UNIRAZAK
UNIVERSITI TUN ABDUL RAZAK

FINAL EXAMINATION
NOVEMBER 2023

COURSE TITLE	INTERNATIONAL TRADE AND POLICY
COURSE CODE	TECO4413
DATE/DAY	14 FEBRUARY 2024 / WEDNESDAY
TIME/DURATION	09:00 AM - 11:00 AM / 02 Hour(s) 00 Minute(s)

INSTRUCTIONS TO CANDIDATES :

1. Please read the instruction under each section carefully.
2. Candidates are reminded not to bring into examination hall/room any form of written materials or electronic gadget except for stationery that is permitted by the Invigilator.
3. Students who are caught breaching the Examination Rules and Regulation will be charged with an academic dishonesty and if found guilty of the offence, the maximum penalty is expulsion from the University.

(This Question Paper consists of 3 Printed Pages including front page)

DO NOT OPEN THE QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

This question paper consists of TWO (2) questions. Answer ALL questions in the answer booklet provided. [100 MARKS]
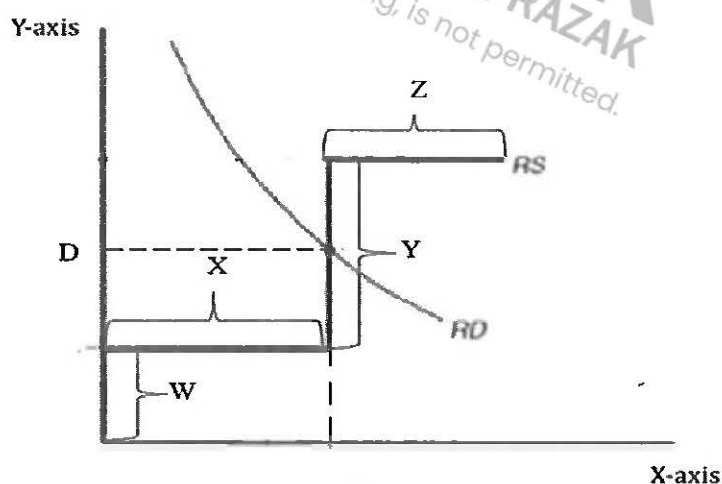
QUESTION 1 (50 Marks)

Table 1 below shows the number of labour hours required to produce a tonne of honey and a unit of laptop respectively for Russia and Malaysia.

Table 1: Labour hour requirement per unit of output.

	Honey	Laptop
Russia	3 hours / tonne	5 hours / unit
Malaysia	4 hours / tonne	4 hours / unit

a) Which country has absolute advantage in producing honey and laptop respectively? Justify your answer. (5 marks)

b) Based on Table 1, determine the pattern of trade i.e., which country exports and imports what good. (5 marks)

c) If Russia and Malaysia have 33,000 and 10,000 labour hours respectively, determine how many tonnes of honey and units of laptop will be produced when Russia and Malaysia exercise free trade. (8 marks)

d) Given the information presented in Table 1 and answer to part (c) above, the world relative supply and demand curves are given as below, where Y-axis is the <u>relative price of honey in terms of laptop</u> and X-axis is the <u>relative quantity of honey to quantity of laptop</u>:

Figure 1: World Relative Supply and Demand Curves

i. Determine a plausible value for D. (3 marks)

ii. Reason out why both Russia and Malaysia will agree to the term of trade taking on the value D. (9 marks)

   iii. Explain what good(s) will be exported by each country in phases W, X, Y and Z. (10 marks)

e)   The Ricardian Trade Theory differs vastly from the Mercantilist Theory of International Trade. Explain the main philosophical difference between the two.   (10 marks)

QUESTION 2   **(50 marks)**

a)   The US-China trade war has seen both countries imposing tariff on each other's goods. Using an appropriate diagram, explain:

   i.   How the US citizens ended up paying most of the tariffs?   (10 marks)

   ii.   How the US producers ended up gaining following imposition of the tariffs.   (10 marks)

   iii. Explain what is the condition that determines whether the US will benefit through the imposition of tariffs.   (10 marks)

b)   A country can become a low-cost producer by capitalizing on external economies of scale and therefore capable of exporting the good to other countries with a low-price tag benefiting all parties.

   i.   However, one may argue that such a development may work against developing countries. Explain why.   (6 marks)

   ii.   Explain what developing countries can do to turn things around.   (6 marks)

   iii. Explain how the theory of external economies of scale on trade differs from the Ricardian Model.   (8 marks)

***   END OF QUESTION PAPER ***