**CHAPTER 8-INTERNATIONAL LAW**

**TRUE/FALSE**

1. United States suffers trade deficits every year because the value of its imports

exceeds that of its exports.

2. The tariff for men’s gloves can be higher than women’s gloves as long as the government did not intend to discriminate.

3. Tariffs are generally higher in developing countries than in developed countries.

4. Generally, consumers are not adversely affected by tariffs since tariffs affect wholesale prices, not retail prices.

5. *Ad valorem* duty is based on the fair market value of the imported good as of the date it reaches the United States, not the price actually paid for the good when sold for export to the United States.

6. The European Union is one of the world’s most powerful regional associations with 27 member nations as of 2011.

7. A contract involving the sale of goods from a Texas seller to a French wholesaler must always use the United Nations Convention on Contracts for the International Sale of Goods (CISG).

8. If the United States sets a limit on the number of cars that can be imported, this action is a form of tariff.

9. It is not a violation of United States law for a domestic company to pay money to a foreign governmental official in order to obtain a contract with the foreign government if this type of “commission” is commonly paid in that foreign country.

10. NAFTA is a trade agreement between the United States, Canada and Mexico.

11. Under the Foreign Corrupt Practices act I am allowed to pay a government official a nominal sum to facilitate my transactions.

12. The two principal requirements of the Foreign Corrupt Practices Act involve bribes and grease payments.

13. The United States is the world’s largest exporter of agricultural products.

14. A dumping duty is imposed on other countries that do not properly recycle their waste created when they manufacture certain products.

15. Extraterritoriality is the power of one nation to impose its laws in other countries.

**MULTIPLE CHOICE**

1. For manufactured goods, the United States and European Union impose an average tariff of \_\_\_\_\_\_\_\_ percent, and major trading partners around the world impose tariffs of \_\_\_\_\_\_\_\_ percent for identical items.

|  |  |
| --- | --- |
| a. | 10; 5 |
| b. | less than 4; 10 to 30 |
| c. | 25; 39 to 70 |
| d. | 10 to 30; less than 4 |

2. Axle Corporation imports goods into the United States. Who is required to pay the duty on the imported goods?

|  |  |
| --- | --- |
| a. | The importer, Axle Corporation. |
| b. | The World Trade Organization. |
| c. | Each party pays one-half the duty. |
| d. | The exporter of the goods. |

3. The United States and Argentina have signed the Convention on Contracts for the International Sale of Goods (CISG). Oxtron, Inc., a U.S. company, and Leer, an Argentinean company, have entered into a contract under which Oxtron is to ship medical devices to Leer. The contract does not include a choice of law provision. The contract will be governed by:

|  |  |
| --- | --- |
| a. | the CISG. |
| b. | the UCC. |
| c. | the domestic contract law of Argentina. |
| d. | the domestic contract law of the United States. |

4. The United States and Singapore have signed the Convention on Contracts for the International Sale of Goods (CISG). Notren, Inc., a U.S. company, and SWT, a Singapore company, have entered into a contract under which SWT is to ship party supplies to Notren. One of the terms of the contract states, "The validity and performance of this contract will be governed by the Uniform Commercial Code (UCC) of the state of New York, not the Convention of the International Sale of Goods (CISG)." The contract will be governed by the:

|  |  |
| --- | --- |
| a. | CISG. |
| b. | Uniform Commercial Code of New York. |
| c. | common law. |
| d. | World Trade Law. |

5. Oxtron, Inc., a U.S. company, and Leer, an Argentinean company, orally agreed to a contract under which Oxtron is to ship medical devices to Leer. The contract is governed by the CISG. Which statement is correct?

|  |  |
| --- | --- |
| a. | The contract is not enforceable because it is oral. |
| b. | Whether the contract is enforceable without a written agreement depends on the value of the medical devices. |
| c. | Whether the contract is enforceable without a written agreement depends on whether the medical devices are a necessity. |
| d. | The contract is enforceable without a written agreement. |

6. Extraterritoriality

|  |  |
| --- | --- |
| a. | The power of a Country to go into other countries and enforce their labor laws.on citizens of other countries. |
| b. | The power to regulate tariffs in foreign nations as provided for by GATT. |
| c. | The power of one nation to impose its laws in other countries on its citizens. |
| d. | The power of a Company to extend its subsidiaries overseas without abiding by our trade laws. |

7. In *Totes-Isotoner Co. v. United States*, the federal appellate court ruled that as to the government charging different tariffs for men’s goods than women’s :

|  |  |
| --- | --- |
| a. | the tariffs will vary depending on the classification. |
| b. | the governemnt could charge differently as long as the government did not intent to discriminate |
| c. | governemnt could not charge differently because it violated the equal portection clause. |
| d. | the government can charge differently based on whatever the custom service values the product. |

8. If a foreign company "dumps" goods on the United States market:

|  |  |
| --- | --- |
| a. | the goods will be considered illegal goods and not be allowed to be sold in the United States. |
| b. | the United States will issue trade sanctions against the country that allowed the dumping. |
| c. | a "dumping duty" will be imposed on the dumped goods if the Commerce Department determines the goods are being sold at less than fair value and that this harms an American industry. |
| d. | All the above are correct. |

9. Notren, Inc., a U.S. company, and SWT, a Singapore company, entered into a contract under which SWT is to ship party supplies to Notren. One of the terms of the contract states, "Any disputes that arise under this contract will be resolved in the courts of Singapore." This contract term is a:

|  |  |
| --- | --- |
| a. | letter of credit. |
| b. | choice of language clause. |
| c. | choice of forum clause. |
| d. | draft clause. |

10. What is a major argument against the GATT Treaty?

|  |  |
| --- | --- |
| a. | The United States will have to compete against countries with unlimited pools of exploited labor. |
| b. | The United States will lose millions of jobs involving low-end employment and these types of workers are least capable of finding other employment. |
| c. | Both a and b above are major arguments against GATT. |
| d. | Neither a nor b above is a major argument against GATT. |

11. The European Union has adopted a currency known as the:

|  |  |
| --- | --- |
| a. | Yuri. |
| b. | Common Union. |
| c. | Yen. |
| d. | Euro. |

12. Zebra Toy Company, located in Chicago, sells $500,000 worth of toys to a London, England, wholesaler. This contract could be governed by:

|  |  |
| --- | --- |
| a. | Illinois's Uniform Commercial Code. |
| b. | English law. |
| c. | the CISG. |
| d. | All the above are correct. |

13. The WTO is:

|  |  |
| --- | --- |
| a. | a world trade organization that regulates trade among its member nations. |
| b. | a treaty negotiated by the European Union to regulate its trade |
| c. | a world court established by the GATT treaty that hears trade disputed. |
| d. | none of these answers is correct. |

14. The primary goal of the North American Free Trade Agreement (NAFTA) is to:

|  |  |
| --- | --- |
| a. | allow Canada, the United States, and Mexico to compete as a common economic entity against other countries in the world. |
| b. | allow for the free and unrestricted movement of people from one country to another to improve the labor market of all three counties. |
| c. | eliminate almost all trade barriers between the three nations. |
| d. | All the above are correct. |

15. What is a major difference between a United States lawsuit versus a French lawsuit?

|  |  |
| --- | --- |
| a. | In a French civil lawsuit, there is usually no right to a jury trial. |
| b. | The French legal system does not engage in extensive discovery procedures commonly used in the United States. |
| c. | In a French lawsuit, the rules of evidence are more flexible. |
| d. | All of the above are correct. |

16. Hardhat Machine Company sold goods to Irish Eyes Company of Northern Ireland. Big Bank issued a letter of credit on behalf of Irish Eyes and the letter was given to Hardhat. The "account party" is:

|  |  |
| --- | --- |
| a. | Irish Eyes. |
| b. | Hardhat Machine Company. |
| c. | Big Bank. |
| d. | None of the above. |

17. Hardhat Machine Company sold goods to Irish Eyes Company of Northern Ireland. Big Bank issued a letter of credit on behalf of Irish Eyes and the letter was given to Hardhat. The documents required by the letter of credit are presented to the bank for payment while the goods are still in transit. Is Hardhat entitled to be paid?

|  |  |
| --- | --- |
| a. | No, payment is not due until the goods are delivered. |
| b. | No, payment is not due until 30 days after delivery. |
| c. | No, payment is not due until the buyer has had a reasonable time to inspect the goods. |
| d. | Yes, the letter of credit is a promise by the bank to pay when certain documents are presented. |

18. When considering both imports and exports, the country trading the most goods with the United States is:

|  |  |
| --- | --- |
| a. | Canada. |
| b. | China. |
| c. | Japan. |
| d. | Mexico. |

19. Kjell is the vice president of international sales for Oxtren, Inc, a U.S. company. To secure a multimillion dollar contract for his company, Kjell paid a Mongolian governmental officer $10,000. Kjell:

|  |  |
| --- | --- |
| a. | has violated the Foreign Corrupt Practices Act. |
| b. | has not violated the Foreign Corrupt Practice Act because the payment was a grease payment. |
| c. | has not violated the Foreign Corrupt Practices Act because the government official was from Mongolia, not the United States. |
| d. | has not done anything illegal because Congress has not ratified the Convention of Combatting Bribery of Foreign Public Officials in International Transactions. |

20. The Marcel Company is opening an office in Mexico. The cost to obtain electrical service is $500, but the clerk suggests that service could be started faster if an additional $50 is paid, which the clerk will keep. If the Marcel official pays the additional $50:

|  |  |
| --- | --- |
| a. | he will have violated the Foreign Corrupt Practices Act. |
| b. | he will not have violated the Foreign Corrupt Practices Act because this would be considered a “grease” or facilitating payment, which is legal. |
| c. | he will be guilty of violating the Foreign Corrupt Practices Act only if the payment was illegal under the written law of Mexico. |
| d. | he will be guilty of violating both the Foreign Corrupt Practices Act and the Convention of Combatting Bribery of Foreign Public Officials in International Business Transactions. |

21. The United States has agreed to which of the following?

|  |  |
| --- | --- |
| a. | GATT. |
| b. | NAFTA. |
| c. | CISG. |
| d. | All of the above. |

22. The European Union

|  |  |
| --- | --- |
| a. | Eliminated travel restrictions between member nations |
| b. | Sets union wide standards for trade restrictions. |
| c. | Has a common currency that not all countries have adopted. |
| d. | All of these answers are true |

23. In an international sales contract which terms are negotiable?

|  |  |
| --- | --- |
| a. | What language and currency should govern the contract |
| b. | Choice of where to sue. |
| c. | What Country’s laws will govern |
| d. | all of these answers are true |

24. How many countries belong to the European Union?

|  |  |
| --- | --- |
| a. | 50 |
| b. | 100 |
| c. | 27 |
| d. | 5 |

25. What is a tariff?

|  |  |
| --- | --- |
| a. | Selling goods at a cheaper price than they cost to put competition out of business |
| b. | a duty imposed on imports |
| c. | Selling goods at a cheaper unfair price |
| d. | a duty imposed on exports |

**ESSAY**

1. Explain what the General Agreement on Tariffs and Trade (GATT) is and give pro and con arguments concerning this agreement.

2. Explain the origin and purpose of the World Trade Organization.

3. MagNet is a U.S. company based in Utah. It is negotiating to sell $4 million worth of computer goods to a French company, L'la. L'la is insisting that the contract be governed by the CISG. What are some of the primary differences between the UCC and the CISG?

4. MagNet is a U.S. company based in Utah. It is negotiating to sell $4 million worth of computer goods to a French company, Legran. MagNet's attorney suggests that payment be by a letter of credit. What is a letter of credit and why does MagNet's attorney recommend payment by letter of credit?