

# IB Economics – Global Economics

## Exam Practice Questions: 4.1 The Benefits of Trade



IB Economics: [IBeconomics.com](http://IBeconomics.com)

### 1. IB ECONOMICS PAPER 2 EXAMINATION QUESTIONS – GLOBAL ECONOMICS

Paper 2. Duration: 1 hour 45 minutes. Weighting: Higher Level 30%, and Standard Level 40%.

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 seven parts, (a), (b), (c), (d), (e), (f) and (g).

Students are expected to demonstrate the following assessment objectives.

#### Section A

The principal focus is on section 4 of the syllabus – **global 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. It is subdivided into (i) and (ii). The maximum for each of these is 3 marks, with a combined maximum of **5 marks**.

**Parts (c), (d), (e) and (f)** 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 these four parts are **4 marks** each.

**Part (g)** of each question requires knowledge and understanding, application and analysis, and synthesis and evaluation. The maximum for this part is **15 marks**.

The section A question is worth a total of **40 marks**.

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

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.

The screenshot shows the Reuters website interface. At the top, the Reuters logo is on the left, and 'EDITION: U.S.' is in the center. On the right, there are links for 'SIGN IN | REGISTER' and social media icons for Twitter, Facebook, and LinkedIn. A search bar labeled 'Search Reuters' is also present. Below the navigation bar, the main headline reads 'Asia-Pacific Nations Sign Huge Trade Deal With China While U.S. Sits It Out'. The date and time are 'November 17, 2020 · 5:56 PM ET' and the location is 'NEW YORK'. Social media sharing icons for Twitter, Facebook, LinkedIn, Reddit, Google+, and Email are displayed. The main image shows a group of world leaders in suits standing on a stage with various national flags behind them. To the right of the main article, there are three smaller featured articles: 'EDITOR'S CHOICE' with a photo of a man's face, 'Facebook prohibits private gun sales on its site' with a close-up of an eye, and 'PHOTOS OF THE WEEK' with a photo of a person in a hoodie holding a box in front of a fire.



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

The Regional Comprehensive Economic Partnership is a free trade deal that 15 Asia-Pacific countries signed on Sunday. RCEP unites China, Japan and South Korea in a trade deal for the first time and includes 10 Southeast Asian countries plus Australia and New Zealand. RCEP is 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 Jacinda at the ceremony in Auckland. However, there is widespread grassroots opposition to such a free trade deal 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 RCEP nations - must approve the final text for the deal to be implemented.

#### EDITOR'S CHOICE



A dramatic week ahead



Facebook prohibits private gun sales on its site

#### PHOTOS OF THE WEEK



Our top photos from the past week. [Full Coverage »](#)

#### TRENDING ON REUTERS

IB Students show very elevated levels of stress compared to other students 1

Sarah Palin and Donald Trump announce birth of new daughter, Freedom Hilton 2

Queen Margaret College rocked by rampant student lethargy during mocks 3

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### QUESTIONS

a. Define the following terms from the newspaper extract above, concerning the Regional Comprehensive Economic Partnership (RCEP) free trade agreement:

i. Quota

[2 marks]

ii. Tariff

[2 marks]

Table 1: Economic data for Australia in 2021

National Income Statistics	AUS \$ (millions)
Consumption	126,029
Savings	12,718
Investment	48,134
Government spending	65,633
Net property income from abroad	1,163
Exports	96,652
Imports	95,892

Table 2: GDP data for Australia

Year	GDP deflator
2020	100
2021	101.8

b. Use the data in tables 1 and 2 above to:

i. Calculate the nominal GDP for Australia in 2021 (using Table 1).

[3 marks]

ii. Using your answer from b (i) and Table 2 calculate Australia's real GDP in 2021.

[2 marks]

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- c. With the removal of trade barriers, the RCEP free trade agreement is expected to increase the number of Australian firms selling rice in the Japanese market for rice. Draw a diagram and use it to explain the effect of the RCEP on the Japanese market for rice. **[4 marks]**
- d. With the removal of trade barriers, the RCEP 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 explain the short-term effect of the RCEP on the Japanese car market. **[4 marks]**
- e. With the removal of trade barriers, the RCEP is expected to increase Australian GDP. Draw a diagram and use it to explain the short-term effect of the RCEP on the Australian economy. **[4 marks]**

General Motors, a multinational car manufacturer, is the only car manufacturer currently manufacturing cars in Australia. On Thursday the company announced that it would cease car manufacturing operations in Australia from 2022, closing factories and making its Australian employees redundant. In a statement General Motors said that this decision was not influenced by the recent RCEP free trade deal, but rather the decline in demand for petrol (gasoline) engine cars as more consumers switch to electric vehicles and hybrid technologies.

- f. Identify the type of unemployment affected by General Motors decision and use a diagram to explain the cause of this type of unemployment. **[4 marks]**
- g. Using information in the text and your knowledge of economics, discuss<sup>†</sup> the benefits that might arise from free trade between the member countries of the RCEP. **[15 marks]**

<sup>†</sup> 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.