

**Course:** International Trade and Policy

**Week 10:** Factor Mobility and Global Value Chains / Midterm Exam II Review

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

**Question 1**

What is the definition of Global Value Chains (GVCs) as presented in the lecture?

- A) The movement of finished goods from one country to another
- B) The full range of activities (design, production, marketing, distribution) across multiple countries required to bring a product from conception to the consumer
- C) A system where all production stages occur within a single country to maximize efficiency
- D) The process of reducing trade barriers between neighboring countries

**Question 2**

According to the lecture, which of the following is the correct distinction between outsourcing and offshoring?

- A) Outsourcing means moving activities abroad; offshoring means contracting an external firm
- B) Outsourcing is a make-or-buy decision (external firm); offshoring is a location decision (abroad)
- C) Outsourcing always involves FDI; offshoring never involves FDI
- D) Outsourcing and offshoring are identical concepts with no difference

**Question 3**

In the OLI Eclectic Paradigm (Dunning), what does the "L" stand for, and what does it refer to?

- A) Labor – availability of low-cost workers
- B) Location – host country advantages such as labor, infrastructure, and policy
- C) Licensing – ability to lease technology to foreign firms
- D) Leverage – financial power of the multinational corporation

**Question 4**

Which of the following is an example of horizontal FDI?

- A) A US firm opens a copper mine in Chile (resource-seeking)
- B) Toyota builds the same car model in Japan, the US, and Germany to serve local markets
- C) Apple designs chips in the US and assembles iPhones in China
- D) A UK bank hires an Indian call center for customer service

**Question 5**

According to the lecture, what is the primary economic effect of international labor mobility on global GDP?

- A) Global GDP decreases because workers leave their home countries
- B) Global GDP increases because labor moves from low-marginal-productivity to high-marginal-productivity settings
- C) Global GDP remains unchanged because migration only redistributes output
- D) Global GDP increases only if the host country has higher tariffs

**Question 6**

In the case study on FDI in Tajikistan, which country surpassed Russia as Tajikistan's primary trading partner in 2025?

- A) Turkey

- B) China
- C) India
- D) Kazakhstan

**Question 7**

What is the "new view" of trade according to Grossman, Rossi-Hansberg, and Baldwin (trade in tasks)?

- A) Countries trade finished goods based on comparative advantage
- B) Countries trade tasks (value chain stages), and tasks, not industries, define competitiveness
- C) Only developed countries should engage in international trade
- D) Trade in services is more important than trade in goods

**Question 8**

According to the lecture, which of the following is a risk of fragmented Global Value Chains?

- A) Increased self-sufficiency for all participating countries
- B) Higher wages for low-skilled workers in developed countries
- C) Supply chain disruptions from events like COVID-19 or the Suez Canal blockage
- D) Elimination of all geopolitical tensions

**Question 9**

In the economic effects of migration model presented in the lecture, who are the winners in the host country?

- A) Competing domestic workers
- B) Firms (lower labor costs) and complementary workers (capital owners)
- C) All workers regardless of skill level
- D) Only migrant workers themselves

**Question 10**

Which of the following correctly defines brain drain as discussed in the lecture?

- A) The loss of skilled workers (doctors, engineers) from poor countries
- B) The gain of unskilled workers by developed countries
- C) The return of migrants to their home country with new skills
- D) The positive effect of diaspora networks sending remittances

## Answer Key

Question	Answer
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1	B
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2	B
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3	B
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4	B
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5	B
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6	B
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7	B
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8	C
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9	B
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10	A
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