

International trade and globalisation

Multiple Choice Questions and Answers (O level)

Which method of trade protection has the **most** predictable effect in controlling the level of imports?

- A** quotas on imports
- B** safety and quality regulations for imports
- C** subsidies to domestic producers
- D** tariffs on imports

February 2018 Answer A

Globalisation, free trade and protection

A country imposes tariffs and quotas on imported goods. What will citizens of that country experience?

- A** higher prices
- B** higher unemployment
- C** higher welfare
- D** wider consumer choice

February 2019 Answer A

Which policy is a form of protectionism?

- A** a tax on emissions
- B** a tax on imports
- C** a tax on income
- D** a tax on property

March 2017 Answer B

28 When does free trade occur?

- A** when goods are exported with government subsidies
- B** when goods are given as part of an aid programme
- C** when goods are traded using barter
- D** when goods face no import barriers

March 2017 Answer D

Foreign exchange rates

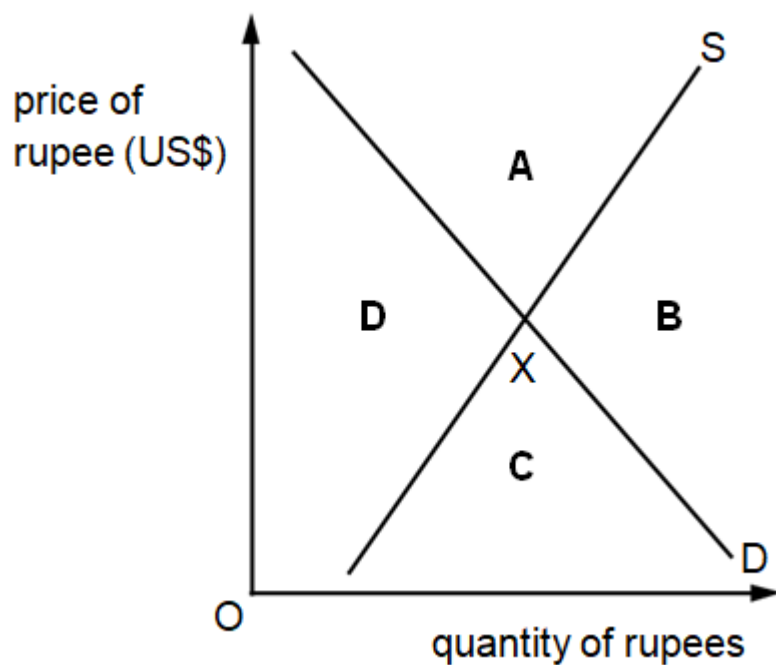
What usually decreases when there is a depreciation of a country's foreign exchange rate?

- A** the level of national debt
- B** the level of trade protection
- C** the price of exports
- D** the price of imports

February 2019 Answer C

The diagram shows the market for the Indian rupee priced in US dollars. The equilibrium point is at X.

If more Americans take holidays in India and fewer Indians buy American exports, in which sector of the diagram will the new equilibrium point for price and quantity of the Indian rupee be?



March 2017 Answer A

In October 2015, one UK pound could be exchanged for 100 Indian rupees. By October 2016, one UK pound could be exchanged for 80 Indian rupees.

What would be a short-term consequence of this change?

- A** Economic growth in India would increase.
- B** Indian manufacturers would earn higher profits from exports to the UK.
- C** Inflationary pressure in the UK would reduce.
- D** UK manufacturers would find it easier to export to India.

February 2018Answer

Current account of balance of payments

- 30** Skin creams preventing sunburn made in the European Union (EU) are more effective than those made in the United States (US). US tourists stock up on the creams when visiting Europe. Such creams are banned from production in the US because of the chemicals in them. In 2013, negotiations began to remove this ban in order to allow production in the US.

How is this freer trade likely to affect manufacturers of skin creams in the US and the EU?

	manufacturers in the US	manufacturers in the EU
A	gain	gain
B	gain	lose
C	lose	gain
D	lose	lose

February/March 2019AnswerB

The table shows a country's balance of payments that has no secondary income (current transfers).

item	\$ million
exports of goods	280
imports of goods	350
exports of services	110
imports of services	60
net primary income	– 40

What is the country's current account balance?

- A** a deficit of \$60 million
- B** a deficit of \$160 million
- C** a surplus of \$20 million
- D** a surplus of \$760 million

February/March 2019 Answer A

The table shows details of India's current account of the balance of payments in the 1st quarter of 2014.

	\$ billion
trade in goods (visible) balance	−34
trade in services (invisible) balance	?
primary income (income) balance	−7
secondary income (current transfers) balance	16
current account balance	−8

What is the trade in services (invisible) balance?

- A** surplus of \$9bn
- B** surplus of \$17bn
- C** surplus of \$27bn
- D** surplus of \$33bn

March 2017 Answer B

A country imports oil which is used in the production and distribution of goods. The country has also experienced a rise in incomes which has resulted in a large increase in the demand for goods, some of which it imports.

What is likely to happen to the country's balance of trade in goods (visible) and to the price of oil?

	balance of trade in goods	price of oil
A	improves	falls
B	improves	rises
C	worsens	falls
D	worsens	rises

February/March 2018 Answer D

Which measure would a government take to reduce a current account deficit?

A increase tariffs

B increase value added tax

C reduce income tax

D reduce domestic subsidies

February/March 2019 Answer A