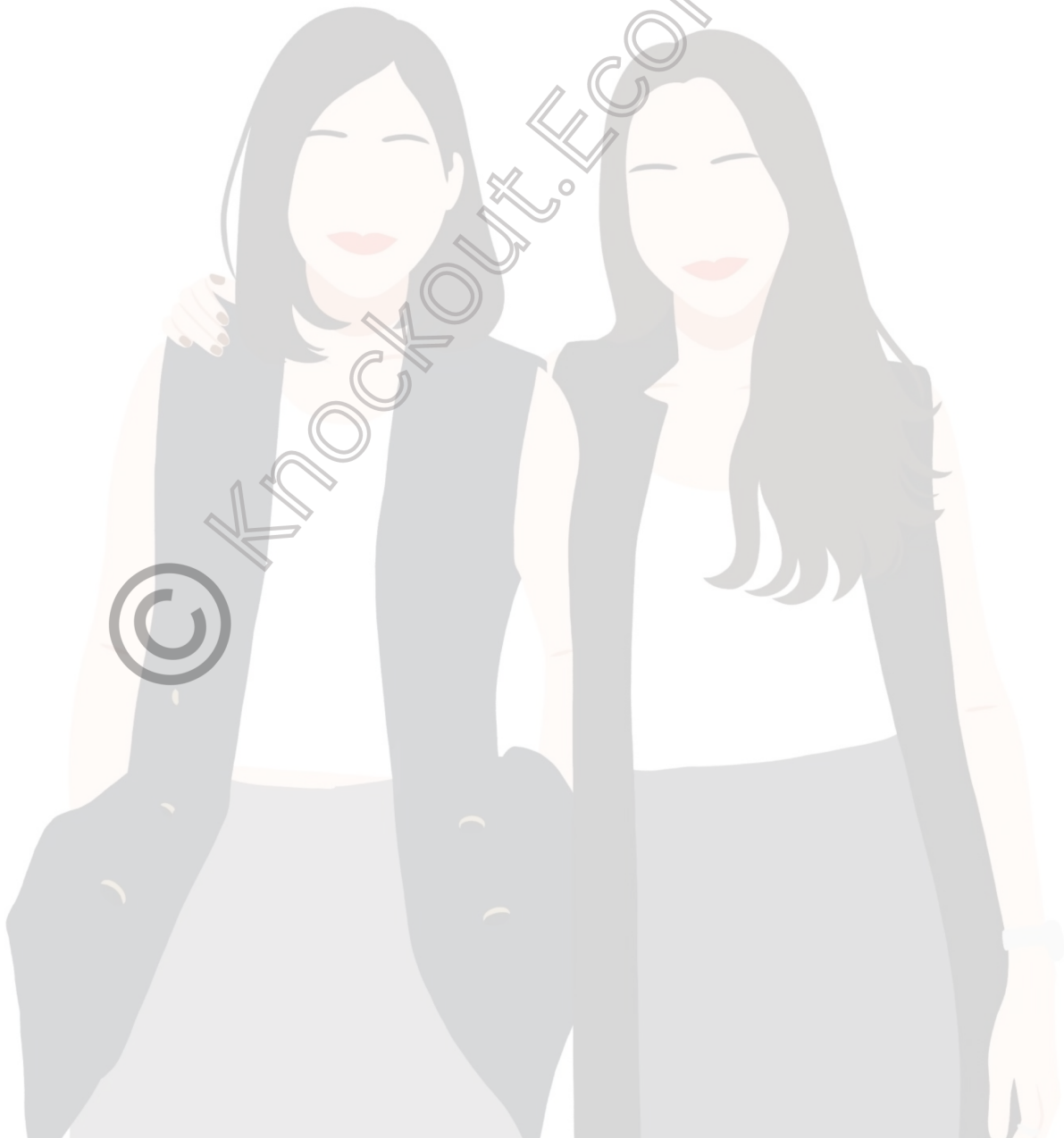


## Chapter 36

# INTERNATIONAL SPECIALISATION

### Key terms

1. Tariff : tax on imports



**1. Advantages and disadvantages of specialisation at national level**

Advantages	Disadvantages
<p><b><u>For consumer</u></b></p> <ul style="list-style-type: none"> <li>• There will be higher output and better quality of goods</li> <li>• It can achieve EOS, lower average cost</li> </ul>	<p><b><u>For consumer</u></b></p> <ul style="list-style-type: none"> <li>• Price may goes up if there is monopoly in the market</li> <li>• There will be over dependence on imported goods.</li> </ul>
<p><b><u>For producer</u></b></p> <ul style="list-style-type: none"> <li>• Firms can achieve EOS</li> <li>• Firms can learn new technology from oversea products</li> </ul>	<p><b><u>For producer</u></b></p> <ul style="list-style-type: none"> <li>• It can be overdependent</li> <li>• Domestic firms can go bankrupt if cannot compete with other foreign firms</li> </ul>
<p><b><u>For economy</u></b></p> <ul style="list-style-type: none"> <li>• National output will be higher</li> <li>• Higher efficient in using resources</li> <li>• It can create higher reputation in production higher quality of product</li> </ul>	<p><b><u>For economy</u></b></p> <ul style="list-style-type: none"> <li>• Higher risk of structural unemployment</li> <li>• Higher transportation cost</li> </ul>

**2. Pattern of international trade**

- Absolute advantage : A country has absolute advantage meaning that it can produce by using *fewer resources* than other countries.
- Comparative advantage : A country has comparative advantage meaning that it can produce *at a lower opportunity cost*