# IB Economics – International Trade

# Exam Practice Questions: 3.1 The Benefits of Trade



IB Economics: www.IBDeconomics.com

#### 1. IB ECONOMICS PAPER 2 EXAMINATION QUESTIONS – INTERNATIONAL 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 answer two questions in total, one from section A and one from section B.
- In each section, students are required to answer one question from a choice of two.
- The questions are each subdivided into four parts, (a), (b), (c) and (d).

Students are expected to demonstrate the following assessment objectives.

#### **Section A**

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

#### 3.1 THE BENEFITS OF TRADE: EXAM PRACTICE QUESTIONS

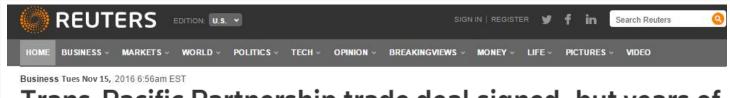
Study the extract below and answer the questions that follow.

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#### ITEM 1: BREAKING BUSINESS NEWS

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



# Trans-Pacific Partnership trade deal signed, but years of negotiations still to come

NEW YORK















World leaders converge in Auckland, New Zealand to sign the Trans-Pacific Partnership Agreement. Auckland, New Zealand. November 16, 2016.
REUTERS/MILENA BAENSCH

The Trans-Pacific Partnership, the world's biggest multinational trade deal, was signed by 12 member nations on Thursday in New Zealand, but the massive trade pact will still require years of tough negotiations before it becomes a reality. The TPP, a deal which will cover 40 percent of the world economy, and brings the benefits of free international trade to consumers and producers in the member countries.

The signing is "an important step" in removing the barriers to free trade such as import tariffs and quotas, as well as non-tariff barriers, said New Zealand Prime Minister John Key at the ceremony in Auckland. However, there is wide spread grassroots opposition to the TPP in many countries, as there are vocal groups that feel they will be disadvantaged by such a large trade deal.

The TPP will now undergo a two-year period in which at least six countries - that account for 85 percent of the combined gross domestic production of the 12 TPP nations - must approve the final text for the deal to be implemented.

# EDITOR'S CHOICE



A dramatic week ahead





Our top photos from the past week. Full Coverage »

# 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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#### **QUESTIONS**

- 1. <u>Define</u> the following terms from the newspaper extract above, concerning the Trans-Pacific Partnership Agreement (TTPA) free trade agreement:
  - i. Quota [2 marks]
  - ii. Tariff [2 marks]
- With the removal of trade barriers, the TTPA is expected to increase the number of Australian firms selling rice in the Japanese market for rice. Draw a diagram and use it to <u>explain</u> the effect of the TTPA on the Japanese market for rice.
   [4 marks]
- 3. With the removal of trade barriers, the TTPA is expected to increase the number of Japanese cars sold into more profitable overseas markets such as Australia. Draw a diagram and use it to <u>explain</u> the short-term effect of the TTPA on the Japanese car market. [4 marks]
- 4. Using information in the text and your knowledge of economics, <u>discuss</u>† the benefits that might arise from free-trade between the member countries of the TTPA. [8 marks]

† The evaluative component of this question is **not** an argument for and against free trade, but rather which are the most important benefits of free international trade.

Source: www.IBDeconomics.com