

**Course: International Trade and Policy**

**Week 12: Global Issues I – Trade and the Environment**

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

**Question 1**

What does the pollution havens hypothesis predict?

- A) Firms relocate production to countries with stricter environmental regulations.
- B) “Dirty” industries concentrate where compliance costs are highest.
- C) Firms relocate production to countries with weaker environmental regulations, leading to concentration of pollution-intensive industries.
- D) Trade liberalization always reduces global pollution levels.

**Question 2**

According to the lecture, what is the typical estimated carbon leakage rate for OECD carbon taxes?

- A) 0–5%
- B) 5–25%
- C) 30–50%
- D) Above 50%

**Question 3**

Which of the following is a channel of carbon leakage identified in the presentation?

- A) Labor mobility channel
- B) Competitiveness channel
- C) Technology diffusion channel
- D) Foreign direct investment reverse channel

**Question 4**

What was the key ruling of the WTO Appellate Body in the Shrimp-Turtle case (1998)?

- A) Unilateral process and production methods (PPMs) are always illegal under GATT.
- B) The US ban on shrimp imports was upheld unconditionally.
- C) Unilateral PPMs can be WTO-legal if they are non-arbitrary and the country first negotiates multilateral agreements.
- D) Environmental measures can never justify trade restrictions.

**Question 5**

Which multilateral environmental agreement (MEA) is cited in the PPT as a success story where trade bans on ozone-depleting substances led to universal participation without any WTO challenge?

- A) Paris Agreement
- B) Basel Convention

- C) Rotterdam Convention
- D) Montreal Protocol

### **Question 6**

Under the EU Carbon Border Adjustment Mechanism (CBAM), what do importers of covered goods (e.g., cement, steel) have to do?

- A) Pay the full EU carbon price regardless of carbon price already paid in the origin country.
- B) Buy certificates equal to the EU carbon price minus any carbon price already paid in the origin country.
- C) Provide a letter of exemption from the European Commission.
- D) Only pay a flat administrative fee.

### **Question 7**

According to the lecture, which sectors are most vulnerable to carbon leakage because they have trade intensity above 30% and energy costs above 10% of production value?

- A) Textiles and apparel
- B) Cement, steel, aluminium, refining, fertilisers
- C) Electronics and semiconductors
- D) Agricultural products (wheat, corn)

### **Question 8**

What is a developing country concern regarding environmental non-tariff barriers (NTBs), as illustrated by the EU Deforestation Regulation (2024)?

- A) Environmental NTBs always lower production costs.
- B) Compliance costs (testing, certification, geolocation) are high, and small producers may be excluded from supply chains.
- C) Environmental NTBs have no impact on trade flows.
- D) The WTO prohibits all environmental NTBs.

### **Question 9**

Which of the following best describes the current legal relationship between MEAs and WTO rules according to the PPT?

- A) WTO rules explicitly exempt all MEA trade measures.
- B) There is a formal hierarchy where MEAs override WTO rules.
- C) No WTO agreement explicitly exempts MEA trade measures, but no WTO dispute has yet struck down an MEA measure.
- D) The Paris Agreement contains explicit trade sanctions authorized by the WTO.

### **Question 10**

What does the case study of China's waste import ban (National Sword policy, 2018) illustrate?

- A) Unilateral environmental bans always solve global pollution problems.
- B) A unilateral ban can shift the problem to other countries (waste diverted to SE Asia), leading to global Basel amendments in 2019.

- C) The Basel Convention prohibits any country from banning waste imports.
- D) Trade measures have no environmental effects.

### Answer Key

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