

6.2 Globalisation and trade restrictions

Name: _____ Class: _____ Date: _____

Total: 19 marks

KEY WORDS mnc • tariff • trade protection • subsidy
• infant industry

Objective

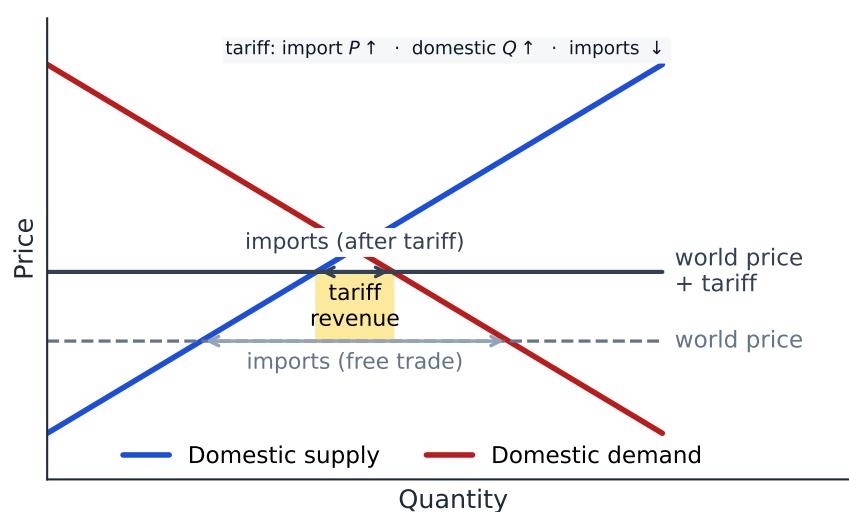
Build the skills to answer exam questions on **globalisation and trade restrictions**
 – **globalisation** , **multinational companies** (MNCs),
 and **trade protection** (tariff, quota, subsidy, embargo , ,
 ,).

You must be able to:

- define globalisation and describe MNCs
- describe the methods and reasons for trade protection
- analyse the effects of a tariff

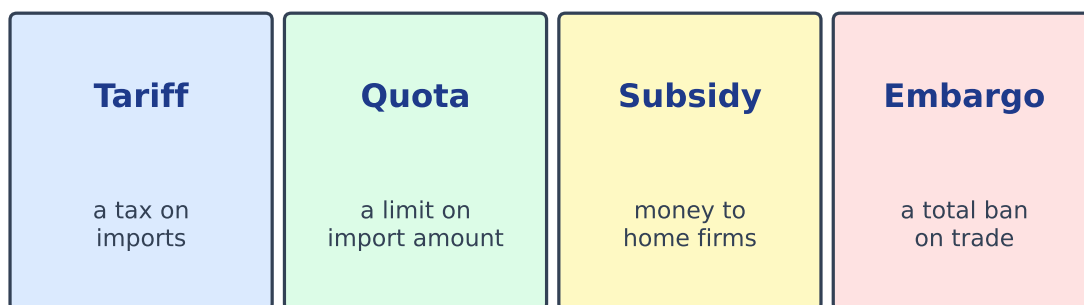
1 Key knowledge and worked examples

- Trade protection



Globalisation joins the world's economies more closely

- **Globalisation** : economies becoming more joined (trade, internet, firms across borders).
- **MNC** : produces in more than one country → brings jobs and investment to the **host country** , but profits may leave.
- **Protection methods:** **tariff** (tax on imports), **quota** (limit on amount), **subsidy** , **embargo** .
- **Reasons:** protect jobs, an **infant industry** , stop **dumping** , raise revenue.



Exam: tariff = tax; quota = quantity limit; subsidy = home support; embargo = ban

The toolkit of protection: tariff, quota, subsidy and embargo – each restricts trade differently

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 Define the term *tariff*. [2]

2.2 State the difference between a *tariff* and a *quota*. [2]

2.3 Define the term *multinational company (MNC)*. [2]

3 Exam-style questions

3.1 A **quota** is best described as:

[1]

☐

A a tax on imports

B a limit on the amount of a good that can be imported

C a payment to domestic firms

D a total ban on trade

3.2 Explain two reasons why a government might use trade protection.

[4]

3.3 Discuss whether a country should protect its industries from foreign competition. [8]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

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

2.1

- a **tariff** is a **tax on imports**, which makes them dearer (K)

2.2

- a **tariff** is a tax that raises the price of imports; a **quota** is a **limit on the amount** of a good that can be imported (K)

2.3

- a **multinational company (MNC)** is a firm that produces in **more than one country** (K)

3.1 B

- a **quota** is a **limit on the amount** of a good that can be imported (K)
- A is a tariff; C is a subsidy; D is an embargo

3.2

- for **each** of two reasons: K + An
- e.g. **protect jobs / an infant industry**: barriers keep out cheaper imports → home firms survive while a new industry grows
- e.g. **stop dumping**: a tariff raises the price of goods sold below cost → it protects local firms from being destroyed

3.3

- **for**: it protects jobs and infant industries, prevents dumping, and raises tariff revenue (K + An)
- **against**: prices rise and choice falls; protected firms stay weak; other countries may **retaliate** (An)
- **judgement (Ev)**: limited, temporary protection of a genuine infant industry can be justified, but **broad long-term** protection usually lowers living standards