

**Course:** International Trade and Policy  
**Week 7:** Trade, Growth and Development

**Instructions:** Please select the best answer for each of the following ten questions. Each question has only one correct answer.

**Question 1**

Who coined the “Engine of Growth” hypothesis in the 1950s?

- A) Adam Smith and David Ricardo
- B) Dennis Robertson and Ragnar Nurkse
- C) Alexander Hamilton and Friedrich List
- D) Anne Krueger and Ha-Joon Chang

**Question 2**

Which of the following is a **dynamic gain** from trade?

- A) Higher tariffs protect infant industries
- B) Fixed exchange rates reduce uncertainty
- C) Technology transfer and economies of scale
- D) Increased import substitution

**Question 3**

Which strategy did the East Asian “Four Tigers” (S. Korea, Taiwan, Singapore, Hong Kong) successfully use from 1960–1990?

- A) Import substitution industrialization (ISI)
- B) Autarky and self-sufficiency
- C) Export promotion
- D) Primary commodity specialization

**Question 4**

Why did **Import Substitution Industrialization (ISI)** often fail?

- A) It relied too heavily on agricultural exports
- B) It created high-cost, inefficient industries and rent-seeking
- C) It encouraged too much foreign direct investment
- D) It focused only on services, not manufacturing

### Question 5

According to the lecture, which condition is **necessary** for infant industry protection to succeed?

- A) Permanent protection without performance requirements
- B) A monopoly granted to the protected firm
- C) A sunset clause and time-bound protection
- D) Overvalued exchange rates to lower import costs

### Question 6

What is a common short-term effect of trade on inequality in skill-scarce developing countries?

- A) Inequality always decreases
- B) Trade has no effect on inequality
- C) Inequality may increase if imports are labor-intensive (Stolper-Samuelson effect)
- D) Only landowners lose from trade

### Question 7

Which of the following best describes the **modern view** of trade and growth presented in the lecture?

- A) Trade guarantees economic development automatically
- B) Trade is a potential catalyst, not a guarantee, and needs complementary policies
- C) Trade harms all developing countries equally
- D) Trade should be avoided until full industrialization

### Question 8

What is the main criticism of the WTO from a development perspective?

- A) It gives too much policy space to developing countries
- B) It forces all countries to adopt the same tariff rates
- C) It allows unlimited agricultural subsidies in rich countries while restricting developing countries' industrial policies
- D) It has no dispute settlement mechanism

### Question 9

What does **Special & Differential Treatment (S&DT)** under the WTO provide for developing countries?

- A) Binding penalties for non-compliance
- B) Longer implementation periods and preferential market access
- C) Free access to all developed country markets without any conditions
- D) Mandatory adoption of intellectual property rules within one year

**Question 10**

Which of the following is **NOT** a key takeaway from the lecture?

- A) Trade can be an engine of growth, but needs favorable conditions
- B) Import substitution was a complete failure with no exceptions
- C) Infant industry protection works only if temporary and performance-based
- D) The WTO must evolve to give true policy space for development

**Answer Key**

- 1. B
- 2. C
- 3. C
- 4. B
- 5. C
- 6. C
- 7. B
- 8. C
- 9. B
- 10. B