What is International Trade?

Worksheet

International trade is the exchange of goods and services between countries. Each nation specializes in its comparative advantage and trades to gain resources and lower costs—creating mutual benefit.

Questions

1. If Country A grows wheat cheaper than Country B, should Country A...

A) Refuse to trade
B) Only make wheat
C) Make wheat and trade for goods B specializes in
D) Buy wheat from B

2. Exports bring ____ into a country.

A) Goods
B) Debt
C) Money
D) Consumers

3. When you buy a phone made in Taiwan in the US, the US is...

A) Exporting
B) Importing
C) Not trading
D) Losing money

4. International trade increases prices for consumers...

A) Always
B) Never—competition lowers prices
C) Sometimes
D) Only for exports

5. Germany grows wheat efficiently but makes cars even more efficiently. Should it grow wheat or make cars to trade?

6. USA exports $1.8 trillion in goods yearly. What does this mean for the economy?

7. China imports $200 billion in raw materials (oil, metals) yearly. Why?

8. Define: What is international trade?

9. Define: What is comparative advantage?

10. Define: What are exports?

Answer Key

1. C) Make wheat and trade for goods B specializes in — Comparative advantage: A specializes in wheat, B in others—both benefit from trade.
2. C) Money — Exports = goods sold abroad for foreign currency = money in.
3. B) Importing — Importing = buying goods made abroad. US money goes to Taiwan.
4. B) Never—competition lowers prices — More competition from imports drives prices down and gives consumers choice.
5. Comparative advantage = what you're relatively best at (opportunity cost lowest) Germany should make cars (absolute advantage) → trade for wheat Trade lets both countries get more than they could alone
6. Exports = goods sold to other countries Exports bring foreign money INTO the US Supports millions of US jobs in manufacturing, farming, tech
7. China makes goods that need these materials It's cheaper to import than to mine domestically Allows China to focus on manufacturing (comparative advantage)
8. Exchange of goods and services between countries across borders for mutual economic gain.
9. Each nation specializes in what it can make most efficiently and trades for the rest.
10. Goods and services produced domestically and sold to other countries. They bring money in.