International trade and access to markets *3.2.1.3*
ANSWERS

Q1	*True or False?*	
A	'Primary products' refers to the main sources of wealth for each country ***A term for un-/semi-processed commodities such as from mining and agriculture***	**False**
B	'Free trade' refers to imports and exports passing borders without restrictions	**True**
C	A 'merger' is when two companies mutually agree to combine their businesses	**True**
D	A 'take-over' is when a smaller firm asks to be incorporated into a larger firm ***It may be, but more often is a 'hostile acquisition' – forcible takeover of a weaker firm by a stronger one through buying out owner or majority of shares***	**False**
E	Out-sourcing is a common way for companies to reduce the cost of their product	**True**

Q2	**Which category does each country in the list belong to? (One belongs to two)**				
	BRIC	***MINT***	***NAFTA***	***EU***	***None of these***
A	Brazil	Mexico (1)	Canada	Netherlands	Morocco
B	Russia	Indonesia	USA	Belgium	Rwanda
C	India	Nigeria	Mexico (2)	Italy	Norway
D	China	Turkey		Iceland	Thailand

Netherlands Canada Morocco Russia Nigeria Indonesia Brazil USA Rwanda Belgium India Mexico China Italy Norway Turkey Iceland Thailand

Q3	**One sentence is incorrect in each of the explanations below. Identify the wrong one.**
A	Free trade is a way of expanding trade between countries. It often means countries end up specialising in the things they produce best and most efficiently. ~~Trade agreements then 'protect' this element so that countries know no other country will compete with them at this.~~ ***Protectionism is the opposite of Free Trade; they don't follow on from each other***
B	Emerging economies show faster economic growth due to the expansion of a key sector of their industry. ~~They need to do this to keep their middle class happy.~~ As a result, life expectancy often increases into the upper sixties and seventies. ***The more affluent middle class grows as a result of the economy growing – they are an 'effect', not a 'cause'.***
C	~~The BRIC countries form a trading bloc to support each other's development.~~ All the BRICs share common features such as large populations and an extensive land area. Many TNCs are keen to operate in these countries because of their large internal market. ***The BRICs are not a trading bloc. But four individual countries with a similar significant impact on the global economy.***
D	China is a dominant country in international trade as it produces so many of the world's consumer goods. ~~China started producing many goods for its own population, but when this market was saturated, it started exporting goods.~~ China now imports goods from many African countries. ***Other way round: started exported, now is focusing more on its growing affluent internal market***
E	TNCs may buy up land in LDCs to supply key resources and products more cheaply than can be supplied from home countries. Many UK supermarkets supply their cut flowers from prime agricultural land in Kenya. ~~This results in high wages for local workers as flowers are so expensive.~~ ***Wages are typically very low for what is seen as unskilled work in a less developed economy***

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Q4	**What are the 'advantages' and 'disadvantages' of trade competition between two or more countries?**
Advantages	***Disadvantages***
• Efficiencies and improved performance will be sought in products, which benefits consumers • The most successful competitor will gain the additional market and become more profitable, & is able to use profits to grow • Encourages specialisation in the areas different producers can make most effectively • Encourages innovation and the development of new products to achieve a dominant market position • Drives the search for improvement	• Reduced profits and ability to innovate by weaker industries • Higher unemployment or reduced wages in weaker sector • Dominant country may gain a monopoly on provision, and then raise prices • Countries with weaker economy may be at the mercy of much stronger economies as they exert power influence • Difficult for weaker economies (less developed or emerging) to gain a foothold in a global business dominated by existing large efficient providers.

Q5	***Summarise the distinguishing characteristics of the three categories of economy involved in global trading relationships:***
Developed economies: • High average incomes (Gross National Income per capita), High life expectancy, High HDI • Tertiary sector employment predominates with service sector the key sector of economy • Manufacturing is highly efficient focusing on specialised & hi-tech production and goods • Obtain many commodities and primary products from LDCs • Source consumer goods and components from out-sourced EE countries • Form trade blocs to protect their combined markets & increase trade amongst similar economies	
Emerging economies: • Recently seen rapid economic growth after long period lacking development • Increasing number in recent decades • Significant FDI from global TNCs seeking low-cost out-sourcing locations • Improving infrastructure and investment in industry-supporting developments • Growing middle class as incomes rise, with rising life expectancy • Growing internal market for products and may become less export-focused	
Less developed economies: • Low average income, low life expectancy, poor living standards • Weak governments, with internal civil conflict or international disputes • National income dominated by low-value primary commodities (agri. produce) • Lack of dominant, high-value, scarce resource that are desired by international economy • Face barriers to breaking into global trade. Imports cost more than exports. • In time, may offer low-cost advantages EEs once possessed, but now lost	

