Import protection and export subsidy

1. Which word is being described?

A) ________________________ the sale of a product or service to a person or business overseas

B) ________________________ the purchase of a product or service from overseas

C) ________________________ a limit on the number of imports from foreign countries

D) ________________________ a tax placed on goods and services which are imported into a country

E) ________________________ an amount paid by the government to businesses who export products to help reduce their costs of production

Words from: Subsidy; Quota; Import; Export; Tariff

2. Objective Test question

From the list below, identify **two** advantages of import protection such as quotas and tariffs

a) Domestic firms are protected from imports into the market
b) There is little incentive for domestic businesses to reduce the costs of production
c) Domestic employment is protected
d) Customers get a greater choice of products
e) Can lead to lower safety standards in domestic markets
f) May lead to businesses running out of stock

3. Explain the effects of the EU government imposing import protection and export subsidy measures on the 3 different groups in the table

Group	Effects of Import protection (Quotas and tariffs)	Effects of Export subsidies
UK Consumers		
UK businesses		
Chinese businesses		

4. Data Response question. The EU is considering scrapping current export subsidies on sugar

4.1 Explain why EU sugar farmers want the EU to keep its export protection measures

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4.2 Explain how the decision to abolish the export subsidy will affect one stakeholder group, other than the sugar farmers themselves

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4.3 Do you think that exports of sugar from the EU should be subsidised? Explain your answer.

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50. ANSWERS - Import protection and export subsidy

1a) Export

1b) Import

1c) Quota

1d) Tariff

1e) Subsidy

2. A, C

3. 1

Group	Effects of Import protection (Quotas and tariffs)	Effects of Export subsidies
UK Consumers	Less choice of products Potentially higher prices due to no incentive for firms to lower costs	More products being sold abroad may mean less available for UK consumers (businesses prefer to sell abroad)
UK businesses	Protection from competition	Can sell goods and services at a competitive price abroad
Chinese businesses	Harder to sell products in the UK/EU – too expensive (increases their costs)	UK businesses can sell at competitive prices in China therefore increasing competition for Chinese manufacturers

4.1 Current subsidies enable them to compete abroad in terms of price. If it was abolished, they would have to charge higher prices and would become less competitive

4.2 Customers – prices will increase; Employees – jobs will be at risk as farmers seek to reduce costs; Governments – if demand drops then tax revenues will drop, lose trust of farmers (political implications)

4.3 Wealthy countries shouldn't subsidise commodities – as it means that less developed countries struggle to sell their produce.