

International trade: problem set 8

University College Dublin

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1. In most developing countries, the economy largely depends on the export of a small number of primary commodities. Discuss the short and long-run implications of this reliance.
2. Following up on question 1, within economics there is such a thing called the 'resource curse'. Explain what this curse entails and how it is related to economic underdevelopment. Is an abundance of natural resources always disadvantageous?
3. Some claim that international trade is the engine of growth. One channel through which trade could stimulate growth is through technological development. Explain how trade could foster technological progress.
4. In defense of Import-Substituting Industrialisation (ISI) some countries used the 'infant industry argument'. What does this argument entail? Discuss whether you think it justifies ISI policies.
5. One important issue in developing countries which hampers the development of export industries is market failure. What are two main types of market failures hampering trade? How could tariffs help correct for market failure?
6. The economic development of South Korea is one of the success stories of international trade. Based on their experience, should developing countries follow South Korea's example?
7. What are the advantages and disadvantages of trade liberalisation with regard to economic development?