GAC BUSINESS • EXERCISE SHEET

3.2 International economics and trade policy

Name: ____________ Class: ________ Date: __________ **Total: 12 marks**

KEY WORDS exchange rate 汇率 • tariff 关税 • quota 配额 • free trade 自由贸易

Objective

Explain how trade policy and currency changes can affect a business's prices, costs, and customers.

You must be able to:

- define exchange rate, tariff, and quota
- identify winners and losers from a trade change
- recommend a business response using cause and effect

1 Worked examples

■ Follow the currency effect

A Chinese firm buys parts in US dollars and exports finished goods. If the yuan becomes stronger, the dollar parts may cost less. However, its exports may become more expensive for foreign customers.

A **tariff** 关税 on imported parts would raise the firm's costs. It could negotiate with suppliers, find another source, redesign the product, or review its selling price.

2 Practice

2.1 Define an exchange rate. [1]

2.2 State what a tariff is. [1]

2.3 Explain one way a tariff on imported materials can affect a local manufacturer. [2]

3 Exam-style questions

3.1 A furniture maker imports wood and exports tables. Its home currency becomes stronger. Explain one possible benefit and one possible drawback for the firm. [4]

3.2 The government introduces a quota on imported wood. Recommend one response by the furniture maker and justify it. [4]