Solutions

Marking: **K** knowledge, **App** application to the case, **An** analysis (a developed chain of reasoning), **Ev** evaluation (a justified judgement); calculations earn **M1** for the method and **A1** for the answer.

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

2.1

- export: a good or service **sold** to another country
- import: a good or service **bought** from another country

2.2

- A: one phone costs $10 \div 2 = 5$ kg of rice (1)
- B: one phone costs $4 \div 4 = 1$ kg of rice (1)
- phones are cheaper for B, so A should specialise in **rice** (1)

2.3

- cheaper **imports** take sales from domestic firms (K)
- firms that cannot compete close, so their workers lose their jobs (An)

3.1

B

3.2

(a)

- $(1.8 - 1.2) \div 1.2 \times 100$
- $=$ **50** %

(b) two reasons, each explained (K + App each):

- natural **resources** or **climate**: P's warm, dry climate suits grapes
- **skills** and capital already built up: Q's textile mills
- lower **costs**: it can make the good at a lower opportunity cost

(c) a developed chain, for example:

- each country uses its resources where they are most **productive** (K)
- total output of wine and cloth **rises** (An)
- firms produce at a larger scale, cutting average costs (**economies of scale**) (An)
- through trade, consumers in both countries get both goods at **lower prices** and with more choice (App)
- so real incomes rise: living standards improve (An)

(d) for: (An)

- cheaper wine and other goods, wider choice, bigger export markets for cloth, competition

against: (An)

- Q's wine makers and other weak industries may close: job losses
- **dependence** on P for some goods; infant industries need time; strategic goods (food, energy) may need protecting

judgement: (Ev) for example, Q gains overall from free trade, but it may protect a few strategic or infant industries for a time and help workers retrain.

Level 3 (6–8): both sides analysed and a justified judgement. Level 2 (3–5): one side analysed or both explained. Level 1 (1–2): simple points.