* **WHY TRADE?**
  + **Different factor endowments** - some economies are rich in natural resources while others have relatively little. Trade enables economies to specialise in the export of some resources and earn revenue to pay for imports of other goods.
  + **Increased welfare** - specialisation (where countries have a comparative advantage - see the next section for more detail on this) and trade allow countries to gain a higher level of consumption than they would do domestically and this leads to increased welfare and higher living standards. (can consume beyond the PPF)
  + To gain **economies of scale** - with specialisation and production on a larger scale than may be possible domestically, a country may be able to gain more economies of scale. This will lead to lower average costs and benefit consumers through lower prices. (especially significant for smaller nations)
  + **Diversity of choice** - trade enables us to access goods and services that we may not be able to produce ourselves. What would be an example in your country of goods that you can only get through trade?
  + **Political / historical reasons** - some trade takes place for political and other reasons relating to history and tradition, though this is generally diminishing in importance.
  + **Increased competition** - increased global competition may help to spur domestic productivity improvements and give domestic firms a better incentive to innovate and improve their products. This will benefit consumers. (decreases the power of domestic monopolies)
  + Trade may be an **'engine for growth'** - increased trade may help to spur greater domestic economic growth and drive further improvements in living standards.
  + **Diffusion and transfer of technology** and ideas across borders becomes faster.
  + **Source of foreign exchange** - when countries sell goods/services the earn foreign exchange needed to pay for goods/services they import

Conclusion: International trade is based on specialisation. Specialisation by countries is based on factor endowment (the resources the country has available to be used) Examples of international specialisation: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.