Your notes

GCSE Economics: revision notes

International trade

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Why countries trade

- International trade is the exchange of goods and services between countries. **Exports** are sold abroad; **imports** are bought from abroad.
- Countries trade to get goods they can't produce, to specialise in what they are best at, and to benefit from more choice, lower prices and economies of scale.

Free trade and protectionism

- **Free trade** is trade without barriers. **Free trade** agreements (such as the UK's deals with other countries) reduce **tariffs**.
- **Protectionism** is restricting trade to protect domestic industries. Methods: **tariffs** (taxes on **imports**), quotas (limits on the quantity of imports) and subsidies to domestic firms.
- Arguments for protection: protecting new (infant) industries and jobs, and national security. Arguments against: higher prices, less choice, and retaliation from other countries.

The balance of payments

- The current account records trade in goods and services, plus income flows. A **current account deficit** means more money is spent on **imports** than earned from **exports**.
- The UK usually has a deficit in goods but a surplus in services, such as financial services.

Key terms

Exports	Goods and services sold to other countries.
Imports	Goods and services bought from other countries.
Free trade	Trade without barriers such as tariffs.

Protectionism	Restricting trade to protect domestic industries.
Tariff	A tax on imports.
Quota	A limit on the quantity of imports.
Balance of payments	A record of a country's transactions with the rest of the world.
Current account deficit	When a country spends more on imports than it earns from exports.

Quick questions

Cover the answers and test yourself: remembering is what makes it stick.

1. What is a tariff?
2. What is a quota?
3. What is protectionism?
4. What is a benefit of free trade for consumers?
5. What is an argument for protectionism?
6. What is a disadvantage of protectionism?
7. What is a current account deficit?
8. In which does the UK usually have a surplus?

Answers

1. A tax on imports
2. A limit on the quantity of imports
3. Restricting trade to protect domestic industries
4. Lower prices and more choice
5. Protecting infant industries
6. Other countries may retaliate
7. Spending more on imports than earned from exports
8. Trade in services

What to do next

Practise 10 questions on this topic

Try 3 exam questions, with mark schemes

Read the lesson, one step at a time

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