# Exercise walk-through

## Globalisation and trade restrictions ▪ 6.2

eXercise

# You must be able to

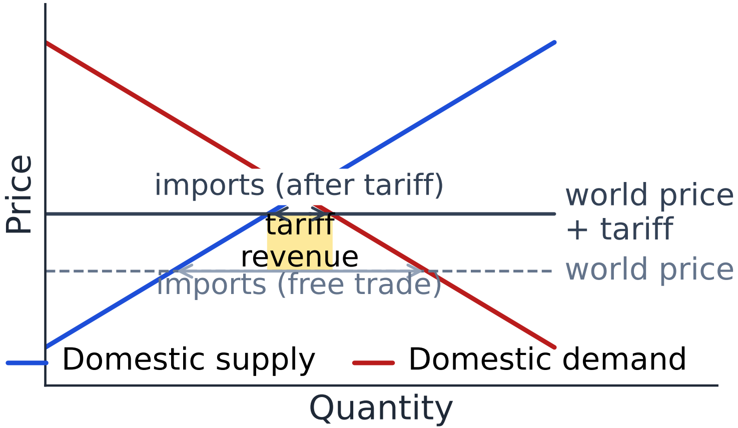
- define globalisation and describe MNCs
- describe the methods and reasons for trade protection
- analyse the effects of a tariff

# Method — Trade protection

- **Globalisation 全球化**: economies becoming more joined (trade, internet, firms across borders).
- **MNC 跨国公司**: produces in more than one country → brings jobs and investment to the **host country 东道国**, but profits may leave.
- **Protection methods: tariff 关税** (tax on imports), **quota 配额** (limit on amount), **subsidy 补贴**, **embargo 禁运**.
- **Reasons:** protect jobs, an **infant industry 幼稚产业**, stop **dumping 倾销**, raise revenue.

**Answer shapes:** K + App + An + Ev (a justified judgement, for discuss questions).

# Method — Trade protection




*A tariff raises the price, cuts imports, and earns the government revenue*

# Method — Trade protection

| Tariff | Quota | Subsidy | Embargo |
|---|---|---|---|
| a tax on imports | a limit on import amount | money to home firms | a total ban on trade |

*Tariffs, quotas, subsidies and embargoes are the main protection methods*

# Practice 2.1 ▪ 2 marks

Define the term *tariff*.

# Solution 2.1

**Worked steps**

a tax on imports, which makes them dearer (2 for a clear definition; 1 for a partial idea).

# Practice 2.2 ▪ 2 marks

State the difference between a *tariff* and a *quota*.

# Solution 2.2

Method: Trade protection

**Worked steps**

a tariff is a tax that raises the price of imports; a quota is a limit on the amount of a good that can be imported (2 for a clear difference; 1 for a partial idea).

# Practice 2.3 ▪ 2 marks

Define the term *multinational company (MNC)*.

# Solution 2.3

**Worked steps**

a firm that produces in more than one country (2 for a clear definition; 1 for a partial idea).

# Exam-style 3.1 ▪ 1 mark

A **quota** is best described as:

**A** a tax on imports

**B** a limit on the amount of a good that can be imported

**C** a payment to domestic firms

**D** a total ban on trade

# Solution 3.1

**A** a tax on imports

**B** a limit on the amount of a good that can be imported ✓

**C** a payment to domestic firms

**D** a total ban on trade

**Worked steps**

**B**. A quota limits the amount of imports.

# Exam-style 3.2 ▪ 4 marks

Explain two reasons why a government might use trade protection.

# Solution 3.2

Method: Trade protection

**Worked steps**

*[4]* For **each** of two reasons: K 1 + An 1 — *protect jobs / an infant industry*: barriers keep out cheaper imports → home firms survive and jobs are saved while a new industry grows; *stop dumping*: a tariff raises the price of goods sold below cost → it protects local firms from being destroyed.

# Exam-style 3.3 ▪ 8 marks

Discuss whether a country should protect its industries from foreign competition.

# Solution 3.3

Method: Trade protection

## Worked steps

*[8]* K/App/An up to 5 + Ev up to 3. **For protection:** it protects jobs and infant industries, prevents dumping, and raises tariff revenue. **Against:** prices rise and choice falls for consumers, protected firms stay weak and lazy, and other countries may retaliate (a trade war that harms exporters). **Judgement (Ev):** limited, temporary protection of a genuine infant industry can be justified, but broad long-term protection usually lowers living standards — so it depends on the industry and the risk of retaliation.