

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. At the Cancún Ministerial of the WTO in September 2003, the "G20" (sometimes called the G21 or G22) was

- a. A group of developed countries that wanted negotiations on the Singapore Issues.
- b. A group of developing countries that favored international rules governing investment.
- c. A group of developed countries that insisted on elimination of export subsidies on agricultural products.
- d. A group of developing countries that insisted on elimination of export subsidies on agricultural products.
- e. A nongovernmental organization arguing that the legal age for drinking should be raised to 21 (or 22).

Ans: d

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

Ans: a

Part II: Short Answer

Answer in the space provided.

1. What do the following acronyms stand for?

- a. OECD

Ans: Organization for Economic Cooperation and Development

- b. MFN

Ans: Most Favored Nation

- c. GATT

Ans: General Agreement on Tariffs and Trade

- d. TRIP

Ans: Trade-Related Intellectual Property

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: According to Ikenson: “streamlining the administrative and physical procedures involved in actually moving goods across borders”

f. Singapore Issue

Ans: One of four issues raised at the 1996 Singapore Ministerial of the WTO: Investment, competition policy, transparency in government procurement, and trade facilitation.

5. What are HICs, MICs, and LDCs? And which, according to the reading by Bouët and Laborde, have the highest and lowest average levels of import protection?

Ans: HICs = High Income Countries; MICs = Middle Income Countries; LDCs = Least Developed Countries; HICs have the lowest average tariffs and LDCs have the highest