



# eLearneconomics: Trade – Protectionism (1)

## Student response

Complete the statements below using the words provided.

access	decline	national	sectors
assistance	develops	pests	specialise
barriers	difficult	producers	tariff
cheaper	inefficient	preserved	threaten
close	interference	prevent	up
consumers	infant industry	protectionism	unable
competition	jobs	quota	unemployment
compete	lower	resources	variety
competitive	lowering	rise	war
countries	liberalise	scarce	workers'
		shift	world

- (a) Free trade has the advantage of allowing \_\_\_\_\_ to \_\_\_\_\_ and make the best possible use of \_\_\_\_\_ resources. Firms gain \_\_\_\_\_ to wider markets and consumers get a wider \_\_\_\_\_ of products at \_\_\_\_\_ prices, so standards of living \_\_\_\_\_.
- (b) Free trade sees local firms face \_\_\_\_\_ from \_\_\_\_\_ imported goods. Profits may \_\_\_\_\_, businesses \_\_\_\_\_ and workers lose their \_\_\_\_\_, creating \_\_\_\_\_ and \_\_\_\_\_ standards of living in the affected communities and areas.
- (c) \_\_\_\_\_ refers to government \_\_\_\_\_ which limits international trade. It also includes regulations to \_\_\_\_\_ the introduction of specific goods, for example, dangerous \_\_\_\_\_ that could \_\_\_\_\_ New Zealand's agricultural industry.
- (d) The \_\_\_\_\_ argument is based on the idea that protection is necessary while an industry \_\_\_\_\_ until eventually it becomes \_\_\_\_\_ and able to \_\_\_\_\_ against foreign competition. Industries may require perpetual \_\_\_\_\_ to survive and may never grow \_\_\_\_\_. Once the protective wall is in place, it may be \_\_\_\_\_ to remove, or cut. Putting resources into an \_\_\_\_\_ industry means these resources are \_\_\_\_\_ to be employed elsewhere.
- (e) Some industries require protection in the interests of \_\_\_\_\_ security (strategic reasons) which are essential to a nation at \_\_\_\_\_. It is regarded as desirable that these industries be \_\_\_\_\_.
- (f) Trade \_\_\_\_\_ will protect \_\_\_\_\_ jobs by reducing spending on imports.
- (g) New Zealand governments have removed subsidies and lowered tariffs to \_\_\_\_\_ trade. Domestic \_\_\_\_\_ and \_\_\_\_\_ face the \_\_\_\_\_ prices for goods and services. The economic philosophy was that \_\_\_\_\_ would \_\_\_\_\_ from sectors and industries of the economy that were not internationally competitive, to \_\_\_\_\_ that were.
- (h) A \_\_\_\_\_ is a quantitative restriction on the amount that can be exported or imported. A \_\_\_\_\_ is a tax on imports, designed to raise the price.

# eLearneconomics: Trade – Protectionism (1a)



## Solutions

Complete the statements below using the words provided.

access	decline	national	sectors
assistance	develops	pests	specialise
barriers	difficult	producers	tariff
cheaper	inefficient	preserved	threaten
close	interference	prevent	up
consumers	infant industry	protectionism	unable
competition	jobs	quota	unemployment
compete	lower	resources	variety
competitive	lowering	rise	war
countries	liberalise	scarce	workers'
		shift	world

- (a) Free trade has the advantage of allowing countries to specialise and make the best possible use of scarce resources. Firms gain access to wider markets and consumers get a wider variety of products at lower prices, so standards of living rise.
- (b) Free trade sees local firms face competition from cheaper imported goods. Profits may decline, businesses close and workers lose their jobs, creating unemployment and lowering standards of living in the affected communities and areas.
- (c) Protectionism refers to government interference which limits international trade. It also includes regulations to prevent the introduction of specific goods, for example, dangerous pests that could threaten New Zealand's agricultural industry.
- (d) The infant industry argument is based on the idea that protection is necessary while an industry develops until eventually it becomes competitive and able to compete against foreign competition. Industries may require perpetual assistance to survive and may never grow up. Once the protective wall is in place, it may be difficult to remove, or cut. Putting resources into an inefficient industry means these resources are unable to be employed elsewhere.
- (e) Some industries require protection in the interests of national security (strategic reasons) which are essential to a nation at war. It is regarded as desirable that these industries be preserved.
- (f) Trade barriers will protect workers' jobs by reducing spending on imports.
- (g) New Zealand governments have removed subsidies and lowered tariffs to liberalise trade. Domestic consumers and producers face the world prices for goods and services. The economic philosophy was that resources would shift from sectors and industries of the economy that were not internationally competitive, to sectors that were.
- (h) A quota is a quantitative restriction on the amount that can be exported or imported. A tariff is a tax on imports, designed to raise the price.

## eLearneconomics: Trade – Protectionism (2)

### Student response

Rewrite the following statements to identify if they are an argument for free trade or an argument for protectionism in the space provided below.

## Prevent dumping

Lower prices

Resources will be used more efficiently

Allow infant industry to develop

Tariff revenue for government

Strategic reason

Protect local employment

Greater range of products for consumers

Can increase exports

Argument for free trade:

---

---

---

---

Argument for free protectionism:

---

---

---

---

Which would be better for a country in the future, greater free trade or increased protectionism? Justify your answer.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

# eLearneconomics: Trade – Protectionism (2a)



## Solutions

Rewrite the following statements to identify if they are an argument for free trade or an argument for protectionism in the space provided below.

Prevent dumping	Strategic reason
Lower prices	Protect local employment
Resources will be used more efficiently	Greater range of products for consumers
Allow infant industry to develop	Can increase exports
Tariff revenue for government	

Argument for free trade:

Lower prices, greater range of products for consumers, resources will be used more efficiently, can increase exports.

Argument for free protectionism:

Protect local employment, allow infant industry to develop, prevent dumping, strategic reason, tariff revenue for government.

Which would be better for a country in the future, greater free trade or increased protectionism? Justify your answer.

Either answer can be valid. The government should continue to promote free trade because the advantages in terms of increased access to export markets, lower prices and a greater range of goods for consumers, etc, outweigh the costs of job losses and firm closures in industries that are unable to compete with overseas producers. OR, the government should increase protectionism for firms in order to keep industries in the country, so more jobs are available, a greater range of goods are produced there, and it does not become dependent on goods manufactured overseas.