

Study Questions
(*with Answers*)

Lecture 9
World Trade Arrangements and the WTO

Part 1: Multiple Choice

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

1. The OECD

- a. Gathers and publishes data on the international economy.
- b. Provides financial assistance to developing countries.
- c. Approves international standards and product regulations.
- d. Includes more developing countries than developed countries.
- e. Is a cartel of countries that export oil.

Ans: a

2. The Smoot-Hawley Tariff Act

- a. Created NAFTA.
- b. Changed US tariffs to be in compliance with the GATT.
- c. Raised tariffs on tulips imported into the Netherlands to over 100%.
- d. Restricted US imports of motorcycles in the 1970s.
- e. Raised US tariffs on hundreds of products at the start of the 1930s.

Ans: e

3. Which of the following issues did the Uruguay Round **not** address?

- a. Tariffs
- b. Intellectual Property
- c. Agriculture
- d. Migration
- e. Services

Ans: d

4. Which of the following is **not** a member of the WTO?

- a. United States
- b. China
- c. Russia
- d. Taiwan
- e. Iran

Ans: e

5. Members of the World Trade Organization are required to

- a. Eliminate all tariffs.
- b. Allocate quotas on a first-come-first-served basis.
- c. Use the WTO's definitions of products, such as what can be called "beer."
- d. Enforce patent rights for patent holders from other countries.
- e. Prevent their firms from "dumping."

Ans: d

6. Which of the following exceptions in the WTO rules does **not** permit a country to use a tariff or quota that is more restrictive than its bound tariff?

- a. Anti-dumping
- b. Countervailing duties
- c. Safeguards
- d. Balance of payments protection
- e. Preferential trade agreements

Ans: e

7. The "principal supplier" and "principal demander" are the

- a. Countries that negotiate tariff reductions on a particular product in a trade round.
- b. Sources of the MFN and National Treatment cornerstones of the GATT.
- c. Members of a dispute settlement panel that argue for and against the defendant.
- d. Points at which supply and demand curves cross the axes.
- e. First traders to be permitted to import under a quota during a calendar year.

Ans: a

8. According to Rodrik, what did the United States do early in its history that helped it to develop but that would have violated the rules of the World Trade Organization had it existed then?
- It imposed high tariffs on imported manufactured goods.
 - It had weak rules on intellectual property.
 - It imposed high tariffs on imported agricultural goods.
 - It engaged in piracy on the high seas.
 - It placed higher tariffs on exports of some countries than on others.

Ans: b

Part II: Short Answer

Answer in the space provided.

1. What do the following acronyms stand for, and what do they mean?

- a. OECD

Ans: Organization for Economic Cooperation and Development: A “rich country club” that does research and provides data

- b. MFN

Ans: Most Favored Nation: The requirement of the GATT and WTO that members treat other members as well as (levy as low tariffs against) as they treat any other member.

- c. GATT

Ans: General Agreement on Tariffs and Trade: The agreement from the late 1940s that governed trade policies among members and served as the basis for negotiating tariff reductions. Predecessor of the WTO.

- d. TRIP

Ans: Trade-Related Intellectual Property: The part of the WTO that requires member countries to have and enforce laws protecting intellectual property – patents, trademarks, and copyrights.

2. Fill in the blanks in the following:

Two fundamental principles of the GATT and its successor, the WTO, are the MFN Principle and National Treatment. The difference between these is that the MFN principle rules out discrimination, on the part of a country's trade policies, between other (member) countries while National Treatment rules out discrimination between domestic and foreign firms.

3. Match the following organizations with the economic issues that they primarily deal with, by writing an organization's name from the list into the blank next to each issue:

Organizations: EU, ILO, IMF, OECD, UNCTAD, WIPO, World Bank, WTO

Labor rights and labor rights ILO

Tariffs and other trade barriers in many countries WTO

Patents, copyrights, and trademarks WIPO

Trade and other economic transactions within Europe EU

Provide economic assistance to developing countries World Bank

4. Explain the meaning of the following terms

a. Tokyo Round

Ans: The round of multilateral trade negotiations under the auspices of the GATT that occurred during the 1970s and led to reductions in tariff and some NTBs in the 1980s.

b. Dispute Settlement Mechanism

Ans: The procedures within the GATT and WTO for resolving disagreements about trade policy among countries. It includes consultation, recommendation by a three-person panel of experts, and the possibility of appeal.

c. Ministerial

Ans: A meeting of the “trade ministers” of the member countries of the WTO. Ministerials are supposed to take place every two years.

d. Bound tariff

Ans: The upper limit on the tariff that a country can levy on a particular good, according to its commitments under the GATT and WTO.

e. Trade facilitation

Ans: Streamlining the administrative and physical procedures involved in actually moving goods across borders.

g. Market economy status

Ans: The designation of a country as having enough of its economy functioning with markets so that prices in the economy can be used as the basis for assessing dumping. China has not yet been given this status by the United States, which therefore uses prices from other countries in order to determine dumping, to the disadvantage of China.

5. What significant agreement was reached at the WTO Ministerial Meeting in Buenos Aires, Argentina, in December 2017?

Ans: None. The meeting was largely a failure.

6. What is the Appellate Body, and why is it in trouble?

Ans: The Appellate Body is a standing committee of the WTO that reviews the decisions in most dispute settlement cases. It is in trouble because the United States, first under Obama, blocked the reappointment of a member of the Body who had made decisions against the US. And the trouble continues as the Trump administration has blocked further appointments, with the result that the Body may soon lack a quorum to issue decisions.