

### 4.1.3 Patterns of trade

- *Factors influencing the pattern of trade between countries and changes in trade flows between countries:*
  - *Comparative advantage*
  - *Impact of emerging economies*
  - *Growth of trading blocs and bilateral trading agreements*
  - *Changes in relative exchange rates*
- Geographical pattern of trade: the countries a nation trades with
- Commodity patterns of trade: the types of products that are traded internationally
- Pattern of trade since WW2:
  - Surge in global trade
  - Increased number of trading blocs
  - Rise of emerging markets
  - Production of manufactured goods has shifted to
- Factors influencing patterns of trade:
  - Comparative advantage: developing countries have a comparative advantage in manufactured goods because of their low wage costs
  - Emerging economies: collapse of communism means more world trade
  - The growth of global supply chains
  - The increased importance of emerging economies as trading partners
  - Growth of trading blocs and bilateral trading agreements- could be trade creation or trade diversion
  - Changes in relative exchange rate
- The theory of comparative advantages assumes a perfectly competitive market. In reality, this is likely to be different, which results in the full benefit of specialisation not happening.
- Comparative advantage does not consider the exchange rate when considering the cost of production for both countries. Therefore, if the price of one good increase, it is more worthwhile producing that good, even if the country has a comparative advantage in the other good.
- Over 90% of Malawi's exports of goods are agricultural and extractive products- 45% raw tobacco. Its main imports are manufactured products.
- UK has high intra-industry trade so we import similar products from those that we export because we mainly trade with other developed countries.
- China exports mostly machinery (48%) and other manufactured goods including textiles
- Trade creation: when a country consumes more imports from a low cost producer and fewer from a high cost producer
- Trade diversion: when trade shifts to a less efficient producer