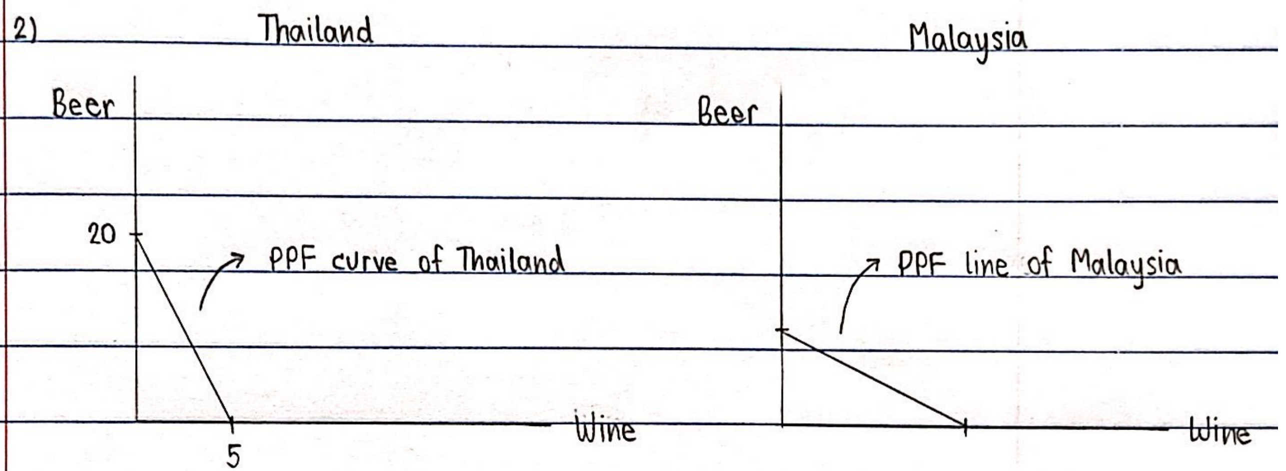
1) Absolute advantage is the advantage of one country when it uses fewer resources to produce a good than the other country does while comparative advantage is the advantage when producing a good at a lower opportunity cost than the other country does. Moreover, absolute advantage is the same as specialization (doing what you are good at) whereas comparative advantage is about the opportunity cost of production.

2)



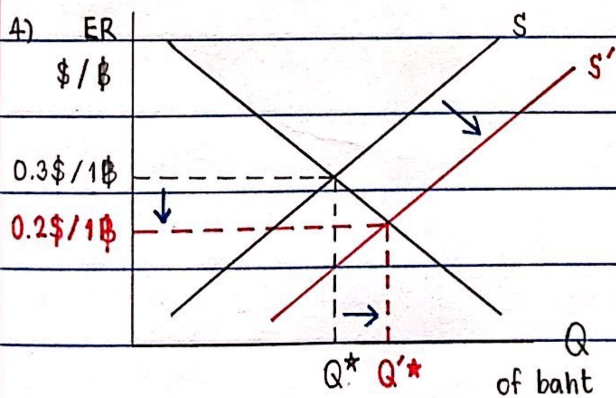
3) current account surplus : X > M

capital account deficit ; (KA > 0) money flows out of the country

Balance of payment identity : CA + KA = 0

Ex. When one has CA decifit, the other will has KA surplus

4)



- increasing supply of baht
- The Central Bank sells ฿ & buys $ more (depreciation in THB)

5) Floating exchange rate regime : the currency price of a nation is set by the forex market based on demand and supply relative to other currencies

- D of THB ↑ , THB will appreciate
- S of THB ↑ , THB will depreciate
- D of THB ↓ , THB will depreciate

6) appreciate : interest rate ↑ , D of THB ↑

depreciate : domestic goods are more expensive , M ↑ & X ↓

7) $\frac{400}{300} = 1.33 \Rightarrow$ 1.33 USD : 1 GBP

8) $\frac{40}{20} = 2 \Rightarrow$ 2 THB apple = 1 GBP apple

9) If the costs of transportation are small, the price of same goods in different countries should be the same.