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ECONOMICS



EXAM QUESTION PACK

UNIT 4: TRADE AND THE GLOBAL ECONOMY

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Q1.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Between 2000 and 2020 Pakistan's terms of trade decreased by 43.4%.

Ceteris paribus, which **one** of the following factors is most likely to have caused this decrease in Pakistan's terms of trade?

☒ **A** A higher rate of inflation in Pakistan relative to other countries

☒ **B** The prices of imports into Pakistan increased at a faster rate than the prices of its exports

☒ **C** An appreciation of Pakistan's exchange rate

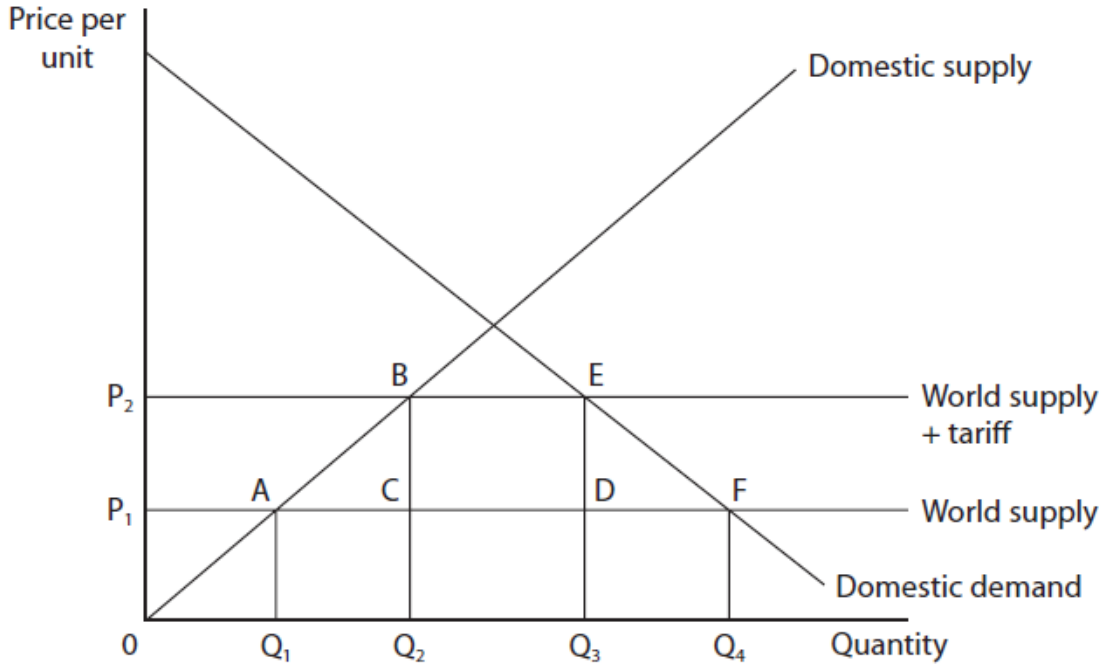
☒ **D** The prices of Pakistan's exports increased at a faster rate than the prices of its imports

(Total for question = 1 mark)

Q2.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The diagram illustrates the imposition of a tariff.



Which **one** of the following can be deduced from this diagram?

☒ **A** Consumer surplus has increased by the area P_1P_2EF

☒ **B** Government tax revenue is the area ABEF

☒ **C** Net welfare loss areas are ABC and DEF

☒ **D** Producer surplus has decreased by the area P_1P_2BA

(Total for question = 1 mark)

Q3.

In 2020 developed countries that were members of the Organisation for Economic Cooperation and Development (OECD) spent $238 billion on agricultural subsidies.

Evaluate the disadvantages of agricultural subsidies paid to farmers in developed countries on developing countries.

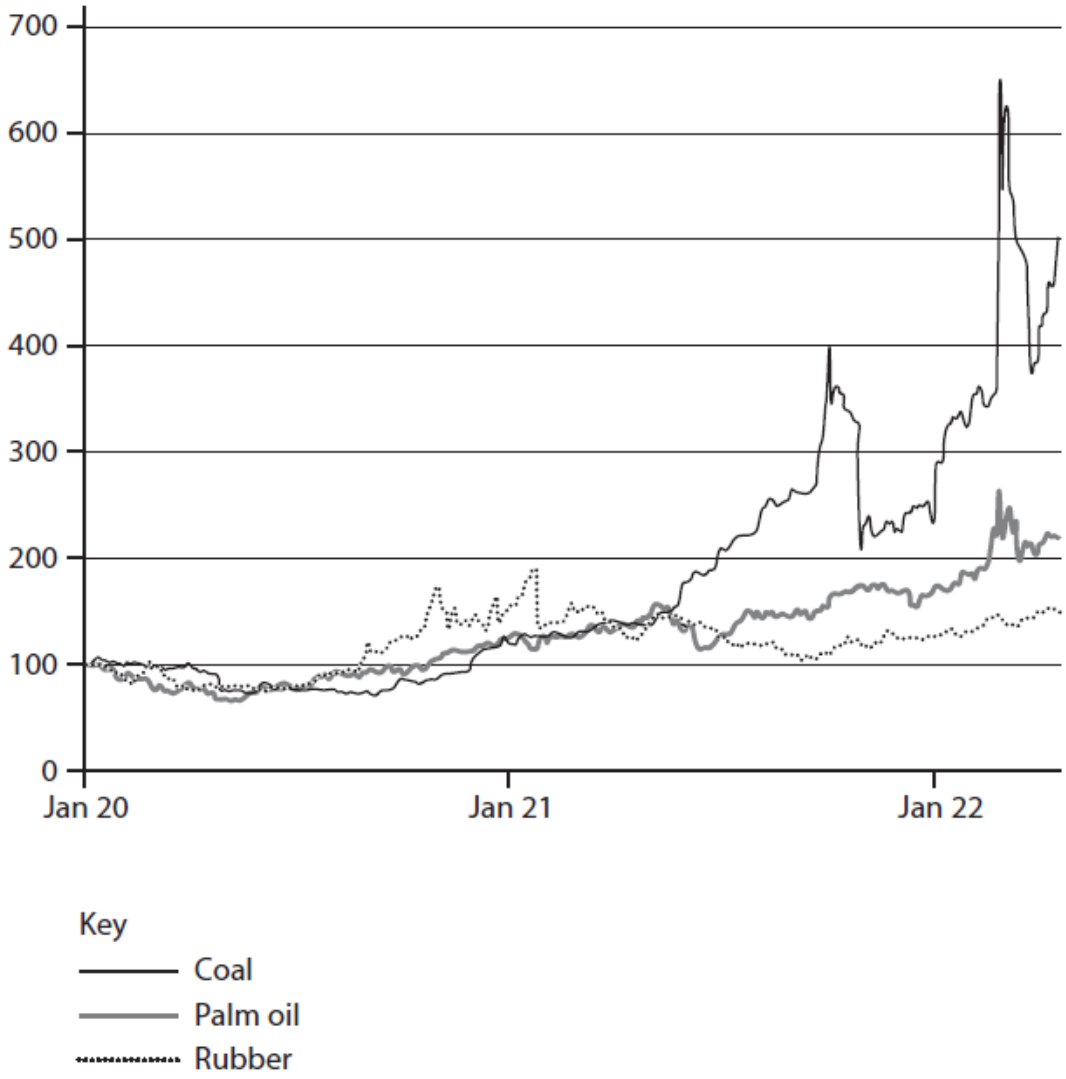
(Total for question = 20 marks)

Q4.

Study Figure 1 and Extract A in the Source Booklet before answering this question.

Southeast Asian economies

Figure 1 Index of global prices for selected commodities, January 2020 to April 2022 (January 2020=100)



Extract A Economic outlook 2022

Economies around the world are facing the threat of stagflation: a period of high inflation and low economic growth. This is a result of increasing global prices for fuel, food and other commodities. Many central banks have raised base interest rates in response to this inflationary pressure. For example, the European Central Bank increased its base interest rate from 0% to 1.25% between January and September 2022.

However, Southeast Asia is one region that is likely to avoid stagflation. Southeast Asia is a region situated south of mainland China. It comprises 11 countries that include Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

In countries such as Indonesia, Vietnam and Malaysia, the rate of increase in Gross Domestic Product (GDP) is higher than the rate of inflation. This increase in economic growth rates is partly as a result of an increase in the number of tourists visiting these countries. Each of these Governments have relaxed border controls that were introduced during the global health crisis. For example, between February 2022 and May 2022 the number of tourists increased by 1 050% in Indonesia and by 8 629% in Vietnam.

The majority of Southeast Asian countries are experiencing a steady growth in their exports. The rising prices of fuel, food and other commodities have benefited countries that export them in large quantities, for example, coal (Indonesia), rubber (Malaysia), and palm oil (Indonesia and Malaysia). These countries have experienced an improvement in their terms of trade.

By contrast, in Thailand and Singapore, the rate of inflation is rising faster than the GDP growth rate. Both countries are experiencing low rates of economic growth. In Thailand, inflation is reducing real incomes. In Singapore, the economic growth rate is low because of the slowdown in China's economy. China is Singapore's main trading partner.

Some countries in the region are highly exposed to external shocks in the global economy. For example, the Philippines relies on imports of rice and overall it is a net importer of food and fuel.

In Malaysia and Indonesia maximum prices have been imposed on certain commodities. This has helped to control the rising rate of inflation. Governments in other parts of the region are also considering the implementation of price controls. The President of the Philippines promised to decrease the price of rice by imposing a maximum price.

With reference to the information provided and your own knowledge, discuss factors that might cause an improvement in the *terms of trade* of Southeast Asian countries.

(Total for question = 14 marks)

Q5.

Study Figures 1, 2 and 3 and Extracts A and B in the Source Booklet before answering this question.

With reference to Figure 1, Figure 2 and the last paragraph of Extract A, examine **two** likely economic effects of trade restrictions reimposed by the US Government on Iran.

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(Total for question = 8 marks)

Q6.

According to the World Trade Organization (WTO), between 1995 and 2022, the share of developing economies' exports in world trade increased and the share of developed economies' exports decreased.

Evaluate factors influencing patterns of trade between countries.

(Total for question = 20 marks)

Q7.

According to the Global Competitiveness Index, Belgium's international competitiveness rank fell four places between 2015 and 2019.

Evaluate measures that a developed country might take to increase its international competitiveness. Refer to a developed country of your choice in your answer.

(Total for question = 20 marks)

Q8.

In 2020 the European Union imposed retaliatory tariffs of 25% on many US goods in a dispute over aircraft subsidies.

Evaluate possible reasons why developed countries might restrict free trade.

(Total for question = 20 marks)

Q9.

Between 2014 and 2018 the average cost to developing countries of servicing and repaying their external debts increased by over 60%.

Evaluate the case for promoting *economic development* through debt relief. Refer to a

developing country of your choice in your answer.

(Total for question = 20 marks)

Q10.

The eurozone is an economic and monetary union. Member countries of this union share a single currency, the euro. Romania is hoping to become a member of the eurozone by 2026.

Evaluate the costs to a country of becoming a member of an economic and monetary union. Refer to a country of your choice in your answer.

(Total for question = 20 marks)

Q11.

In February 2021 the UK Government applied to join one of the world's largest free-trade areas, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Evaluate the likely economic benefits to a country of joining a trading bloc.

(Total for question = 20 marks)

Q12.

Between 2000 and 2018 Cambodia's terms of trade fell by 31.3%.

Evaluate the macroeconomic effects of a fall in a country's terms of trade on a government's macroeconomic objectives. Refer to a country of your choice in your answer.

(Total for question = 20 marks)

Q13.

Study Figures 1, 2 and 3 and Extract A in the Source Booklet before answering this question.

With reference to the last paragraph of Extract A, examine **two** likely economic benefits to Turkey of joining the European Union.

(Total for question = 8 marks)

Q14.

Study Figures 1, 2 and 3 and Extract A in the Source Booklet before answering this question.

Explain what is meant by a 'customs union' (Extract A, lines 22–23).

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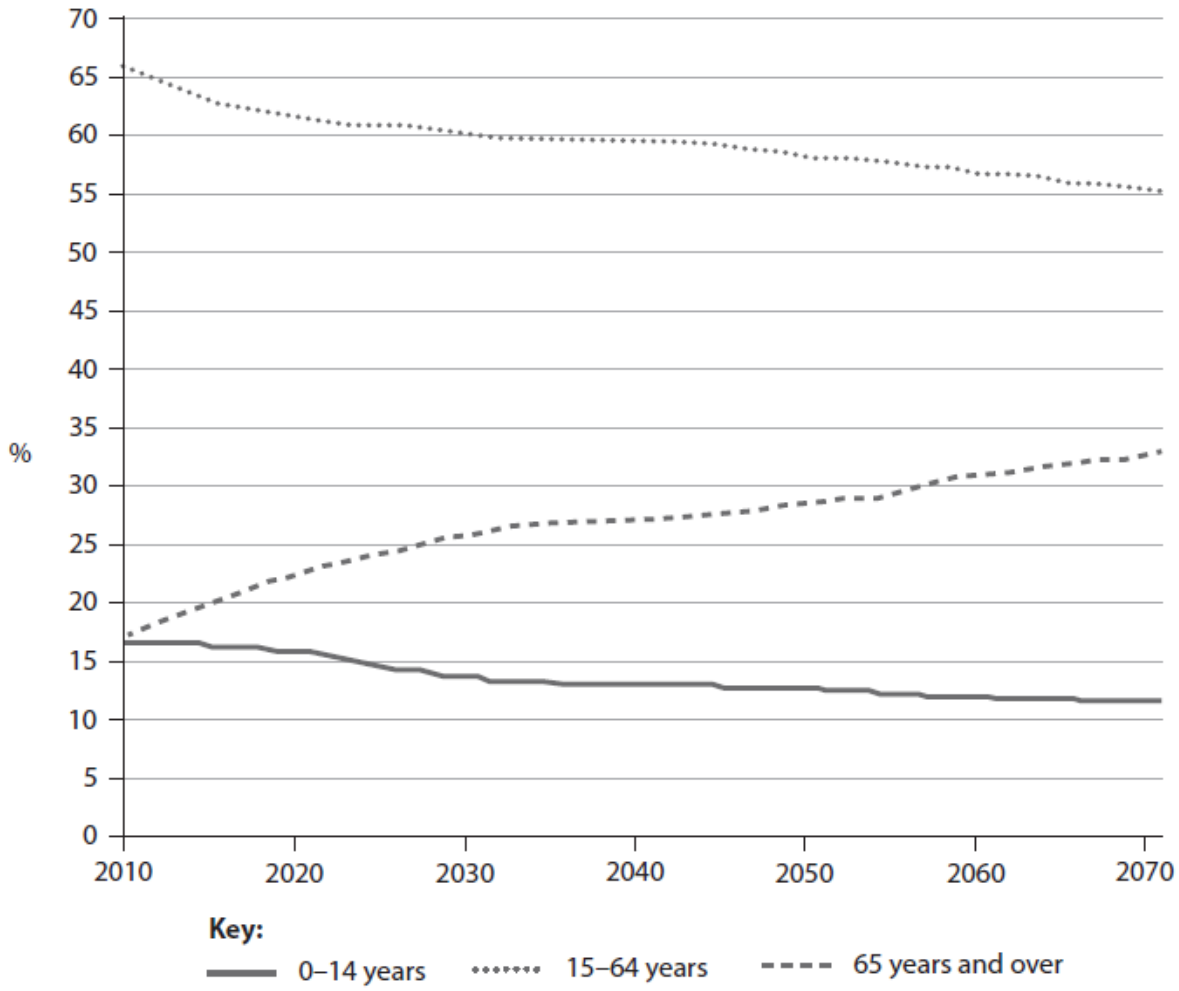
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(Total for question = 4 marks)

Q15.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The chart shows the age distribution of population in Finland between 2010 and 2070. The data is a forecast for 2020
to 2070.



Which **one** of the following can be deduced from the chart?

☒ **A** The tax burden on the working population is likely to decline by 2070

☒ **B** Finland is likely to experience labour shortages by 2070

☒ **C** The working population is forecast to rise by nearly 16%

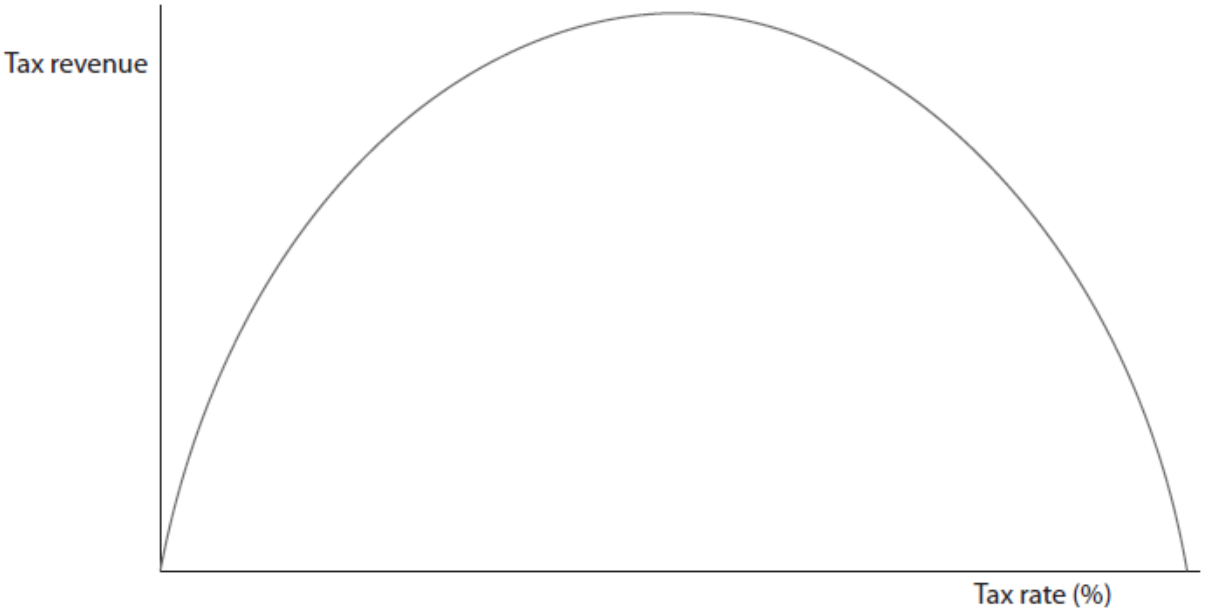
☒ **D** Social welfare spending on the population aged 65 years and over is likely to decrease

(Total for question = 1 mark)

Q16.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The diagram illustrates the relationship between tax rate (%) and government tax revenue.



Which **one** of the following models is represented by this relationship?

☒ **A** The J-curve

☒ **B** The Phillips curve

☒ **C** The Lorenz curve

☒ **D** The Laffer curve

(Total for question = 1 mark)

Q17.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2018 the UK Government introduced tariffs on imported steel. In 2022 it decided to maintain these tariffs until 2024.

Which **one** of the following is the most likely reason why the UK Government maintained these tariffs until 2024?

☒ **A** To increase the level of unemployment in the UK steel industry

☒ **B** To prevent dumping of steel in the UK from foreign countries

☒ **C** To protect transnational companies supplying steel to the UK

☒ **D** To decrease government revenue from tariffs on imported steel

(Total for question = 1 mark)

Q18.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows the maximum possible production of cars and lorries by Country A and Country B in a given year.

Country	Cars		Lorries
A	40000	**OR**	20000
B	16000	**OR**	16000

Which **one** of the following can be deduced from this table?

☒ **A** Both countries will not benefit from specialisation and trade

☒ **B** Country A has a comparative advantage over Country B in the production of cars and lorries

☒ **C** Country B has an absolute advantage over Country A in the production of cars and lorries

☒ **D** Country B has a lower opportunity cost of producing lorries whereas Country A has a lower opportunity cost of producing cars

(Total for question = 1 mark)

Q19.

Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows the maximum production possibilities for Country X and Country Y in a given year.

Country	Bags		Shoes
X	80 000	**OR**	80 000
Y	35 000	**OR**	35 000

Which **one** of the following can be deduced from this table?

☒ **A** Neither country will benefit from specialisation and trade

☒ **B** Country X has a comparative advantage over Country Y in the production of bags and shoes

☒ **C** Country Y has an absolute advantage over Country X in the production of bags and shoes

☒ **D** There is no opportunity cost for either country in producing bags or shoes

(Total for question = 1 mark)

Q20.

In 2019 the rate of economic growth was over 6% in both India and China.

Evaluate the likely impact of rapid economic growth in emerging economies on world trade

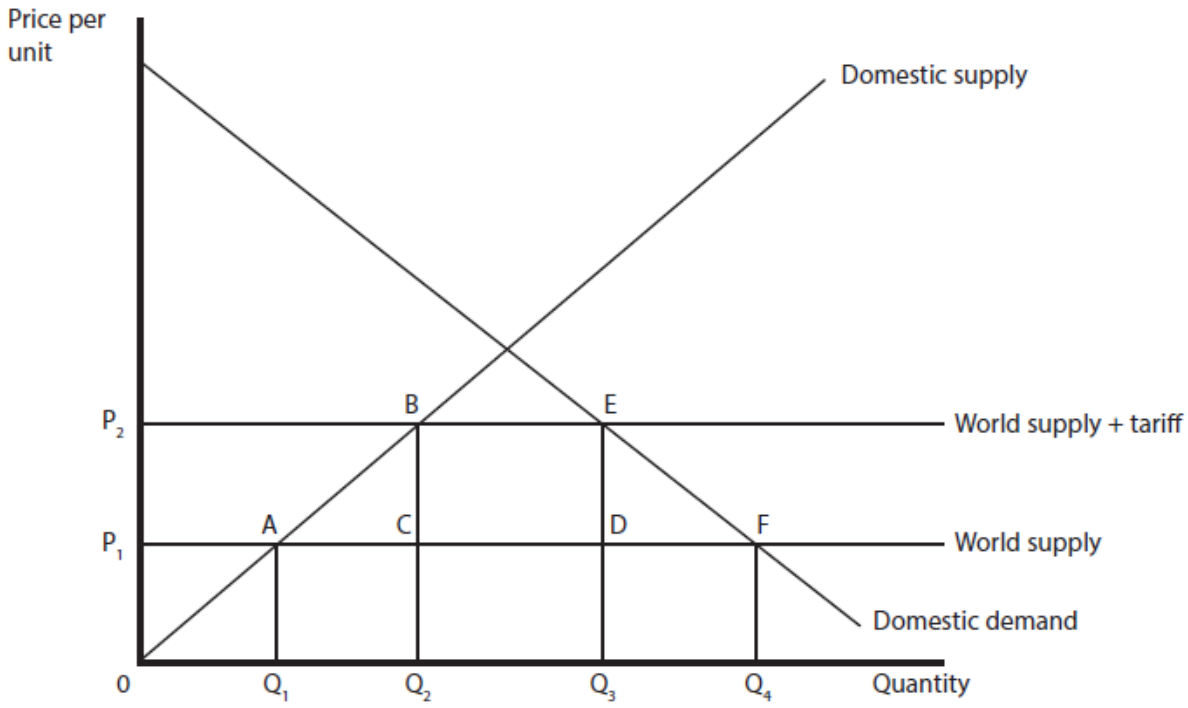
patterns. Refer to countries of your choice in your answer.

(Total for question = 20 marks)

Q21.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The diagram illustrates the imposition of a tariff.



Which **one** of the following statements is true?

☒ **A** Government tax revenue is area BEDC

☒ **B** Net welfare loss areas are ACQ_2Q_1 and DFQ_4Q_3

☒ **C** Producer surplus has decreased by the area P_1 P_2 E F

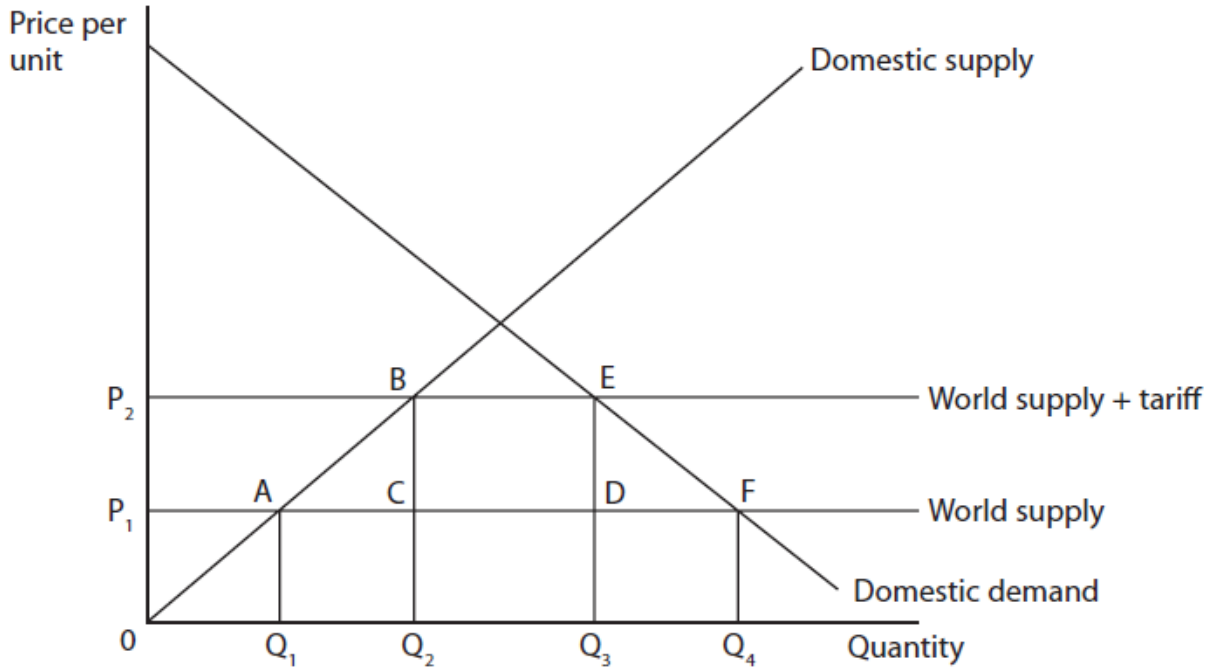
☒ **D** Consumer surplus has increased by the area P_1 P_2 B A

(Total for question = 1 mark)

Q22.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The diagram represents the imposition of a tariff on a commodity.



Which **one** of the following statements is true?

☒ **A** Consumer surplus has decreased by the area P_1P_2EF

☒ **B** Government tax revenue is area ABEF

☒ **C** Net welfare loss areas are ABQ_2Q_1 and EFQ_4Q_3

☒ **D** Producer surplus has decreased by the area P_1P_2BA

(Total for question = 1 mark)

Q23.

In 2022 an additional 2 500 trade restrictions were introduced globally.

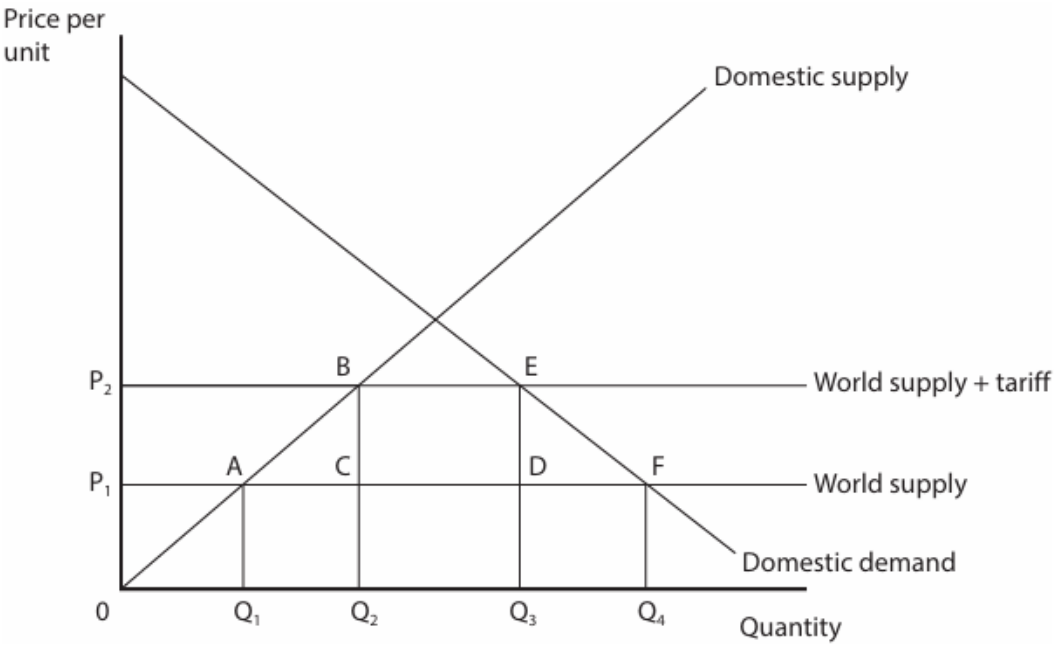
Evaluate the likely effects of an increase in protectionist policies on the global economy.

(Total for question = 20 marks)

Q24.

Answer the question with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The diagram illustrates the imposition of a tariff on steel.



Which **one** of the following statements is true?

☒ **A** Imports of steel decreased from $Q_1 - Q_4$ to $Q_2 - Q_3$

☒ **B** Government tax revenue is area A B E F

☒ **C** Producer surplus increased by the area P_1 P_2E F

☒ **D** Consumer surplus decreased by the area P_1 P_2B A

(Total for question = 1 mark)

Q25.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

India specialises in services while China specialises in manufacturing.

If each country specialises and trades in the sector in which it has a comparative advantage, then which one of the following is likely to occur?

☒ **A** An increase in world output

☒ **B** A fall in exports and imports

☒ **C** A fall in the standard of living

☒ **D** An increase in absolute poverty

(Total for question = 1 mark)

Q26.

The share of GDP accounted for by the service sector is much higher in the UK and the USA than in Italy and Canada.

Evaluate the possible benefits of specialisation and trade to a developed country of your choice.

(Total for question = 20 marks)

Q27.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows the maximum production possibilities for Country X and for Country Y using all available resources.

Country	Watches		Batteries
X	26 000	**OR**	13 000
Y	12 000	**OR**	12 000

Which **one** of the following can be deduced from this table?

☒ **A** Country X has a lower opportunity cost in the production of watches whereas Country Y has a lower opportunity cost in the production of batteries

☒ **B** Country Y has an absolute advantage over Country X in the production of watches and batteries

☒ **C** Country X has a comparative advantage over Country Y in the production of watches and batteries

☒ **D** Neither country will benefit from specialisation and trade

(Total for question = 1 mark)

Q28.

Answer the question with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Ireland specialises in services while Japan specialises in manufacturing.

Ceteris paribus, if each country specialises and trades in the sector in which it has a comparative advantage, which **one** of the following is likely to occur?

☒ **A** A fall in the volume of exports and imports

☒ **B** A fall in the standard of living

☒ **C** An increase in world output

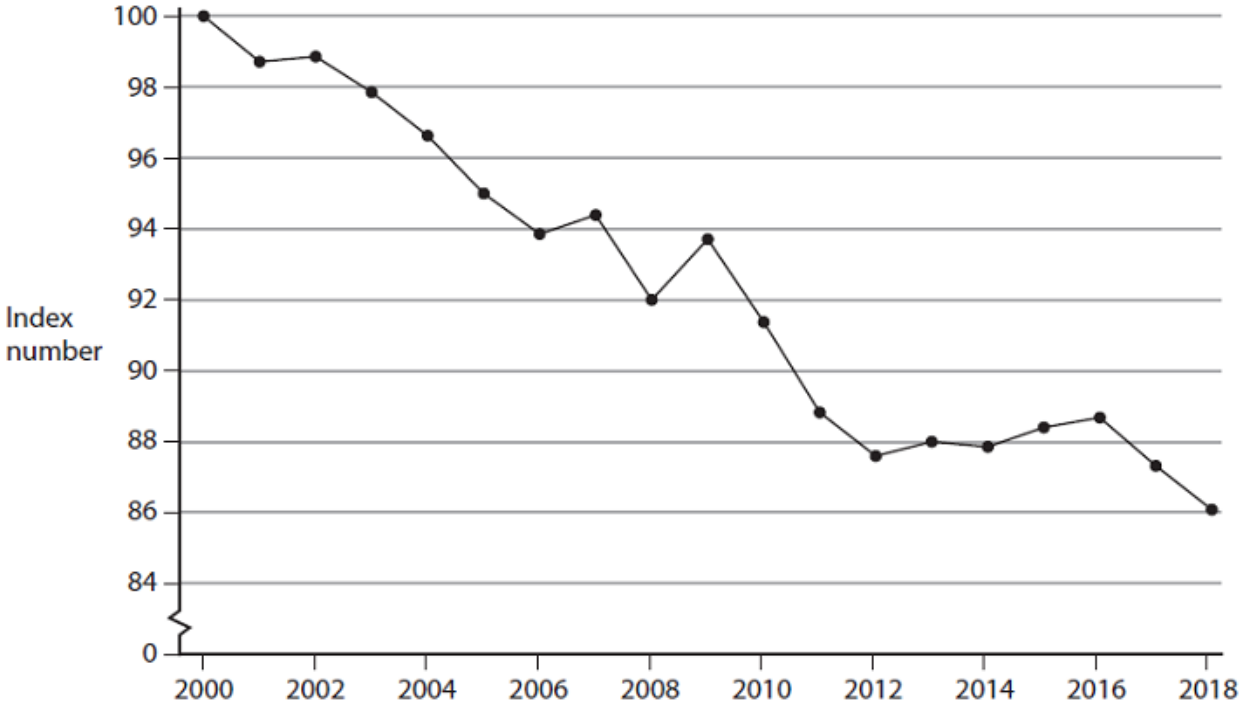
☒ **D** An increase in absolute poverty

(Total for question = 1 mark)

Q29.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The chart shows Austria's terms of trade between 2000 and 2018, (2000 = 100).



Which **one** of the following can be deduced from the chart over the period 2000–2018?

☒ **A** Export prices and import prices have fallen at the same rate

☒ **B** Import prices have risen at a faster rate than export prices

☒ **C** Export prices have risen at a faster rate than import prices

☒ **D** Import prices have fallen relative to export prices

(Total for question = 1 mark)

Q30.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Between 2000 and 2019 Afghanistan's terms of trade increased by 65%.

Ceteris paribus, which **one** of the following is most likely to have caused an increase in Afghanistan's terms of trade?

☒ **A** Lower relative inflation rates

☒ **B** A decrease in the price of exports

☒ **C** Depreciation of its exchange rate

☒ **D** A decrease in the price of imports

(Total for question = 1 mark)

Q31.

Between 2000 and 2020, Gibraltar's terms of trade worsened by 44.6% and Greece's terms of trade worsened by 14.3%.

Evaluate factors that might cause a country's terms of trade to worsen.

(Total for question = 20 marks)

Q32.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows Bosnia and Herzegovina's index of export prices and index of import prices between 2018 and 2020, (2000=100).

Year	Index of export prices	Index of import prices
2018	379.7	219.1
2019	354.4	214.2
2020	331.8	191.9

Ceteris paribus, which **one** of the following can be deduced from this table?

☒ **A** Between 2000 and 2018 Bosnia and Herzegovina's terms of trade worsened by 73.3%

☒ **B** Between 2000 and 2020 Bosnia and Herzegovina's terms of trade improved by 72.9%

☒ **C** Bosnia and Herzegovina had to export the same amount of goods and services to purchase a given quantity of imports each year

☒ **D** Bosnia and Herzegovina's index of import prices exceeded its index of export prices each year

(Total for question = 1 mark)

Q33.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2021 Tanzania's index of export prices was 142.3 and its index of import prices was 121.3.

Which **one** of the following was Tanzania's terms of trade in 2021?

☒ **A** 21.0

☒ **B** 85.2

☒ **C** 117.3

☒ **D** 263.6

(Total for question = 1 mark)

Q34.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows the maximum production possibilities for Country M and for Country Z in a given year using all available resources.

Country	Televisions		Computers
M	24 000	**OR**	24 000
Z	60 000	**OR**	60 000

Which **one** of the following can be deduced from this table?

☒ **A** Country M and Country Z will both benefit from specialisation and trade

☒ **B** There are zero opportunity costs for both countries in producing televisions or computers

☒ **C** Country Z has an absolute advantage over Country M in the production of televisions and computers

☒ **D** Country M has a comparative advantage over Country Z in the production of televisions and computers

(Total for question = 1 mark)

Q35.

Answer the question with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The East African Community (EAC) is a trading bloc that implements a common external tariff on non-member countries outside the bloc.

Which **one** of the following can be deduced from this information?

☒ **A** The EAC is a common market where member countries can benefit from the free movement of labour

☒ **B** The EAC is a trading bloc where member countries follow rules set by the World Bank

☒ **C** The EAC is an economic and monetary union where member countries share the same

currency

☒ **D** The EAC is a customs union where member countries can benefit from trade creation

(Total for question = 1 mark)

Q36.

Study Figures 1, 2 and 3 and Extracts A and B in the Source Booklet before answering this question.

With reference to the second paragraph of Extract A, explain what is meant by 'trade restrictions'.

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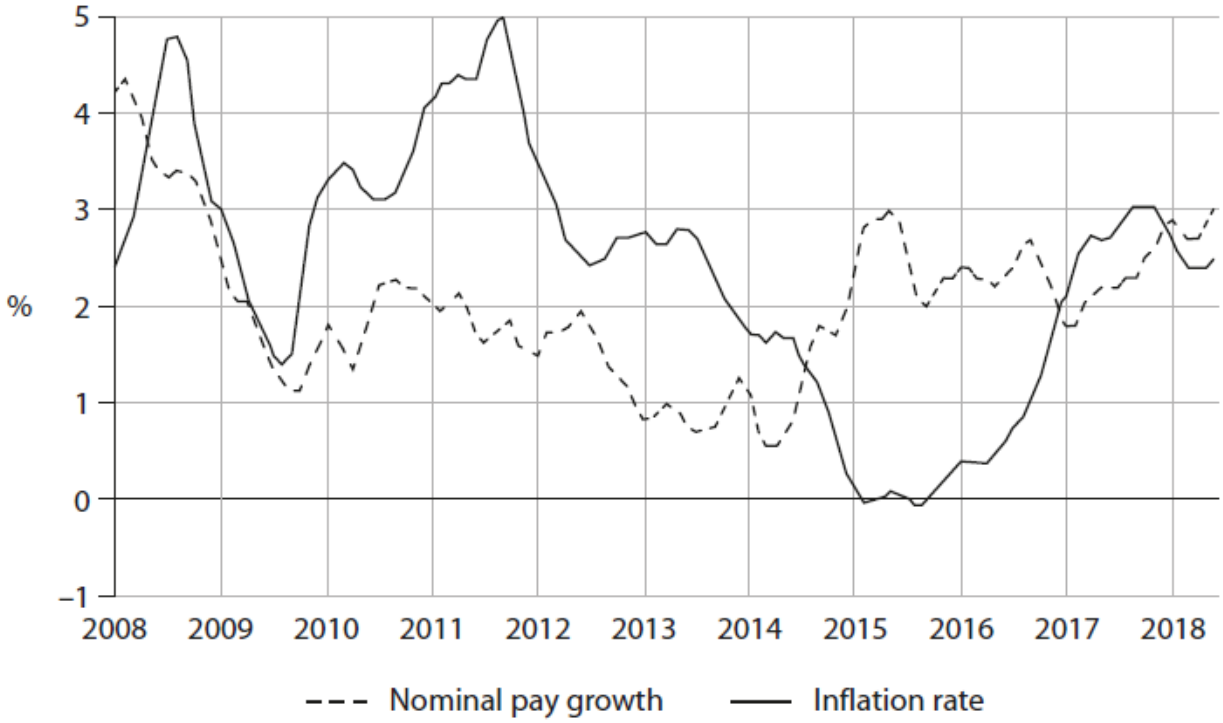
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(Total for question = 4 marks)

Q37.

Answer the question with a cross in the box you think is correct ☒ . If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒ .

The chart shows the UK inflation rate (as measured by the Consumer Price Index) and UK nominal pay growth, annual percentage change, 2008 to 2018.



Which **one** of the following can be deduced from this chart?

☒ **A** Pay growth not adjusted for inflation was lowest in 2009

☒ **B** Pay growth adjusted for inflation was highest in 2015

☒ **C** Disinflation occurred between 2016 and 2017

☒ **D** Deflation occurred between 2012 and 2014

(Total for question = 1 mark)

Q38.

Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Between September 2019 and September 2020, Australia's export prices decreased by 9.9% and import prices decreased by 5.7%.

If September 2019=100, what was Australia's terms of trade in September 2020?

☒ **A** 57.58

☒ **B** 95.55

☒ **C** 104.66

☒ **D** 173.68

(Total for question = 1 mark)