

Practice GLEF 4010 In class Multiple Choice questions on Chapters global power and middle income trap

Answers are 1c, 2d, 3b, 4a, 5d, 6a, 7a, 8b, 9a, 10b

Circle ONE answer. No negative point

1. What can be said of China's trade liberalization:

- (a) It became real as soon as the first special economic zones were opened
- (b) China's trade liberalization truly started in the mid-1980s when trade licenses were dismantled
- (c) China's trade liberalization truly started in the mid-1990s with China's preparation to enter the WTO
- (d) none of the above.

2. What is true regarding China's trade liberalization in the 1990s?

- (a) Import tariffs declined from about 40% in 1990 to 15% in 2000
- (b) China's share of world trade grew from less than 2% in 1990 to 11% in 2014
- (c) China's export expansion is driven by export processing transactions
- (d) all of the above

3. What is true of China's trade structure?

- (a) The domestic value-added content of Chinese exports is high, especially in sophisticated sectors
- (b) The share of high-tech goods in China's exports is roughly stable since 2006.
- (c) China is specialized in manufacturing activities which according to the smiling curve are characterized by high profits and value-added.
- (d) The share of high-tech goods in China's exports is greater when measured in value-added exports compared to gross exports.

4. What can be said of China's high-tech exports?

- (a) High-tech exports incorporate a very large share of imported components
- (b) The share of imported components in high-tech exports from China has declined over time
- (c) High-tech exports are dominated by Chinese domestic firms
- (d) all of the above

5. What features of the goods that China exports may explain that China's terms of trade deteriorated since 2000?

- (a) Demand for those goods does not rise a lot when the consumers' income rises
- (b) Demand for those goods would rise only if the price of the goods falls a lot
- (c) Those goods incorporate large amounts of rather sophisticated imported inputs
- (d) All of the above

6. What can be said of processing activities in China?

- (a) Processing activities are footloose activities
- (b) Processing activities generate strong learning effects for domestic firms
- (c) Processing activities produce goods with high domestic content
- (d) Processing activities are intensive in capital

7. What can be said about the “middle income trap” threat?
- (a) The main concern is that of a “comparative advantage vacuum”
 - (b) It is especially relevant for countries which GDP per capita reaches 10,000 \$ PPP
 - (c) It is especially relevant for countries which GDP per capita reaches 10 to 15% of that of the US
 - (d) None of the above
8. What makes a country more vulnerable to the “middle income trap” threat?
- (a) A large pool of underemployed rural workers
 - (b) Fast wage growth eroding the comparative advantage in labour intensive activities
 - (c) Large technology gap with respect to the world leader
 - (d) Strong comparative advantage in energy intensive activities.
9. What makes China especially vulnerable to the “middle income trap” threat?
- (a) curricula focus on rote learning
 - (b) state-finance infrastructure development
 - (c) high robot density
 - (d) All of the above
10. What makes China especially vulnerable to the “middle income trap” threat?
- (a) bottom-up approach to innovation and robotization
 - (b) high dependence on foreign technology
 - (c) strong bargaining power to access foreign technology
 - (d) high share of researchers per 1,000 employment