International Trade
Worksheet #5

For each of the following questions circle the BEST answer. There may be more then one answer that is correct but only one best answer.

1. The U.S. imports 80% of its videocassette recorders from Japan. Domestic companies lobby Congress to place a quota on imported videocassette recorders and Congress passes the legislation. Which of the following would result from the change in the quota for videocassette recorders?
   a. The quantity of videocassette recorders will increase.
   b. The price of videocassette recorders will increase.
   c. The quantity of videocassette recorders will stay the same.
   d. The price of videocassette recorders in the U.S. will decrease.

2. U.S. made watch producers are losing sales profits to foreign competitors who sell the same watch for less. Congress passes a quota on foreign watches. Which of the following would result from the change in the quota for watches?
   a. The quantity of watches in the U.S. will decrease.
   b. The quantity of watches in the U.S. will increase.
   c. The price of watches in the U.S. will stay the same.
   d. The price of watches in the U.S. will decrease.

3. The U.S. and Argentina agree to remove quotas and tariffs on all products traded between the two countries. Which of the following would result from the change in the quota and tariffs for traded products?
   a. Interdependence between the two nations will decrease.
   b. Interdependence between the two countries will stay the same.
   c. Interdependence between the two countries will increase.
   d. Interdependence between the two countries will be eliminated.

4. Ecuador has placed a quota on U.S. made televisions. The U.S. in turn places a quota on clothing imported from Ecuador. Which of the following would result from the change in quotas for televisions and clothes?
   a. Consumer’s standard of living in the U.S. only will increase.
   b. Consumer’s standard of living in Ecuador only will decrease.
   c. Consumer’s standard of living in both countries will increase.
   d. Consumer’s standard of living in both countries will decrease.

5. The U.S. Congress places a quota on Canadian beer. Which of the following would result from the change in quotas for Canadian beer?
   a. The price of beer from Canada sold in the U.S. will increase.
   b. The price of beer from Canada sold in the U.S. will decrease.
   c. The price of beer from Canada sold in the U.S. will remain the same.
   d. The price of beer from Canada sold in Canada will increase.

6. The United States has placed a tariff on imported toys. Austria, a toy producing country, has stopped exporting toys to the United States. Which of the following would result from the change in the tariff on toys?
   a. The price of toys sold in the U.S. will increase.
   b. The interdependence between the U.S. and Austria will increase.
   c. The consumer’s standard of living in the U.S. and Austria will increase.
   d. The quantity of toys available for purchase in the U.S. will increase.
For each of the following situations answer the following questions:
   a. Did the trade barrier go up or down?
   b. How will prices change?
   c. How will interdependence change?
   d. How will consumer standard of living change?
   e. How will the quantity available change?

7. Because of a new quota, Japan stopped exporting cameras to the U.S.
   A. TB _____   B. $ _____  C. IN _____     D. S/L _____     E. Qa _____

8. The U.S. and Bolivia agree to remove all quotas and tariffs on Bolivian tin and U.S. agricultural products.
   A. TB _____   B. $ _____  C. IN _____     D. S/L _____     E. Qa _____

9. The U.S. government has decreased the tariff on computers from Korea.
   A. TB _____   B. $ _____  C. IN _____     D. S/L _____     E. Qa _____

10. Italy increased its tariff on U.S. made cars by 30%. The U.S. in return raised its tariff on Italian wine by 30%.
    A. TB _____   B. $ _____  C. IN _____     D. S/L _____     E. Qa _____

Short answer
11. This trade agreement was put in place as a successor to GATT.

12. List the three countries in NAFTA.

13. What did NAFTA remove?

14. This trade agreement is a political and economic community of twenty-seven member states.

15. When dealing with comparative advantage a country wants to choose to produce the item with the:

16. List the two reasons for international trade:

17. What is it called when a nation imports more that it exports?
Exchange rates
Use the scenario to answer the questions

If the exchange rate of the Australian dollar to the U.S. dollar changes from 1.09 Australian dollars to $1.00 US to 1.25 Australian dollars to $1.00 US

18. Will the U.S. dollar be stronger or weaker?
19. Will the U.S. sell more or less exports in Australia?

If the value of the Mexican Peso is 10.9 to $1.00 US but changes to 10.0 Mexican Peso to $1.00 US

20. Is the U.S. dollar getting stronger or weaker?
21. Will the U.S. export be more or less expensive in Mexico?
22. What are the two methods countries use to determine their exchange rates.

Supply and Demand Review

For each question decide what will happen to price and quantity sold

23. Income taxes have been reduced by 20% this year. What will be the impact on luxury items such as large screen TVs?
   Price _____ Quantity sold _____

24. Oil prices have been reduced by the oil producing countries of the world. What will be the impact on oil based paints because of this?
   Price _____ Quantity sold _____

25. A new process for irrigating cotton reduces the water consumed per bale of cotton produced. What will be the impact on cotton clothing?
   Price _____ Quantity sold _____

26. A cut in Federal Income Tax leaves consumers with more take home pay which they tend to spend on small consumer items.
   Price _____ Quantity sold _____

27. Although iron ore is still available in this nation, the quality of the ore is diminished. What impact would this change have upon the steel production market?
   Price _____ Quantity sold _____