IGCSE ECONOMICS · 2.2 THE GLOBAL ECONOMY · CHAPTER 39 · PAPER 2

Trading Blocs

Topic question sheet L39 | **Total: 30 marks** | **Time: 35 minutes** | **Student Book pp. 319–324**

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 benefit of a trading bloc? **(1)**

A Employment will fall
B Inflation will be lower
C Exchange rates will fall
D More FDI is attracted

2 Which statement about trading blocs is true? **(1)**

A They discourage political cooperation
B Non-members face trade barriers
C All members use the same currency
D All members speak a common language

3 A trading bloc with free trade, a common external tariff and free movement of labour is a: **(1)**

A free trade area
B customs union
C common market
D preferential trading area

4 NAFTA is an example of a: **(1)**

A free trade area
B customs union
C common market
D economic union

Section B: Short answers

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

5 Define a **customs union**. **(1)**

6 Calculate the percentage increase in trade between Andara members. You are advised to show your working. **(2)**

7 State **two** types of trading bloc. **(2)**

8 Explain why trading blocs can attract FDI. **(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: The Andara Trade Union

Four fictional countries formed the Andara customs union in 2019, with a common external tariff of 12%. Trade between members rose from US$18bn to US$27bn by 2024, and FDI into the region doubled.

However, the smallest member, Belmar, says most new factories have opened in the largest member. Belmar's coffee exports to non-members fell after those countries complained about the common tariff and imposed their own.

Fictional case, written for this sheet.

9 With reference to the extract, analyse the impact of the Andara customs union on non-member countries. **(6)**

10 With reference to the extract, evaluate whether Belmar has benefited from joining the Andara customs union. **(12)**

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Mark scheme: Trading Blocs

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 benefit of a trading bloc? (1 mark)*

Answer: D (More FDI is attracted). Firms want access to the bloc's market.

2 *Which statement about trading blocs is true? (1 mark)*

Answer: B (Non-members face trade barriers). Common external barriers.

3 *A trading bloc with free trade, a common external tariff and free movement of labour is a: (1 mark)*

Answer: C (common market). Labour and capital move freely.

4 *NAFTA is an example of a: (1 mark)*

Answer: A (free trade area). Members set their own external barriers.

Section B

5 *Define a customs union. (1 mark)*

Countries that trade freely with each other and impose a common set of trade barriers on non-members (1).

6 *Calculate the percentage increase in trade between Andara members. You are advised to show your working. (2 marks)*

Working: (27 − 18) ÷ 18 × 100 (1).

Answer: 50% (1).

7 *State two types of trading bloc. (2 marks)*

Any two (1 each): PTA; FTA; customs union; common market; economic union.

8 *Explain why trading blocs can attract FDI. (3 marks)*

Point: firms want access to a large barrier-free market (1).

Development: locating inside avoids the common external tariff (1), so they can sell to all members cheaply (1).

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Section C

9 *With reference to the extract, analyse the impact of the Andara customs union on non-member countries. (6 marks · K2 · Ap2 · An2)*

Knowledge (2): common external tariff; trade diversion; retaliation.

Application (2): 12% tariff; non-members retaliated against Belmar's coffee.

Analysis (2): non-members' goods dearer inside Andara so they lose sales; they may retaliate or relocate inside via FDI.

Knowledge 2 · Application 2 · Analysis 2.

10 *With reference to the extract, evaluate whether Belmar has benefited from joining the Andara customs union. (12 marks · levels)*

For: access to growing intra-bloc trade (+50%); regional FDI doubled; cheaper imports from members.

Against: factories go to the largest member (uneven gains); coffee exports to non-members fell due to retaliation; less control over trade policy.

Judgement: limited benefit so far; depends on Belmar attracting investment and negotiating with non-members.

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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