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## **CHAPTER 1: International Political Economy**

### **Multiple Choice Questions**

- 1. International Political Economy (IPE) primarily studies**
- a) the political battle between nation-states.**
  - b) the economic battle between producers and consumers.**
  - c) how the consequences of global economic exchange generate political winners and losers in national and international arenas.**
  - d) how the consequences of global political change generate new technologies.**
  - e) how the consequences of global economic change generate new political cultures.**

*Answer: c; Page: 2; Skill: Understanding*

- 2. The distributive consequences of global economic exchange**
- a) raises the incomes of all people in developed countries.**
  - b) eliminate political competition in national arenas.**
  - c) eliminate political competition in international arenas.**
  - d) generate political competition in national and international arenas.**
  - e) lowers the income of all people in developing countries.**

*Answer: d; Page: 1-2; Skill: Application*

- 3. The decision by the Bush administration to raise tariffs on imported steel in the spring of 2002**
- a) was prompted by lobbying by owners of American steel firms but not workers.**
  - b) was prompted by lobbying by workers in American steel firms but not owners.**
  - c) was prompted by lobbying by owners and workers in American steel firms.**
  - d) did not hurt American auto manufacturers.**
  - e) did not harm foreign steel producers.**

*Answer: c; Page: 2; Skill: Application*

- 4. The study of the global economy does NOT usually include the study of**
- a) the international trade system.**
  - b) the international monetary system.**
  - c) multinational corporations.**
  - d) economic development.**
  - e) scientific development.**

*Answer: e; Page: 3; Skill: Understanding*

5. Today the trade of goods and services across national borders each year is worth
- a) a little more than \$1 trillion.
  - b) between \$2 trillion and \$5 trillion.
  - c) between \$5 trillion and \$10 trillion.
  - d) between \$10 trillion and \$15 trillion.
  - e) between \$15 trillion and \$20 trillion.

*Answer: c; Page: 4; Skill: Understanding*

6. The international monetary system primarily facilitates
- a) the international exchange of national currencies.
  - b) the national exchange of international currencies.
  - c) the interest rates of national currencies.
  - d) the international regulation of economic foreign aid.
  - e) the international regulation of foreign direct investment.

*Answer: a; Page: 4; Skill: Understanding*

7. Multinational corporations account for
- a) 1/4 of the world's economic production & 1/4 of the world's trade.
  - b) 1/4 of the world's economic production & 1/3 of the world's trade.
  - c) 1/2 of the world's economic production & 1/2 of the world's trade.
  - d) 1/2 of the world's economic production & 3/4 of the world's trade.
  - e) 3/4 of the world's economic production & 1/2 of the world's trade.

*Answer: b; Page: 4; Skill: Understanding*

8. Economic development strategies in the post WWII era in developing countries
- a) have been largely unsuccessful in the newly industrializing countries of East Asia.
  - b) have been largely successful in the developing countries of East Africa.
  - c) have been largely successful in the newly industrializing countries of East Asia.
  - d) have been largely successful in all developing countries.
  - e) have been largely unsuccessful in all developing countries.

*Answer: c; Page: 5; Skill: Application*

9. *Welfare consequences* about resource allocation decisions
- a) determine the level of societal well-being in a country.
  - b) influence how income is distributed between nations in the international system.
  - c) influence how income is distributed between groups within countries.

- d) are determined by the national attitudes toward hard work.
- e) determine the level of democratic participation in a country.

*Answer: a; Page: 6; Skill: Understanding*

**10. Distributional consequences about resource allocation decisions**

- a) are determined by the level of societal well-being in a country.
- b) determine how prestige is distributed in the international system.
- c) influence how income is distributed between groups within countries.
- d) are determined by the distribution of national attitudes toward hard work.
- e) determine the level of democratic participation in a country.

*Answer: a; Page: 6; Skill: Understanding*

**11. Explanatory studies are primarily oriented toward explaining**

- a) who make foreign economic policy choices in governments.
- b) how governments make foreign economic policy choices.
- c) when governments make foreign economic policy choices.
- d) where governments make foreign economic policy choices.
- e) why governments make foreign economic policy choices.

*Answer: e; Page: 7; Skill: Understanding*

**12. The mercantilist school of international political economy**

- a) believes that economic strength is not a critical component of national power.
- b) believes that governments should encourage imports whenever possible.
- c) believes that governments should encourage exports whenever possible.
- d) believes that governments should leave resource allocations decisions to the marketplace.
- e) emerged in Britain during the 18<sup>th</sup> century to challenge liberalism which was dominant.

*Answer: c; Page: 8-9; Skill: Application*

**13. The idea that the purpose of economic activity was to enrich individuals, not to enhance a state's power was most strongly held by the**

- a) liberalism school of international political economy.
- b) conservatism school of international political economy.
- c) mercantilist school of international political economy.
- d) Marxism school of international political economy.
- e) realist school of international political economy.

*Answer: a; Page: 9; Skill: Understanding*

- 14. The Marxist school of international political economy primarily does NOT believe that**
- a) the state operates as an agent of the capitalist class.**
  - b) investment decisions are made by the few firms that control the investment capital.**
  - c) capitalism is associated with a inevitable growing rate of profit.**
  - d) capitalism is plagued by an imbalance between the ability to produce goods and the ability to purchase goods.**
  - e) large corporations are the key factor in determining how resources are used.**

*Answer: c; Page: 9; Skill: Application*

- 15. The three different schools generate three very different images of the central dynamic of IPE. Which of the following is true?**
- a) Mercantilists argue that welfare conflicts occur in the IPE when governments compete to attract and maintain desired industries.**
  - b) Liberals argue that international economic interactions are essentially conflictual because some countries benefit from international trade more than others.**
  - c) Marxists argue that the IPE is characterized by the distributional conflict between classes within countries.**
  - d) Marxists argue that the IPE is characterized by the distributional conflict between developed and developing countries within the international arena.**
  - e) Liberals argue that international economic conflicts are common because governmental regulation.**

*Answer: c; Pages: 11-12; Skill: Application*

- 16. Interests are the goals or policy objectives that the central actors in the political and economic system want to use foreign economic policy to achieve. Which scenario appropriately captures “interests”?**
- a) If you are an American steel worker, you oppose steel tariffs because it reduces the likelihood that you will lose your job.**
  - b) If you own a substantial share of General Motors stock you will support a steel tariff because higher steel prices will produce higher profits.**
  - c) If you own a substantial share of General Motors stock you will support a steel tariff because lower steel prices will produce lower profits.**
  - d) If you are an American steel worker, you oppose steel tariffs because it increases the likelihood that you will lose your job.**
  - e) If you are an American steel worker, you will support steel tariffs because it reduces the likelihood that you will lose your job.**

*Answer: e; Page: 13; Skill: Application*

- 17. Political institutions establish the rules governing the political process. As such,**
- a) democratic institutions promote mass participation in collective choices.**
  - b) democratic institutions restrict participation to a narrow set of individuals.**
  - c) authoritarian systems promote mass participation in collective choices.**
  - d) in international economic organizations, decisions typically reflect the preferences of the less powerful nations.**
  - e) they usually do not help to enforce collective decisions.**

*Answer: a; Page: 13; Skill: Application*

- 18. In the 19<sup>th</sup> century, cost and time in long distance trade was made dramatically more profitable by the invention of**
- a) the telegraph.**
  - b) the automobile.**
  - c) steam engines.**
  - d) airplanes.**
  - e) ocean going ships.**

*Answer: c; Page: 15; Skill: Understanding*

- 19. Britain was the first to adopt a free-trade policy**
- a) when it passed its “Corn Laws” in the 1840s.**
  - b) when it opened its markets to imported grain.**
  - c) when it forced the United States to eliminate most tariffs on trade.**
  - d) when it negotiated the Cobden-Chevalier treaty with Germany.**
  - e) when it adopted the gold standard.**

*Answer: b; Pages: 15-16; Skill: Understanding*

- 20. Between 1815 and 1914 trade grew more rapidly than in the previous 300 years by increasing by approximately**
- a) 75%.**
  - b) 150%.**
  - c) 200%.**
  - d) 300%.**
  - e) 350%.**

*Answer: e; Page: 16; Skill: Understanding*

- 21. Between 1880 and 1910, migration from Western Europe was close to**
- a) 5 million persons.**
  - b) 9 million persons.**

- c) 14 million persons.
- d) 24 million persons.
- e) 35 million persons.

*Answer: c; Page: 16; Skill: Understanding*

**22. How did national economic policy in most countries change after World War I?**

- a) They continued to expand their colonial expansion.
- b) They adopted the gold standard to finance the war.
- c) They no longer tightly controlled international trade flows.
- d) They retreated into sheltered national economies.
- e) They no longer tightly controlled international financial flows.

*Answer: d; Page: 17; Skill: Understanding*

**23. After WWI, the United States**

- a) accepted the responsibilities that hegemonic status carried.
- b) insisted that European governments repay war loans.
- c) forgave European governments' war debts.
- d) lowered tariffs to make it easier to repay war debts.
- e) forgave France's war loans to hasten Germany's economic recovery.

*Answer: b; Pages: 17-18; Skill: Understanding*

**24. After WWII, the United States**

- a) returned to its isolationist tradition.
- b) concluded that its European allies were strong enough to reestablish a stable world economy.
- c) accepted the responsibilities of hegemonic status that it refused after WW I.
- d) discouraged the creation of international institutions provide the infrastructure for the postwar global economy.
- e) rejected macroeconomic policies designed to promote growth and limit unemployment.

*Answer: c; Pages: 17-18; Skill: Understanding*

**25. The Post WWII global economy differed from the classical liberal system of the 19<sup>th</sup> century in important ways. Which of the following statements is NOT true about these differences?**

- a) There were significant changes in public attitudes about the government's proper economic role.
- b) In the 19<sup>th</sup> century liberal system, governments eliminated trade barriers but made little effort to manage domestic economic activity.

- c) **The Great Depression encouraged governments to promote growth and limit unemployment.**
- d) **The rules embodied in the Bretton Woods system provided some insulation between the domestic and the international economies.**
- e) **The rules embodied in the Bretton Woods system provided no insulation between the domestic and the international economies.**

*Answer: e; Page: 19; Skill: Understanding*

### **True-False Questions**

1. **Global economic forces play a larger role in determining most peoples' career opportunities than thirty years ago.**  
*Answer: True; Page 1; Understanding*
2. **Global economic exchange raises the income of all people at least somewhat.**  
*Answer: False; Page 2; Understanding*
3. **The international monetary system exists solely to enable people living in different countries to engage in economic transactions with each other.**  
*Answer: True; Page 3; Understanding*
4. **In the international trade system, each WTO country gains access to all other WTO members markets on equal terms.**  
*Answer: True; Page 4; Understanding*
5. **Multinational corporations together account for about half of the world's trade.**  
*Answer: False; Page 4; Understanding*
6. **Scholars of US-based multinational corporations are usually only interested in the impact that they have on profits and employment in the United States.**  
*Answer: False; Page 4; Application*
7. **Industrialization and export promotion strategies in almost all Asian countries like India, Philippines and Indonesia have been very successful.**  
*Answer: False; Page 5; Application*
8. **Food tariffs in the United States almost always have the distributional effects of boosting the incomes of wealthier farmers domestically at the expense of poorer farmers in developing countries.**  
*Answer: True; Page 6; Application*



9. According to Marxists, the systematic exploitation of the poor in host countries by rich, large multinational corporations is detrimental to the national interests of their home countries.

*Answer: False; Page 11; Application*

10. The globalization in the 19<sup>th</sup> century suggests that it is has been inevitable and expanding for more than 150 years.

*Answer: False; Page 19; Understanding*

### Essay/Discussion Questions

1. How has the global economy played a central role in bringing about changes shaped by the global rather than national economic forces in your state?
2. How can managers of multinational corporations in other regions of the world make decisions that affect economic conditions in the United States?
3. What are the similarities and differences between the “modern” mercantilist school of thought and the “classical” liberal school of thought regarding the roles of states and markets in the international arena?
4. What are the strengths and weaknesses of the Marxist school of thought regarding the roles of governments and capitalists in the international arena?
5. Compare and contrast the desirable objectives of foreign economic policy among the three traditional schools of international political economy.
6. Compare and contrast some of the different interests and groups of society regarding the international political economy in developed versus developing countries?
7. In international economic organizations, how does relative bargaining power influence decisions that typically favor the preferences of the most powerful nations?
8. How did the development of the steam engine and the telegraph dramatically reduce the cost, time and risk involved in long distance trade in the 19<sup>th</sup> century? What are the comparable technological improvements in the second half of the 20<sup>th</sup> century?
9. How did World Wars I & II change the roles of Britain and the United States as the largest manufacturing and creditor countries?

**10. In what important ways has the post-World War II political and global economy differed from the classical liberal system of the 19<sup>th</sup> century?**

## **CHAPTER 2: The World Trade Organization and the World trade System**

### **Multiple Choice Questions**

1. Global trade has grown during the past 60 years at an average annual rate of about
  - a) 2 percent.
  - b) 6 percent.
  - c) 8 percent.
  - d) 12 percent.
  - e) 16 percent.

*Answer: b; Page: 21; Skill: Understanding*

2. World trade has grown so rapidly over the last 60 years because
  - a) the WTO and GATT supported and encouraged such growth.
  - b) of the competition between the US and the USSR.
  - c) as a consequence of greater wealth equality between rich and poor nations.
  - d) national economies becoming less connected.
  - e) the world's economic output has grown more than trade.

*Answer: a; Page: 21; Skill: Application*

3. The World Trade Organization – WTO
  - a) has a staff and budget about the same as the World Bank.
  - b) has a staff and budget somewhat larger than the World Bank.
  - c) has its headquarters in London.
  - d) has its headquarters in Washington, D.C..
  - e) has a staff and budget much smaller than the World Bank.

*Answer: e; Page: 22; Skill: Understanding*

4. Which two core principles stand at the base of the WTO?
  - a) Political liberalism and nondiscrimination
  - b) Market liberalism and preferential discrimination
  - c) Market liberalism and nondiscrimination
  - d) Market conservatism and dispute settlement
  - e) Intergovernmental bargaining and dispute settlement

*Answer: c; Page: 22; Skill: Understanding*

5. “Nondiscrimination” ensures that
  - a) each WTO member faces identical opportunities to trade with other WTO members.

- b) each WTO member faces identical opportunities to trade with other non-WTO members.
- c) each WTO member faces preferential opportunities to trade with other WTO members.
- d) each WTO member are required to lower tariffs with other WTO members.
- e) each WTO member are required to raise tariffs with other non-WTO members.

*Answer: a; Page: 23; Skill: Understanding*

6. A public good is defined by which two characteristics?

- a) Excludability and non-rivalry
- b) Non-excludability and rivalry
- c) Undersupply and non-rivalry
- d) Oversupply and rivalry
- e) Non-excludability and non-rivalry

*Answer: e; Page: 28; Skill: Understanding*

7. A *hegemon* is a country that

- a) produces a disproportionately small share of the world's output but leads in the development of new technologies.
- b) produces a disproportionately large share of the world's output and leads in the development of new technologies.
- c) produces a disproportionately large share of the world's output but trails in the development of new technologies.
- d) are usually unwilling to contribute their fair share of the costs of the development of new technologies.
- e) produces a disproportionately small share of the world's output because it trails in the development of new technologies.

*Answer: b; Page: 29; Skill: Understanding*

8. As a *hegemon* declines in power,

- a) it becomes more willing to bear the cost of maintaining trade rules and world trade becomes more open.
- b) it becomes more willing to bear the cost of maintaining trade rules and world trade becomes less open.
- c) it becomes less willing to bear the cost of maintaining trade rules and world trade becomes less open.
- d) it becomes less willing to bear the cost of maintaining trade rules and world trade becomes more open.
- e) it becomes less willing to bear the cost of maintaining trade rules so that more free riders will be able to profit.

*Answer: b; Page: 29; Skill: Understanding*

**9. The history of hegemonic transitions provides some support that**

- a) world trade has flourished during periods of hegemonic leadership and floundered during periods without it.**
- b) world trade has floundered during periods of hegemonic leadership and flourished during periods without it.**
- c) the British failed to reconstruct the world economy after WW II even though it had the resources to do so.**
- d) the United States reconstructed the world economy after WW II even though it didn't have resources to do so.**
- e) Japan will reconstruct the world economy in the coming decades because China will not have the resources to do so.**

*Answer: a; Pages: 29-30; Skill: Application*

**10. Two important probable changes within the WTO are**

- a) the decline of developing countries as a powerful bloc within the organization, and the emergence of NGOs as a powerful force outside the organization.**
- b) the emergence of developing countries as a powerful bloc within the organization, and the decline of NGOs as a powerful force outside the organization.**
- c) the emergence of advanced countries as a powerful bloc within the organization, and the decline of NGOs as a powerful force outside the organization.**
- d) the emergence of developing countries as a powerful bloc within the organization, and the emergence of NGOs as a powerful force outside the organization.**
- e) the decline of advanced countries as a powerful bloc within the organization, and the emergence of NGOs as a powerful force outside the organization.**

*Answer: d; Page: 32; Skill: Understanding*

**11. According to Oatley, the agreements that will conclude the Doha Round will impose**

- a) few adjustment costs in agriculture in developed countries and manufactured goods for most developing countries.**
- b) hefty adjustment costs in agriculture in developing countries and manufactured goods for most developed countries.**
- c) hefty adjustment costs in agriculture in developed countries but few adjustment costs for manufactured goods for most developing countries.**
- d) few adjustment costs in agriculture in developed countries but hefty adjustment costs for manufactured goods for most developing countries.**
- e) hefty adjustment costs in agriculture in developed countries and manufactured goods for most developing countries.**

*Answer: e; Pages: 34-35; Skill: Application*

**12. According to Oatley, WTO rules have been criticized by NGOs as**

- a) too favorable towards consumer interests.
- b) too favorable towards producer interests.
- c) too biased against producer interests.
- d) too favorable towards environmental interests.
- e) too favorable towards labor unions.

*Answer: b; Pages: 35-36; Skill: Understanding*

**13. Reforms that might make WTO decision making more inclusive**

- a) would also make it more difficult to reach agreement within the organization.
- b) would also make it less difficult to reach agreement within the organization.
- c) would also make it more useful for governments to pursue their trade objectives.
- d) would also make it less likely that governments will seek alternative organizations.
- e) would also make it more hostile to developing country interests.

*Answer: a; Page: 36; Skill: Evaluation*

**14. Many observers believe that regional trade arrangements**

- a) don't pose a threat to the multilateral trade system.
- b) pose a challenge to the WTO because they don't offer a more discriminatory way to organize world trade.
- c) don't pose a challenge to the WTO because they offer a more preferential market access to another country located in the same region of the world.
- d) don't pose a challenge to the WTO because they offer a more discriminatory way to organize world trade.
- e) pose a challenge to the WTO because they offer a more preferential market access to another country located in the same region of the world.

*Answer: e; Page: 36; Skill: Evaluation*

**15. Agreements between countries in Western, Eastern, and Central Europe, and in the Mediterranean account for almost**

- a) 30 percent of RTAs in operation.
- b) 40 percent of RTAs in operation.
- c) 50 percent of RTAs in operation.
- d) 70 percent of RTAs in operation.
- e) 80 percent of RTAs in operation.

*Answer: d; Page: 37; Skill: Understanding*

**16. Which of the following is NOT an idea generally advanced by scholars to account for the rapid proliferation of RTAs?**

- a) To decrease a country's bargaining power in multilateral trade negotiations.
- b) The EU establishment of free-trade agreements as the first step in the accession process.
- c) A country's desire to gain a more secure access to the market of a particularly important trading partner.
- d) A government's need to signal a strong commitment to economic reform.
- e) The disintegration of the Soviet Union.

*Answer: a; Pages: 38-40; Skill: Application*

**17. If more trade is created than diverted, a RTA**

- a) pushes the world toward protectionism.
- b) has liberalized trade.
- c) undermines the WTO's nondiscrimination principle.
- d) makes it easier for *hegemons* to stabilize trade.
- e) has no net impact on trade.

*Answer: b; Page: 40; Skill: Analysis*

**18. The WTO reduces the impact of raw power on international trade relations because**

- a) it does not bring the rule of law to bear in international trade relations.
- b) it does not provide a dispute-settlement mechanism that allows governments to enforce common rules.
- c) it brings the rule of law to bear in international trade relations.
- d) it does not reflect the interests of the most powerful political systems.
- e) it promotes discriminatory international trade.

*Answer: c; Page: 43; Skill: Application*

**19. The growth of the WTO membership and the emergence of the G-20 as a powerful bloc within the organization**

- a) has lowered the stakes of trade negotiations.
- b) has made it easier to find packages acceptable to the full membership.
- c) has reversed the apparent tendency to place business interests before consumer interests.
- d) has made it more difficult to find packages acceptable to the full membership.
- e) has decreased market liberalism.

*Answer: d; Page: 43; Skill: Analysis*

**20. The multilateral trade system is an international political system because**

- a) it provides rules that regulate how governments can use policies to influence the cross-border flow of goods and services.
- b) it does not tell governments how they use policies to influence the cross-border flow of goods and services.
- c) it does not reflect the differential power between developed and developing countries.
- d) it does not try to enhance the efficiency of the world trade system.
- e) it did not strengthen the growing interests of Europe and Japan during the Cold War.

*Answer: a; Page: 43; Skill: Understanding*

**21. Which of the following statements is NOT true about the Doha Round of trade bargaining that began in November 2001?**

- a) Governments agreed to negotiate additional tariff reductions.
- b) Governments agreed to incorporate existing negotiations in services.
- c) Governments agreed to pursue meaningful liberalization of trade in agricultural products.
- d) Governments agreed to explore aspects of the relationship between trade and the environment.
- e) Governments agreed to negotiate on competition and government procurement policy.

*Answer: e; Page: 26; Skill: Application*

**22. International institutions such as the WTO have public good characteristics. Therefore, international rules and procedures**

- a) necessarily benefit all governments equally.
- b) make it easier to deny a government these benefits once an institution has been established.
- c) do not decrease as a function of the number of governments that belong to the institution.
- d) cannot be frustrated by free riding.
- e) make it impossible to deny a government these benefits once an institution has been established.

*Answer: e; Page: 26; Skill: Application*

**23. In the 1970s and 1980s, many commentators viewed Japan's ascent as a harbinger of US hegemonic decline**

- a) in spite of increasing US competitive advantage in high technology industries.
- b) because of increasing US trade surpluses with China.
- c) because of increasing US trade deficits with Japan.



- d) because of increasing Japanese protectionism.
- e) because the end of the Cold War allowed the US to increase its economic alliance with Japan.

*Answer: c; Pages: 31-32; Skill: Application*

**24. The difference between a free trade area and a customs union is that**

- a) in a free trade area, governments eliminate tariffs on other members' goods but each member retains independent tariffs on goods entering their market from nonmembers.
- b) in a free trade area, governments eliminate tariffs on other members' goods but impose a common tariff on goods entering their market from nonmembers.
- c) in a free trade area, governments eliminate tariffs on both other members' goods and on goods entering their market from nonmembers.
- d) in a customs union, governments eliminate tariffs on other members' goods but each member retains independent tariffs on goods entering their market from nonmembers.
- e) in a customs union, governments are allowed to choose which tariffs apply to both other members' goods and on goods entering their market from nonmembers.

*Answer: a; Page: 37; Skill: Understanding*

**25. The WTO's dispute settlement mechanism is necessary**

- a) because this ensures that individual compliance with established rules is guaranteed.
- b) in order to avoid punishment in the event of compliance.
- c) so that governments can disregard WTO rules with impunity.
- d) in order to authorize punishment in the event of noncompliance.
- e) in order to avoid punishment by providing an independent quasi-judicial tribunal.

*Answer: d; Page: 28; Skill: Understanding*

### **True-False Questions**

- 1. Internationalization has been brought about by the decisions governments have made about the rules and institutions that govern world trade.**

*Answer: True; Page 22; Understanding*

- 2. *Market liberalism* asserts that every country –no matter how rich or poor- enjoys a higher standard of living with trade than it can achieve without trade.**

*Answer: True; Page 22; Application*

3. ***National treatment*** allows governments to use taxes, regulations, and other domestic policies to provide an advantage to domestic firms at the expense of foreign firms.  
*Answer: False; Page 23; Application*
4. ***Most-Favored Nation (MFN)*** requires each WTO member to treat all WTO members the same.  
*Answer: True; Page 23; Understanding*
5. ***Non-tariff barriers*** are taxes that governments impose on foreign goods entering the country.  
*Answer: False; Page 24; Understanding*
6. Presently American and European governments remain unwilling to liberalize their farm sectors enough to satisfy India, Brazil, and other Group of 20 (G20) governments.  
*Answer: True; Page 27; Application*
7. Assertions of US hegemonic decline proved accurate when American unilateralism subsided in the mid-1990s.  
*Answer: False; Page 32; Application*
8. Under the leadership of China, Brazil, and India developing countries have constructed a powerful bloc within the WTO in the past decade.  
*Answer: True; Page 34; Application*
9. Governments, under WTO rules, cannot ban imports of a product on health or safety grounds unless a preponderance of scientific evidence indicates that the product is, in fact, harmful.  
*Answer: True; Page 35; Understanding*
10. Many observers believe that regional trade arrangements (RTAs) pose the single greatest challenge to the multilateral trade system.  
*Answer: True; Page 36; Application*

### **Essay/Discussion Questions**

1. Explain how the operation of global markets depends upon rules created by political structures. Why do most political economists believe that if governments had never created this institutional framework after World War II world trade would not have grown so rapidly?

- 2. Define and explain how the principles of market liberalism and nondiscrimination are the core principles at the heart of WTO operations. What is meant by Most-Favored Nation (MFN) rules and when exceptions are allowed?**
- 3. How are WTO rules created through intergovernmental bargaining? What role do ministerial conferences play in this process?**
- 4. How effective has the current Doha rounds of trade negotiations been in resolving conflicts? What are the “Singapore issues”? Why has bridging the gap concerning agriculture and the Singapore issues been so difficult?**
- 5. What is hegemonic stability theory? Why does it depend upon the provision of international public goods? What historical evidence is cited to support hegemonic stability theory?**
- 6. What are historical examples of hegemonic transition in the past two centuries? Is the United States still an economic hegemon? Will China become the next economic hegemon or will it resemble Japan in the 1980s and 1990s?**
- 7. What substantial changes will the WTO face from the growing power of developing countries within the organization? Will more members make consensus of trade issues easier or more difficult? How? Why?**
- 8. What substantial changes will the WTO face from the growing power non-governmental organizations (NGOs) striving to influence the organization? Why do NGOs worry about how WTO rules affect the ability of governments to safeguard consumer and environmental interests?**
- 9. Why do many observers believe that regional trade arrangements (RTAs) pose the single greatest challenge to the current multilateral trade system? What factors have influenced the rapid growth of RTAs?**
- 10. Why did the United States abandon its exclusive strategy through the multilateral trade system in the late 1980s? Why do proponents of agreements like NAFTA believe that the US can achieve more through regionalism than it can achieve within the WTO? What do opponents of regionalism claim?**