

## File: Ch09; Chapter 9: Nontariff Trade Barriers and the New Protectionism

## Multiple Choice

1. An import quota:
  - a. increases the domestic price of the imported commodity
  - b. reduces domestic consumption
  - c. increases domestic production
  - d. all of the above
  
2. An increase in the demand of the imported commodity subject to a given import quota:
  - a. reduces the domestic quantity demanded of the commodity
  - b. increases the domestic production of the commodity
  - c. reduces the domestic price of the commodity
  - d. reduces the producers' surplus
  
3. Adjustment to any shift in the domestic demand or supply of an importable commodity occurs:
  - a. in domestic price with an import quota
  - b. in the quantity of imports with a tariff
  - c. through the market mechanism with an import tariff but not with an import quota
  - d. all of the above
  
4. An international cartel refers to:
  - a. dumping
  - b. an organization of exporters
  - c. an international commodity agreement
  - d. voluntary export restraints
  
5. The temporary sale of a commodity at below cost or at a lower price abroad in order to drive foreign producers out of business is called:
  - a. predatory dumping
  - b. sporadic dumping
  - c. continuous dumping
  - d. voluntary export restraints
  
6. The type of dumping which would justify antidumping measures by the country subject to the dumping is:
  - a. predatory dumping
  - b. sporadic dumping
  - c. continuous dumping

d. all of the above

7. A fallacious argument for protection is:

- a. the infant industry argument
- b. protection for national defense
- c. the scientific tariff
- d. to correct domestic distortions

8. Which of the following is true with respect to the infant-industry argument for protection?

- a. It refers to temporary protection to establish a domestic industry.
- b. To be valid, the return to the grown-up industry must be sufficiently high also to repay for the higher prices paid by domestic consumers of the commodity during the infancy period.
- c. It is inferior to an equivalent production subsidy to the infant industry.
- d. All of the above

9. Which of the following is false with respect to strategic trade policy?

- a. It postulates that a nation can gain by an activist trade policy.
- b. It is practiced to some extent by most industrial nations.
- c. It can easily be carried out.
- d. All of the above

10. Industrial policy refers to:

- a. an activist policy by the government of an industrial country to stimulate the development of an industry
- b. the granting of a subsidy to a domestic industry to stimulate the development of an industry
- c. the granting of a subsidy to a domestic industry to counter a foreign subsidy
- d. all of the above

11. Game theory refers to:

- a. a method of choosing the optimal strategy in conflict situations
- b. the granting of a subsidy to correct a domestic distortion
- c. the theory of tariff protection
- d. none of the above

12. Trade protection in the United States is usually provided to:

- a. low-wage workers
- b. well-organized industries with large employment
- c. industries producing consumer products
- d. all of the above

13. The most-favored-nation principle refers to:
- a. extension to all trade partners of any reciprocal tariff reduction negotiated by the U.S. with any of its trade partners
  - b. multilateral trade negotiation
  - c. the General Agreement on Tariffs and Trade
  - d. the International Trade Organization
14. On which of the following principles does GATT rest?
- a. nondiscrimination
  - b. elimination of nontariff barriers
  - c. consultation among nations in solving trade disputes
  - d. all of the above
15. Which of the following was not negotiated under the Uruguay Round?
- a. reduction of tariffs on industrial goods
  - b. replacement of quotas with tariffs
  - c. reduction of subsidies on industrial products and on agricultural exports
  - d. liberalization in trade in most services
16. One of the most dramatic examples of voluntary export restraints (VER's) centered around
- a. agriculture
  - b. automobiles
  - c. textiles
  - d. pharmaceuticals
17. Quotas are similar to tariffs in that they do all of the following except
- a. increase domestic production
  - b. decrease consumption
  - c. raise price
  - d. none of the above
18. All of the following are examples of protectionism except
- a. most favored nation treatment
  - b. voluntary export restraints
  - c. tariffs
  - d. dumping
19. The WTO grew out of the following organization
- a. the Bretton Woods system

- b. The UN
- c. The World Bank
- d. The GATT

20. The WTO was established during the
- a. Kennedy Round
  - b. Uruguay Round
  - c. Tokyo Round
  - d. Doha Round

#### Short Answer

21. What is a quota and how does it compare to the economic effects of a tariff?

22. Summarize the Smoot-Hawley tariff Act.

23. What is dumping and what are its various forms?

## Essay

24. Explain why and under what conditions the infant-industry argument for an import tariff is valid. How must this argument be qualified?

25. How can strategic trade policy justify trade protection? What difficulties arise in carrying out a strategic trade policy?