

1 ■ ■ ■ — What country was the world's largest exporter of goods in 2009?
■ ■ ■ —

- China (*True Answer Correct*)
 - Germany (*Incorrect*)
 - the United States (*Incorrect*)
 - Japan (*Incorrect*)
-

2 ■ ■ ■ — What country was the world's largest exporter of goods and
■ ■ ■ — services in 2009?

- China (*Incorrect*)
 - Germany (*Incorrect*)
 - the United States (*True Answer Correct*)
 - Japan (*Incorrect*)
-

3 ■ ■ ■ — What country was the world's largest exporter of services in
■ ■ ■ — 2009?

- China (*Incorrect*)
 - Germany (*Incorrect*)
 - the United States (*True Answer Correct*)
 - Japan (*Incorrect*)
-

4 ■ ■ ■ — Which of the following is a trade flow?
■ ■ ■ —

- Robert Feenstra purchases \$100 million of British treasury bonds. (*Incorrect*)
 - Robert Feenstra purchases a yogurt factory in France. (*Incorrect*)
 - Neither of Robert Feenstra's purchases is considered a trade flow. (*True Answer Correct*)
 - Both of Robert Feenstra's purchases are considered trade flows. (*Incorrect*)
-

5 ■ ■ ■ — Currently, the world's largest exporter of goods (in dollar
■ ■ ■ — volume) is:

- China. (*True Answer Correct*)
 - the United States. (*Incorrect*)
 - Japan. (*Incorrect*)
 - Germany. (*Incorrect*)
-

6 ■ ■ ■ — The world's largest exporter of goods and services (in dollar
■ ■ ■ — volume) is:

- China. (*Incorrect*)
 - the United States. (*True Answer Correct*)
 - Japan. (*Incorrect*)
 - Germany. (*Incorrect*)
-

7 ■ — **What is the term for a capital flow that is used to purchase or build a tangible asset like a factory?**

- migration (*Incorrect*)
 - service exports (*Incorrect*)
 - service imports (*Incorrect*)
 - foreign direct investment (*True Answer Correct*)
-

8 ■ — **When a foreign resident purchases a good or service from someone in the United States, the transaction is:**

- a U.S. export. (*True Answer Correct*)
 - a U.S. import. (*Incorrect*)
 - a bilateral exchange. (*Incorrect*)
 - a compensating differential. (*Incorrect*)
-

9 ■ — **Imports are:**

- goods or services purchased from a foreign resident. (*True Answer Correct*)
 - goods or services sold to foreign residents. (*Incorrect*)
 - goods only purchased from foreigners—you cannot purchase services from foreigners. (*Incorrect*)
 - services only—imports do not include goods. (*Incorrect*)
-

10 ■ — **Exports are:**

- goods or services purchased from a foreign resident. (*Incorrect*)
 - goods or services sold to foreign residents. (*True Answer Correct*)
 - goods only sold to foreigners—you cannot sell services to foreigners. (*Incorrect*)
 - services only—exports do not include goods. (*Incorrect*)
-

11 ■ — **Which of the following entries are considered to be exports of services?**

- Japanese buying soybeans from the United States (*Incorrect*)
- Chinese selling iPods to the United States (*Incorrect*)

- Mexican tourists visiting the Grand Canyon (*True Answer Correct*)
 - French wine sold to the United States (*Incorrect*)
-

12 ■ ■ ■ — **Which of the following is included in trade flows?**

- sales or purchases of goods by residents of different countries (*Incorrect*)
 - sales of goods by domestic residents to foreign residents (*Incorrect*)
 - purchases of services by domestic residents from foreigners (*Incorrect*)
 - sales or purchases of goods by residents of different countries, sales of goods by domestic residents to foreign residents, and purchases of services by domestic residents from foreigners (*True Answer Correct*)
-

13 ■ ■ ■ — **Trade flows include all of the following *except*:**

- purchases of goods. (*Incorrect*)
 - purchases of services. (*Incorrect*)
 - purchases of stocks and bonds. (*True Answer Correct*)
 - purchases of software. (*Incorrect*)
-

14 ■ ■ ■ — **Service exports include:**

- items that you must travel to another country to purchase, such as a restaurant meal. (*True Answer Correct*)
 - items, such as equipment or automobiles, that carry a warranty and a service contract. (*Incorrect*)
 - anything sold to a resident of another nation that is not a good that can be shipped. (*Incorrect*)
 - workers who migrate to jobs in other nations. (*Incorrect*)
-

15 ■ ■ ■ — **The difference between the total value of a country's exports and the total value of its imports is defined as the nation's:**

- trade status. (*Incorrect*)
 - trade balance. (*True Answer Correct*)
 - trade deficit. (*Incorrect*)
 - bilateral trade balance. (*Incorrect*)
-

- 16 ■ ■ ■ — **An American tourist buys a ticket to an opera in Paris. How does the U.S. government classify this transaction?**
- a goods import of a French Opera (*Incorrect*)
 - a service export (*Incorrect*)
 - a service import (*True Answer Correct*)
 - a goods export (*Incorrect*)
-
- 17 ■ ■ ■ — **A Chinese student pays tuition at a U.S. university. How does the Chinese government classify this transaction?**
- a goods import (*Incorrect*)
 - a service export (*Incorrect*)
 - a service import (*True Answer Correct*)
 - a goods export (*Incorrect*)
-
- 18 ■ ■ ■ — **If the value of a nation's imports is more than the value of its exports, then the nation is experiencing:**
- a trade deficit. (*True Answer Correct*)
 - a trade surplus. (*Incorrect*)
 - balanced trade. (*Incorrect*)
 - the trade balance. (*Incorrect*)
-
- 19 ■ ■ ■ — **If country X has a GDP of \$1 trillion and exports \$200 billion to country Y and imports \$300 billion from country Y, then its bilateral trade balance with country Y is:**
- -\$100 billion. (*True Answer Correct*)
 - +\$100 billion. (*Incorrect*)
 - \$500 billion. (*Incorrect*)
 - 50%. (*Incorrect*)
-
- 20 ■ ■ ■ — **Which of the following is classified as a United States service export?**
- Renée LaFrancois, a French citizen, has her hair dyed in a New York hair salon. (*True Answer Correct*)
 - Miguel Ramirez, a Mexican citizen, gets paid for working in a Kansas vegetable-canning factory. (*Incorrect*)
 - Harvey Guelph, a U.S. citizen, gets his haircut in a British barber shop. (*Incorrect*)
 - Marie Thompson, a U.S. citizen, purchases a bottle of champagne in a French grocery store. (*Incorrect*)
-

21 ■ ■ ■ — **The difference in value between exports and imports in a particular nation is called:**

- a trade deficit. (*Incorrect*)
 - bilateral trade balance. (*Incorrect*)
 - balanced trade. (*Incorrect*)
 - the trade balance. (*True Answer Correct*)
-

22 ■ ■ ■ — **Whenever the value of exports is more than the value of imports for a particular nation, it is called:**

- a trade deficit. (*Incorrect*)
 - a trade surplus. (*True Answer Correct*)
 - balanced trade. (*Incorrect*)
 - the trade balance. (*Incorrect*)
-

23 ■ ■ ■ — **Whenever the value of exports is less than the value of imports for a particular nation, it is called:**

- a trade deficit. (*True Answer Correct*)
 - a trade surplus. (*Incorrect*)
 - balanced trade. (*Incorrect*)
 - the trade balance. (*Incorrect*)
-

24 ■ ■ ■ — **Whenever the value of exports is equal to the value of imports for a particular nation, it is called:**

- a trade deficit. (*Incorrect*)
 - a trade surplus. (*Incorrect*)
 - balanced trade. (*True Answer Correct*)
 - the trade balance. (*Incorrect*)
-

25 ■ ■ ■ — **A bilateral trade balance means:**

- half the trade deficit. (*Incorrect*)
 - the measure of imports only—not exports. (*Incorrect*)
 - the difference between the value of imports and exports between two trading nations. (*True Answer Correct*)
 - the sum of the value of imports and exports traded between two nations. (*Incorrect*)
-

26 ■ ■ ■ — **What entities are used to calculate the bilateral trade balance of a country?**

- unemployment and inflation (*Incorrect*)
 - exports and imports (*True Answer Correct*)
 - per capita income and imports (*Incorrect*)
 - exports and per capita income (*Incorrect*)
-

27 ■ ■ ■ **Which of the following statements is correct?**

- The bilateral trade balance is a good indicator of the inequality of imports and exports between the United States and China. (*Incorrect*)
 - The bilateral trade balance vastly understates the gap in imports and exports between the United States and China. (*Incorrect*)
 - The bilateral trade balance may overstate the gap in imports and exports between the United States and China because some of the manufacturing inputs used do not originate in China. (*True Answer Correct*)
 - The bilateral trade balance shows that there is balanced trade between the United States and China. (*Incorrect*)
-

28 ■ ■ ■ **The bilateral trade balance may overstate the trade gap if:**

- some of the manufacturing inputs are imported. (*True Answer Correct*)
 - none of the manufacturing inputs is imported. (*Incorrect*)
 - exports are valued in U.S. versus Chinese currency. (*Incorrect*)
 - the United States imposes trade restrictions on Chinese imports. (*Incorrect*)
-

29 ■ ■ ■ **“Value added” in the context of international trade refers to:**

- the difference between the value of the imported inputs and the value of the exported product. (*True Answer Correct*)
 - the additional value a worker provides to a firm when she is hired. (*Incorrect*)
 - the value added by being able to purchase goods in a competitive market. (*Incorrect*)
 - the value added by import brokers when they mark up the price of the products. (*Incorrect*)
-

30 ■ ■ ■ **Recent bilateral trade figures alarm politicians who worry about China's growing trade imbalance with the United States. What**

do the authors of your textbook say?

- The real figures are even more shocking. (*Incorrect*)
 - It is not as bad as the numbers appear because China imports from its other trading partners a large percentage of the value of the export. (*True Answer Correct*)
 - It depends on how you count imports and exports and on which currency is used. (*Incorrect*)
 - Irresponsible governments, corruption, and greedy corporations are responsible for the widening gap. (*Incorrect*)
-

31 ■ ■ ■ **How has China explained its growing bilateral imbalance with the United States?**

- Current accounting practices make it very difficult to determine the value added and true national origin of goods. (*True Answer Correct*)
 - If the United States would only improve its efficiency, there would be no gap. (*Incorrect*)
 - Most Chinese imports are cheap consumer goods, and no firm in the United States wants to make those things anyway. (*Incorrect*)
 - China continues to struggle with corrupt officials at the customs bureau. (*Incorrect*)
-

32 ■ ■ ■ **What is “value added”?**

- the total value of an export minus the total value of imported raw and semi-finished materials used in its production (*Incorrect*)
 - the total value of an export plus the cost of its transportation to the export market (*Incorrect*)
 - the total value of a product minus the total value of all raw and semi-finished materials used in its production (*True Answer Correct*)
 - the total value of a country's exports minus total value of its imports (*Incorrect*)
-

33 ■ ■ ■ **Jane Fernelgeti, a U.S. citizen, purchases a phone for \$300 that Apple imported from China. Apple paid its Chinese subsidiary \$150 for the phone. How did these transactions change the U.S.-Chinese trade balance?**

- It increased by \$300. (*Incorrect*)
- It worsened by \$300. (*Incorrect*)

- It worsened by \$150. (*True Answer Correct*)
- It did not change the U.S.-Chinese trade balance, since Apple's \$150 margin (\$300-\$150) offset the \$150 cost of importing the phone from China. (*Incorrect*)

34 ■ ■ ■ **Table: Costs of the Phone Supply Chain**

Component/Process	Source Country	Cost
Hard drive	Japan	\$75
Display module	Taiwan	\$25
Video chip	U.S.	\$20
Controller chip	U.S.	\$10
Assembly	China	\$20
Wholesale distribution	U.S. (Apple)	\$100
Retail distribution	U.S. (AT&T)	\$50
Retail Price		\$300

Reference: Ref 1-1

(Table: Costs of the Phone Supply Chain) Joel Tuoroniemi, a U.S. citizen, purchases a phone from AT&T for \$300. By how much did Joel's purchase change the U.S. trade balance with China?

- \$300 (*Incorrect*)
- \$150 (*True Answer Correct*)
- \$120 (*Incorrect*)
- \$30 (*Incorrect*)

35 ■ ■ ■ **Table: Costs of the Phone Supply Chain**

Component/Process	Source Country	Cost
Hard drive	Japan	\$75
Display module	Taiwan	\$25
Video chip	U.S.	\$20
Controller chip	U.S.	\$10
Assembly	China	\$20
Wholesale distribution	U.S. (Apple)	\$100
Retail distribution	U.S. (AT&T)	\$50
Retail Price		\$300

Reference: Ref 1-1

(Table: Costs of the Phone Supply Chain) By how much did Joel's

transaction affect the U.S.-Japanese trade balance?

- The U.S.-Japanese trade balance fell by \$750. (*True Answer Correct*)
 - The U.S.-Japanese trade balance rose by \$130. (*Incorrect*)
 - The U.S.-Japanese trade balance fell by 25%. (*Incorrect*)
 - It did not affect it. (*Incorrect*)
-

36 ■ — **Intel, an American company, has manufacturing plants in China that assemble U.S.-made components. Suppose one of these plants produces and sells a computer chip to a Chinese computer manufacturer. How is this sale recorded in U.S. international trade statistics?**

- It is considered to be neither a U.S. import nor a U.S. export. (*True Answer Correct*)
 - It is considered to be a U.S. export to China. (*Incorrect*)
 - It is considered to be a U.S. import from China. (*Incorrect*)
 - The value of U.S.-made chip components is considered to be a U.S. export. (*Incorrect*)
-

37 ■ — **Why should the recorded U.S.-Chinese bilateral trade deficit be interpreted with some caution?**

- U.S. imports of Chinese products may be produced in U.S. subsidiaries that generate profits for the U.S. parent firms (recorded as U.S. service export income). (*True Answer Correct*)
 - U.S. imports of Chinese products may utilize material inputs that China imports from the United States (*Incorrect*)
 - U.S. imports of Chinese products may be produced with capital goods (e.g., machinery) that China imports from the United States. (*Incorrect*)
 - These are all reasons for cautious interpretation of the U.S.-Chinese bilateral trade balance. (*Incorrect*)
-

38 ■ — **An example of “value added” as an important concept for international trade was the case of imports of iPods from China. The value added by China is equal to:**

- the total value of imported raw and semi-finished materials into China plus the value of the export to the United States. (*Incorrect*)
- the total value of the export to the United States minus the total value of imported raw and semi-finished materials into China. (*True Answer Correct*)
- the total value of the export plus shipping costs. (*Incorrect*)
- the difference between the total value of exports to the United

States minus the total value of imports from the United States. (*Incorrect*)

39 ■ ■ ■ — **Merchandise trade among European countries accounted for approximately what share of total world merchandise (goods) trade in 2006?**

- 3% (*Incorrect*)
 - 30% (*True Answer Correct*)
 - 50% (*Incorrect*)
 - 75% (*Incorrect*)
-

40 ■ ■ ■ — **Internal trade volume between what nations is the world's highest?**

- Canada, Mexico, and Japan (*Incorrect*)
 - Japan, China, South Korea, and Thailand (*Incorrect*)
 - Nations in the European Union (*True Answer Correct*)
 - Middle Eastern countries (*Incorrect*)
-

41 ■ ■ ■ — **Which of the following countries was an original member of the European Union when it was established in 1952?**

- Poland (*Incorrect*)
 - Greece (*Incorrect*)
 - The United Kingdom (*Incorrect*)
 - Italy (*True Answer Correct*)
-

42 ■ ■ ■ — **Which of the following economic groupings has the largest volume of trade among its member nations?**

- NAFTA (*Incorrect*)
 - The European Union (*True Answer Correct*)
 - The Free Trade Area of the Americas (*Incorrect*)
 - The European Free Trade Area (*Incorrect*)
-

43 ■ ■ ■ — **How many countries are members of the European Union?**

- 5 (*Incorrect*)
 - 12 (*Incorrect*)
 - 22 (*Incorrect*)
 - 27 (*True Answer Correct*)
-

44 ■ ■ ■ — Which of the following countries is NOT a member of the European Union?

- Turkey (*True Answer Correct*)
 - Slovakia (*Incorrect*)
 - Hungary (*Incorrect*)
 - Poland (*Incorrect*)
-

45 ■ ■ ■ — Which of the following countries is NOT a member of the European Union?

- Denmark (*Incorrect*)
 - Finland (*Incorrect*)
 - Norway (*True Answer Correct*)
 - Sweden (*Incorrect*)
-

46 ■ ■ ■ — Which of the following countries is a member of the European Union?

- Denmark (*True Answer Correct*)
 - Norway (*Incorrect*)
 - Switzerland (*Incorrect*)
 - Russia (*Incorrect*)
-

47 ■ ■ ■ — U.S. and European merchandise trade accounted for approximately what share of total world merchandise (goods) trade in 2006?

- slightly more than one-fourth (*Incorrect*)
 - slightly more than one-third (*True Answer Correct*)
 - slightly more than one-half (*Incorrect*)
 - slightly more than two-thirds (*Incorrect*)
-

48 ■ ■ ■ — Europe and the United States account for _____ of world trade flows.

- 20% (*Incorrect*)
 - 15% (*Incorrect*)
 - 80% (*Incorrect*)
 - 37% (*True Answer Correct*)
-

49 ■ ■ ■ — NAFTA is:

- a free trade area between Mexico, Canada, and the United States. (*True Answer Correct*)

- a trade agreement to limit environmentally dangerous imports and exports. (*Incorrect*)
 - a law preventing illegal immigration. (*Incorrect*)
 - another name for the European Union. (*Incorrect*)
-

50 ■ ■ ■ **The Free Trade Area of the Americas is:**

- a proposal to form an agreement to ban trade restrictions between member nations in North and South America. (*True Answer Correct*)
 - a proposal to include Asian nations in free trade with the United States and Mexico. (*Incorrect*)
 - a zone near national borders where firms can operate without restrictions. (*Incorrect*)
 - an economic union of several North and South American nations. (*Incorrect*)
-

51 ■ ■ ■ **Which of the following statements about trade is true?**

- In 2006, the largest exporter to the United States was Canada. (*Incorrect*)
 - Trade volume among China, Japan, Thailand, and Taiwan is the world's largest. (*Incorrect*)
 - Trade volume among Chile, Brazil, Argentina, and Mexico is the world's largest. (*Incorrect*)
 - The combined trade volume of the United States and the European Union is the world's largest. (*True Answer Correct*)
-

52 ■ ■ ■ **Which of the following statements explain(s) why Asian countries trade?**

- (1) **Their workers have low wages.**
 - (2) **In some Asian countries, the workers are very productive.**
 - (3) **Asian countries have an abundant supply of raw materials.**
- (1) only (*Incorrect*)
 - (1) and (2) only (*True Answer Correct*)
 - (2) only (*Incorrect*)
 - (3) only (*Incorrect*)
-

53 ■ ■ ■ **Africa's share of world exports is _____.**

- 3% (*True Answer Correct*)
 - 12% (*Incorrect*)
 - 1.5% (*Incorrect*)
 - 58% (*Incorrect*)
-

54 ■ ■ ■ **One way to gauge the impact of trade on a nation is to measure:**

- wage distortions and job loss. (*Incorrect*)
 - the ratio of total imports and exports expressed as a percent of a nation's GDP. (*True Answer Correct*)
 - shipping costs. (*Incorrect*)
 - rises in national income due to trade. (*Incorrect*)
-

55 ■ ■ ■ **Which of the following is NOT included in the calculation of a country's gross domestic product (GDP)?**

- the value of all its intermediate goods produced in a year (*True Answer Correct*)
 - the value of all its exports produced in a year (*Incorrect*)
 - the value of all its final consumption goods produced in a year (*Incorrect*)
 - All of these are included in the calculation of a country's gross domestic product. (*Incorrect*)
-

56 ■ ■ ■ **If a country's GDP is \$10 trillion, its exports are \$1 trillion, its imports are \$1.5 trillion, and its overall trade flows are \$2 trillion (exports and imports), then:**

- its trade-to-GDP ratio is 10%. (*Incorrect*)
 - its trade-to-GDP ratio is 15%. (*Incorrect*)
 - its trade-to-GDP is 25%. (*True Answer Correct*)
 - its trade-to-GDP is 400%. (*Incorrect*)
-

57 ■ ■ ■ **What is used to measure a country's openness to international trade?**

- the ratio of its exports to its GDP (*Incorrect*)
 - the ratio of its imports to its GDP (*Incorrect*)
 - the ratio of its trade balance (exports minus imports) to its GDP (*Incorrect*)
 - the ratio of its exports plus imports to its GDP (*True Answer Correct*)
-

58 ■ ■ ■ — What does a country's gross domestic product (GDP) measure?
■ ■ ■ —

- the value of all intermediate goods produced in a year (*Incorrect*)
 - the value of all exports produced in a year (*Incorrect*)
 - the value of all final goods produced in a year (*True Answer Correct*)
 - the value of all production in a year (*Incorrect*)
-

59 ■ ■ ■ — If a country's GDP is \$10 trillion and its overall trade flows are
■ ■ ■ — \$2 trillion (exports and imports), then:

- its trade-to-GDP ratio is 20%. (*True Answer Correct*)
 - it's not a successful country. (*Incorrect*)
 - its GDP needs to increase. (*Incorrect*)
 - its trade-to-GDP ratio is too high. (*Incorrect*)
-

60 ■ ■ ■ — If the trade-to-GDP ratio is 38% and the GDP is \$500 billion,
■ ■ ■ — then what is the overall value of trade?

- \$390 billion (*Incorrect*)
 - \$190 billion (*True Answer Correct*)
 - \$100 billion (*Incorrect*)
 - There is not enough information provided to answer the question. (*Incorrect*)
-

61 ■ ■ ■ — If the trade-to-GDP ratio is 25% and the overall value of trade is
■ ■ ■ — \$175 billion, then the GDP is _____.

- \$250 billion (*Incorrect*)
 - \$700 billion (*True Answer Correct*)
 - \$1 trillion (*Incorrect*)
 - \$0.5 trillion (*Incorrect*)
-

62 ■ ■ ■ — The U.S. trade-to-GDP ratio is:
■ ■ ■ —

- the highest in the industrialized world. (*Incorrect*)
 - greater than China's and Japan's. (*Incorrect*)
 - smaller than that of Germany. (*True Answer Correct*)
 - too high. (*Incorrect*)
-

63 ■ ■ ■ — If we measure the ratio of total trade to GDP, which of the
■ ■ ■ — following nations had the highest ratio in 2008?

- China (*True Answer Correct*)
 - Japan (*Incorrect*)
 - Germany (*Incorrect*)
 - the United States (*Incorrect*)
-

64 ■ — Which of the following countries has the highest ratio of international trade to GDP?

- the United States (*Incorrect*)
 - Japan (*Incorrect*)
 - China (*Incorrect*)
 - Malaysia (*True Answer Correct*)
-

65 ■ — Measured in dollar volume, which of the following nations had the highest total trade in 2008?

- China (*Incorrect*)
 - Japan (*Incorrect*)
 - Germany (*Incorrect*)
 - the United States (*True Answer Correct*)
-

66 ■ — If we measure the ratio of total trade to GDP, which of the following nations had the lowest ratio in 2008?

- Hong Kong, China (*Incorrect*)
 - Japan (*Incorrect*)
 - Germany (*Incorrect*)
 - the United States (*True Answer Correct*)
-

67 ■ — Why do larger countries tend to have lower ratios of international trade to GDP than smaller countries?

- Larger countries tend to have more trade between states or provinces within their borders than smaller countries. (*True Answer Correct*)
 - Larger countries tend to have higher tariffs than smaller countries. (*Incorrect*)
 - Larger countries tend to trade with other larger countries. (*Incorrect*)
 - Larger countries tend to have larger trade deficits than smaller countries. (*Incorrect*)
-

68 ■ — What is the best measure of a country's openness to international trade?

- the ratio of its exports to its GDP (*Incorrect*)
 - the ratio of its imports to its GDP (*Incorrect*)
 - the ratio of its trade balance (exports minus imports) to its GDP (*Incorrect*)
 - the ratio of its exports plus imports to its GDP (*True Answer Correct*)
-

69 ■ ■ ■ **Suppose that a country has a low ratio of trade to GDP. What would NOT be a potential explanation for this?**

- The country has high import tariffs on imports. (*Incorrect*)
 - The country is geographically distant from the rest of the world. (*Incorrect*)
 - The country is small. (*True Answer Correct*)
 - All of these answers are potential explanations. (*Incorrect*)
-

70 ■ ■ ■ **A tax on imported goods is called a(n):**

- luxury tax. (*Incorrect*)
 - excise tax. (*Incorrect*)
 - income tax. (*Incorrect*)
 - tariff. (*True Answer Correct*)
-

71 ■ ■ ■ **A tariff is:**

- a tax on an import. (*True Answer Correct*)
 - a physical limitation on the quantity of imports of a certain good. (*Incorrect*)
 - a health or safety requirement on imports. (*Incorrect*)
 - a regulation affecting imports. (*Incorrect*)
-

72 ■ ■ ■ **One form of trade barrier is the import tariff. What is it?**

- a limit on the imported quantity of a certain good (*Incorrect*)
 - a tax on the value of an import or the imported quantity of a good (*True Answer Correct*)
 - a health or safety precaution that affects goods that may cause long-term harm to humans or animals (*Incorrect*)
 - a bureaucratic rule that can be overridden by the Secretary for International Trade (*Incorrect*)
-

73 ■ ■ ■ — **Economists call factors that influence (reduce) the total dollar volume of goods and services sold across international borders:**

- trade factor issues. (*Incorrect*)
 - trade barriers. (*True Answer Correct*)
 - trade conditions. (*Incorrect*)
 - the ratio of total trade to GDP. (*Incorrect*)
-

74 ■ ■ ■ — **The “first golden age” of trade was:**

- the period from 1890 to 1913, when tariffs were increased between countries. (*Incorrect*)
 - the period from 1890 to 1913, when steamships and railroads increased trade. (*True Answer Correct*)
 - the period between 1919 and 1935. (*Incorrect*)
 - the inter-war period. (*Incorrect*)
-

75 ■ ■ ■ — **One factor mentioned as a reason for the “golden age” of trade was the invention of:**

- the cotton gin. (*Incorrect*)
 - the wheel. (*Incorrect*)
 - improved methods of transporting goods. (*True Answer Correct*)
 - the computer. (*Incorrect*)
-

76 ■ ■ ■ — **Which decade of the twentieth century had the highest average tariffs worldwide?**

- 1900–1909 (*Incorrect*)
 - 1930–1939 (*True Answer Correct*)
 - 1950–1959 (*Incorrect*)
 - 1970–1979 (*Incorrect*)
-

77 ■ ■ ■ — **The Smoot-Hawley tariff:**

- passed in response to World War II. (*Incorrect*)
 - passed as a reaction to the Great Depression in the United States. (*True Answer Correct*)
 - was enacted by Germany. (*Incorrect*)
 - greatly reduced the barriers to trade. (*Incorrect*)
-

78 ■ ■ ■ — **Which of the following factors reduces the volume of trade?**

- wars (*Incorrect*)
 - severe economic recessions (*Incorrect*)
 - high tariffs (*Incorrect*)
 - All of these factors reduce the volume of trade. (*True Answer Correct*)
-

79 ■ — **An import tariff enacted in 1930 raised rates to an average of 60% on many imports. This was the short-lived:**

- Reaganomics principle. (*Incorrect*)
 - Smoot-Hawley tariff. (*True Answer Correct*)
 - Blair-Bush tariff. (*Incorrect*)
 - international equity tariff. (*Incorrect*)
-

80 ■ — **Other nations responded to the Smoot-Hawley tariff by:**

- complaining to the United Nations. (*Incorrect*)
 - raising tariffs on imports from other nations in retaliation. (*True Answer Correct*)
 - lowering prices on exports in order to increase sales. (*Incorrect*)
 - attacking military bases in nations that refused to lower tariffs. (*Incorrect*)
-

81 ■ — **One form of import barrier is an import quota. What is it?**

- a limit on the import quantity of a certain good (*True Answer Correct*)
 - a tax on the value of an import or the imported quantity of a good (*Incorrect*)
 - a health or safety precaution affecting goods that may cause long-term harm to humans or animals (*Incorrect*)
 - a bureaucratic rule that can be overridden by the Secretary for International Trade (*Incorrect*)
-

82 ■ — **Raising tariffs in a country has what immediate effect on its economy?**

- It increases the volume of trade. (*Incorrect*)
 - It reduces the volume of imports. (*True Answer Correct*)
 - It increases the volume of imports. (*Incorrect*)
 - It promotes better trade relations with other countries. (*Incorrect*)
-

83 ■ ■ ■ — **By 2000, the average worldwide tariff had fallen to about:**
■ ■ ■ —

- 35–40%. (*Incorrect*)
 - 25–35%. (*Incorrect*)
 - 15–20%. (*Incorrect*)
 - 5–10%. (*True Answer Correct*)
-

84 ■ ■ ■ — **The “second golden age” of trade was:**
■ ■ ■ —

- the period after World War II, when trade between countries increased. (*True Answer Correct*)
 - the result of the introduction of the gold standard. (*Incorrect*)
 - the result of an increase in trade restrictions as a reaction to the Smoot-Hawley tariff act. (*Incorrect*)
 - the result of a decline in volume of trade between the industrialized countries. (*Incorrect*)
-

85 ■ ■ ■ — **An outcome of the Smoot-Hawley tariff enacted by the United States was:**
■ ■ ■ —

- a renewed effort to reestablish international trade and the flow of payments via new international organizations. (*True Answer Correct*)
 - a focus on environmental and labor problems caused by trade. (*Incorrect*)
 - a renewed emphasis on gold as a means of payment. (*Incorrect*)
 - increased flows of foreign aid to low-income nations. (*Incorrect*)
-

86 ■ ■ ■ — **What lesson was learned from the imposition of the Smoot-Hawley tariff?**
■ ■ ■ —

- Nations can usually work out their differences without any structure or international organization. (*Incorrect*)
 - Tariffs are often necessary to keep trade fair. (*Incorrect*)
 - Retaliation and tariff escalation are not as harmful as many suppose. (*Incorrect*)
 - A reduction of trade as a result of a tariff imposes large costs on the countries involved. (*True Answer Correct*)
-

87 ■ ■ ■ — **After 1945, world trade:**
■ ■ ■ —

- grew more slowly than in the decade before World War

II. (*Incorrect*)

- grew more rapidly than in the decade before World War II. (*True Answer Correct*)
 - grew in absolute dollar terms but not as a ratio of GDP. (*Incorrect*)
 - fell both in absolute and relative terms. (*Incorrect*)
-

88 ■ — **In 1956 an invention increased the volume of world trade by lowering the cost of shipping. What was the invention?**

- the personal computer (*Incorrect*)
 - the bar code (*Incorrect*)
 - bubble wrap (*Incorrect*)
 - the shipping container (*True Answer Correct*)
-

89 ■ — **The article “A Sea Change in Shipping 50 Years Ago” states that the amount of cargo carried in a ship and the speed of the ship _____ from 1950 to 1976.**

- increased (*True Answer Correct*)
 - decreased (*Incorrect*)
 - stayed the same (*Incorrect*)
 - were not related (*Incorrect*)
-

90 ■ — **According to the article “A Sea Change in Shipping 50 Years Ago,” what impact did container shipping have on global trade?**

- It increased time taken to ship commodities. (*Incorrect*)
 - It produced a decrease in the volume of trade. (*Incorrect*)
 - It caused a reduction in the time at the port for ships delivering goods. (*True Answer Correct*)
 - It resulted in increased tariffs between countries. (*Incorrect*)
-

91 ■ — **During the 2008–2009 financial crisis, what happened to international trade levels?**

- They rose. (*Incorrect*)
 - They fell. (*True Answer Correct*)
 - They did not change. (*Incorrect*)
 - There is not enough data yet to say what happened to international trade levels. (*Incorrect*)
-

92 ■ — **What caused the decline in trade during the 2008–2009 financial crisis?**

- rising house prices, which took up more consumer income (*Incorrect*)
 - decreased demand during the recession (*True Answer Correct*)
 - greater productivity in the developing countries (*Incorrect*)
 - pirate activity off the coast of Africa (*Incorrect*)
-

93 ■ ■ ■ **The movement of people across borders is known as:**

- resettlement. (*Incorrect*)
 - guest workers. (*Incorrect*)
 - migration. (*True Answer Correct*)
 - fractionalization. (*Incorrect*)
-

94 ■ ■ ■ **Which of the following countries is NOT a member of the Organization for Economic Cooperation and Development?**

- China (*True Answer Correct*)
 - the United States (*Incorrect*)
 - Turkey (*Incorrect*)
 - the United Kingdom (*Incorrect*)
-

95 ■ ■ ■ **Most immigration occurs:**

- from the Organization for Economic Cooperation and Development (OECD) countries to other OECD countries. (*Incorrect*)
 - from the OECD countries to the non-OECD countries. (*Incorrect*)
 - from the non-OECD countries to the OECD countries. (*Incorrect*)
 - from the non-OECD countries to the non-OECD countries. (*True Answer Correct*)
-

96 ■ ■ ■ **The Organization for Economic Cooperation and Development (OECD) is primarily composed of:**

- the richest countries. (*True Answer Correct*)
 - the poorest countries. (*Incorrect*)
 - North American countries. (*Incorrect*)
 - European countries. (*Incorrect*)
-

97 ■ ■ ■ **In general, migration is _____ than trade.**

- more free (*Incorrect*)

- more controlled and regulated (*True Answer Correct*)
 - less desirable (*Incorrect*)
 - more desirable (*Incorrect*)
-

98 ■ ■ ■ **Immigration issues are usually more intense in:**

- low-wage nations. (*Incorrect*)
 - nations whose borders are not secured. (*Incorrect*)
 - nations with open-door policies. (*Incorrect*)
 - nations whose wages are higher than world averages. (*True Answer Correct*)
-

99 ■ ■ ■ **In spite of hopes that migration between nations in the European Union would be free, several nations have agreements to restrict it. Why?**

- They are afraid of disease. (*Incorrect*)
 - Labor policies are very different, and new workers will expect the same benefits. (*Incorrect*)
 - They are concerned that mass inflows of workers will lower wages and offer competition for their own domestic labor force. (*True Answer Correct*)
 - Domestic workers are more productive. (*Incorrect*)
-

100 ■ ■ ■ **In the United States one-third of the foreign-born workers come from:**

- China. (*Incorrect*)
 - the Philippines. (*Incorrect*)
 - Mexico. (*True Answer Correct*)
 - Dominican Republic. (*Incorrect*)
-

101 ■ ■ ■ **Foreign direct investment (FDI) flows include:**

- purchase of a controlling interest in a foreign firm by a domestic firm. (*True Answer Correct*)
 - purchase of stocks or bonds directly from an international dealer. (*Incorrect*)
 - purchase of foreign government bonds by domestic investors. (*Incorrect*)
 - accounts denominated in foreign currency in foreign banks owned by domestic depositors. (*Incorrect*)
-

102 ■ ■ ■ — **Most FDI flows are destined to go to:**
■ ■ ■ —

- low-income nations. (*True Answer Correct*)
 - Australia. (*Incorrect*)
 - high-income (OECD) nations. (*Incorrect*)
 - the African continent. (*Incorrect*)
-

103 ■ ■ ■ — **Which of the following is NOT a reason for firms in an industrial nation to undertake vertical FDI in a low-income nation?**
■ ■ ■ —

- access to raw materials (*Incorrect*)
 - lower wages (*Incorrect*)
 - avoidance of export taxes (*True Answer Correct*)
 - access to raw materials, lower wages, avoidance of export taxes (*Incorrect*)
-

104 ■ ■ ■ — **Most foreign direct investment among industrialized countries is _____.**
■ ■ ■ —

- vertical FDI (*Incorrect*)
 - horizontal FDI (*True Answer Correct*)
 - industrial FDI (*Incorrect*)
 - reverse-vertical FDI (*Incorrect*)
-

105 ■ ■ ■ — **Which of the following is considered to be an outflow of foreign direct investment (FDI) from the United States?**
■ ■ ■ —

- General Motors sells Saab, its Swedish subsidiary, to a Chinese company. (*Incorrect*)
 - General Motors uses the proceeds of its sale of Saab to purchase British treasury bonds. (*Incorrect*)
 - General Motors earns interest on its British treasury bonds, which it credits to its accounts in the United States. (*Incorrect*)
 - General Motors invests \$100 million to modernize its German plant that produces Vauxhall automobiles. (*True Answer Correct*)
-

106 ■ ■ ■ — **Which of the following is classified as horizontal FDI?**
■ ■ ■ —

- a U.S. steel-producing firm purchases an iron ore mine in Australia. (*True Answer Correct*)
- a German auto manufacturer constructing an auto assembly plant in Alabama. (*Incorrect*)

- Apple establishing a plant in Taiwan to manufacture components for iPhones that are shipped to China for assembly at its phone assembly plant (*Incorrect*)
 - McDonald's buying a Russian meat packing plant that produces ground beef for Big Macs sold at its restaurants in Moscow. (*Incorrect*)
-

107 ■ — **What is the principal reason for Intel (a U.S. computer chip producer) to establish a computer chip manufacturing plant in a developing country (e.g., Malaysia)?**

- to take advantage of low wages in Malaysia (*True Answer Correct*)
 - to take advantage of Malaysia's climate (*Incorrect*)
 - to take advantage of Malaysia's low tariffs on imported computer chips. (*Incorrect*)
 - All of the answers are reasons for Intel to establish a computer chip manufacturing plant in Malaysia (*Incorrect*)
-

108 ■ — **Which of the following is classified as reverse-vertical FDI?**

- Subaru, a Japanese automaker, builds a plant in Indiana to assemble Subaru Outbacks. (*Incorrect*)
 - Coca-Cola, an American multinational corporation, constructs a bottling plant in Saudi Arabia. (*Incorrect*)
 - A Chinese steel producer purchases an iron ore mine in Minnesota. (*True Answer Correct*)
 - Fiat, an Italian automaker, buys Chrysler Motors. (*Incorrect*)
-

109 ■ — **Which of the following is NOT a reason why a foreign truck manufacturer might want to acquire or construct a plant in the United States?**

- Production in the United States will avoid the U.S. 25% tariff on imported pickup trucks. (*True Answer Correct*)
 - It is easier to produce pickup trucks in the United States than in other countries. (*Incorrect*)
 - To take advantage of lower wages in the United States. (*Incorrect*)
 - U.S. consumers will only buy U.S.-made pickup trucks. (*Incorrect*)
-

110 ■ — **FDI flows originate mostly in:**

- low-income nations. (*Incorrect*)
 - East Asia. (*Incorrect*)
 - high-income (OECD) nations. (*True Answer Correct*)
 - the African continent. (*Incorrect*)
-

111 ■ — **Whenever foreign direct investment occurs between industrial countries, it is referred to as:**

- egalitarian FDI. (*Incorrect*)
 - balanced FDI. (*Incorrect*)
 - horizontal FDI. (*True Answer Correct*)
 - vertical FDI. (*Incorrect*)
-

112 ■ — **Which of the following is an example of horizontal FDI?**

- China invests \$10 billion in Somalia. (*Incorrect*)
 - German investors buy the Chicago Cubs baseball team. (*True Answer Correct*)
 - Sri Lanka invests \$10 billion in Bangladesh. (*Incorrect*)
 - Bulgaria buys a golf course in Nigeria. (*Incorrect*)
-

113 ■ — **Which of the following is a reason for horizontal FDI?**

- to increase access to foreign market (*Incorrect*)
 - to avoid tariffs of the host country (*Incorrect*)
 - to decrease access to foreign market (*Incorrect*)
 - to increase access to foreign market and avoid tariffs of the host country (*True Answer Correct*)
-

114 ■ — **Which of the following is NOT a reason for horizontal FDI?**

- to avoid tariffs or other trade barriers (*Incorrect*)
 - to have improved facilities and information for marketing products (*Incorrect*)
 - to take advantage of inexpensive labor (*True Answer Correct*)
 - to share expertise and avoid possible duplication of products (*Incorrect*)
-

115 ■ — **Reasons that firms in an industrial nation acquire firms in another industrial nation include:**

- avoidance of import tariffs and quotas. (*Incorrect*)

- the ability to share technology and resources. (*Incorrect*)
 - market access in the foreign nation. (*Incorrect*)
 - avoidance of import tariffs and quotas, the ability to share technology and resources, and market access in the foreign nation. (*True Answer Correct*)
-

116 ■ — **Foreign direct investment between two industrialized countries is called:**

- vertical FDI. (*Incorrect*)
 - horizontal FDI. (*True Answer Correct*)
 - industrial FDI. (*Incorrect*)
 - reverse-vertical FDI. (*Incorrect*)
-

117 ■ — **Which of the following is an example of horizontal FDI?**

- Ford Motor Company acquires the British firm Jaguar. (*True Answer Correct*)
 - Lenovo, a Chinese company, acquires IBM's personal computer business. (*Incorrect*)
 - The Venezuelan government acquires the Venezuelan operations of BP, a British petroleum firm. (*Incorrect*)
 - General Motors Corporation builds a plant in China to supply Buicks to the Chinese market. (*Incorrect*)
-

118 ■ — **Which of the following statements refer to a vertical FDI?**

- An American company purchases a British soccer team. (*Incorrect*)
 - Ford Motor company establishes a plant in Canada. (*Incorrect*)
 - GM opens a plant in India. (*True Answer Correct*)
 - BMW opens a plant in Bilbao, Spain. (*Incorrect*)
-

119 ■ — **_____ foreign direct investment occurs when a firm from an industrial country owns a plant in a developing country.**

- Vertical (*True Answer Correct*)
 - Horizontal (*Incorrect*)
 - Industrial (*Incorrect*)
 - Reverse-vertical (*Incorrect*)
-

120 ■ ■ ■ — **When a firm in an industrial nation purchases a firm in a lower-income nation, economists call it:**

- egalitarian FDI. (*Incorrect*)
 - balanced FDI. (*Incorrect*)
 - horizontal FDI. (*Incorrect*)
 - vertical FDI. (*True Answer Correct*)
-

121 ■ ■ ■ — **For what reasons would firms engage in vertical FDI?**

- Firms want to engage in automated production techniques. (*Incorrect*)
 - Firms anticipate higher technology and access to capital. (*Incorrect*)
 - Legal structure, education, highways, and communications technology are usually better in lower-income nations. (*Incorrect*)
 - None of these answer choices provides a reason for why firms engage in vertical FDI. (*True Answer Correct*)
-

122 ■ ■ ■ — **The greatest amount of FDI is:**

- vertical FDI. (*Incorrect*)
 - horizontal FDI. (*True Answer Correct*)
 - third-party FDI. (*Incorrect*)
 - between the United States and Mexico. (*Incorrect*)
-

123 ■ ■ ■ — **In which country or region do most U.S. foreign direct investments occur?**

- China (*Incorrect*)
 - Japan (*Incorrect*)
 - Europe (*True Answer Correct*)
 - Latin America (*Incorrect*)
-

124 ■ ■ ■ — **FDI to the United States and Europe is:**

- the largest in the world, totaling \$5.6 trillion. (*True Answer Correct*)
 - smaller than FDI to China. (*Incorrect*)
 - smaller than their share of trade flows. (*Incorrect*)
 - called horizontal FDI. (*Incorrect*)
-

125 ■ ■ Which of the following is an example of reverse-vertical FDI?
■ ■

- Ford Motor Company acquires the British firm Jaguar. (*Incorrect*)
 - Lenovo, a Chinese company, acquires IBM's personal computing business. (*True Answer Correct*)
 - Daimler-Benz, a German company, merges with Chrysler Corporation, an American company, to form the Daimler-Benz Corporation. (*Incorrect*)
 - General Motors Corporation builds a plant in China to supply Buicks to the Chinese market. (*Incorrect*)
-

126 ■ ■ China has received a great deal of FDI. Why?
■ ■

- Firms such as automakers can take advantage of low wages and also avoid tariffs if their production is finished in China. (*True Answer Correct*)
 - The U.S. government has encouraged domestic firms to buy foreign firms. (*Incorrect*)
 - Loans to purchase manufacturing facilities in other nations are subsidized by the U.S. government. (*Incorrect*)
 - China has a system of business that is free from corruption and interference by its government. (*Incorrect*)
-

127 ■ ■ In 2010, the eruption of Iceland's Eyjafjallajokull volcano caused no more than several million dollars of lost trade between the U.S. and Europe.

- True ()
 - False (*True Answer*)
-

128 ■ ■ It is clear from the iPod example that the United States and China have a major bilateral trade imbalance and that the United States must take action.

- True ()
 - False (*True Answer*)
-

129 ■ ■ China has experienced significant trade surpluses with the United States during the past five years.

- True (*True Answer*)
 - False ()
-

130 ■ ■ **A country's trade balance is defined as the value of its imports of goods minus the value of its exports of goods.**

- True (*True Answer*)
 - False ()
-

131 ■ ■ **The direction of international trade has not changed over the past 100 years.**

- True ()
 - False (*True Answer*)
-

132 ■ ■ **Twenty-seven countries belong to the European Union.**

- True (*True Answer*)
 - False ()
-

133 ■ ■ **One of the features of the European Union is free trade (zero tariffs) on goods exported from one member country to another.**

- True (*True Answer*)
 - False ()
-

134 ■ ■ **Mexico is not a member of the North American Free Trade Area, since its official language is not English.**

- True ()
 - False (*True Answer*)
-

135 ■ ■ **The North American Free Trade Area consists of Canada, the United States, and Mexico.**

- True (*True Answer*)
 - False ()
-

136 ■ ■ **Asian trade is probably so high because workers have low wages compared to their productivity.**

- True (*True Answer*)
 - False ()
-

137 ■ ■ **A high ratio of trade to GDP means that a country is in economic trouble.**

- True ()
 - False (*True Answer*)
-

138 ■ ■ **The U.S. ratio of international trade to GDP is lower than most industrialized countries.**

- True (*True Answer*)
 - False ()
-

139 ■ ■ **The Smoot-Hawley tariff led to a dramatic increase in worldwide tariffs.**

- True (*True Answer*)
 - False ()
-

140 ■ ■ **The General Agreement on Tariffs and Trade could not handle issues related to the Great Depression and World War II and was disbanded in 1941.**

- True ()
 - False (*True Answer*)
-

141 ■ ■ **The General Agreement on Tariffs and Trade was established shortly after World War II.**

- True (*True Answer*)
 - False ()
-

142 ■ ■ **More than half of migration worldwide consists of people moving from lower-income countries to higher-income (OECD) countries.**

- True ()
 - False (*True Answer*)
-

143 ■ ■ **International trade can act as a substitute for movements of labor and capital across borders.**

- True (*True Answer*)
 - False ()
-

144 ■ ■ **International trade (shipment of exports) from lower-income nations can serve as a substitute for labor migration from those nations.**

- True (*True Answer*)
 - False ()
-

145 ■ ■ **The number of migrant workers in the United States is larger than the combined total of migrant workers in all other countries.**

- True ()

- False (*True Answer*)
-

146 ■ ■ **One of the features of the European Union is labor mobility among all member countries.**

- True ()
 - False (*True Answer*)
-

147 ■ ■ **The immigration system in the United States is based on commercial advantage both for workers and firms and is generally considered to be the best in the world.**

- True ()
 - False (*True Answer*)
-

148 ■ ■ **Most foreign direct investment occurs among high-income (OECD) countries.**

- True (*True Answer*)
 - False ()
-

149 ■ ■ **The largest flows of FDI are within Europe.**

- True (*True Answer*)
 - False ()
-

150 ■ ■ **Most foreign direct investment originates in high-income (OECD) countries and is made in low-income countries.**

- True ()
 - False (*True Answer*)
-

151 ■ ■ **China is a member of the World Trade Organization.**

- True (*True Answer*)
 - False ()
-

152 ■ ■ **China joined the World Trade Organization (WTO) in 2001 and was forced to reduce tariffs on nearly all imports, including automobiles.**

- True (*True Answer*)
 - False ()
-

153 ■ ■ **“Reverse-vertical FDI” refers to the practice of low-income nations channeling investment funds into high-income nations.**

- True (*True Answer*)
 - False ()
-

154 ■ ■ **“Globalization” is a very precise term that refers to the commercial domination of one nation over another.**

- True ()
 - False (*True Answer*)
-

155  **How does trade in the modern world economy differ from trade in the past—say 1925?**

- ()
-

156  **Describe the historical evolution of the European Union.**

- ()
-

157  **Some countries have low ratios of international trade (exports + imports) to GDP (such as the United States) while, in some countries, the ratio of international trade to GDP exceeds one. How is it possible for trade to exceed the value of GDP?**

- ()
-

158  **Why should bilateral trade balances be viewed with some caution?**

- ()
-

159  **Suppose that in retaliation to British limits on Balkan migrants, Bulgaria carries through with its threat to take “reciprocal measures” against British migrants to Bulgaria. Will this work? Why or why not?**

- ()
-

160  **Until recently, labor could freely move from one country to another within the EU. However, most EU countries now place restrictions on the migrants from new EU members. Why have they done so?**

- ()
-

161  **Is most immigration from low-income to high-income countries?**

- ()
-