Summer Examinations 2016

ECN300516N

Module Title: International Economics
Level: Six
Time Allowed: Two hours

Instructions to students:
- Enter your student number not your name on all answer books.
- Answer three out of eight questions.
- All questions are equally weighted.

No. of Pages: 2
No. of Questions: 8
Answer three out of eight questions.

1. Compare and contrast the classical and Heckscher-Ohlin (HO) theories of trade. Discuss the differences in assumptions and the effects of trade on the distribution of income.

2. Outline the reasons for the growth in multinational enterprises’ foreign direct investment over the last twenty-five years and critically assess both the benefits and the costs of such investment for developing countries.

3. Critically discuss the contention that being open to international trade helps countries’ growth and their development. You should include examples from various countries to support your arguments.

4. Analyse how Melitz’s (2003) model differs from previous trade theories and how it explains firm-level trade flows and the gains from trade. Is this now a better explanation of world trade flows than traditional theories?

5. Using examples from at least two different countries, outline the reasons why governments wish to change their economic systems from command to market. Do such transitions bring benefits to all members of such societies or are there winners and losers?

6. Use appropriate diagram(s) to explain the effects of imposing a tariff in the small country case. Outline the impact of the tariff on the well-being of the small country and the well-being of the trade partners of the country imposing the tariff.

7. Outline the conditions that are necessary for an optimal currency area to exist. Using those criteria, critically discuss the assertion that the current crisis in the Eurozone means that the whole concept of adopting the single currency was flawed from the start.

8. Examine whether expanding the number of regional trading agreements around the world would be a good way to further liberalise international trade. Who would be the winners and losers from such an expansion?

End of Paper