

Webnote 501

IA Planner: Planning for Best Work (see tips on page 2 below)

Complete planner carefully i.e. items 1-6. Criteria connection is highlighted in yellow.

Do you have the best article?

Note: The best article has a clear **action** whereby you can agree / disagree with the action e.g. policy of government, programme offered by IGO/NGO, action by some interest group e.g. farmers or a trade union, or strategy of a firm e.g. FDI or any other clear action should be evident in the article!

Note: Avoid an article that is simply a report on an event highlighting some issue in the economy eg inflation is increasing. This is NOT enough for you to do an effective evaluation! Best article will have some data + some opinion that you can use to make your economic "comments" on the article

Article:

1. **Title:** Beware The "Surprise Fees" In Biden's 200% Aluminum Tariffs
2. **Source:** Forbes
3. **Date of publication:** 13 March 2023
4. **Date of access to article:** 20 November 2023

Complete 1-4 carefully: (Note: criterion A 3/14 marks, criterion B 2/14, C 3/14 D 3/14 marks + criterion E 3/14 marks).

1) *Links to the syllabus:* (which part of syllabus is relevant here?) (criterion D 3/14 mark)

- 4.1 Benefits of international trade
- 4.2 Types of trade protection
- 4.3 Arguments for and against trade control/protection

2) *Summary of article:* be very **brief** here stating why article is relevant to course:) (criterion C+ D each 3/14 mark)

- The article discusses President Biden's recent decision to increase tariffs on aluminum and derivative products from Russia to 200% in response to the war in Ukraine. The author criticizes this move, arguing that while the intention is to hurt the Russian economy, it will also have negative consequences for the U.S. economy.
- The article points out that tariffs on aluminum can lead to increased costs for U.S. businesses that rely on aluminum as an intermediate good in their production processes. This, in turn, can result in higher prices for consumers. The aluminum industry, being energy-intensive, is particularly sensitive to

changes in energy prices, and the tariffs could exacerbate the cost pressures on domestic producers.

- The author also notes that previous attempts, such as those by Trump, to use tariffs to boost domestic aluminum production have not been successful. The U.S. has become more dependent on imports for aluminum, with China being a major global producer.
- The article predicts that the 200% tariff on Russian aluminum could lead to a decline in overall aluminum imports, affecting businesses globally. It suggests that China, with its low production costs, might be the only country capable of filling the supply shortage, potentially giving China greater leverage over global supply chains for this critical industrial input.
- In conclusion, the author argues that while the intention behind the tariffs is to pressure Russia, the economic and geopolitical consequences of these actions should be carefully considered, and the Biden administration should revisit and revise these decisions.

3) Application + Analysis: (diagrams + explain improves analysis) (criterion A+ C each 3/14 mark)

List all Quotations that you will use here. Please make a full list of all quotations you might possibly use and this will help you as you write your IA when you can select the best quotations for your IA. Quotes can then be copied directly to your IA.

Quotes from Article	What does quote highlight?
"But inching toward that outcome by restricting trade in aluminum is a path certain to generate far greater economic costs, foment discord with trade partners, and assist China in its effort to assert greater leverage over the global supply of a critical metal."	This quote highlights the interconnectedness and interdependence in the global supply chain for aluminum. Restricting trade in aluminum can have widespread economic consequences, including impacting relationships with trade partners and potentially benefiting other major players like China.

"By making intermediate goods more expensive to U.S. purchasers, tariffs drive up the costs of production for these businesses and the costs of living for American families – unwelcome outcomes, especially in a period of high inflation."

"Perversely, the adverse impact on U.S. aluminum-using firms is doubled because their foreign competitors, who are not burdened by the tariff, have lower production costs and can therefore offer lower prices to consumers in the United States and abroad."

"Imports account for 80% of U.S. domestic aluminum consumption."

"China is the fourth largest supplier to the United States, but the largest producer in the world by orders of magnitude."

This quote underscores the interdependence between different stages of the production process. Tariffs on intermediate goods increase production costs, affecting businesses and, subsequently, the cost of living for consumers.

This quote emphasizes the competitive disadvantage that U.S. aluminum-using firms face due to tariffs. It illustrates how the decisions in one part of the world can directly impact the competitiveness of businesses in another.

This statistic demonstrates the heavy reliance of the U.S. on imports for meeting its domestic aluminum demand, showcasing the interconnected nature of global trade in this commodity.

This quote illustrates the interdependence between the U.S. and China in the aluminum market. While China is a significant supplier to the U.S., it also holds a dominant position as the world's largest producer.

"Access to imported aluminum will be essential to U.S. success in electric vehicle production and other burgeoning green industries."

This quote emphasizes the crucial role of imported aluminum in supporting key industries, showcasing how interdependence is essential for the success of specific sectors within the U.S. economy.

"The 200% tariff will likely be 'prohibitive,' meaning it will drive imports from Russia to zero."

This statement anticipates the impact of tariffs on imports from Russia, further underlining the direct consequence of policy decisions on the level of interdependence between trading partners.

"It will take time for foreign producers who comingle their domestic aluminum with Russian aluminum to develop new supply chains and production processes."

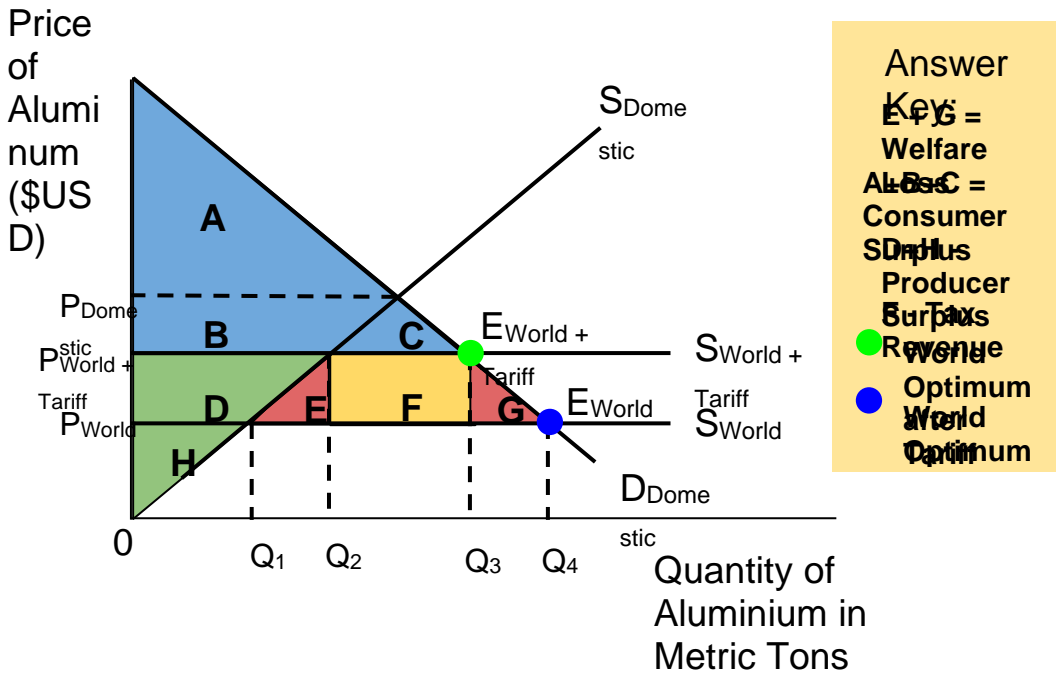
This quote indicates the complexity of supply chains and the time required for foreign producers to adapt to changes in trade policies, emphasizing the interconnected nature of global production networks.

"For example, China – the megaproducer with low production costs due to its ongoing use of coal – could be the only country capable of filling the supply shortage and, in the process, building its leverage over the global supply chains..."

This quote suggests a potential shift in the balance of power and leverage in global supply chains, highlighting how changes in one part of the world can impact the dynamics of interdependence in industries.

Draw your diagrams here: (complete the diagrams expertly/carefully with full detail. This highlights the link to the syllabus). Use Google Draw.

Diagram 1: Effect of Tariff on Russian Aluminium in U.S.A



4) (criterion D 3/14 mark)

Key Concepts: Interdependence

what is the connection between the key concept, the theory and the article?

Global Supply Chains and Trade Relationships:

The imposition of tariffs on aluminum from Russia is presented as a move to influence Russia's behavior. However, the article argues that such actions are likely to have broader implications, affecting global supply chains. This reflects the idea that nations are interconnected through trade relationships, and disruptions in one part of the world can ripple through the entire economic system.

Impact on Intermediate Goods:

The article discusses the significance of intermediate goods, emphasizing that approximately half of all U.S. imports are intermediate goods. By imposing tariffs on these goods, the article argues, the costs of production for downstream industries increase. This underscores the concept of

interdependence, where actions affecting one part of the production chain have repercussions throughout.

Effect on Domestic Industries:

The decision to increase tariffs is analyzed in terms of its impact on the domestic aluminum-using industries. The article suggests that such tariffs can lead to higher costs for these industries, making them less competitive compared to foreign counterparts. This demonstrates the interdependence of industries and how changes in one sector can affect the overall economic landscape.

Future Economic Dependencies:

The forecast of increasing demand for aluminum in North America, especially in sectors like electric vehicle production, underscores the future economic dependencies. The article suggests that access to imported aluminum will be crucial for the success of these industries, reinforcing the concept of interdependence for future economic growth.

[How will you connect this article with the key concept?](#)

Intervention in economics refers to the connection between two or more individuals or entities where they depend on each other to attain a common object.

Global Economic Interconnectedness:

The article underscores the interconnectedness of the global economy. Economic decisions, such as imposing tariffs, are not isolated events but have far-reaching consequences across international borders. The interconnected nature of the world economy exemplifies the concept of interdependence. The article also highlights how economic actions in one country can impact others. This cross-border effect emphasizes the interdependence of nations in the economic realm.

Supply Chain Interdependence:

The anticipation of disruptions to global supply chains due to the tariffs reinforces the concept of interdependence. Changes in one part of the supply chain can lead to cascading effects, affecting businesses, industries, and countries interconnected in the production process.

Economic Dependencies on Imports:

The article emphasizes the significant role of imports, particularly in the aluminum industry. The U.S. is highly dependent on imported aluminum, showcasing economic dependencies that result from interdependence in the global trade of essential resources.

Shared Economic Consequences:

The article stresses that economic decisions have shared consequences. While the tariffs may be targeted at Russia, the economic costs are distributed globally, affecting not just the target but also

trade partners and businesses in other countries. This shared economic impact aligns with the concept of interdependence.

Note: The best article has a clear **action whereby you can agree / disagree with the action e.g. policy of government, programme offered by IGO/NGO, strategy of a firm e.g. FDI or any other clear action should be evident in the article! Identify a clear connection with one of the 9 key course concepts.**

5) Evaluation (criterion E 3/14 mark)

(state your decision/judgement here):

<i>Stakeholder/advantage</i>	<i>Stakeholder/disadvantage</i>
<p>U.S. Aluminum Producers: The imposition of tariffs aims to protect domestic aluminum producers, potentially leading to increased demand for their products and improved market conditions. This could result in higher profits and enhanced competitiveness for U.S. producers.</p> <p>National Security Advocates: Supporters of the tariffs argue that by boosting domestic aluminum production, the U.S. reduces dependence on potentially unreliable foreign sources, thereby enhancing national security.</p> <p>U.S. Downstream Industries (e.g., aerospace, electronics, automotive): Downstream industries benefit from protection against cheaper foreign aluminum, ensuring a level playing field. The tariffs might shield these industries from foreign competition, supporting domestic production and preserving jobs.</p>	<p>U.S. Consumers: Consumers face higher prices for goods that use aluminum, impacting their cost of living. This is especially relevant given the already existing challenges posed by inflation.</p> <p>U.S. Downstream Industries: Downstream industries using aluminum as an input face increased production costs, potentially leading to reduced competitiveness. Foreign competitors, not burdened by the tariffs, might offer lower prices, putting U.S. industries at a disadvantage.</p> <p>Global Supply Chain Stakeholders: The disruptions to global supply chains, as anticipated by the article, could adversely affect various stakeholders involved in these networks. Businesses relying on smooth international trade might face challenges in adapting to new supply chain dynamics.</p> <p>U.S. Economy Overall: The overall U.S. economy might suffer due to the potential inflationary impact of higher tariffs. Increased costs for businesses and consumers could lead to reduced economic growth and competitiveness.</p> <p>Diplomatic Relations with Trade Partners: Imposing tariffs may strain diplomatic relations with trade partners affected by these measures. Tensions could arise, potentially leading to retaliatory actions</p>

	and a deterioration of international economic relationships.
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6) Economic vocabulary: (criterion B 2/14 mark)

Key Economic Terms you will use:

- 1) **Interdependence**
- 2) **Tariff**
- 3) **Inflation**
- 4) **Geopolitical tension**
- 5) **Downstream industry**
- 6) **Competitiveness**
- 7) **Domestic production**
- 8) **Retaliatory Actions**
- 9) **Trade Partner**

others

Student Notes: Take notes on how to improve your IA before you write the 800 words:

Note: Check that you have the best article. The best article has a clear action whereby you can agree / disagree with the action e.g. policy of government, programme offered by IGO/NGO, strategy of a firm e.g. FDI or any other clear action should be evident in the article!
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Some tips on using the planner effectively!

The Coverage- some suggestions as to how to use it...

- Use the Planner above to carefully to plan your work so that you know that the article will work and how you intend to use it. Fill in items 1-4 only after you have thought carefully about the topic!
1. **Summary of Links to the syllabus: identify which part (s) of the syllabus connect with the article.** Use language from the syllabus to help you here! What is the exact part of the syllabus(item number) you are connecting with.
 2. **Summary of article:** Bullet point the main points/parts of the article. Why is it a useful article for IA?
 3. **Application +Analysis (criterion C /3 marks):** Aim: Link the article to the economic theory using diagrams and quotes.
 - Focus on the diagram(s) that you used and make clear statements about the (in)effectiveness of the theory as represented by the diagrams. (Eg stakeholders)
 - The diagrams may also highlight one or two limitations! (E.g.As/ad and measuring confidence)
 - Use quotations as evidence to build strong arguments
 4. **Key Concept (criterion D /3 marks):**
 - **Key Concepts:** scarcity, choice, efficiency, equity, economic well-being, sustainability, change, interdependence, intervention.
 - This criteria highlights your ability to 'LINK' the syllabus to a real world event
 - Commentary links and explains how a key economic concept is relevant to the article
 - Show that you understand the theory and its relevance to real world situation
 5. **Evaluation (criterion E / 3 marks): Aim: use economic evaluative techniques to make a comment on the article or part(s) of the article**
 - a. Consider the story in the article. Is the action justified?
 - i. Does the action (of government/firm/consumer) work?
 - ii. Is the argument in the article biased or one sided?
 - iii. (if possible also consider 2 and 3 below)
 - b. Does the theory or the action reported in the article work?
 - i. Yes or no or partly? Why? because....see webnote 503
 - ii. Limitations... to how the theory applies to the story... see webnote 503. Record any weaknesses or deficiency with economic theory.
 - iii. Be sure to use economic evaluation techniques: use 1-4 opposite. Your evaluation can use 1 or more of these techniques.

NB Read webnote 503 also please to help you plan/structure your writing!