

**“Going Under” *The Economist* 03-26-2009 &  
“The Fragile Web of Foreign Trade” *The Economist* 05-28-2009**

1. “The WTO predicts that the volume of global trade, which grew by 6% in 2007 and 2% in 2008, will fall by \_\_\_\_\_” how much this year? Is the drop expected to be worse for rich or poor countries? What is a clear reason, other than shortfall in trade finance, why global trade is now declining?
  
2. What year was the last time global trade contracted? Was the decline large or small back then?
  
3. “In the boom years between 1998 and 2008, trade volumes grew at 5.7% per year.” How did this growth in trade volumes compare to the growth rate of world output over that period?
  
4. “Economists believe that an additional reason for these sharp and coordinated drops lies in a fundamental change in the nature of global trade over the past three decades.” Describe the change and why it “led trade to grow much faster than it would have otherwise” and how “the same mechanism that was responsible for the remarkably rapid growth in trade since the early 1980s is now amplifying the extent to which trade responds to a decline in demand.”
  
5. When leaders of the G20 countries pledge “to avoid the mistakes of the 1930s,” what are they pledging to refrain from doing and how well have they been holding to their pledge thus far?
  
6. Explain how the increasing use of imported (rather than domestic) inputs makes across the board (on all products) tariff increases more difficult to pull off? What would be an important downside of a tariff on imports of steel – who would likely be hurt?
  
7. “China’s exports to America of machinery and electrical goods, for example, grew at twice the pace of its textile exports between 1993 and 2008.” This is an example of: “As Chinese firms grow more sophisticated, they are selling \_\_\_\_\_” what kind of stuff?
  
8. “In a recent survey of American firms in China ... 63% said they were there to sell to locals, whereas only 9% said they were there to sell things back to America.” This survey illustrates that “for American firms setting up in China, the chief attraction these days is not its cheap labour but \_\_\_\_\_” what?