

Exercise walk-through

Trade and the World Economy ■ 7.6

eXercise

You must be able to

- define **comparative advantage** 比较优势
- define a **tariff** 关税 and a **free-trade agreement** 自由贸易协定
- explain **complementarity** 互补性 in trade
- state one benefit and one cost of free trade

Method — Comparative advantage

Comparative advantage means a country should specialise in what it makes most efficiently and trade for the rest — raising total output.

Method — Tariffs and free trade

A **tariff** is a tax on imports that protects home producers but raises prices. A **free-trade agreement** removes such barriers between member countries.

Method — Complementarity

Trade thrives on **complementarity** — one country has what another wants and vice versa, giving both a reason to trade.

Practice 2.1 ■ 2 marks

Define comparative advantage.

Solution 2.1

Method: Comparative advantage

Worked steps

specialising in what a country produces most efficiently **B1** and trading for the rest, raising total output **B1**.

Practice 2.2 ■ 2 marks

Explain what a tariff does and one effect it has.

Solution 2.2

Worked steps

it taxes imports **B1**; this protects domestic producers but raises prices for consumers **B1**.

Practice 2.3 ■ 1 mark

Country A has cheap oil; Country B has advanced electronics.

- (a) Name the trade principle that encourages them to trade.
- (b) State one benefit each country gains.

Solution 2.3

Worked steps

(a) complementarity / comparative advantage **B1**. (b) each gets what it lacks more cheaply, raising welfare **B1**.

Exam-style 3.1 ■ 1 mark

A tax placed on imported goods is a

- A** subsidy
- B** tariff
- C** remittance
- D** microloan

Solution 3.1

A subsidy

B tariff 

C remittance

D microloan

Worked steps

B. a tax on imports is a tariff.

Exam-style 3.2 ■ 1 mark

Comparative advantage suggests countries should

A produce everything themselves

B specialise and trade

C ban all trade

D avoid manufacturing

Solution 3.2

Method: Comparative advantage

A produce everything themselves

B specialise and trade 

C ban all trade

D avoid manufacturing

Worked steps

B. specialise in the efficient good and trade for the rest.

Exam-style 3.3 ■ 1 mark

Several countries form a free-trade agreement removing tariffs among them.

- (a) State one benefit to consumers.
- (b) State one group that may be harmed.

Solution 3.3

Method: Tariffs and free trade

Worked steps

(a) cheaper, more varied goods **B1**. (b) domestic producers who now face more competition **B1**.