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Pool Canvas

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Add [Creation Settings](#)**Name** TestBanks Chapter 1: Trade in the Global Economy**Description** Question pool for TestBanks Chapter 1: Trade in the Global Economy**Instructions**[Modify](#)[Add Question Here](#)

Question 1

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

Question 55 Multiple Choice

0 points

Modify

Remove

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](#)

Question 56 Multiple Choice

0 points

Modify

Remove

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](#)

Question 57 Multiple Choice

0 points

Modify

Remove

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](#)**Question 58 Multiple Choice****0 points**[Modify](#)[Remove](#)**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](#)**Question 59 Multiple Choice****0 points**[Modify](#)[Remove](#)**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](#)**Question 60 Multiple Choice****0 points**[Modify](#)[Remove](#)**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](#)**Question 61 Multiple Choice****0 points**[Modify](#)[Remove](#)**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](#)**Question 62 Multiple Choice****0 points**[Modify](#)[Remove](#)**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

Question

A tariff is:

Answer

✓ a tax on an import.

a physical limitation on the quantity of imports of a certain good.

a health or safety requirement on imports.

a regulation affecting imports.

[◀ Add Question Here](#)

Question 72

Multiple Choice

0 points

Modify

Remove

Question

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

Answer

a limit on the imported 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 that affects 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 73

Multiple Choice**0 points**

Modify

Remove

Question

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

Answer

- trade factor issues.
- ✓ trade barriers.
- trade conditions.
- the ratio of total trade to GDP.

[◀ Add Question Here](#)

Question 74

Multiple Choice**0 points**

Modify

Remove

Question

The “first golden age” of trade was:

Answer

- the period from 1890 to 1913, when tariffs were increased between countries.
- ✓ the period from 1890 to 1913, when steamships and railroads increased trade.
- the period between 1919 and 1935.
- the inter-war period.

[◀ Add Question Here](#)

Question 75

Multiple Choice**0 points**

Modify

Remove

Question

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

Answer

- the cotton gin.
- the wheel.
- ✓ improved methods of transporting goods.
- the computer.

[◀ Add Question Here](#)

Question 76

Multiple Choice**0 points**

Modify

Remove

Question

Which decade of the twentieth century had the highest average tariffs worldwide?

Answer

- 1900–1909
- ✓ 1930–1939
- 1950–1959
- 1970–1979

[◀ Add Question Here](#)

Question 77

Multiple Choice**0 points**

Modify

Remove

Question

The Smoot-Hawley Tariff act:

Answer

- was passed in response to World War II.
- ✓ was passed as a reaction to the Great Depression in the United States.
- was enacted by Germany.
- greatly reduced the barriers to trade.

◀ [Add Question Here](#)

Question 78

Multiple Choice

0 points

Modify

Remove

Question

Which of the following factors reduces the volume of trade?

Answer

- wars
- severe economic recessions
- high tariffs
- ✓ wars, severe economic recessions, and high tariffs

◀ [Add Question Here](#)

Question 79

Multiple Choice

0 points

Modify

Remove

Question

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

Answer

- Reaganomics principle.
- ✓ 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