



## FACULTY OF BUSINESS

### FINAL EXAMINATION

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Course Code & Name : **BUS2113 INTERNATIONAL TRADE**  
 Trimester & Year : January-April 2021  
 Lecturer/Examiner : Dr Smitha Geetha  
 Duration : 3 Hours

#### INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:  
     **PART A (60 marks)** : Answer all THREE (3) short answer questions. Answers are to be written in the Answer Booklet provided.  
     **PART B (40 marks)** : Answer all TWO (2) essay questions. Answers are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

**WARNING:** The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College.

**PART A : SHORT ANSWER QUESTIONS (60 MARKS)****INSTRUCTION(S)** : Answer all **THREE (3)** questions on the answer booklet(s) provided.**Question 1**

Use the information in the table below to answer the following questions.

<b>Production per unit of Labor:</b>		
	<b>U.S</b>	<b>Argentina</b>
Wheat	300	20
Beef	100	20

- Explain how either country has an absolute advantage in the production of wheat or beef. (4 marks)
- Calculate the opportunity cost of wheat in each country? (4 marks)
- Calculate the opportunity cost of beef in each country? (4 marks)
- Analyze the comparative advantage and opportunities for trade between the U.S. and Argentina. (8 marks)

**[Total: 20 marks]****Question 2**

- Discuss the need to observe the Leontief paradox. (7 marks)
- Describe the nature of trade between two countries based on intertemporal comparative advantage. (6 marks)
- Explain why positive economies of scale in one (of two) sectors may establish a comparative advantage for the large (as compared to the small) country in the production of the commodity which exhibits positive scale economies. (7 marks)

**[Total: 20 marks]****Question 3**

- Discuss the argument that a tariff may help promote employment in a single industry, but is not likely to help employment in general. (7 marks)
- Presumably, since the United States is a large country in many of its international markets, a positive optimum tariff exists for this country. It follows therefore that when any legislator or government official who promotes zero-tariff free trade policies, is by definition not acting in the public's best interest. Discuss. (6 marks)
- Explain the reasons underlying the argument that import substitution is a misguided trade policy if the intent is to promote long-term economic growth. (7 marks)

**[Total: 20 marks]****END OF PART A**

**PART B : ESSAY QUESTIONS (40 MARKS)**

**INSTRUCTION(S)** : Answer all **TWO (2)** questions. Write your answers in the Answer Booklet(s) provided.

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**Question 1**

- a. Explain why, despite enormous natural resources, much of Latin America's population remains in poverty and the region has been repeatedly experiencing financial crises.  
(10 marks)
- b. Analyze how does the two-good, two-country version of the Ricardian model differ from the two-country, many-good model in terms of the determination which goods are produced and exported by each country.  
(10 marks)

**[Total: 20 marks]**

**Question 2**

- a. Evaluate why increasing returns to scale and fixed costs are important in models of international trade and imperfect competition.  
(10 marks)
- b. Compare in the past half century, the developing countries have experienced major compositional shifts from exports of primary products (including agricultural and raw materials) to exports of manufactures. How might you explain this in terms of broad historical developments during this period?  
(10 marks)

**[Total: 20 marks]**

**END OF EXAM PAPER**