IGCSE ECONOMICS · 2.2 THE GLOBAL ECONOMY · CHAPTER 37 · PAPER 2

International Trade

Topic question sheet L37 | **Total: 30 marks** | **Time: 35 minutes** | **Student Book pp. 304–311**

Instructions: answer **all** questions. Write your answers on lined paper. The marks for each question are shown in brackets: use them as a guide to how much to write.

Calculators may be used. Show your working. Draw diagrams in pencil and label them fully. The mark scheme starts on a new page: do not look at it until you have finished.

Section A: Multiple choice

One mark each. Choose **one** answer: A, B, C or D.

1 Which of the following is an important reason why countries trade? **(1)**

A To obtain goods that cannot be produced domestically
B To reduce inflation
C To reduce exports
D To reduce FDI

2 What is meant by free trade? **(1)**

A Exports are transported free of charge
B Currency commissions are waived
C A government allows open access to all markets in its country
D Trade is free of VAT

3 A firm that sells in many countries is likely to gain: **(1)**

A diseconomies of scale
B economies of scale
C higher tariffs
D lower output

4 Which is a disadvantage of free trade? **(1)**

A More choice
B Lower input costs
C Job losses in uncompetitive industries
D Wider markets

Section B: Short answers

Define, state, calculate, draw and explain. Show your working for calculations.

5 Define **free trade**. **(1)**

6 Calculate the percentage increase in Orinia's coffee and flower exports. You are advised to show your working. **(2)**

7 State **two** reasons why countries trade. **(2)**

8 Explain why overspecialisation is a risk for Orinia. **(3)**

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Section C: Data response

Read the extract, then answer the questions. Use evidence from the extract in every answer.

Extract: Free Trade in Orinia

The fictional country of Orinia joined a free trade agreement in 2020. Exports of its coffee and cut flowers rose from US$2.1bn to US$3.4bn, and Orinian shoppers now pay 25% less for imported electronics.

However, Orinia's small car-parts industry lost 6000 jobs to cheaper imports. Coffee and flowers now make up 70% of Orinia's exports.

Fictional case, written for this sheet.

9 With reference to the extract, analyse how consumers and producers in Orinia have been affected by free trade. **(6)**

10 With reference to the extract, evaluate whether free trade has benefited Orinia. **(12)**

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Mark scheme: International Trade

How to mark: Multiple choice, Define, State: 1 mark. **What is meant by** (2): two separate parts to the definition. **Calculate**: working and answer (with units). **Draw** (3): one mark per correct labelled feature. **Explain** (3): 1 for a point, 2 for developing it in context. **Analyse** (6): knowledge 2, application 2, analysis 2. **Assess** (9) and **Evaluate** (12) are marked by levels: choose the level that best fits the whole answer. Indicative content is a guide: credit other valid points.

Section A

1 *Which of the following is an important reason why countries trade? (1 mark)*

Answer: A (To obtain goods that cannot be produced domestically). E.g. Iceland and food.

2 *What is meant by free trade? (1 mark)*

Answer: C (A government allows open access to all markets in its country). No controls or taxes.

3 *A firm that sells in many countries is likely to gain: (1 mark)*

Answer: B (economies of scale). Bigger output, lower average costs.

4 *Which is a disadvantage of free trade? (1 mark)*

Answer: C (Job losses in uncompetitive industries). Foreign competition.

Section B

5 *Define free trade. (1 mark)*

A situation in which goods coming into or going out of a country are not controlled or taxed (1).

6 *Calculate the percentage increase in Orinia's coffee and flower exports. You are advised to show your working. (2 marks)*

Working: (3.4 − 2.1) ÷ 2.1 × 100 (1).

Answer: 61.9% (1).

7 *State two reasons why countries trade. (2 marks)*

Any two (1 each): get goods that cannot be produced at home; get cheaper goods; sell surplus commodities.

8 *Explain why overspecialisation is a risk for Orinia. (3 marks)*

Point: 70% of exports from coffee and flowers (1).

Development: if world demand or prices fall (1), export earnings and jobs fall sharply (1).

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Section C

9 *With reference to the extract, analyse how consumers and producers in Orinia have been affected by free trade. (6 marks · K2 · Ap2 · An2)*

Knowledge (2): lower prices/choice for consumers; wider markets vs foreign competition.

Application (2): electronics 25% cheaper; exports up to US$3.4bn; 6000 car-parts jobs lost.

Analysis (2): consumers' real incomes rise; coffee and flower growers expand and gain economies of scale; car-parts firms cannot compete, causing structural unemployment.

Knowledge 2 · Application 2 · Analysis 2.

10 *With reference to the extract, evaluate whether free trade has benefited Orinia. (12 marks · levels)*

Benefits: exports up 62%; cheaper electronics; specialisation in efficient industries; growth.

Costs: 6000 jobs lost; dependence on two products (70%); vulnerable to price falls and weather.

Judgement: net benefit likely, but Orinia should diversify and retrain car-parts workers; depends on future commodity prices.

Levels: L1 1–3 · L2 4–6 · L3 7–9 · L4 10–12 (balanced, well-developed arguments using the data throughout, and a justified conclusion that answers the question).

Original practice questions written in the style of the Pearson Edexcel International GCSE Economics (4EC1) papers. This is not an official paper. Unless a source is given, the firms, countries and figures are fictional and made up for practice.

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