Economics 231 – International Trade - Remote

Spring 2021

Final Exam

**Please answer 6 of the 7 questions in Part A. Then do one essay from Part B. Turn in this part of the exam along with your pre-exam writing assignment.**

**Part A – Answer 6 questions (10 points each) – One or Two Paragraphs Each.**

1. What is meant by MFN status? How did it aid the GATT/WTO in reducing tariffs? By the 1990s, the practice of granting MFN status had become an obstacle to lower tariffs.

Why?

2. In our discussion of Stabex/Sysmin, it was noted that the Stabex system was even better than a price stabilization scheme (e.g. a buffer stock) for exporters. Explain why, making sure you address the controversy over stabex loans becoming grants.

3. Explain how Fair Trade raises the income of producers in developing nations. In what way does it rely upon Goodwill? What are the two most important drawbacks to the Fair Trade model?

4. Explain what trade diversion is. How does this place (potentially) regional integration movements in conflict with the GATT/WTO system?

5. Why did the Doha Round of the WTO fail? Give two major reasons. What would be required to restart the system of “rounds” used by the GATT/WTO?

6. How do commodity cartels manipulate prices? Give two major mechanisms. Which one is preferred and why?

7. Explain the issue of intellectual property as it relates to U.S. – Chinese trade, and describe why it has led to a major conflict. In addition, how has China’s “management” of the Yuan led to what the U.S. perceives as an unfair trade relationship?

**Part B – Essay – Answer 2 question (20 points)**

1. What are the five conditions necessary for the successful cartelization of a commodity product? In this context, what problems arose for UNCTAD (the UN Commission on Trade and Development) in its efforts to promote cartels? What conditions were typically violated? Use one commodity that was cartelized to illustrate your answer (e.g. coffee, cocoa, sugar, tin, etc.).

2. The U.S., Canada and Mexico have been part of a regional integration movement since 2004 (initiated in 1994). In the context of the loss of autonomy that arises from deepening integration, discuss what would get in the way of the three nations moving through the five identifiable stages of integration (make sure you identify those stages).

3. The original purpose of the GATT system was to undo the Smoot-Hawley Tariffs of 1932, which quadrupled average U.S. tariffs. By the 1970s, tariff rates were in the single digits for most industrialized nations. The GATT system was then refocused on other issues that impeded trade. Explain three of those trade barriers, and discuss how they were dealt with in the Tokyo and Uruguay Rounds. Why, in practice, is failure to protect intellectual property a barrier to global trade? How did the GATT/WTO deal with this?