2.9 International Trade and Public Policy

Name: ____________ Class: ________ Date: __________ **Total: 8 marks**

KEY WORDS world price 世界价格 • tariff 关税 • exports 出口 • imports 进口 • autarky 自给自足

Objective

Build the skills to answer exam questions on **international trade and public policy**.

You must be able to:

- compare a market under **autarky 自给自足** with one open to trade at the **world price 世界价格**
- explain how a country becomes an **importer** or **exporter**
- analyse how a **tariff 关税** and an **import quota 进口配额** affect price, quantity, and deadweight loss

1 Worked examples

Study these first. Each one shows the method for a question type used later.

Importer or exporter

Compare the **world price** with the domestic (autarky) price:

- world price **below** domestic → the country **imports**;
- world price **above** domestic → the country **exports**.

Free trade

Free trade **raises total surplus**; when importing, consumers gain more than producers lose.

Trade barriers

A **tariff** or **quota** raises the domestic price, cuts imports, and creates a **deadweight loss**.

2 Practice

2.1 State when a country becomes an importer of a good. [1]

2.2 State the effect of a tariff on the domestic price of an imported good. [1]

2.3 State the effect of free trade on total surplus. [1]

3 Exam-style questions

3.1 A country imports a good when the world price is _________ the domestic price. [1]

A above
B below
C equal to
D unrelated to

3.2 A tariff on imports [1]

A raises total surplus
B creates a deadweight loss
C lowers the domestic price
D increases imports

3.3 The world price of steel is below a country's domestic price.

(a) State whether the country imports or exports steel. [1]

(b) State the effect of free trade on domestic consumers. [1]

(c) State the effect of a tariff on the quantity imported. [1]