Study Questions
(with Answers)

Lecture 8
U.S. Trade Policies and Institutions

Part 1: Multiple Choice

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

1. Which of the following is **not** one of the parts of the U.S. government that deals with issues of international trade?

    a. Department of International Trade
    b. United States Trade Representative
    c. Commerce Department
    d. International Trade Commission
    e. Senate Finance Committee

    Ans. *a*

2. Which of the following products is **not** subject to high tariffs or restrictive import quotas in the United States?

    a. Sugar
    b. Peanuts
    c. Soybeans
    d. Cotton
    e. Dairy

    Ans.: *c*

3. The Escape Clause permits the United States to

   a. Resign from the World Trade Organization.
   b. Limit imports in an industry if they are causing injury to domestic interests.
   c. Limit imports in an industry if those imports are being priced unfairly.
   d. Shift its trade in a good to a different trading partner.
   e. Provide extended unemployment compensation to workers displaced by trade.

   Ans.: *b*

4. Regarding the GSP, Glassman argues that it is "illogical" because

   a. It grants tariff preferences to rich countries.
   b. It violates MFN.
   c. The US cannot afford to lose tariff revenue from the government budget.
   d. It hurts the countries that it is supposed to help.
   e. It benefits countries that oppose the US in trade negotiations.

   Ans.: *e*

5. Trade Adjustment Assistance

   a. Is money given by the WTO to developing countries to help them implement their obligations as members.
   b. Is assistance provided by the World Bank to countries seeking to subsidize their exports.
   c. Is a permanent subsidy given by the U.S. government to firms so that they can avoid closing down in the face of import competition.
   d. Includes extended unemployment compensation for workers laid off due to increased imports.
   e. Is a popular form of industrial policy, designed to help strong firms become even more competitive on world markets.

   Ans.: *d*

6. Anti-dumping duty is

   a. Tariff on imports that are in excess supply in foreign markets.
   b. The international agreement not to dispose of waste products in international waters.
   c. Levied whenever imports cause injury to domestic firms or workers.
   d. A tax on exports from abroad equal to the difference between their price in their home market and their price for export.
   e. A requirement imposed by the International Monetary Fund on countries requesting assistance, designed to prevent them from undermining IMF objectives.

   Ans: *d*

7. According to those who are in favor of anti-dumping laws, which of the following is **not** an example of "trade distorting practices" that contribute to unfair trade?

   a. Tariffs
   b. Anti-dumping duties
   c. Cartels
   d. NTBs
   e. Subsidies

   Ans: *b*

8. In September 2009, the US imposed ____________ on exports of _____________ from China.

   a. Antidumping duties; steel
   b. Safeguard tariffs; tires
   c. Countervailing duties; chicken
   d. MFN tariffs; all manufactured goods
   e. Reduced tariffs; underwear

   Ans: *b*

Part II: Short Answer

Answer in the spaces provided.

1. Define:

   a. Countervailing Duty

   Ans: *A tariff on imports that are subsidized by the government of the foreign exporter, set equal to the size of the subsidy.*

   b. Dumping

   Ans: *Pricing of imports below a "fair" price, which means either below the exporter's domestic market price or below cost.*

   c. Industrial Policy

   Ans: *Government efforts to promote competitiveness in particular industries and to encourage resources to move into industries that it views as important for economic growth.*

   d. Section 301

   Ans: *A provision of U.S. trade law that requires USTR to take action against foreign unfair trade practices, defined as policies that restrict U.S. commerce unreasonably and unjustifiably.*

   e. Wage Insurance

   Ans: *A government program to give displaced workers, for a limited time, payments equal to a fraction of the difference between their old wage and the lower one they get when they accept a new job.*

2. Fill in the blanks in the passage below. If options are given, select one. If not, provide your own:

When Fast Track Authority (also known as ____*Trade Promotion Authority*____________) is provided by the U.S. ___*Congress*_________________ (Congress / Supreme Court), it permits the President to bring trade agreements for approval without possibility of ____*amendment*_______________ (defeat / amendment / delay / filibuster). The advantage of this is that it permits the ____ *USTR*__________ (President / USTR / Congress) to ___ *negotiate*____________with foreign governments with greater credibility. Without Fast Track, foreign governments might fear that the concessions they have gotten from the U.S. negotiators would be ___*removed, changed, weakened*____________ before being approved. Currently, President Obama ____*does not*_____________ (does / does not) have Fast Track authority.

3. What do the following acronyms stand for?

   a. CVD *Ans:* *Countervailing duty*

   b. TPA *Ans:* *Trade Promotion Authority.*

   c. AVD (don't waste time on this one) *Ans:* *Your professor's initials.*

   d. ITA *Ans:* *International Trade Administration.*

   e. MFA *Ans:* *Multi-Fiber Arrangment.*