IGCSE ECONOMICS · 2.2 THE GLOBAL ECONOMY · CHAPTER 38 · PAPER 2

Protectionism

Topic question sheet L38 | **Total: 31 marks** | **Time: 35 minutes** | **Student Book pp. 312–318**

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 a reason for protectionism? **(1)**

A Protect low-paid workers
B Protect the environment
C Prevent dumping
D Protect monopolies

2 Which of the following is a method of protectionism? **(1)**

A A quota
B Free trade
C Product differentiation
D A minimum wage

3 A tariff on imported goods will usually: **(1)**

A shift supply right and lower the price
B shift supply left and raise the price
C shift demand right
D have no effect on price

4 A total ban on trade with another country is: **(1)**

A a quota
B a tariff
C an embargo
D a subsidy

Section B: Short answers

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

5 Define **dumping**. **(1)**

6 Calculate the price of imported steel after a 25% tariff, assuming the full tariff is added to the price. You are advised to show your working. **(2)**

7 Draw a supply and demand diagram to show the effect of a tariff on the market for imported steel in Karvia. **(3)**

8 Explain why a government might protect an infant industry. **(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: Steel in Karvia

Steel makers in the fictional country of Karvia employ 18 000 people. Imported steel sells for US$450 a tonne, below the US$520 it costs Karvian firms to produce it. The government believes some foreign steel is being dumped.

It is considering a 25% tariff on imported steel. Karvian car makers, who use steel, warn that their costs will rise. One major trading partner has said it will retaliate with tariffs on Karvian fruit exports.

Fictional case, written for this sheet.

9 With reference to the extract, analyse how a tariff could protect jobs in Karvia's steel industry. **(6)**

10 With reference to the extract, evaluate whether Karvia should impose a 25% tariff on imported steel. **(12)**

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Mark scheme: Protectionism

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 a reason for protectionism? (1 mark)*

Answer: C (Prevent dumping). Stops unfair below-cost imports.

2 *Which of the following is a method of protectionism? (1 mark)*

Answer: A (A quota). A limit on imports.

3 *A tariff on imported goods will usually: (1 mark)*

Answer: B (shift supply left and raise the price). Like an indirect tax.

4 *A total ban on trade with another country is: (1 mark)*

Answer: C (an embargo). An extreme quota.

Section B

5 *Define dumping. (1 mark)*

Where an overseas firm sells large quantities of a product below cost in the domestic market (1).

6 *Calculate the price of imported steel after a 25% tariff, assuming the full tariff is added to the price. You are advised to show your working. (2 marks)*

Working: 450 × 1.25 (1).

Answer: US$562.50 a tonne (1).

7 *Draw a supply and demand diagram to show the effect of a tariff on the market for imported steel in Karvia. (3 marks)*

Axes labelled price and quantity (1); supply shifts left S1 → S2 (1); price rises p1 → p2 and quantity falls q1 → q2 (1).

8 *Explain why a government might protect an infant industry. (3 marks)*

Point: new industries are small with high costs (1).

Development: protection gives time to grow (1) and gain economies of scale until they can compete internationally (1).

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Section C

9 *With reference to the extract, analyse how a tariff could protect jobs in Karvia's steel industry. (6 marks · K2 · Ap2 · An2)*

Knowledge (2): tariff raises import prices; demand switches to domestic output.

Application (2): imports US$450 → US$562.50, above Karvian cost of US$520; 18 000 jobs.

Analysis (2): domestic steel becomes competitive, so Karvian firms sell more, keep producing and avoid cutting jobs.

Knowledge 2 · Application 2 · Analysis 2.

10 *With reference to the extract, evaluate whether Karvia should impose a 25% tariff on imported steel. (12 marks · levels)*

For: counters suspected dumping; protects 18 000 jobs; raises revenue.

Against: car makers' costs rise, so car prices up and car jobs at risk; retaliation hits fruit exporters (trade war); steel firms may stay inefficient.

Judgement: only if dumping is proven; a targeted anti-dumping duty may be better; depends on the size of the car and fruit sectors.

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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