

**Pool Canvas**

Add, modify, and remove questions. Select a question type from the Add Question drop-down list and click **Go** to add questions. Use Creation Settings to establish which default options, such as feedback and images, are available for question creation.

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Name TestBanks Chapter 1: Trade in the Global Economy
Description Question pool for TestBanks Chapter 1: Trade in the Global Economy
Instructions

[◀ Add Question Here](#)

Question 1 **Multiple Choice** **0 points**

 Question

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

Answer

- China
- Germany
- the United States
- Japan

[◀ Add Question Here](#)

Question 2 **Multiple Choice** **0 points**

 Question

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

Answer

- China
- Germany
- the United States
- Japan

[◀ Add Question Here](#)

Question 3 **Multiple Choice** **0 points**

 Question

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

Answer

- China
- Germany
- the United States
- Japan

[◀ Add Question Here](#)

Question 4 **Multiple Choice** **0 points**

 Question

Which of the following is a trade flow?

Answer

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

[◀ Add Question Here](#)

Question 5 **Multiple Choice** **0 points**

 Question

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

Answer

- China.
- the United States.
- Japan.
- Germany.

[◀ Add Question Here](#)

Question 6 **Multiple Choice** **0 points**

 Question

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

Answer

- China.
- the United States.
- Japan.
- Germany.

[◀ Add Question Here](#)

Question 7 **Multiple Choice** **0 points**

 Question

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

Answer

- migration
- service exports
- service imports
- foreign direct investment

[◀ Add Question Here](#)

- Question 8 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
When a foreign resident purchases a good or service from someone in the United States, the transaction is:
- Answer** a U.S. export.
 a U.S. import.
 a bilateral exchange.
 a compensating differential.
- [Add Question Here](#)
- Question 9 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
An import is:
- Answer** goods or services purchased from a foreign resident.
 goods or services sold to foreign residents.
 goods only purchased from foreigners—you cannot purchase services from foreigners.
 services only—imports do not include goods.
- [Add Question Here](#)
- Question 10 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
An export is:
- Answer** goods or services purchased from a foreign resident.
 goods or services sold to foreign residents.
 goods only sold to foreigners—you cannot sell services to foreigners.
 services only—exports do not include goods.
- [Add Question Here](#)
- Question 11 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
Which of the following entries are considered to be exports of services?
- Answer** Japanese buying soybeans from the United States
 Chinese selling iPods to the United States
 Mexican tourists visiting the Grand Canyon
 French wine sold to the United States
- [Add Question Here](#)
- Question 12 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
Which of the following is included in trade flows?
- Answer** sales or purchases of goods by residents of different countries
 sales of goods by domestic residents to foreign residents
 purchases of services by domestic residents from foreigners
 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
- [Add Question Here](#)
- Question 13 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
Trade flows include all of the following except:
- Answer** purchases of goods.
 purchases of services.
 purchases of stocks and bonds.
 purchases of software.
- [Add Question Here](#)
- Question 14 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
Service exports include:
- Answer** items that you must travel to another country to purchase, such as a restaurant meal.
 items, such as equipment or automobiles, that carry a warranty and a service contract.
 anything sold to a resident of another nation that is not a good that can be shipped.
 workers who migrate to jobs in other nations.
- [Add Question Here](#)
- Question 15 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
The difference between the total value of a country's exports and the total value of its imports is defined as the nation's:
- Answer** trade status.
 trade balance.
 trade deficit.
 bilateral trade balance.
- [Add Question Here](#)
- Question 16 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
An American tourist buys a ticket to an opera in Paris. How does the U.S. government classify this transaction?

Answer

- a goods import of a French Opera
- a service export
- ✓ a service import
- a goods export

◀ [Add Question Here](#)

Question 17 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A Chinese student pays tuition at a U.S. university. How does the Chinese government classify this transaction?

Answer

- a goods import
- a service export
- ✓ a service import
- a goods export

◀ [Add Question Here](#)

Question 18 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

If the value of a nation's imports is more than the value of its exports, then the nation is experiencing:

Answer

- ✓ a trade deficit.
- a trade surplus.
- balanced trade.
- the trade balance.

◀ [Add Question Here](#)

Question 19 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

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:

Answer

- ✓ -\$100 billion.
- +\$100 billion.
- \$500 billion.
- 50%.

◀ [Add Question Here](#)

Question 20 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following is classified as a United States service export?

Answer ✓ Rene LaFrancois, a French citizen, has her hair dyed in a New York hair salon.
Miguel Ramirez, a Mexican citizen, gets paid for working in a Kansas vegetable-canning factory.
Harvey Guelph, a U.S. citizen, gets his haircut in a British barber shop.
Marie Thompson, a U.S. citizen, purchases a bottle of champagne in a French grocery store.

◀ [Add Question Here](#)

Question 21 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The difference in value between exports and imports in a particular nation is called:

Answer

- a trade deficit.
- bilateral trade balance.
- balanced trade.
- ✓ the trade balance.

◀ [Add Question Here](#)

Question 22 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

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

Answer

- a trade deficit.
- ✓ a trade surplus.
- balanced trade.
- the trade balance.

◀ [Add Question Here](#)

Question 23 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

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

Answer

- ✓ a trade deficit.
- a trade surplus.
- balanced trade.
- the trade balance.

◀ [Add Question Here](#)

Question 24 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

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

Answer

- a trade deficit.
- a trade surplus.
- ✓ balanced trade.

the trade balance.

[◀ Add Question Here](#)

Question 25 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A bilateral trade balance means:

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

[◀ Add Question Here](#)

Question 26 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

What entries are used to calculate the bilateral trade balance of a country?

- Answer**
- unemployment and inflation in a country
 - ✓ exports and imports of a country
 - per capita income and imports of a country
 - exports and per capita income

[◀ Add Question Here](#)

Question 27 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which statement is correct?

- Answer**
- The bilateral trade balance is a good indicator of the inequality of imports and exports between the United States and China.
 - The bilateral trade balance vastly understates the gap in imports and exports between the United States and China.
 - ✓ 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.
 - The bilateral trade balance shows that there is balanced trade between the United States and China.

[◀ Add Question Here](#)

Question 28 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The bilateral trade balance may overstate the trade gap if:

- Answer** ✓
- some of the manufacturing inputs are imported.
 - none of the manufacturing inputs are imported.
 - exports are valued in U.S. versus Chinese currency.
 - the United States imposes trade restrictions on Chinese imports.

[◀ Add Question Here](#)

Question 29 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

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

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

[◀ Add Question Here](#)

Question 30 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

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?

- Answer**
- The real figures are even more shocking.
 - ✓ 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.
 - It depends on how you count imports and exports and on which currency is used.
 - Irresponsible governments, corruption, and greedy corporations are responsible for the widening gap.

[◀ Add Question Here](#)

Question 31 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

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

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

[◀ Add Question Here](#)

Question 32 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

What is “value added”?

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

[◀ Add Question Here](#)

Question 33 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

Jane Ferlengeti, 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?

Answer

- It increased by \$300.
- It worsened by \$300.
- It worsened by \$150.
- 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.

[◀ Add Question Here](#)

Question 34 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

Joel Tuoroniemi, a U.S. citizen, purchases a phone from AT&T for \$300. The following table gives costs associated with 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

By how much did Joel's purchase change the U.S. trade balance with China?

Answer

- \$300
- \$150
- \$120
- \$30

[◀ Add Question Here](#)

Question 35 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

Joel Tuoroniemi, a U.S. citizen, purchases a phone from AT&T for \$300. The following table gives costs associated with 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

By how much did Joel's transaction affect the U.S.-Japanese trade balance?

Answer

- It did not affect it at all.
- The U.S.-Japanese trade balance fell by \$750.
- The U.S.-Japanese trade balance rose by \$130.
- The U.S.-Japanese trade balance fell by 25%.

[◀ Add Question Here](#)

Question 36 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

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?

Answer

- It is considered to be neither a U.S. import nor a U.S. export.
- It is considered to be a U.S. export to China
- It is considered to be a U.S. import from China
- The value of U.S.-made chip components is considered to be a U.S. export.

[◀ Add Question Here](#)

Question 37 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

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

Answer

- 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).
- U.S. imports of Chinese products may utilize material inputs that China imports from the U.S.
- U.S. imports of Chinese products may be produced with capital goods (e.g., machinery) that China imports from the U.S.
- All of these answers are reasons for cautious interpretation of the U.S.-Chinese bilateral trade balance.

[◀ Add Question Here](#)

Question 38 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

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:

Answer

- the total value of imported raw and semi-finished materials into China plus the value of the export to the United States.
- the total value of the export to the United States minus the total value of imported raw and semi-finished materials into China.
- the total value of the export plus shipping costs.
- the difference between the total value of exports to the United States minus the total value of imports from the United States.

[◀ Add Question Here](#)

Question 39 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

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

Answer

- 3%
- 30%
- 50%
- 75%

[◀ Add Question Here](#)

Question 40 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

Internal trade volume between what nations is the world's highest?

Answer

- Canada, Mexico, and Japan
- Japan, China, South Korea, and Thailand
- nations in the European Union
- Middle Eastern countries

[◀ Add Question Here](#)

Question 41 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

Which country below was an original member of the European Union when it was established in 1952?

Answer

- Poland
- Greece
- the United Kingdom
- Italy

[◀ Add Question Here](#)

Question 42 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

Which economic grouping below has the largest volume of trade among its member nations?

Answer

- NAFTA
- the European Union
- the Free Trade Area of the Americas
- the European Free Trade Area

[◀ Add Question Here](#)

Question 43 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

How many countries are members of the European Union?

Answer

- 5
- 12
- 22
- 27

[◀ Add Question Here](#)

Question 44 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

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

Answer

- Turkey
- Slovakia
- Hungary
- Poland

[◀ Add Question Here](#)

Question 45 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

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

Answer

- Denmark
- Finland
- Norway
- Sweden

[◀ Add Question Here](#)

- Question 46 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
Which of the following countries is a member of the European Union?
- Answer** Denmark
 Norway
 Switzerland
 Russia
- [◀ Add Question Here](#)
- Question 47 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
U.S. and European merchandise trade accounted for approximately what share of total world merchandise (goods) trade in 2006?
- Answer** slightly more than one fourth
 slightly more than one third
 slightly more than one half
 slightly more than two thirds
- [◀ Add Question Here](#)
- Question 48 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
Europe and the United States account for _____ of world trade flows.
- Answer** 20%
 15%
 80%
 37%
- [◀ Add Question Here](#)
- Question 49 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
NAFTA is:
- Answer** a free trade area between Mexico, Canada, and the United States.
 a trade agreement to limit environmentally dangerous imports and exports.
 a law preventing illegal immigration.
 another name for the European Union.
- [◀ Add Question Here](#)
- Question 50 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
The Free Trade Area of the Americas is:
- Answer** a proposal to form an agreement to ban trade restrictions between member nations in North and South America.
 a proposal to include Asian nations in free trade with the United States and Mexico.
 a zone near national borders whereby firms can operate without restrictions.
 an economic union of several North and South American nations.
- [◀ Add Question Here](#)
- Question 51 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
Which of the following statements about trade is true?
- Answer** In 2006 the largest exporter to the United States was Canada.
 Trade volume among China, Japan, Thailand, and Taiwan is the world's largest.
 Trade volume among Chile, Brazil, Argentina, and Mexico is the world's largest.
 The combined trade volume of the United States and the European Union is the world's largest.
- [◀ Add Question Here](#)
- Question 52 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
Which of the following statements explain(s) why Asian countries trade?
(1) They have low wages.
(2) In some Asian countries the workers are very productive.
(3) They have an abundant supply of raw materials.
- Answer** (1) only
 (1) and (2) only
 (2) only
 (3) only
- [◀ Add Question Here](#)
- Question 53 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
Africa's share of world exports is _____.
- Answer** 3%
 12%
 1.5%
 58%
- [◀ Add Question Here](#)
- Question 54 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**

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

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

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 55 **Multiple Choice** **0 points**

Question

Which of the following is not included in the calculation of a country's gross domestic product (GDP)?

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

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 56 **Multiple Choice** **0 points**

Question

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:

- Answer**
- its trade-to-GDP ratio is 10%.
 - its trade-to-GDP ratio is 15%.
 - its trade-to-GDP is 25%.
 - its trade-to-GDP is 400%.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 57 **Multiple Choice** **0 points**

Question

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

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

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 58 **Multiple Choice** **0 points**

Question

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

- Answer**
- the value of all intermediate goods produced in a year
 - the value of all exports produced in a year
 - the value of all final goods produced in a year
 - the value of all production in a year

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 59 **Multiple Choice** **0 points**

Question

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

- Answer**
- its trade-to-GDP ratio is 20%.
 - it is not a successful country.
 - its GDP needs to increase.
 - its trade-to-GDP ratio is too high.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 60 **Multiple Choice** **0 points**

Question

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

- Answer**
- \$390 billion
 - Not enough information is provided to answer the question.
 - \$190 billion
 - \$100 billion

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 61 **Multiple Choice** **0 points**

Question

If the trade-to-GDP ratio is 25% and the overall value of trade is \$175 billion, then the GDP is:

- Answer**
- \$250 billion.
 - \$700 billion.
 - \$1 trillion.
 - \$0.5 trillion.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 62 **Multiple Choice** **0 points**

Question

The U.S. trade-to-GDP ratio is:

- Answer**
- the highest in the industrialized world.
 - greater than China's and Japan's.

- ✓ smaller than that of Germany.
too high.

[◀ Add Question Here](#)

Question 63 Multiple Choice 0 points

[Modify](#) [Remove](#)

Question

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

Answer

- ✓ Hong Kong, China
- Japan
- Germany
- the United States

[◀ Add Question Here](#)

Question 64 Multiple Choice 0 points

[Modify](#) [Remove](#)

Question

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

Answer

- the United States
- Japan
- China
- ✓ Malaysia

[◀ Add Question Here](#)

Question 65 Multiple Choice 0 points

[Modify](#) [Remove](#)

Question

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

Answer

- Hong Kong, China
- Japan
- Germany
- ✓ the United States

[◀ Add Question Here](#)

Question 66 Multiple Choice 0 points

[Modify](#) [Remove](#)

Question

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

Answer

- Hong Kong, China
- Japan
- Germany
- ✓ the United States

[◀ Add Question Here](#)

Question 67 Multiple Choice 0 points

[Modify](#) [Remove](#)

Question

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

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

[◀ Add Question Here](#)

Question 68 Multiple Choice 0 points

[Modify](#) [Remove](#)

Question

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

Answer

- the ratio of its exports to its GDP
- the ratio of its imports to its GDP
- the ratio of its trade balance (exports minus imports) to its GDP
- ✓ the ratio of its exports plus imports to its GDP

[◀ Add Question Here](#)

Question 69 Multiple Choice 0 points

[Modify](#) [Remove](#)

Question

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

Answer

- The country has high import tariffs on imports.
- The country is geographically distant from the rest of the world.
- ✓ The country is small.
- All of these answers are potential explanations.

[◀ Add Question Here](#)

Question 70 Multiple Choice 0 points

[Modify](#) [Remove](#)

Question

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

Answer

- luxury tax.
- excise tax.
- income tax.
- ✓ tariff.

[◀ Add Question Here](#)

Question 71	Multiple Choice	0 points	Modify Remove	
<p>Question A tariff is:</p> <p>Answer <input checked="" type="checkbox"/> a tax on an import. <input type="checkbox"/> a physical limitation on the quantity of imports of a certain good. <input type="checkbox"/> a health or safety requirement on imports. <input type="checkbox"/> a regulation affecting imports.</p>				◀ Add Question Here
Question 72	Multiple Choice	0 points	Modify Remove	
<p>Question One form of trade barrier is the import tariff. What is it?</p> <p>Answer <input type="checkbox"/> a limit on the imported quantity of a certain good <input checked="" type="checkbox"/> a tax on the value of an import or the imported quantity of a good <input type="checkbox"/> a health or safety precaution that affects goods that may cause long-term harm to humans or animals <input type="checkbox"/> a bureaucratic rule that can be overridden by the Secretary for International Trade</p>				◀ Add Question Here
Question 73	Multiple Choice	0 points	Modify Remove	
<p>Question Economists call factors that influence (reduce) the total dollar volume of goods and services sold across international borders:</p> <p>Answer <input type="checkbox"/> trade factor issues. <input checked="" type="checkbox"/> trade barriers. <input type="checkbox"/> trade conditions. <input type="checkbox"/> the ratio of total trade to GDP.</p>				◀ Add Question Here
Question 74	Multiple Choice	0 points	Modify Remove	
<p>Question The “first golden age” of trade was:</p> <p>Answer <input type="checkbox"/> the period from 1890 to 1913, when tariffs were increased between countries. <input checked="" type="checkbox"/> the period from 1890 to 1913, when steamships and railroads increased trade. <input type="checkbox"/> the period between 1919 and 1935. <input type="checkbox"/> the inter-war period.</p>				◀ Add Question Here
Question 75	Multiple Choice	0 points	Modify Remove	
<p>Question One factor mentioned as a reason for the “golden age” of trade was the invention of:</p> <p>Answer <input type="checkbox"/> the cotton gin. <input type="checkbox"/> the wheel. <input checked="" type="checkbox"/> improved methods of transporting goods. <input type="checkbox"/> the computer.</p>				◀ Add Question Here
Question 76	Multiple Choice	0 points	Modify Remove	
<p>Question Which decade of the twentieth century had the highest average tariffs worldwide?</p> <p>Answer <input type="checkbox"/> 1900–1909 <input checked="" type="checkbox"/> 1930–1939 <input type="checkbox"/> 1950–1959 <input type="checkbox"/> 1970–1979</p>				◀ Add Question Here
Question 77	Multiple Choice	0 points	Modify Remove	
<p>Question The Smoot-Hawley Tariff act:</p> <p>Answer <input type="checkbox"/> was passed in response to World War II. <input checked="" type="checkbox"/> was passed as a reaction to the Great Depression in the United States. <input type="checkbox"/> was enacted by Germany. <input type="checkbox"/> greatly reduced the barriers to trade.</p>				◀ Add Question Here
Question 78	Multiple Choice	0 points	Modify Remove	
<p>Question Which of the following factors reduces the volume of trade?</p> <p>Answer <input type="checkbox"/> wars <input type="checkbox"/> severe economic recessions <input type="checkbox"/> high tariffs <input checked="" type="checkbox"/> wars, severe economic recessions, and high tariffs</p>				◀ Add Question Here
Question 79	Multiple Choice	0 points	Modify Remove	
<p>Question An import tariff enacted in 1930 raised rates to an average of 60% on many imports. This was the short-lived:</p> <p>Answer <input type="checkbox"/> Reaganomics principle.</p>				

- ✓ Smoot-Hawley tariff.
- Blair-Bush tariff.
- international equity tariff.

[◀ Add Question Here](#)

Question 80 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Other nations responded to the Smoot-Hawley tariff by:

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

[◀ Add Question Here](#)

Question 81 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

One form of import barrier is an import quota. What is it?

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

[◀ Add Question Here](#)

Question 82 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Raising tariffs in a country has what immediate effect on its economy?

- Answer**
- It increases the volume of trade.
 - ✓ It reduces the volume of imports.
 - It increases the volume of imports.
 - It promotes better trade relations with other countries.

[◀ Add Question Here](#)

Question 83 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

By 2000, the average worldwide tariff had fallen to about:

- Answer**
- 35–40%.
 - 25–35%.
 - 15–20%.
 - ✓ 5–10%.

[◀ Add Question Here](#)

Question 84 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The “second golden age” of trade was:

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

[◀ Add Question Here](#)

Question 85 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

An outcome of the Smoot-Hawley tariff enacted by the United States was:

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

[◀ Add Question Here](#)

Question 86 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

What lesson was learned from the imposition of the Smoot-Hawley tariff?

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

[◀ Add Question Here](#)

Question 87 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

After 1945, world trade:

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

[◀ Add Question Here](#)

- Question 88 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
In 1956 an invention increased the volume of world trade by lowering the cost of shipping. What was the invention?
- Answer**
- the personal computer
 - the bar code
 - bubble wrap
 - the shipping container
- [◀ Add Question Here](#)
- Question 89 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
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.
- Answer**
- increased
 - decreased
 - stayed the same
 - were not related
- [◀ Add Question Here](#)
- Question 90 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
According to the article "A Sea Change in Shipping 50 Years Ago," what impact did container shipping have on global trade?
- Answer**
- It increased time taken to ship commodities.
 - It produced a decrease in the volume of trade.
 - It caused a reduction in the time at the port for ships delivering goods.
 - It resulted in increased tariffs between countries.
- [◀ Add Question Here](#)
- Question 91 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
During the 2008–2009 financial crisis, what happened to international trade levels?
- Answer**
- They rose.
 - They fell.
 - They did not change.
 - We do not have enough data yet to say what happened.
- [◀ Add Question Here](#)
- Question 92 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
What caused the decline in trade during the 2008–2009 financial crisis?
- Answer**
- rising house prices, which took up more consumer income
 - decreased demand during the recession
 - greater productivity in the developing countries
 - pirate activity off the coast of Africa
- [◀ Add Question Here](#)
- Question 93 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
The movement of people across borders is known as:
- Answer**
- resettlement.
 - guest workers.
 - migration.
 - fractionalization.
- [◀ Add Question Here](#)
- Question 94 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
Which of the following countries is NOT a member of the Organization for Economic Cooperation and Development?
- Answer**
- China
 - the United States
 - Turkey
 - the United Kingdom
- [◀ Add Question Here](#)
- Question 95 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
Most immigration occurs:
- Answer**
- from the Organization for Economic Cooperation and Development (OECD) countries to other OECD countries.
 - from the OECD countries to the non-OECD countries.
 - from the non-OECD countries to the OECD countries.
 - from the non-OECD countries to the non-OECD countries.
- [◀ Add Question Here](#)
- Question 96 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question**
The Organization for Economic Cooperation and Development is primarily composed of:

Answer the richest countries.
 the poorest countries.
 North American countries.
 European countries.

[◀ Add Question Here](#)

Question 97 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question
In general, migration is _____ than trade.

Answer more free
 more controlled and regulated
 less desirable
 more desirable

[◀ Add Question Here](#)

Question 98 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question
Immigration issues are usually more intense in:

Answer low-wage nations.
 nations whose borders are not secured.
 nations with open-door policies.
 nations whose wages are higher than world averages.

[◀ Add Question Here](#)

Question 99 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

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

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

[◀ Add Question Here](#)

Question 100 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question
In the United States one third of the foreign-born workers come from:

Answer China.
 Philippines.
 Mexico.
 Dominican Republic.

[◀ Add Question Here](#)

Question 101 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question
Foreign direct investment (FDI) flows include:

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

[◀ Add Question Here](#)

Question 102 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question
Most FDI flows are destined to:

Answer low-income nations.
 Australia.
 high-income (OECD) nations.
 the African continent.

[◀ Add Question Here](#)

Question 103 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

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

Answer access to raw materials
 lower wages
 avoidance of export taxes
 access to raw materials, lower wages, avoidance of export taxes

[◀ Add Question Here](#)

Question 104 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question
Most foreign direct investment among industrialized countries is:

Answer vertical FDI.
 horizontal FDI.
 industrial FDI.

reverse-vertical FDI.

[◀ Add Question Here](#)

Question 105 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

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

Answer

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

[◀ Add Question Here](#)

Question 106 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

Which of the following is classified as horizontal FDI?

Answer

- A U.S. steel producing firm purchases an iron ore mine in Australia.
- ✓ A German auto manufacturer constructs an auto assembly plant in Alabama.
- Apple establishes a plant in Taiwan to manufacture components for iPhones that are shipped to China for assembly at its phone assembly plant.
- McDonald's buys a Russian meat packing plant that produces ground beef for Big Macs sold at its restaurants in Moscow.

[◀ Add Question Here](#)

Question 107 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

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)?

Answer

- ✓ to take advantage of low wages in Malaysia
- to take advantage of Malaysia's climate
- to take advantage of Malaysia's low tariffs on imported computer chips.
- All of the answers are reasons for Intel to establish a computer chip manufacturing plant in Malaysia.

[◀ Add Question Here](#)

Question 108 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

Which of the following is classified as reverse-vertical FDI?

Answer

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

[◀ Add Question Here](#)

Question 109 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

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?

Answer

- ✓ Production in the U.S. will avoid the U.S. 25% tariff on imported pickup trucks.
- It is easier to produce pickup trucks in the U.S. than in other countries.
- It wants to take advantage of lower wages in the U.S.
- U.S. consumers will buy only U.S.-made pickup trucks.

[◀ Add Question Here](#)

Question 110 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

FDI flows originate mostly in:

Answer

- low-income nations.
- East Asia.
- ✓ high-income (OECD) nations.
- the African continent.

[◀ Add Question Here](#)

Question 111 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

Whenever foreign direct investment occurs between industrial countries, it is referred to as:

Answer

- egalitarian FDI.
- balanced FDI.
- ✓ horizontal FDI.
- vertical FDI.

[◀ Add Question Here](#)

Question 112 ▾

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question**

Which of the following is an example of horizontal FDI?

Answer

- China invests \$10 billion in Somalia.
- ✓ German investors buy the Chicago Cubs baseball team.
- Sri Lanka invests \$10 billion in Bangladesh.
- Bulgaria buys a golf course in Nigeria.

[◀ Add Question Here](#)Question 113 ▾ **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

Which of the following is a reason for horizontal FDI?

Answer

- to increase access to foreign market
- to avoid tariffs of the host country
- to decrease access to foreign market
- ✓ to increase access to foreign market and avoid tariffs of the host country

[◀ Add Question Here](#)Question 114 ▾ **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

Which of the following is NOT a reason for horizontal FDI?

Answer

- to avoid tariffs or other trade barriers
- to have improved facilities and information for marketing products
- ✓ to take advantage of inexpensive labor
- to share expertise and avoid possible duplication of products

[◀ Add Question Here](#)Question 115 ▾ **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

Reasons that firms in an industrial nation acquire firms in another industrial nation include:

Answer

- avoidance of import tariffs and quotas.
- the ability to share technology and resources.
- market access in the foreign nation.
- ✓ avoidance of import tariffs and quotas, the ability to share technology and resources, and market access in the foreign nation.

[◀ Add Question Here](#)Question 116 ▾ **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

Foreign direct investment between two industrialized countries is called:

Answer

- vertical FDI.
- ✓ horizontal FDI.
- industrial FDI.
- reverse-vertical FDI.

[◀ Add Question Here](#)Question 117 ▾ **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

Which of the following is an example of horizontal FDI?

Answer

- ✓ Ford Motor Company acquires the British firm Jaguar.
- Lenovo, a Chinese company, acquires IBM's personal computing business.
- The Venezuelan government acquires the Venezuelan operations of BP, a British petroleum firm.
- General Motors Corporation builds a plant in China to supply Buicks to the Chinese market.

[◀ Add Question Here](#)Question 118 ▾ **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

Which of the following statements refer to a vertical FDI?

Answer

- An American company purchases a British soccer team.
- Ford Motor company establishes a plant in Canada.
- ✓ GM opens a plant in India.
- BMW opens a plant in Bilbao, Spain.

[◀ Add Question Here](#)Question 119 ▾ **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

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

Answer

- ✓ Vertical
- Horizontal
- Industrial
- Reverse-vertical

[◀ Add Question Here](#)Question 120 ▾ **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

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

Answer

- egalitarian FDI.
- balanced FDI.
- horizontal FDI.
- ✓ vertical FDI.

[◀ Add Question Here](#)Question 121 ▾ **Multiple Choice** **0 points**[Modify](#) [Remove](#)**Question**

Reasons why firms engage in vertical FDI include which of the following?

- Answer**
- Firms want to engage in automated production techniques.
 - Firms anticipate higher technology and access to capital.
 - Legal structure, education, highways, and communications technology are usually better in lower-income nations.
 - None of these answers are reasons why firms engage in vertical FDI.

[◀ Add Question Here](#)

Question 122 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question

The greatest amount of FDI is:

- Answer**
- vertical FDI.
 - horizontal FDI.
 - third-party FDI.
 - between the United States and Mexico.

[◀ Add Question Here](#)

Question 123 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question

With which country or region does most U.S. foreign direct investment occur?

- Answer**
- China
 - Japan
 - Europe
 - Latin America

[◀ Add Question Here](#)

Question 124 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question

FDI to the United States and Europe is:

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

[◀ Add Question Here](#)

Question 125 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question

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

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

[◀ Add Question Here](#)

Question 126 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question

China has received a great deal of FDI. Why?

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

[◀ Add Question Here](#)

Question 127 **True/False** **0 points** [Modify](#) [Remove](#)

Question

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

- Answer**
- True
 - False

[◀ Add Question Here](#)

Question 128 **True/False** **0 points** [Modify](#) [Remove](#)

Question

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.

- Answer**
- True
 - False

[◀ Add Question Here](#)

Question 129 **True/False** **0 points** [Modify](#) [Remove](#)

Question

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

- Answer**
- True
 - False

[◀ Add Question Here](#)

Question 130 **True/False** **0 points** [Modify](#) [Remove](#)

Question

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

Answer

✓ True
False

◀ [Add Question Here](#)

Question 131 ▾

True/False**0 points**[Modify](#)[Remove](#)**Question**

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

Answer

True
✓ False

◀ [Add Question Here](#)

Question 132 ▾

True/False**0 points**[Modify](#)[Remove](#)**Question**

Twenty-seven countries belong to the European Union.

Answer

✓ True
False

◀ [Add Question Here](#)

Question 133 ▾

True/False**0 points**[Modify](#)[Remove](#)**Question**

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

Answer

✓ True
False

◀ [Add Question Here](#)

Question 134 ▾

True/False**0 points**[Modify](#)[Remove](#)**Question**

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

Answer

True
✓ False

◀ [Add Question Here](#)

Question 135 ▾

True/False**0 points**[Modify](#)[Remove](#)**Question**

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

Answer

✓ True
False

◀ [Add Question Here](#)

Question 136 ▾

True/False**0 points**[Modify](#)[Remove](#)**Question**

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

Answer

✓ True
False

◀ [Add Question Here](#)

Question 137 ▾

True/False**0 points**[Modify](#)[Remove](#)**Question**

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

Answer

True
✓ False

◀ [Add Question Here](#)

Question 138 ▾

True/False**0 points**[Modify](#)[Remove](#)**Question**

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

Answer

✓ True
False

◀ [Add Question Here](#)

Question 139 ▾

True/False**0 points**[Modify](#)[Remove](#)**Question**

The Smoot-Hawley tariff act led to a dramatic increase in worldwide tariffs.

Answer

✓ True
False

◀ [Add Question Here](#)

Question 140 ▾

True/False**0 points**[Modify](#)[Remove](#)**Question**

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.

Answer

True
✓ False

[◀ Add Question Here](#)

Question 141 ▾

True/False

0 points

[Modify](#)[Remove](#)**Question**

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

Answer

✓ True
False

[◀ Add Question Here](#)

Question 142 ▾

True/False

0 points

[Modify](#)[Remove](#)**Question**

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

Answer

True
✓ False

[◀ Add Question Here](#)

Question 143 ▾

True/False

0 points

[Modify](#)[Remove](#)**Question**

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

Answer

✓ True
False

[◀ Add Question Here](#)

Question 144 ▾

True/False

0 points

[Modify](#)[Remove](#)**Question**

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

Answer

✓ True
False

[◀ Add Question Here](#)

Question 145 ▾

True/False

0 points

[Modify](#)[Remove](#)**Question**

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

Answer

True
✓ False

[◀ Add Question Here](#)

Question 146 ▾

True/False

0 points

[Modify](#)[Remove](#)**Question**

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

Answer

True
✓ False

[◀ Add Question Here](#)

Question 147 ▾

True/False

0 points

[Modify](#)[Remove](#)**Question**

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.

Answer

True
✓ False

[◀ Add Question Here](#)

Question 148 ▾

True/False

0 points

[Modify](#)[Remove](#)**Question**

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

Answer

✓ True
False

[◀ Add Question Here](#)

Question 149 ▾

True/False

0 points

[Modify](#)[Remove](#)**Question**

The largest flows of FDI are within Europe.

Answer

✓ True
False

[◀ Add Question Here](#)

Question 150 ▾

True/False

0 points

[Modify](#)[Remove](#)**Question**

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

Answer

True
✓ False

[◀ Add Question Here](#)

Question 151 ▾

True/False

0 points

[Modify](#)[Remove](#)**Question**

China is a member of the World Trade Organization.

Answer True
 False

[◀ Add Question Here](#)

Question 152 **True/False** **0 points** [Modify](#) [Remove](#)

Question

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

Answer True
 False

[◀ Add Question Here](#)

Question 153 **True/False** **0 points** [Modify](#) [Remove](#)

Question

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

Answer True
 False

[◀ Add Question Here](#)

Question 154 **True/False** **0 points** [Modify](#) [Remove](#)

Question

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

Answer True
 False

[◀ Add Question Here](#)

Question 155 **Essay** **0 points** [Modify](#) [Remove](#)

Question

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

Answer In the past, trade occurred in more standardized goods (such as raw materials) that were shipped long distances, but were not shipped back-and-forth between countries during the manufacturing process. The type of trade has also changed. U.S. trade has shifted away from agriculture and raw materials and toward manufactured goods. Most trade now occurs among wealthy, industrialized nations.

[◀ Add Question Here](#)

Question 156 **Essay** **0 points** [Modify](#) [Remove](#)

Question

Describe the historical evolution of the European Union.

Answer Belgium, France, Germany, Italy, Luxembourg, and the Netherlands were the founding members of the EU in 1952. Denmark, Ireland, and the United Kingdom were added in 1973; Greece was added in 1981; Portugal and Spain were added in 1986; and Austria, Finland, and Sweden were added in 1995. Ten countries joined in 2004—Cyprus, the Czech Republic, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Slovakia, and Slovenia—and two—Bulgaria and Romania—joined in 2007. In addition to zero tariffs, countries within the European Union have many common economic regulations and some of them share a currency (the Euro).

[◀ Add Question Here](#)

Question 157 **Essay** **0 points** [Modify](#) [Remove](#)

Question

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?

Answer Countries for which trade exceeds GDP tend to be small in economic size, are often important centers for shipping goods, and/or import material inputs and do not create much value added in processing these material inputs into export products.

[◀ Add Question Here](#)

Question 158 **Essay** **0 points** [Modify](#) [Remove](#)

Question

Why should bilateral trade balances be viewed with some caution?

Answer Bilateral trade balances do not account for inputs that exporting and importing countries may import from third countries. Bilateral trade balances do not represent much GDP produced in either country if value added is small. Bilateral trade balances do not account for inputs produced by and profits earned by home country subsidiaries operating in the other country.

[◀ Add Question Here](#)

Question 159 **Essay** **0 points** [Modify](#) [Remove](#)

Question

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?

Answer No, it will not work. The reason is that British wages are above the world average while Balkan wages are below the world average. Thus few British citizens will seek to migrate to Bulgaria.

[◀ Add Question Here](#)

Question 160 **Essay** **0 points** [Modify](#) [Remove](#)

Question

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?

Answer The major reason is fear that migrants will cause wages to fall in the receiving countries.

[◀ Add Question Here](#)

Question 161 **Essay** **0 points** [Modify](#) [Remove](#)

Question

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

Answer No, less than one-half of migration occurs between low and high-income countries. High-income countries usually have more

restrictions on migrant labor than low-income countries, thus limiting the number of legal migrants entering these countries.

[◀ Add Question Here](#)

OK