

Student: _____

1. One of the most severe problems faced by international marketers today is the extremely high level of tariffs the world over.
True False
2. The creation of the World Trade Organisation (WTO) is one of the biggest victories for free trade in decades.
True False
3. At no time in modern economic history have countries been more economically interdependent
True False
4. A nation's balance-of-payments statement records all financial transactions between its residents and those of the rest of the world during a given period of time usually one year.
True False
5. A balance-of-payments statement includes the following: the current account, the past account, and the overdue account.
True False
6. Nations utilise legal barriers, exchange barriers, and psychological barriers to restrain entry of unwanted goods.
True False
7. One of the justifications of protectionism is protection of cartels.
True False
8. A tariff is a specific unit or dollar limit applied to a particular type of good.
True False
9. If there is a limit on the number of imported television sets from Mexico, this is called a quota.
True False
10. If Germany agrees voluntarily to limit the number of automobiles exported to the United States, this would be an example of a quota.
True False
11. A government boycott is an absolute restriction against the purchase and importation of certain goods from other countries.
True False
12. A government can effectively regulate its international trade position by various forms of boycotts and embargoes.
True False
13. If a foreign producer intentionally sells their products in Australia for less than the cost of production with the purpose of undermining competition and taking control of the market, the foreign producer would be guilty of what is called warrior pricing.
True False
14. The GATT (General Agreement on Tariffs and Trade) was set up as a successor to the WTO (World Trade Organisation).
True False

15. GATT stands for Global and Territorial Trade.
True False
16. Since GATT's inception there have been four "rounds" of intergovernmental tariff negotiations.
True False
17. The WTO (World Trade Organization) is an institution, not an agreement as was GATT.
True False
18. The International Monetary Fund (IMF) was created to serve as a watchdog over most international financial transactions between nations.
True False
19. An International Monetary Fund device, special drawing rights (SDR), is in effect "paper gold".
True False
20. Those that protest WTO meetings are generally thought to be antiglobalisation in their orientation.
True False
21. With respect to international trade, 'MNC' stands for:
A. Municipal, National, and County districts
B. Multilateral and National Cartels
C. Multinational Corporations
D. Military and National Control districts
22. With respect to the nationality of the world's 100 largest industrial corporations, the United States is home to the largest number of the top 100 firms. Which of the following countries is home to the second largest number of these firms?
A. Germany
B. United Kingdom
C. Netherlands
D. Japan
23. Recent economic growth in what country has contributed significantly to global demand for resources?
A. Japan
B. China
C. Germany
D. Australia
24. The system of accounts that records a nation's international financial transactions is called its:
A. Trade balance.
B. National accounts system.
C. EX-IM (exports-imports) account.
D. Balance of payments.
25. A nation's balance-of-payments statement records all financial transactions between:
A. Its member states and its primary trading partners.
B. Its residents and those of the rest of the world during a given period of time.
C. Its suppliers and receivers.
D. Profit and nonprofit organisations over a five-year period of time.
26. A balance-of-payments statement includes three accounts. Two of those accounts are the current account and the capital account. What is the third account found on the balance-of-payments statement?
A. Investment account
B. Services account
C. Credit account
D. Reserves account

27. Which of the following would be the balance-of-payments account that is a record of all merchandise exports, imports, and services plus unilateral transfers of funds?
- A. Current account
 - B. Capital account
 - C. Credit account
 - D. Passed due account
28. The marketing manager for Healthy Horse Products wants to export to Australia but learns the labeling requirements are quite difficult to comply with limiting imports. This is a type of:
- A. Blockage.
 - B. Protectionism.
 - C. Trade refusal.
 - D. Stonewalling.
29. All of the following would be considered to be reasons for adopting an attitude of protectionism with respect to world trade EXCEPT:
- A. To protect religious beliefs.
 - B. Protection of an infant industry.
 - C. Protection of a home market.
 - D. The need to keep money at home.
30. Randall Smithe-Jones believes that protectionism is the only way to save the United Kingdom from outside competitors. He has seen small business after small business go bankrupt because cheaper foreign goods have been more popular. The UK has just started a cell-phone manufacturing industry and Smithe-Jones' company is one of the first to try their hand at cell-phone manufacturing. Which of the following would probably be the argument that Smithe-Jones would use to persuade his government representatives that protectionism is still needed in the U.K.?
- A. Protection of an infant industry
 - B. The need to keep money at home
 - C. Conservation of natural resources
 - D. National defense
31. A(n) _____ is simply a tax imposed by a government on goods entering at its borders. A. quota
- B. Trade penalty
 - C. Tariff
 - D. Boycott
- Ans: C
32. _____ generally do all of the following: increase inflationary pressures and special interests' privileges; decrease balance-of-payments positions; and, restrict competition.
- A. Tariffs
 - B. Voluntary export restraints
 - C. Orderly market agreements
 - D. Monetary barriers
33. In general, _____ are arbitrary, discriminatory, and require constant administration and supervision.
- A. Tariffs
 - B. Standards
 - C. Quotas
 - D. Boycotts
34. A specific unit or dollar limit applied to a particular type of good is called a (n):
- A. Tariff.
 - B. Quota.
 - C. Standard.
 - D. Embargo.

35. All of the following would be considered to be nontariff barriers that could be erected to restrict trade EXCEPT:
- A. Quotas.
 - B. Taxes
 - C. Packaging requirements
 - D. Border taxes.
36. Which of the following types of nontariff barriers would be considered to be "specific limitations on trade" by international marketers?
- A. Fees
 - B. Export subsidies
 - C. Voluntary export restraints
 - D. Embargoes
37. Exporting countries sometimes agree to voluntary export restraints (VER) as an alternative to the threat of:
- A. Expulsion.
 - B. Disorderly marketing agreements.
 - C. Stiffer quotas and tariffs.
 - D. Standardisation disparities
38. An agreement between the importing country and the exporting country for a restriction on the volume of exports is called a(n):
- A. Tariff.
 - B. Standards option.
 - C. Voluntary export option (VER).
 - D. Documentation requirement.
39. When the United States refuses to sell goods to Iran because of the perception that the country harbors radicals and terrorists, the refusal is called a(n):
- A. Boycott.
 - B. Embargo.
 - C. Tariff.
 - D. None of the given answers.
40. _____ is accomplished by refusing to allow importers to exchange its national currency for the seller's currency.
- A. Boycotted money
 - B. Embargoed capital
 - C. Blocked currency
 - D. Anti-banking
41. The practice of _____ is a particularly ingenious method of controlling imports as it encourages the importation of goods the government deems desirable and discourages importation of goods the government does not want.
- A. A differential exchange rate
 - B. Blocked currency
 - C. Boycott
 - D. All of the given answers fit the definition
42. The function of an exchange permit is to:
- A. Regulate the supply of money.
 - B. Cut-off all exchange.
 - C. Require that importers gain permission to exchange an amount of local currency for foreign currency.
 - D. Protect monopolies.

43. Tall Pine Plywood Company has just received notice that a shipment of plywood (2 metric tons) has been rejected by Japanese customs because the knotholes commonly found on a plywood sheet are too large. This would be an illustration of which of the following nontariff barriers to trade?
- A. Quota
 - B. Predatory pricing
 - C. Embargo
 - D. Standards
44. According to the material provided in the text, a new nontariff barrier that was designed to prevent foreign producers from using predatory pricing is called:
- A. Quotas.
 - B. Fees.
 - C. Standards.
 - D. Antidumping laws.
45. _____ is the practice whereby a foreign producer intentionally sells their products in the United States for less than the cost of production to undermine the competition and take control of the market.
- A. Basing point pricing
 - B. Offensive pricing
 - C. Defensive pricing
 - D. Predatory pricing
46. Protesters have often disagreed with the work of the WTO. Where did the first great protest against globalisation and WTO policies and plans occur?
- A. Uruguay
 - B. Chile
 - C. Paris
 - D. Seattle
47. All of the following activities or organisations are designed to support the growth of international trade EXCEPT:
- A. GATT.
 - B. WTO.
 - C. IPO
 - D. The World Bank
48. Shortly after World War II, the United States and 22 other nations signed _____ to pave the way for the first effective worldwide tariff agreement.
- A. The General Agreement on Tariffs and Trade (GATT)
 - B. The Trade Related Investment Measures (TRIM)
 - C. The World Trade Organization (WTO) agreement
 - D. The International Monetary Fund (IMF) agreement
49. One of the basic elements of the General Agreement on Tariffs and Trade (GATT) is that:
- A. No nation shall unfairly create tariffs against another.
 - B. All tariffs shall be abolished among member nations by 2010.
 - C. The World Court shall review all claims and make final judgments.
 - D. Trade shall be conducted on a nondiscriminatory basis.
50. The Uruguay Round of the WTO achieved many significant breakthroughs in trade. One of the most significant was of particular interest to those in the technology field. Which of the following was considered to be a significant breakthrough of the Uruguay Round?
- A. Trade-Related Aspects of Intellectual Property Rights (TRIPs)
 - B. Trade-Related Investment Measures (TRIMs)
 - C. Trade-Related Accounting Procedures (TRAPs)
 - D. None of the given answers

51. The World Trade Organisation was created during which of the following GATT Rounds?
- A. Seattle
 - B. Uruguay
 - C. Paris
 - D. Berlin
52. Unlike GATT, the WTO issues _____ decisions.
- A. Illegal
 - B. Counselling
 - C. No
 - D. Binding
53. The ratification of the WTO by the United States was challenged in the U.S. Congress for all of the following reasons EXCEPT:
- A. possible loss of sovereignty over its trade laws to the WTO.
 - B. the lack of veto power by the U.S.
 - C. the ability of a WTO member to challenge trade laws of individual states.
 - D. the amount of funds that must be supplied to the WTO to run its organisation.
54. One of the most popular ways to circumvent WTO guidelines for free trade has been for a country to impose:
- A. Antidumping duties.
 - B. Tariffs.
 - C. Quotas.
 - D. All of the given answers.
55. As Taki Muri readies his company to pursue lucrative markets in the United States. He is apprehensive about running afoul of U.S. antidumping laws. He has always thought that these laws were constructed just to keep competitors out. However, he also believes (as many other foreign competitors believe) that one way around the U.S. antidumping laws deals with a question of interpretation. Which of the following is the best description of the interpretation loophole that Mr. Muri that believes will work to his benefit?
- A. The definition of what a product is
 - B. The definition of what a price is
 - C. The interpretation of what "selling below cost" is
 - D. All of the given answers are considered to be loopholes
56. According to the WTO, which of the following is the definition of *dumping*?
- A. Moving questionable goods into a market that does not want them.
 - B. Flooding a market with so many goods that prices are depressed.
 - C. Selling a good at a lower price in the foreign market than in other markets.
 - D. None of the given answers is the WTO definition of dumping.
57. Several nations are frustrated with the slow progress of the most recent round of WTO trade negotiations. To vent this frustration, several countries are:
- A. Negotiating bilateral trade agreements.
 - B. Forming a rival organization.
 - C. Refusing to honor rules and regulations imposed by the WTO.
 - D. Doing all of the things listed here to retaliate against the WTO.
58. _____ and the World Bank Group are two global institutions created to assist nations in becoming and remaining economically viable.
- A. The United Nations
 - B. The World Court
 - C. The International Monetary Fund (IMF)
 - D. The International Red Cross

59. Which of the following is one of the primary objectives of the International Monetary Fund (IMF)?
- A. The abolishment of unfavorable exchange rates for any nation.
 - B. The abolishment of debt for impoverished nations.
 - C. The stabilisation of foreign exchange rates.
 - D. The waiver of all debts from World War II.
60. Another term for IMF special drawing rights (SDRs) is:
- A. Black gold.
 - B. Wealth for capitalists.
 - C. Peace in our time.
 - D. Paper gold.
61. The World Bank provides all of the following to reduce poverty and improve standards of living EXCEPT:
- A. Provides loans.
 - B. Provides technical assistance.
 - C. Provides policy guidance to developing-country members.
 - D. Mock governments for a period of five years.
62. One of the major complaints from protestors during the Seattle Round of the WTO meetings centered on:
- A. The use of the automobile by the industrialised world.
 - B. Sweatshops that supplied industrial nations with goods.
 - C. Strike breaking within industrialised nations.
 - D. The obesity of citizens of industrialised nations.
63. The country that is the home to the largest percentage of the top 100 largest industrial corporations is _____.
64. A nation's _____ statement records all financial transactions between its residents and those of the rest of the world during a given period of time--usually one year.
65. With respect to a nation's balance-of-payments statement, the official _____ account is a record of exports and imports of gold, increases or decrease in foreign exchange, and increases or decreases in liabilities to foreign central banks.
66. Although the World Trade Organization (WTO) was effective in reducing tariffs, countries still resorted to measures of _____.
67. A _____ is a tax imposed by a government on goods entering at its borders.
68. A _____ is a specific unit or dollar limit applied to a particular type of good.
69. An _____ is a refusal to sell to a specific country.
70. Antidumping laws were designed to prevent foreign producers from using their _____ pricing.
71. The _____ is an institution, not an agreement as was GATT.

72. The _____ and the _____ are two global institutions created to assist nations in becoming and remaining economically viable.
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73. What does a nation's balance-of-payments statement indicate?
74. A nation's balance-of-payments statement includes three accounts. Describe each of those three accounts.
75. Countless reasons are given to maintain government restrictions on trade. The text lists eleven (11) such reasons. Please list any five (5) of these reasons.
76. Tariffs have an impact on trade. Please provide a brief discussion that indicates what aspects of a country's economy are *increased*, *weakened*, or *restricted* with respect to world trade.
77. What is the difference between an embargo and a boycott?
78. Briefly, describe the history and impact of the General Agreement on Tariffs and Trade (GATT).

79. Briefly, describe how the World Trade Organisation (WTO) functions.
80. As a trade representative of the United States, you have become alarmed at the increasing number of nations that are using quotas as a means of controlling trade and protecting domestic interests. You believe that utilisation of voluntary export restraints (VERs) or Orderly Market Agreements (OMAs) is a far superior approach to quota systems. Explain how quotas, VERs, and OMAs work to justify your position.
81. As member of the automobile industry in the United States, you have long believed that Japan is guilty of predatory pricing in the U.S. automobile industry market. Explain predatory pricing and why that Japan might be guilty of such a practice.
82. Australia and New Zealand as small countries have always been dependent on international trade to generate impetus for growth and prosperity of their economies and quality of life.
True False
83. OECD stands for
A. The Organisation for Excellence in Cooperation and Development
B. The Organisation for Economic Cooperation and Development
C. The Overall Economic Cooperation and Development
D. The Organisation for Economic, Coproduction, and Development
84. The unprecedented and precipitous growth of the US and Chinese economies has slowed dramatically in the 2000s.
True False
85. The United States is home to the largest number of the world's 100 largest corporations.
True False
86. Unlike tariffs, quotas tend to decrease prices.
True False
87. The following statements regarding tariffs are true, except:
A. Tariffs increase inflationary pressures
B. Tariffs strengthen international relations
C. Tariffs weaken balance-of-payments positions
D. Tariffs restrict competition.

88. Lowering the trade deficit has been a priority of the Australian governments for a number of years
True False
89. One of the basic elements of GATT is trade shall be conducted on a non-discriminatory basis.
True False
90. As the global marketplace evolves, trading countries have focused attention on ways of _____
tariffs, quotas and other barriers to trade.
A. maintaining
B. promoting
C. eliminating
D. introducing
91. The goal of the World Bank Group include the reduction of _____ and the improvement of living standards by promoting sustainable growth and investment in people.
A. trading blocs
B. government loans
C. tariffs
D. poverty

ch02 Key

1. (p. 32) FALSE
2. (p. 33) TRUE
3. (p. 33) TRUE
4. (p. 40) TRUE
5. (p. 41) FALSE
6. (p. 42) TRUE
7. (p. 43) FALSE
8. (p. 44) FALSE
9. (p. 47) TRUE
10. (p. 48) FALSE
11. (p. 48) TRUE
12. (p. 48) FALSE
13. (p. 52) FALSE
14. (p. 55) FALSE
15. (p. 53) FALSE
16. (p. 53) FALSE
17. (p. 55) TRUE
18. (p. 57) FALSE
19. (p. 58) TRUE
20. (p. 59) TRUE
21. (p. 35) C
22. (p. 37, Exhibit 2.5) A
23. (p. 34) B
24. (p. 40) D
25. (p. 40) B
26. (p. 41) D
27. (p. 41) A
28. (p. 43) D
29. (p. 43) A
30. (p. 43) A
31. (p. 44) *no correct answer*
32. (p. 44) A
33. (p. 44) A
34. (p. 47) B
35. (p. 47-52) B
36. (p. 48) D

37. (p. 48) C
38. (p. 48) C
39. (p. 48) B
40. (p. 49) C
41. (p. 49) A
42. (p. 49) C
43. (p. 49-50) D
44. (p. 52) D
45. (p. 52) D
46. (p. 59) D
47. (p. 53) C
48. (p. 53) A
49. (p. 53) D
50. (p. 54) A
51. (p. 55) B
52. (p. 55) D
53. (p. 56) D
54. (p. 57) A
55. (p. 52) C
56. (p. 52) C
57. (p. 57) A
58. (p. 57) C
59. (p. 58) C
60. (p. 58) D
61. (p. 58-59) D
62. (p. 59) B
63. (p. 37, *Exhibit 2.5*) the United States of America
64. (p. 40) balance-of-payments
65. (p. 41) reserves
66. (p. 42) protectionism
67. (p. 44) tariff
68. (p. 47) quota
69. (p. 48) embargo
70. (p. 52) predatory
71. (p. 55) WTO
72. (p. 57) International Monetary Fund (IMF) and the World Bank Group
73. (p. 40) A nation's balance-of-payments statement records all financial transactions between its residents and those of the rest of the world during a given period of time usually one year.

74. (p. 41) The accounts consist of: (1) the current account--a record of all merchandise exports, imports, and services plus unilateral transfers of funds; (2) the capital account--a record of direct investment, portfolio investment, and short-term capital movements to and from countries; and, (3) the official reserves account--a record of exports and imports of gold, increase or decreases in foreign exchange, and increases or decreases in liabilities to foreign central banks.

75. (p. 43) Students may choose any of the eleven reasons cited on page 37 in the chapter.

76. (p. 44) The text list several illustrations of increase, weaken, and restrict phenomenon or factors. Any of the three above can be used to adequately answer this question. Because of the length of the list, it is not repeated here. However, for a complete viewing see page 44 in the chapter. If more specific instructions are warranted, please insert them in the question.

77. (p. 48) An embargo is a refusal to sell to a specific country. A public boycott can be either formal or informal and may be government sponsored or sponsored by an industry. Boycotting deals with buying goods rather than selling them.

78. (p. 53-57) GATT began shortly after World War II and, although not all countries participated, this agreement paved the way for the first effective worldwide tariff agreement. The original agreement provided a process to reduce tariffs and created an agency to serve as a watchdog over world trade. For additional information, see pages 53-57 in the chapter.

79. (p. 55-56) At the signing of the Uruguay Round trade agreement in 1994, U.S. representatives pushed for an enormous expansion of the definition of trade issues. The result was the creation of the World Trade Organisation, which encompasses the GATT structure and extends it to new areas not adequately covered in the past. The WTO is an institution, not an agreement as was GATT. It sets many rules governing trade among its 148 members, provides a panel of experts to hear and rule on trade disputes between members, and, unlike GATT, Issues Binding Decisions. For additional information, see pages 55-56.

80. (p. 48) A quota is a specific unit or dollar limit applied to particular type of good (such as limiting the number TV sets imported from Japan). Quotas tend to add as much as 50 percent to the final selling price of the good. This increases inflationary pressures. Common in textiles, clothing, steel, agriculture, and automobiles, VERs are agreements between the importing and exporting countries for a restriction on the volume of exports. Signing an OMA would bring order to a market by restricting product flow. OMAs also result in many foreign goods manufacturers bringing manufacturing facilities to the importing country (a plus for jobs in a sense) but negative results can still thwart market stability. For more information and examples see page 48.

81. (p. 52-53) Predatory pricing is a practice where a foreign producer would intentionally sell their products in the United States for less than the cost of production to undermine competition and take control of the market. For many years, Japanese car makers Toyota and Honda were accused of such practices. Some felt that this policy was the only way that Japanese cars could crack the tough U.S. market where U.S. car makers controlled not only pricing but distributorships. Students are free to give their own opinions on the issue (however, justifications or facts should accompany opinions). The instructor might advise research on the issue before assigning this question. For additional information on predatory pricing and further illustrations of the practice, see pages 52-53 in the chapter.

82. (p. 33) TRUE

83. (p. 36) B

84. (p. 36) FALSE

85. (p. 37) TRUE

86. (p. 43) FALSE

87. (p. 44) B

88. (p. 52) TRUE

89. (p. 53) TRUE

90. (p. 53) C

91. (p. 58) D

ch02 Summary

<u>Category</u>	<u># of Questions</u>
Cateora - Chapter 02	91
Difficulty: Easy	22
Difficulty: Hard	19
Difficulty: Moderate	50