Question 2

4. A country is the only production site in the world for hyperhoney infinite pasta, a wonderful product produced using a delicate, highly perishable extract obtainable from some trees that grow only in this country. Furthermore, there is no domestic demand for this product in the country, so all production will be exported. The country's government has the choice of forming the pasta-producing industry either as a monopoly or as a large number of small pasta producers that will act as perfect competitors. What is your advice to the country's government about which market structure to choose for the pasta industry?

Question 3

2. "A tariff on imports of a product hurts domestic consumers of this product more than it benefits domestic producers of the product." Do you agree or disagree? Why?

Question 4

Explain.

6. The United States is considering adopting a regulation that foreign apples can be imported only if they are grown and harvested using the same techniques that are used in the United States. These methods are used in the United States to meet various government standards about worker safety and product quality.

a. As a representative of the U.S. government, you are asked to defend the new import regulation before the WTO. What will you say?

b. As a representative of foreign apple growers, you are asked to present the case that this regulation is an unfair restriction on trade. What will you say?

Question 1

8. Measurement of intra-industry trade can be understood more firmly with a numerical example. In your answer to this question, use the data on U.S. and Japanese exports and imports shown in Figure 5.4 and question 10 from Chapter 5. Use only the data on the seven manufactured products shown there for both countries (pharmaceuticals, iron and steel, automobiles, aircraft, clothing, shoes, and medical instruments).

   a. What is the intra-industry trade share for these seven products for the United States?
   b. What is the intra-industry trade share for these seven products for Japan?
   c. For these seven products, which country engages in relatively more intra-industry trade?

FIGURE 5.4 U.S. International Trade in Selected Products, 2004

Source: United Nations, Statistics Division, *UN Comtrade Database* (unstats.un.org/unsd/comtrade).

A. Products Whose Trade Is Consistent with H–O Theory

	U.S. Exports ($ billions)	U.S. Imports ($ billions)	Net Exports as a Percentage of Total Trade*
Wheat (041)	4.81	0.16	+94
Corn (044)	5.64	0.13	+95
Coffee (071)	0.40	2.27	−70
Soybeans (2222)	5.74	0.05	+98
Coal (321)	2.34	1.02	+39
Crude petroleum (333)	8.86	136.00	−88
Primary plastic materials (57)	18.51	9.07	+34
Electronic microcircuits (7764)	38.59	22.38	+27
Aircraft (792)	38.52	16.48	+40
Clothing and accessories (84)	5.06	75.73	−87
Shoes and other footwear (85)	0.65	17.40	−93
Toys (8942)	0.61	9.35	−88

B. Products Whose Trade Appears to Be Inconsistent with H–O Theory

	U.S. Exports ($ billions)	U.S. Imports ($ billions)	Net Exports as a Percentage of Total Trade*
Pharmaceuticals (54)	23.98	35.37	−19
Perfumes and cosmetics (553)	3.83	3.76	+1
Iron and steel (67)	8.71	28.12	−53
Automobiles (781)	22.82	122.77	−69
Medical instruments (872)	9.10	9.77	−4

Note: Commodity numbers from the Standard International Trade Classification, revision 3, are shown in parentheses.

*Net exports as a percentage of total trade equals exports of this product minus imports of this product, divided by exports plus imports of this product. This percentage is an indicator of "revealed comparative advantage" in the product.

question 10 from chapter 5 for reference to question 1

10. Consider the following data on some of Japan's exports and imports in 2003, measured in billions of U.S. dollars:

Product	Japanese Exports	Japanese Imports
Food (0)	1.9	39.3
Metal ores (28)	1.6	8.9
Crude petroleum products (333)	0.0	45.9
Pharmaceuticals (54)	3.2	6.2
Soaps and cleaners (554)	0.5	0.4
Iron and steel (67)	17.9	3.3
Automobiles (781)	68.4	7.0
Aircraft (792)	1.5	4.4
Clothing and accessories (84)	0.5	19.5
Shoes and other footwear (85)	0.0	3.1
Medical instruments (872)	1.6	2.9

Note: Commodity numbers from the Standard International Trade Classification are shown in parentheses.

For which of these products do Japan's exports and imports appear to be consistent with the predictions of the Heckscher–Ohlin theory? Which appear to be inconsistent?