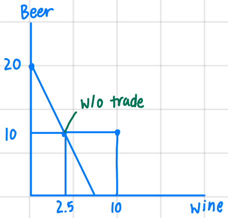
1) Absolute Adv : Adv of one country use fewer resource to produce goods than other country do

comparative Ad: Adv of one country when it produces goods with lower opp. cost.

2)



Thailand

Malaysia

Thailand — Malaysia

Absolute — Beer — Wine

after — thailand gain more wine as an AA from trading with Malaysia

3) BOP - All transaction btw agent & rest of the world

current account surplus

CAS - export > import

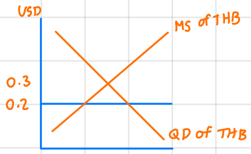
CAD - Nation ↑ ownership in foreign asset.

capital acc. deficit

4) CB have to ↑ Ms of THB bay selling THB (in USD) to FEM

Foreign exchange market

→ Thai baht depreciate



5) • THB appreciate

• THB depreciate

• No effect

6) B/c when inflation ↑ ir ↑

it the attract FDI. Demand for THB ↑

THB appreciate

7) \$ 400 = £300

$\frac{\$400}{300}$ = £1

\$1.3333 = £1 (PPP)

\$ 1 = £1 (actual exchange rate)

8) (40/1) x (1/20) = 2

RER implies that ppl are willing to exchange 2 thai apple w/1 GBP apple

9) low transportation cost, price of same goods

in diff countries is roughly the same.