Past-paper walk-through

Globalisation and trade restrictions ▪ 6.2

eXercise

Questions in this set

- 0455/12 N25 Q17 ▪ 1 mark
- 0455/12 N25 Q30 ▪ 1 mark
- 0455/22 N25 Q5 ▪ 20 marks
- 0455/11 J25 Q28 ▪ 1 mark
- 0455/13 J25 Q28 ▪ 1 mark
- 0455/11 N24 Q28 ▪ 1 mark
- 0455/12 N24 Q28 ▪ 1 mark
- 0455/13 N24 Q28 ▪ 1 mark
- 0455/21 N24 Q4 ▪ 20 marks

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- // separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = "or words to that effect" – the wording need not match.

Question 17

0455/12 N25 ▪ Q17 ▪ 1 mark

17 A government imposes tariffs on imported goods.

What is **not** a likely reason for this?

A to boost domestic output

B to influence the country's balance of payments

Question 17

C to protect domestic employment

D to reduce the exports from the country

Solution 17

Answer: **D**

Why

- Tariffs are imposed to protect domestic industry, raise revenue and improve the current account.
- So boosting domestic output and influencing the balance of payments are both real reasons.
- What a tariff does *not* do is lower prices for consumers – it raises them.

Question 30

0455/12 N25 ▪ Q30 ▪ 1 mark

30 A government wishes to reduce the deficit on the current account of its balance of payments.

Which policy should it adopt?

A increase subsidies on exports

B increase taxes on its exports

C remove an embargo on imports

D remove tariffs on its imports

Solution 30

Answer: **A**

Why

- Reducing a current account deficit means cutting imports or raising exports.
- Subsidising exports makes them cheaper abroad, so export volumes rise.
- Tariffs or quotas would reduce imports, achieving the same end from the other side.

Question 5

0455/22 N25 ▪ Q5 ▪ 20 marks

5 Some countries engage in dumping by selling their products at less than cost price in Cambodia. The Cambodian Government wants the country to become a high-income economy by 2050. It uses fiscal, monetary and supply-side policies to increase its economic growth rate. Cambodia subsidises some infant industries. The country has one of the world's largest deficits on the current account of its balance of payments (as a percentage of GDP). Some economists suggest cutting taxes would reduce this deficit.

(a) Identify two motives for a firm dumping some of its products in a foreign market. [2]

(b) Explain two differences between monetary policy and supply-side policy. [4]

(c) Analyse how a government subsidy could help to protect an infant industry against foreign competition. [6]

Question 5

(d) Discuss whether or not cuts in taxes will reduce a deficit on the current account of a country's balance of payments. [8]

(a) (a) Identify two motives for a firm dumping some of its products in a foreign market. [2] **[2]**

(b) (b) Explain two differences between monetary policy and supply-side policy. [4] **[4]**

(c) (c) Analyse how a government subsidy could help to protect an infant industry against foreign competition. [6] **[6]**

(d) (d) Discuss whether or not cuts in taxes will reduce a deficit on the current account of a country's balance of payments. [8] **[8]**

Solution 5

(a) Mark scheme

- Identify two motives for a firm dumping some of its
- products in a foreign market.
- ▪
- Drive domestic firms out of the market / increase market
- share / gain monopoly power in (overseas) market (1).
- ▪
- Clear away surplus stock (1) keep price high on the
- domestic market (1) increase exports / sales / revenue

Solution 5

- (1).
- 2 If more than two motives are given, consider the first three.
- 0455/22
- October/November 2025
- Guidance

Solution 5

(b) Mark scheme

- Explain two differences between monetary policy and
- supply-side policy.
- Logical explanation which might include the following.
- ▪
- Monetary policy is usually implemented by the central
- bank (1) supply-side policy by the government (1).
- ▪
- Monetary policy may be used to increase or reduce

Solution 5

- economic activity (1) supply-side policy is only used to
- increase economic activity (1).
- ▪
- They have different policy measures (1) e.g. monetary
- policy has the rate of interest whereas supply side
- policy has privatisation (1).
- ▪
- Monetary policy aims to influence total demand 1
- supply-side policy aims to increase total supply (1).
- ▪

Solution 5

- Supply side policies tend to take longer to implement
- and have an impact (1) than monetary policy which
- tends to have a more short -term impact (1).
- 4 If more than two differences are given, consider the first
- three.

Solution 5

(c) Mark scheme

- Analyse how a government subsidy could help to
- protect an infant industry against foreign competition.
- Coherent analysis which might include:
- An infant industry's costs may initially be high 1
- government subsidy is an extra payment to an industry 1
- some of the subsidy could be used to buy more capital
- goods / technological innovation (1) employ skilled workers
- (1) enable an infant industry to grow in size / increase output

Solution 5

- (1) obtain economies of scale (1) lower (average) cost /
- improve productivity (1) lower their prices (1) making their
- products more (internationally) competitive (1) increase
- demand for their goods (1) increase exports (1) raise quality
- (1) increase quality competitiveness (1).
- 6
- 0455/22
- October/November 2025
- Guidance

Solution 5

(d) Mark scheme

- Discuss whether or not cuts in taxes will reduce a
- deficit on the current account of a country's balance of
- payments.
- In assessing each answer, use the table opposite.
- Why it might:
- ▪
- cut in corporation (corporate income) tax may increase
- willingness and ability to invest

Solution 5

- ▪
- higher investment may raise quality and reduce costs
- ▪
- increase exports and lower imports
- ▪
- cut in personal income tax may increase workers'
- motivation, raise productivity and cut costs
- ▪
- lower corporation (corporate income) tax could be
- imposed on infant industries

Solution 5

- ▪
- attract MNCs which can increase exports and reduce
- imports
- ▪
- cuts in indirect taxes may lead to lower prices which
- may increase the demand for domestic goods and
- reduce the demand for imported substitutes
- ▪
- cuts in tariffs may make it easier for firms to import
- cheaper raw materials from abroad which may enable

Solution 5

- them to reduce prices increasing export
- competitiveness.
- Why it might not:
- ▪
- cut in personal income tax may increase spending
- which may increase total demand leading to inflation
- reducing international competitiveness
- ▪
- more imports may be purchased
- ▪

Solution 5

- exports may be diverted to the home market
- ▪
- reduce tax revenue and lower government spending
- ▪
- lower government spending on education, healthcare,
- transport could reduce productivity
- ▪
- lower taxes on imports (tariffs) may increase imports.
- 8
- Level

Solution 5

- Description
- 3
- A reasoned discussion which accurately
- examines both sides of the economic
- argument, making use of economic
- information and clear and logical
- analysis to evaluate economic issues
- and situations. One side of the
- argument may have more depth than
- the other, but overall, both sides of the

Solution 5

- argument are considered and
- developed. There is thoughtful
- evaluation of economic concepts,
- terminology, information and/or data
- appropriate to the question. The
- discussion may also point out the
- possible uncertainties of alternative
- decisions and outcomes.
- 6–8
- 2

Solution 5

- A reasoned discussion which makes
- use of economic information and clear
- analysis to evaluate economic issues
- and situations. The answer may lack
- some depth and development may be
- one-sided. There is relevant use of
- economic concepts, terminology,
- information and data appropriate to the
- question.
- 3–5

Solution 5

- 0455/22
- October/November 2025
- Guidance
- Level
- Description
- 1
- There is a simple attempt at using
- economic definitions and terminology.
- Some reference may be made to
- economic theory, with occasional

Solution 5

- understanding.
- 1–2
- 0
- A mark of zero should be awarded for
- no creditable content.
- 0

Question 28

0455/11 J25 ▪ Q28 ▪ 1 mark

28 What might an economist consider to be meant by the term *dumping*?

A foreign firms exporting waste products

B foreign firms producing goods at a lower cost than domestic firms

C foreign firms selling goods that are out of fashion

D foreign firms exporting products at a price below the cost of production

Solution 28

Answer: **D**

Why

- Dumping means selling exports abroad below cost, or below the home-market price.
- The aim is to capture the market and drive out domestic competitors.
- It has nothing to do with waste, despite the everyday meaning of the word.

Question 28

0455/13 J25 ▪ Q28 ▪ 1 mark

28 The UK government increases the price of steel imported from Germany by increasing an existing tariff.

Assuming steel has price-inelastic demand, what would be the effect on the revenues of German steel producers and the UK government?

	German steel producers' revenue	UK government revenue
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

Question 28

Solution 28

Answer: **B**

Why

- A higher tariff raises the price of imported steel.
- Demand is price *inelastic*, so the quantity imported falls only slightly.
- So spending on imports rises, and the government collects more tariff revenue.

Question 28

0455/11 N24 ▪ Q28 ▪ 1 mark

28 A multinational company (MNC) opens up a new factory in a host country.

What is a possible cost of this new factory to the host country?

A increased access to modern technology

B increased competition for host-country industries

C increased employment for workers

D increased tax revenue for the government

Solution 28

Answer: **B**

Why

- Benefits of an MNC include jobs, technology, tax revenue and exports.
- The costs include profits leaving the country, environmental damage and local firms being driven out.
- So the *cost* is whatever takes value out of the host economy.

Question 28

0455/12 N24 ▪ Q28 ▪ 1 mark

28 A government wishes to stop the dumping of a specific imported good at a very low price.

Which method of protection would be most effective?

A apply an embargo to this good

B devalue the currency

C increase interest rates

D provide subsidies to home producers of this good

Solution 28

Answer: **A**

Why

- Dumping means selling exports below cost to capture a market.
- The direct remedy is to raise the price of that specific import back to a fair level.
- An anti-dumping tariff does exactly that, targeted at the one good concerned.

Question 28

0455/13 N24 ▪ Q28 ▪ 1 mark

28 A country wants to limit the number of imported cars to a maximum of 100 000 in a year.

Which measure is most likely to achieve this objective?

A an embargo

B an import quota

C an import tariff

D a subsidy

Solution 28

Answer: **B**

Why

- A quota sets a physical *limit* on the quantity imported.
- So it guarantees the maximum number, which is what the government wants here.
- A tariff only raises the price – it cannot guarantee any particular number.

Question 4

0455/21 N24 ▪ Q4 ▪ 20 marks

4 The World Trade Organization (WTO) estimates that India has the largest levels of trade protection of any major economy. The highest tariffs are imposed on products from the primary sector. For example, in 2018 India imposed a tariff of approximately 90% on imports of coffee to protect its coffee farmers. However, the markets for coffee substitutes and complements do not have such levels of government intervention.

(a) Identify two methods of trade protection apart from a tariff. [2]

(b) Explain how the price of coffee substitutes and complements can affect the demand for coffee. [4]

(c) Analyse possible reasons why a government may want to intervene in a market. [6]

(d) Discuss whether or not high tariffs can reduce unemployment. [8]

(a) (a) Identify two methods of trade protection apart from a tariff. [2] **[2]**

Question 4

(b) (b) Explain how the price of coffee substitutes and complements can affect the demand for coffee. [4] **[4]**

(c) (c) Analyse possible reasons why a government may want to intervene in a market. [6] **[6]**

(d) (d) Discuss whether or not high tariffs can reduce unemployment. [8] **[8]**

Solution 4

(a) Mark scheme

- Identify two methods of trade protection apart from a
- tariff.
- Two from non-tariff barriers:
- ▪
- import quotas
- ▪
- subsidies
- ▪

Solution 4

- embargoes / bans
- ▪
- licences
- ▪
- product standards / regulations
- 2 Accept any relevant methods.

Solution 4

(b) Mark scheme

- Explain how the price of coffee substitutes and
- complements can affect the demand for coffee.
- Logical explanation which might include:
- Relationship between price and demand of substitutes is
- positive (1) when price of coffee substitutes increases,
- demand for coffee increases, or vice versa (1) because as
- price of coffee substitutes increases, coffee is relatively
- cheaper (1) demand for the substitute will decrease, and the

Solution 4

- demand for coffee will increase (1) e.g. coffee and tea (1).
- Relationship between price and demand of complements is
- negative (1) when price of coffee complements increases,
- demand for coffee falls or vice versa (1) because as price for
- coffee complements increases, the demand for the
- complement will fall, and therefore the demand for coffee will
- decrease (1) e.g. coffee and sugar (1).
- 4 Maximum of 3 marks if only substitutes or complements are
- explained.
- 0455/21

Solution 4

- October/November 2024
- Mark
- Guidance

Solution 4

(c) Mark scheme

- Analyse the possible reasons why a government may
- want to intervene in a market.
- Coherent analysis which might include:
- Government may want to intervene in a market due to
- market failure / when the market mechanism leads to
- inefficient allocation of resources 1
- Reasons for intervention:
- ▪

Solution 4

- to provide public goods (1) not provided by the market
- (1) due to non-rivalry / non-excludability (1) creating the
- free rider problem / no profit-incentive for private
- producers [1]
- ▪
- to provide merit goods (1) under-consumed and under-
- produced by the market (1) external benefits which are
- ignored by the market (1) e.g. vaccinations [1]
- ▪
- to reduce provision of demerit goods (1) over-consumed

Solution 4

- and over-produced by the market (1) external costs are
- ignored by the market (1) e.g. pollution 1
- ▪
- to reduce monopoly power (1) that creates high prices
- (1) while reducing consumer choices (1) and reducing
- quality 1
- ▪
- to reduce factor immobility (1) factors of production
- unable to move around to its best possible use (1) e.g.
- labour immobility where workers cannot move around

Solution 4

- (1) and therefore are unemployed 1
- ▪
- to protect consumers of essential items (1) by setting a
- maximum price (1) keeping the price below the market
- price 1
- ▪
- to protect low paid workers (1) by setting a minimum
- wage (1) keeping the wage above the market wage 1
- ▪
- to give subsidies / impose tariffs (1) e.g. protect infant

Solution 4

- industries (1) so that they can grow in the long-
- term / protect employment (1).
- 6 Maximum of three marks for identification of reasons
- 0455/21
- October/November 2024
- Mark
- Guidance

Solution 4

(d) Mark scheme

- Discuss whether or not high tariffs can reduce
- unemployment.
- In assessing each answer, use the table opposite.
- Why it might:
- ▪
- high tariffs lead to increase price of imports reducing the
- demand for imports
- ▪

Solution 4

- high tariffs make consumers choose domestic products
- instead which increases demand for domestic workers
- ▪
- high tariffs provide government with extra revenue
- which could be used to subsidise domestic
- firms / domestic employment
- ▪
- high tariffs can be a major source of tax revenue. Some
- of this could be spent on e.g. education and training
- which will increase workers' skills and mobility, and so

Solution 4

- reduce unemployment.
- Why it might not:
- ▪
- high tariffs lead to retaliation which leads to decrease in
- demand for exports and therefore decrease demand for
- domestic workers
- ▪
- high tariffs still not enough to offset lower cost of imports
- ▪
- domestic production may not be able to increase due to

Solution 4

- full employment / lack of natural resources
- ▪
- higher prices of imported raw materials could increase
- costs of production, so reducing profits and lowering
- output
- ▪
- domestic prices may rise as domestic firms become
- complacent as they are protected.
- 8
- Level

Solution 4

- Description
- 3
- A reasoned discussion which
- accurately examines both sides of
- the economic argument, making
- use of economic information and
- clear and logical analysis to
- evaluate economic issues and
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Solution 4

- than the other, but overall both
- sides of the argument are
- considered and developed. There
- is thoughtful evaluation of
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- discussion may also point out the
- possible uncertainties of
- alternative decisions and

Solution 4

- outcomes.
- 6–8
- 0455/21
- October/November 2024
- Mark
- Guidance
- 2
- A reasoned discussion which
- makes use of economic
- information and clear analysis to

Solution 4

- evaluate economic issues and
- situations. The answer may lack
- some depth and development may
- be one-sided. There is relevant
- use of economic concepts,
- terminology, information and data
- appropriate to the question.
- 3–5
- 1
- There is a simple attempt at using

Solution 4

- economic definitions and
- terminology. Some reference may
- be made to economic theory, with
- occasional understanding.
- 1–2
- 0
- A mark of zero should be awarded
- for no creditable content.
- 0
- 0455/21

Solution 4

- October/November 2024
- Mark
- Guidance