6 International trade – Part 1 — Answers

Answers

6.1 Each country can specialise in what it makes best (at the lowest opportunity cost) and trade for the rest, so more is produced and both gain.

6.2 Absolute advantage: making more of a good with the same resources. Comparative advantage: making a good at a lower opportunity cost than another country.

6.3 Any two: a tariff, a quota, a subsidy to home producers, an embargo, administrative barriers.

6.4 For: protect an infant industry / save jobs / stop dumping. Against: higher prices for consumers / weak firms stay inefficient / retaliation. (One of each.)

6.5 A tariff.

6.6 Benefit: the tariff makes imported steel dearer, so home steelmakers can compete and home jobs are protected. Cost: home consumers and firms that use steel must pay higher prices, and other countries may retaliate with tariffs of their own, hurting the country's exporters.