

ECON 3224 International Economics
Problem Set 3 : Assigned 17th April 2009

Instructions: You need to solve the PS and turn it in by the **5th May (Tue)**. You can hand it in during class or put it in my mailbox (ECON office, Professional Building) **before 5 pm.**

Question 1. Choose the INCORRECT statement.

1. (blank option- do not choose)
2. The WTO rules permit tariffs to be imposed as a precautionary measure when a country manifests the intention to disobey the rules, as happened with the retaliatory taxes that the US imposed on some European countries in July 1999.
3. Tariffs can make cheap medicines expensive.
4. The IMF has been criticized for forcing austerity and globalization on countries.
5. A payment from an exporting firm to the domestic government to be able to export the good is an export tax.

Question 2. One of the objectives of GATT was to ensure that trade barriers, if they occurred, would at least be applied in a non-discriminatory manner. Which of GATT's tools most directly contributed to this objective?

1. the "rounds" of trade negotiations
2. (blank option – do not choose)
3. the national treatment rule
4. (blank option – do not choose)
5. the most-favored nation rule

Question 3. What does tariff binding mean for WTO countries?

1. (blank option – do not choose)
2. The same tariff must apply to all of a country's imports.
3. If one country gives a preferential tariff to another country, then it is bound to give the same preference to all WTO countries.
4. Once a tariff is lowered, it can only be raised again under strict conditions.
5. The decision to lower a tariff must be bound together with decisions on other trade policies such as quotas.

Question 4. Which of the following will **NOT** increase the amount of demand for Mexican Pesos (MP)?

1. A fall in $e_{\$/MP}$, the current exchange rate of the dollar.
2. A rise in the expected exchange rate of the MP, that is $e^e_{MP/\$}$
3. An increase in $e_{MP/\$}$, the current exchange rate of the MP.
4. An increase in the interest rate on bank deposits in Mexico.
5. A fall in the interest rate on bank deposits in the US.

Question 5. Chapter 13, question 1, parts (a) & (b)

Question 6. Chapter 13, question 7 (omit part c)

Question 7. Chapter 10, question 3

Question 8. Chapter 10, question 4 (b) & (c)

Question 9. Chapter 10, question 5

Question 10. Chapter 16, question 3 (b), c(c), (d) & (f)

Question 11. Chapter 18, question 3