Solutions

Marking: **K** = knowledge, **App** = using the data or case, **An** = analysis (explaining each step: cause, then effect), **Ev** = evaluation (a judgement with a reason). In calculations, **M1** is for the method and **A1** for the answer. Longer answers are marked in levels: the top level needs analysis of both sides **and** a conclusion with a reason.

Each answer shows the steps, then the **result**.

2.1

- $15\,000 \times 1.2$
- $\$\mathbf{18\,000}$

2.2

- $0.11 \div 1.10 \times 100$
- $\mathbf{10}\%$

2.3

- $40 - 46 + 2$
- deficit of $\$\mathbf{4}$bn

3.1

- a tariff is a tax on imports, so imported goods become more expensive (K)
- consumers switch to cheaper domestic goods (An)
- domestic producers sell more and may keep jobs (An)

3.2

- exports become cheaper in foreign currencies (K)
- so foreign buyers buy more of them (An)
- export revenue rises if demand for exports is price elastic (An)

3.3

(a) $500 \times 1.25 = \$\mathbf{625}$ a tonne; yes, domestic steel at \$600 is now cheaper; $2000 \times (600 - 500) = \$\mathbf{200\,000}$ a year

(b) points to include:

- domestic producers sell more steel at a higher price, so profits and jobs are protected (K, App)
- firms that buy steel, such as car and building firms, pay more, so their costs rise (K, App)
- their prices may rise and they may become less competitive abroad (An)

Levels: **top** (5–6) clear analysis of both sides and a judgement with a reason; **middle** (3–4) analysis of one side, or two sides without a judgement; **bottom** (1–2) relevant points, little explanation.

(c) points to include:

- the tariff protects 5000 jobs and the incomes of steel towns (App)
- the government earns tariff revenue on any imports that continue (An)
- but steel users pay at least \$100 a tonne more than the world price, so jobs may be lost in those industries (App)
- other countries may retaliate with tariffs on Country K's exports (An)
- protected firms may not become more efficient, so the tariff may be needed for ever (An)
- a short-term tariff could give time to modernise; subsidies or retraining are alternatives (Ev)
- conclusion: a temporary tariff, with a plan to cut costs, is better than a permanent one, which harms steel users and invites retaliation (Ev)

Levels: **top** (9–12) clear analysis of both sides and a conclusion with reasons that answers the question; **middle** (5–8) analysis of both sides with limited evaluation, or one side well; **bottom** (1–4) relevant points, mostly descriptive.