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

- $20\,000 \times 1.25$
- $= \$\mathbf{25\,000}$

2.2

- tariff: a **tax** on imports, raising their price
- quota: a **limit on the quantity** that can be imported

2.3

two benefits, each explained (K + App each):

- **jobs**: local people earn wages and spend them
- **investment** and **technology**: local workers and suppliers learn new skills
- **tax** revenue for the government
- **exports**, which improve the current account

3.1

C

3.2

(a)

- $(5 - 2) \div 2 \times 100$
- $= \mathbf{150}$ %

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

- to stop **dumping**: foreign firms selling below cost
- to protect an **infant industry** until it can compete
- **strategic** importance: steel for defence and infrastructure
- to raise **revenue** or reduce a current account deficit

(c) a developed chain, for example:

- the tariff raises the **price** of imported steel by 30 % (K)
- buyers switch to cheaper **domestic** steel (An)
- domestic steel works sell more, so they raise **output** (An)
- they rehire workers and their profits rise (App)
- but with less competition, they may have less incentive to cut costs and improve (An)

(d) for: (An)

- protects steel jobs (8000 lost) and a strategic industry; stops dumping; raises revenue

against: (An)

- car makers pay more for steel: their **costs** rise, cars become dearer, so car jobs may be lost
- consumers pay more; other countries may **retaliate** against exports; protected firms stay inefficient

judgement: (Ev) for example, a temporary tariff is justified if the imports are dumped, but a long-term tariff costs car makers and consumers more than it saves; help for steel firms to modernise is better.

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.