7.6 Trade and the World Economy

Name: ______________ Class: __________ Date: ____________ **Total: 10 marks**

Objective

Build the skills to answer exam questions on **trade** 贸易 and the world economy.

You must be able to:

- define **comparative advantage** 比较优势
- define a **tariff** 关税 and a **free-trade agreement** 自由贸易协定
- explain **complementarity** 互补性 in trade
- state one benefit and one cost of free trade

1 Worked examples

Study these first. Each one shows the method for a task used later.

Comparative advantage

Comparative advantage means a country should specialise in what it makes most efficiently and trade for the rest —raising total output.

Tariffs and free trade

A **tariff** is a tax on imports that protects home producers but raises prices. A **free-trade agreement** removes such barriers between member countries.

Complementarity

Trade thrives on **complementarity** —one country has what another wants and vice versa, giving both a reason to trade.

2 Practice

2.1 Define comparative advantage. [2]

2.2 Explain what a tariff does and one effect it has. [2]

2.3 Country A has cheap oil; Country B has advanced electronics.

(a) Name the trade principle that encourages them to trade. [1]

(b) State one benefit each country gains. [1]

3 Exam-style questions

3.1 A tax placed on imported goods is a [1]

- **A** subsidy
- **B** tariff
- **C** remittance
- **D** microloan

3.2 Comparative advantage suggests countries should [1]

- **A** produce everything themselves
- **B** specialise and trade
- **C** ban all trade
- **D** avoid manufacturing

3.3 Several countries form a free-trade agreement removing tariffs among them.

(a) State one benefit to consumers. [1]

(b) State one group that may be harmed. [1]

4 Go further

- work through the **7.6 Trade and the World Economy** lesson on the **Learn** page;
- read the **Industrial and Economic Development** section of the AP Human Geography handout on the **Know** page.

Solutions

2.1 specialising in what a country produces most efficiently and trading for the rest, raising total output.

2.2 it taxes imports; this protects domestic producers but raises prices for consumers.

2.3 (a) complementarity / comparative advantage. (b) each gets what it lacks more cheaply, raising welfare.

3.1 B. a tax on imports is a tariff.

3.2 B. specialise in the efficient good and trade for the rest.

3.3 (a) cheaper, more varied goods. (b) domestic producers who now face more competition.