2.24 Protectionism: Trade Barriers and Their Economic Effects: 30-minute Pack

Total Marks

AQA 7136 · Calculators not allowed · about 30 minutes

Name: _____ Date: ____ / ____ / _____

Answer all questions. Write full sentences for questions worth 4 marks or more and for the final 25-mark essay. No calculator is allowed.

1 Policy evaluation short item: A government is considering an infant-industry tariff for a new green-tech sector that currently imports 80% of domestic consumption. State two conditions that would need to hold for the infant-industry argument to justify temporary protection, and briefly explain one practical difficulty in implementing such temporary protection in the UK.

(Total for Question 1 is 5 marks)

2 Explain what is meant by a non-tariff barrier (NTB) and give two examples of NTBs used by governments, naming each example.

(Total for Question 2 is 2 marks)

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3 Diagram question: Draw a supply and demand diagram for a small open economy's market for an imported good (label vertical axis 'Price' and horizontal axis 'Quantity'). The world price Pw is shown below the initial domestic equilibrium price. Show the effect of imposing a specific tariff per unit on imports. On your diagram label: domestic supply and demand, the world price Pw, the pre-tariff domestic price and quantity consumed, the post-tariff domestic price and quantity consumed, the import quantity before and after the tariff, the areas representing consumer surplus loss, producer surplus gain, government revenue from the tariff, and the deadweight loss triangles caused by the tariff.

(Total for Question 3 is 8 marks)

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4 Explain the economic rationale for anti-dumping measures and one potential drawback of using anti-dumping duties in a developed economy like the UK.

(Total for Question 4 is 3 marks)

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Mark scheme · 2.24 Protectionism: Trade Barriers and Their Economic Effects: 30-minute Pack

Question 1

condition 1: there must be a credible prospect of dynamic gains such as learning-by-doing, productivity improvements or scale economies that will lower costs over time	**M1**
develops condition 1: protection should allow the industry to reach a cost position comparable to international rivals	**A1**
condition 2: protection must be temporary and accompanied by a clear plan/benchmarks for removal to avoid permanent inefficiency	**M1**
develops condition 2: credible sunset clauses, performance targets or conditional support are needed	**A1**
practical difficulty: political economy problems mean temporary protection often becomes permanent, with lobbying and vested interests preventing removal	**B1**

Answer: Conditions: (1) plausible dynamic gains and potential to achieve lower long-run costs; (2) protection must be temporary with clear, credible exit benchmarks. Practical difficulty: temporary measures are politically hard to remove, as lobbying and vested interests typically seek to extend protection.

Question 2

a non-tariff barrier is any regulatory or administrative restriction that limits imports without using an explicit tariff	**M1**
gives two distinct examples such as stringent technical standards and embargoes or lengthy customs licensing procedures	**A1**

Answer: A non-tariff barrier is a regulatory or administrative restriction that limits imports without an explicit tariff. Examples include strict product standards or technical regulations, and embargoes or onerous customs licensing and inspection procedures.

Question 3

correct axes labelled Price (vertical) and Quantity (horizontal)	**B1**
shows domestic demand and domestic supply curves correctly oriented	**B1**
shows world price Pw as a horizontal line below the initial domestic equilibrium and correctly identifies pre-tariff consumption and imports	**B1**
shows a higher post-tariff domestic price (Pw + tariff) as a parallel horizontal line above Pw and shows the reduced import quantity	**B1**
labels and shades or indicates consumer surplus loss and producer surplus gain with the correct relative positions (consumer loss includes producer gain + government revenue + deadweight losses)	**B1**
labels government revenue rectangle correctly between Pw and Pw + tariff over the new import quantity	**B1**
identifies the two deadweight loss triangles: one from lost consumption, one from inefficient domestic production, with correct locations	**B1**
diagram is internally consistent and the candidate describes in words the redistribution: consumers lose, producers gain, government gains revenue, and there are efficiency losses (deadweight loss)	**B1**

Question 4

explains anti-dumping purpose: to protect domestic firms from foreign producers selling below fair market value or below cost, which could drive domestic firms out of the market	**M1**
explains how anti-dumping duties raise the imported price to counteract the dumped price, restoring competitive conditions	**A1**
identifies drawback: duties can be misused as protectionism, reduce consumer choice and raise prices, and provoke retaliation from trading partners	**A1**

Answer: Anti-dumping duties aim to stop foreign sellers using predatory low prices to drive out domestic rivals; they raise import prices to level the playing field. A drawback is that they can act as disguised protectionism, raising prices for consumers and risking retaliatory measures from trading partners.

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