MCQs **The Instruments of Trade Policy – Session 2**

Question 1: Which of the following is an example of a tariff?

a) A tax on imported goods  
b) A quota on imported goods  
c) A subsidy to domestic producers  
d) A ban on imported goods

Question 2: What is an import quota?

a) A tax on imported goods  
b) A limit on the quantity of goods that can be imported  
c) A ban on imported goods  
d) A subsidy to domestic producers

Question 3: What is a subsidy?

a) A tax on imported goods  
b) A government payment to encourage domestic production  
c) A limit on the quantity of goods that can be imported  
d) A ban on imported goods

Question 4: What is a voluntary export restraint?

a) A tax on imported goods  
b) A government-imposed limit on the quantity of goods that can be exported  
c) A country's agreement to limit its exports to another country  
d) A government payment to encourage domestic production

Question 5: Which of the following is an example of an administrative policy?

a) A tax on imported goods  
b) A quota on imported goods  
c) A complex set of bureaucratic procedures that make it difficult to import goods  
d) A subsidy to domestic producers

Answer Key:

1. a)
2. b)
3. b)
4. c)
5. c)

1. Which of the following is a tariff-based trade policy measure?

a) Import quotas

b) Customs duties

c) Sanitary and phytosanitary measures

d) Export licenses

Answer: b) Customs duties

2. What is the purpose of export subsidies?

a) To raise the price of imported goods

b) To lower the cost of domestic production

c) To increase the cost of exported goods

d) To provide financial assistance to exporters

Answer: d) To provide financial assistance to exporters

3. Which of the following is an example of a non-tariff barrier?

a) Import tax

b) Quota

c) Export subsidy

d) Foreign exchange control

Answer: b) Quota

4. Which of the following is a benefit of free trade agreements?

a) Increased protection for domestic industries

b) Reduced trade between member countries

c) Increased competition and lower prices for consumers

d) Higher tariffs on imports

Answer: c) Increased competition and lower prices for consumers

5. What is the primary function of the World Trade Organization (WTO)?

a) To promote protectionist trade policies

b) To regulate international trade and reduce barriers

c) To encourage trade wars between countries

d) To set the exchange rates between currencies

Answer: b) To regulate international trade and reduce barriers