Short Answer Questions
Chapter 9.

1. Outline three possible benefits to a country of engaging in international trade.

2. Explain what determines the world price of a good and what factors would have to be in place for this world price to hold.

3. Country X produces steel which is priced at €60 per tone. Country Y produces steel which sells at a price of €40 per tonne. If the two countries were to trade, should Country X import of export steel? Explain your answer.

4. Country X is not currently engaged in international trade. It specialises in the production of high quality chocolates. The world price of this type of chocolate product is below that in Country X. If Country X engages in free trade would you expect it to import or export high quality chocolate? Explain your answer and use an appropriate diagram to help illustrate your answer.

5. Explain why total welfare in a country which exports goods is likely to rise. Use a diagram to help illustrate your answer.

6. Who gains and who loses in a country which imports products under free trade? What determines the extent of the gains and losses of each and the overall welfare gain/loss?

7. If free trade is beneficial why has there been so much trouble in getting international agreement to reduce barriers to trade?

8. Use a diagram to show the effects of a tariff on the domestic price of a good imported into a country and explain what factors would determine how successful the tariff was in reducing imports into the country.

9. Under what circumstances would a country want to impose a quota as opposed to any other form of barrier to trade?

10. Discuss the validity of three arguments in favour of restricting international trade. How strong are these arguments?

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