

6.2 Globalisation, Free Trade & Protection

Question Paper

Course	CIE IGCSE Economics
Section	6. International Trade & Globalisation
Topic	6.2 Globalisation, Free Trade & Protection
Difficulty	Medium

Time allowed: 200
Score: /159
Percentage: /100

Question 1

India and Ecuador are two major producers of bananas. India is the world's largest producer of bananas while Ecuador is the world's largest exporter. Multinational companies (MNCs) produce some of the bananas in both countries. The World Health Organization (WHO) recommends that each person should eat 400 grams of fruit and vegetables a day. To encourage people to eat more fruit and vegetables governments may use policy measures such as maximum prices and subsidies.

Analyse the factors which lead an MNC to produce in particular countries.

[6 marks]

Question 2

Tanzania is a low-income country with relatively high import tariffs. Between 2012 and 2015, Tanzania experienced a high economic growth rate. This allowed the government to provide more public goods. The government also increased its investment in the merit goods of education and healthcare. Tanzania's central bank influenced household borrowing and spending with the aim of achieving price stability. As a result the country's inflation rate fell, with money losing less of its value.

Discuss whether or not a government should impose tariffs on its country's imports.

[8 marks]

Question 3

Mexico has a history of trade deficits. The government is moving the economy closer to free trade, to try to improve its macroeconomic performance. It was predicted in 2017 that Mexico's economy would experience a small rise in its unemployment rate. In 2017 the economy's inflation rate was 6.6%, the highest rate since 2001. A number of policy measures may be used to reduce inflation, including increasing the rate of income tax.

Explain two benefits producers may gain from free trade.

[4 marks]

Question 4

Calculate the percentage of total world output of palm oil produced by Indonesia in 2017.

Refer to the [source material](#) in your answers

[1 mark]

Question 5

Identify two methods of protection.

Refer to the [source material](#) in your answers.

[2 marks]

Question 6

The Chinese government reformed the Chinese tax system in 2016. It extended VAT (sales tax) from the sale of goods to the sale of services enabling it to cut the corporation tax rate. Taxes on goods and services are usually regressive. The Chinese government wanted to raise living standards and hoped that a cut in the tax rate firms pay would attract multinational companies (MNCs) to the country.

Analyse how a cut in the rates of corporation tax and income tax may influence the number of MNCs setting up in the country

[6 marks]

Question 7

The Indian government subsidises the country's exports of cotton textiles. The USA, the largest buyer of Indian cotton textiles, benefited from this. India planned to stop the subsidy by 2019. This was welcomed by other cotton textile exporters. The USA may not be much affected, in part, because income usually rises in the country. The value of the Indian rupee against the US dollar was relatively stable in this period but rose slightly in mid-2017

Discuss whether or not a government should subsidise its exports

[8 marks]

Question 8a

a)

There was a global surplus of steel in 2017. In mid-2017, the US government considered imposing tariffs on steel imports to protect its declining steel industry. Cheap imports from other countries were reducing employment in the US steel industry. The pattern of US employment was also being affected by improvements in education.

Identify two methods of trade protection other than tariffs

[2 marks]

Question 8b

b)

There was a global surplus of steel in 2017. In mid-2017, the US government considered imposing tariffs on steel imports to protect its declining steel industry. Cheap imports from other countries were reducing employment in the US steel industry. The pattern of US employment was also being affected by improvements in education

Discuss whether or not the imposition of import tariffs by a country will reduce its unemployment

[8 marks]

Question 9

Discuss whether or not Istanbul benefits from investment by MNCs

Refer to the [source material](#) in your answers.

[6 marks]

Question 10

Discuss whether or not opening up to free trade benefits an economy.

Refer to the [source material](#) in your answers.

[6 marks]

Question 11

In 2017, two firms in the chemical industry in China merged. This created the world's largest chemical group with approximately US\$100 billion revenue. The main aim of this integration was to control the domestic market for chemicals and fertilisers by creating a monopoly. The new firm is a multinational company (MNC) as it also produces in other countries such as Italy and Switzerland.

Analyse the advantages that an MNC has over a firm which only produces domestically.

[6 marks]

Question 12

In 2016, France had a trade in services deficit. France is a rich, developed country with a high standard of living. The country is, however, facing several challenges including population problems. Also, after elections in 2017, politicians and economists debated whether the country should try to move towards freer international trade.

Analyse how a move to freer international trade may benefit a country's producers.

[6 marks]

Question 13

The Saudi Arabian government is encouraging the growth of the private sector. It is a low-cost oil producer, but its exports to South Africa have fallen recently. South Africa has a floating foreign exchange rate, but its central bank has recently tried to prevent a large fall in its foreign exchange rate.

Analyse why a country with low costs of production may experience a decrease in its exports.

[6 marks]

Question 14

A number of book publishers operate in Pakistan. These include multinational companies (MNCs). They employ a range of specialist workers. A number of these specialists estimate the price elasticity of demand (PED) for their firms' books. There is a debate about whether some books should be subsidised by the government.

Define a multinational company.

[2 marks]

Question 15

It was predicted that global unemployment would rise by over two million in 2017. Unemployment rates, however, vary between countries. Some governments use fiscal policy measures and others use supply-side policy measures to reduce unemployment. The unemployment rate can also be influenced by trade protection.

Discuss whether or not a government should protect its country's industries from foreign competition.

[8 marks]

Question 16

The South Korean economy was dominated by many family-owned firms which have now become large public limited companies. The government provided subsidies and imposed trade protection to help their domestic firms to grow. Since 2010, average earnings have risen in South Korea.

Discuss whether or not trade protection supports the growth of domestic firms.

[8 marks]

Question 17

Ireland has attracted a significant number of foreign multinational companies (MNCs) to set up production in the country. These firms employ approximately 10% of the country's labour force and make a high proportion of Ireland's exports. The surplus on the current account of Ireland's balance of payments fell in 2016 while government spending rose.

Identify **two** reasons why an MNC may decide to start producing in a foreign country.

[2 marks]

Question 18

In 2016, there was a global surplus in the steel market pushing down steel prices. This situation led to various calls for protectionist measures by other steel producers such as those in the EU and the USA. However, such measures were not supported by car producers as approximately 22% of a car manufacturer's costs depend on steel prices.

Define *protectionism*.

[2 marks]

Question 19

In 2016, there was a global surplus in the steel market pushing down steel prices. This situation led to various calls for protectionist measures by other steel producers such as those in the EU and the USA. However, such measures were not supported by car producers as approximately 22% of a car manufacturer's costs depend on steel prices.

Explain **two** methods of trade protection.

[4 marks]

Question 20

The price of gold rose in 2016. This encouraged owners of gold mines to employ more resources to increase the supply of gold. The level of competition in gold production varies in the different gold producing countries. A number of countries, including India, impose a tariff on imported gold.

Explain two reasons why a government may impose a tariff on imported gold.

[4 marks]

Question 21

Identify, from the extract, **two** methods of trade protection.

Refer to the [source material](#) in your answers.

[2 marks]

Question 22

A United Arab Emirates (UAE) airport announced a record profit of \$1.9 billion in 2016. This was despite a fall in its total revenue. In 2016, the UAE considered introducing Value Added Tax (VAT). The introduction of an indirect tax may have an impact on unemployment. The UAE has a very low unemployment rate which is one reason why multinational companies (MNCs) set up in the UAE.

Discuss whether or not MNCs are likely to set up in countries with low unemployment.

[8 marks]

Question 23

In 2016, the world shortage of peanuts increased their price. China, which has traditionally been a net exporter of peanuts, was about to become a net importer. South Africa, which is an exporter of high-quality, high-cost peanuts used in chocolate confectionery, experienced the worst drought on record. A higher number of South African farmers applied for bank loans in the same year.

Analyse why a country may change from a net exporter of a product into a net importer of the product.

[6 marks]

Question 24

The United Nations (UN) has set out development goals for countries to achieve by 2050. These goals include:

- conserve natural resources
- ensure education for all
- end poverty everywhere
- promote sustained economic growth

Identify two ways a government could conserve its country's resources.

[2 marks]

Question 25

In 2015, the Tripartite Free Trade Area (TFTA) was established. It covers 26 countries and is the biggest free trade area in Africa. Removing trade restrictions can enable economies to take greater advantage of economies of scale. Some economists argue that improving Africa's roads would be more beneficial and would do more to reduce a current account deficit on the balance of payments and raise living standards.

Explain two benefits consumers may gain from free trade.

[4 marks]

Question 26

In 2015, the Tripartite Free Trade Area (TFTA) was established. It covers 26 countries and is the biggest free trade area in Africa. Removing trade restrictions can enable economies to take greater advantage of economies of scale. Some economists argue that improving Africa's roads would be more beneficial and would do more to reduce a current account deficit on the balance of payments and raise living standards.

Analyse how reducing transport costs could increase a country's exports and imports.

[6 marks]

Question 27

World output has grown in recent years, but a number of countries have experienced a recession. The removal of trade restrictions such as import tariffs has slowed down, reducing the growth of world trade.

Define *import tariff*.

[2 marks]

Question 28

World output has grown in recent years, but a number of countries have experienced a recession. The removal of trade restrictions such as import tariffs has slowed down, reducing the growth of world trade.

Explain two benefits of an increase in world output.

[4 marks]

Question 29

World output has grown in recent years, but a number of countries have experienced a recession. The removal of trade restrictions such as import tariffs has slowed down, reducing the growth of world trade. **Discuss** whether or not a developing country will benefit from the removal of trade restrictions.

[8 marks]

Question 30

In the 1990s Cambodia became a mixed economy. One of the results of this was specialisation in the clothing industry. In 2005, import quotas for clothing in the key markets of the USA and the EU were removed. Clothing now accounts for 80% of Cambodia's exports. The increased role of the private sector has resulted in a rise in malnutrition in Cambodia.

Define *import quota*.

[2 marks]

Question 31

In the 1990s Cambodia became a mixed economy. One of the results of this was specialisation in the clothing industry. In 2005, import quotas for clothing in the key markets of the USA and the EU were removed. Clothing now accounts for 80% of Cambodia's exports. The increased role of the private sector has resulted in a rise in malnutrition in Cambodia.

Analyse the impact on an economy of the removal of import quotas imposed by other countries.

[6 marks]

Question 32

Wage rate growth has increased recently in Kazakhstan, but its economic growth rate has slowed. This is, in part, due to a fall in exports. To try to increase the economic growth rate, the government has increased its spending on investment. In August 2015, it adopted a floating foreign exchange rate system in an attempt to improve the country's macroeconomic performance.

Explain two reasons, other than methods of protection, why a country's exports may fall.

[4 marks]