

IB Economics – Development Economics

Exam Practice Questions: 4.4 International Trade



IB Economics: www.IBDeconomics.com

4.4 INTERNATIONAL TRADE IN ECONOMIC DEVELOPMENT: EXAM PRACTICE QUESTIONS

Answer the questions that follow.

IB ECONOMICS PAPER 2 EXAMINATION QUESTIONS – DEVELOPMENT ECONOMICS

Paper 2. Duration: 1 hour 30 minutes. Weighting: Higher Level 40%, and Standard Level 30%.

IB Economics exam Paper 2 is divided into Section A and Section B. Section A – International Economics – assesses the IB Economics student's knowledge, analytic and evaluative skills.

Students are expected to demonstrate the following assessment objectives.

Section A

The principal focus is on section 3 of the syllabus – **development economics**.

While the principal focus of the questions is on section 3, it is likely that students will be required to draw on other sections of the syllabus.

The command terms used in each question, or part thereof, indicate the depth required.

Part (a) of each question requires knowledge and understanding. It is subdivided into (i) and (ii). The maximum for each of these is 2 marks, with a combined maximum of **4 marks**.

Part (b) of each question requires knowledge and understanding, application and analysis, and selection, use and application of a variety of appropriate skills and techniques. The maximum for this part is **4 marks**.

Part (c) of each question requires knowledge and understanding, application and analysis, and selection, use and application of a variety of appropriate skills and techniques. The maximum for this part is **4 marks**.

Part (d) of each question requires knowledge and understanding, application and analysis, and synthesis and evaluation. The maximum for this part is **8 marks**.

The section A question is worth a total of **20 marks**.

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Study the extract below and answer the questions that follow.

ITEM 1: BREAKING BUSINESS NEWS

News item appearing in all major English-language newspapers and global media.



Business Tues Nov 15, 2016 6:56am EST

South American trade bloc gains strength, misses EU deal

NEW YORK



Argentina at the negotiating table. November 16, 2017.
REUTERS/Teresa Johnston

Leaders of the South American trade bloc Mercosur met on Thursday in greater political unity following the expulsion of Venezuela, but with their biggest goal of a trade deal with the European Union yet to be achieved. A shift from leftist to right-of-centre governments in Argentina and Brazil has given the group that also includes Paraguay and Uruguay greater ideological coherence, and it has focused more on trade and less on politics.

With the breakdown in free trade area negotiations with the EU, Mercosur countries agreed to provide each other with technical, investment and policy support to further objectives of industrialisation. The trade bloc is looking to strengthen import substitution policies between their bloc and the rest of the world by increasing tariffs and other trade protection measures for strategic industries. The proposed industrial policies were like those that South Korea implemented in the 1990s. Argentina and Mexico were pushing for further trade liberalisation with non-member countries, arguing that a policy of export promotion would lead to greater economic development. However, the rest of the group were concerned with possible job losses from trade liberalisation.

EDITOR'S CHOICE



A dramatic week ahead



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TRENDING ON REUTERS

- IB Students show very elevated levels of stress compared to other students
- Sarah Palin and Donald Trump announce birth of new daughter, Freedom Hilton
- Queen Margaret College rocked by rampant student lethargy during mocks

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- a. Define the following terms from the newspaper extract above, concerning economic growth and development:
- i. Free trade area **[2 marks]**
 - ii. Industrial policies **[2 marks]**
- b. Distinguish between import substitution and export promotion as strategies for economic growth and development. **[4 marks]**
- c. Use a diagram to explain how trade liberalisation can lead to job losses. **[4 marks]**
- d. Using information in the text and your knowledge of economics, discuss trade liberalisation as a strategy for economic growth and development. **[8 marks]**

Source: www.IBDeconomics.com

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44. INTERNATIONAL TRADE IN ECONOMIC DEVELOPMENT: EXAM PRACTICE QUESTIONS

Study the extract below and answer the questions that follow.

ITEM 2: BREAKING BUSINESS NEWS

News item appearing in all major English-language newspapers and global media.

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Business Tues Nov 15, 2016 6:56am EST

Taboo coffee gets reappraisal amid climate, market changes

NEW YORK      



New coffee picking technology has increased supply and reduced prices. November 16, 2017.
REUTERS/Teresa Johnston

Three decades ago, Costa Rica outlawed cultivation of the robusta coffee bean to promote production of arabica, the variety prized by high-end roasters around the world. Now, however, with warmer temperatures and disease threatening arabica production, the world's 5th largest coffee producer is looking back to robusta - just as the more bitter, higher-caffeinated bean is gaining favour around the world and raising prices.

Coffee prices are volatile. New technology and increased productivity in coffee growing and harvesting, and a fourfold increase in arabica plantations around the world in the last ten years has increasing supply of arabica coffee, depressing world prices. Major coffee producing countries such as Costa Rica have seen their terms of trade deteriorate over this time as their economies are not diversified and they are heavily reliant on exports of coffee for foreign exchange.

Coffee production must have increased sustainability as climate change will require new technologies and environmentally friendly production methods.

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QUESTIONS

- a. Define the following terms from the newspaper extract above, concerning economic growth and development:
- i. Volatile **[2 marks]**
 - ii. Non-governmental organisations (NGOs) **[2 marks]**
- b. Explain whether appropriate technologies suitable to low income countries are likely to be used in coffee production. **[4 marks]**
- c. **HL.** Explain why a long-term deterioration in a country's terms of trade may be a barrier to economic growth and development. **[4 marks]**
- c. Use a diagram to explain why coffee prices have fallen in the long-run while the global demand for coffee has been increasing. **[4 marks]**
- d. Using information in the text and your knowledge of economics, evaluate the statement that the coffee industry must become more sustainable. **[8 marks]**

QUESTIONS

- a. Define the following terms from the newspaper extract above, concerning economic growth and development:
- i. Productivity **[2 marks]**
 - ii. Sustainability **[2 marks]**
- b. With the aid of an AS/AD diagram, explain why tariff escalation and limited access to international markets reduces economic growth for coffee exporting nations. **[4 marks]**
- c. **HL.** Assuming the market for coffee is perfectly competitive, use a diagram to explain why lower coffee prices lead to the loss of profitability for coffee producers. **[4 marks]**
- c. Considering the concept of price elasticity of supply **or** price elasticity of demand, use a diagram to explain the volatility in coffee prices. **[4 marks]**
- d. Using information in the text and your knowledge of economics, evaluate whether countries specialising in the production of coffee should aim for diversification in production and exports. **[8 marks]**

Source: www.IBDeconomics.com