**Ishik University**

***Dep. of Business Management***

***Assignment #1***

***Prepared by:***

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***International Economics-1 (BUS 325/H)***

1. Canada and Australia are (mainly) English-speaking countries with population’s that are not too different in size (Canada’s is 60 percent larger). But Canadian trade is twiceas large,relative to GDP, as Australia’s. Why should this be the case?
2. Explain how the Ricardian model, the most basic model of internationaltrade, works and how it illustrates the principle of comparative advantage.
3. Suppose the United States and Mexico are the only countries in the world, and labor is the only productive input. Suppose the technology of the two countries is characterized by the following input requirement table:
	1. Which country has absolute advantage in X? In Y? Explain.
	2. Determine the pre-trade relative prices, i.e. the price of a television (X) in units of computers (Y) in each country?
	3. Calculate the opportunity cost of production of each good for both countries.
	4. Which country has comparative advantage in X? In Y? Explain. e) Suppose that each country has 60 hours of labor available. Draw the PPF for each country and determine its slope.

***Note: -***

1. The deadline for this assignment is **Nov 6, 2018 before 2pm in my office**.
2. If you submit your paper afterward, you receive (-20).
3. Your assignment must be printed out.
4. Hand written assignments receive zeros.
5. Make sure you write your full name, my name, class code, and submission date on the top left corner on the front sheet.
6. Make sure also that you staple your sheets if you need more than one sheet. Unstapled sheets receive (-20).
7. **You could help each other but if you copy each other, you receive a ZERO.**