

Study Questions

Lecture 2 Current Tensions in the International Economy

Part 1: Multiple Choice

Select the **best** answer of those given.

1. Under what US President was NAFTA negotiated?
 - a. Ronald Reagan
 - b. George H. W. Bush
 - c. Bill Clinton
 - d. George W. Bush
 - e. Barack Obama

2. What is a Rule of Origin?
 - a. A prohibition on employing illegal immigrants
 - b. A requirement for registering to vote
 - c. A restriction on who can invest in a country
 - d. A specification of what qualifies for zero tariff
 - e. A law against exporting imitations

3. If the UK and EU do not reach a deal on Brexit, on October 31, 2019
 - a. EU citizens resident in the UK may have to leave
 - b. Canada will levy tariffs on UK exports
 - c. Ireland will levy tariffs on goods from Northern Ireland
 - d. The EU will levy tariffs on UK exports
 - e. All of the above

4. What is a trade war?
 - a. Countries that export dangerous goods to each other
 - b. Tariffs and retaliation
 - c. Two countries using ship to blockade each other's exports
 - d. A verbal dispute in the World Trade Organization
 - e. One country dumps exports into another country, which responds with an antidumping duty

5. Which of the following countries was exempted from Trump's tariffs on steel in return for reducing their exports of steel to the United States?
 - a. Canada
 - b. Mexico
 - c. Germany
 - d. South Korea
 - e. All of the above

6. What do "joint ventures" have to do with the US-China trade war?
 - a. The US objects to China's exports of marijuana to US states where it has been legalized
 - b. China insists that the US import unwanted goods jointly with those that are in high demand
 - c. China requires that companies investing in China use joint ventures, thereby giving their technologies to Chinese companies
 - d. The US has responded to unfair trade practices by China by filing complaints in the WTO jointly with the EU and Japan
 - e. President Trump is concerned that China's Confucius Institutes in the US are joint ventures that will undermine democracy

7. What reason is given for Trump's threatened tariffs on cars?
 - a. That imports are hurting US producers
 - b. National security
 - c. Unfair acquisition of intellectual property
 - d. Dumping
 - e. China's trade surplus

8. Who wins in a trade war?
 - a. Nobody
 - b. The country with the highest tariffs
 - c. The country that, in the end, has a trade surplus
 - d. The country that collects the most revenue from its tariffs
 - e. Both may win if rates of unemployment fall in both

9. What has Trump done that undermines the WTO?
 - a. Refuse to participate in biannual WTO ministerial meeting
 - b. Pull the US out of the organization
 - c. Persuade allies to vote in favor of US in disputes
 - d. Prevent China from becoming a member
 - e. Block appointment of new judges

10. How has the value of currencies changed since Trump started increasing tariffs?

- a. Dollar up; euro up; yuan up
- b. Dollar up; euro up; yuan down
- c. Dollar up; euro down; yuan down
- d. Dollar down; euro down; yuan down
- e. Dollar down; euro down; yuan up

Part II: Short Answer

Answer in the space provided.

1. Define the following terms:

a. Brexit

b. Rule of origin

c. Hard landing

d. Currency
manipulation

d. Countervailing duty

2. Initially, China has responded to US tariffs on its exports by putting tariffs on an equal value of US exports. Why was it not able to continue doing that?

3. What was the “truce” agreed to between US President Trump and Jean Claude Juncker, Head of the European Commission?

4. How did President Trump respond when the EU offered to cut auto tariffs to zero if the US would do the same?

5. The following currencies were mentioned in the lecture. Match them to their countries from the list at the right.

a. yuan	_____	China
b. dollar	_____	Germany
c. renminbi	_____	United Kingdom
d. euro	_____	United States