

UGANDA MARTYRS UNIVERSITY

FACULTY OF SCIENCE

DEPARTMENT OF ECONOMICS

UNIVERSITY EXAMINATIONS
SEMESTER I, 2013/14

THIRD YEAR EXAMINATIONS FOR BACHELOR OF SCIENCE
(B.ECON & GEN)

ECO3103: INTERNATIONAL ECONOMICS

DATE: 17TH DECEMBER 2013

TIME: 10:00 – 1:00 PM

Instructions:

- i) Answer any FOUR (4) questions.*
 - ii) Well argued and illustrated answers will earn more marks.*
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Question One

Why is it necessary to study the subject of International Trade? How do we go about rationalizing and bringing it to near reality?

Question Two

What is the basis for and the gains from trade with increasing costs of production? Why does specialization in production with trade proceed only up to the point where relative commodity prices in the two countries are equalized?

Question Three

How does the Heckscher-Ohlin theory of factor endowment go to form a basis of international trade? How does the theory of Heckscher-Ohlin-Samuelson factor price equalization go to affect income distribution among factor owners in the trading countries?

Question Four

What is the difference between a nominal tariff and an effective tariff? How is the effective protection measured? What is meant by deadweight loss of a tariff?

Question Five

What is meant by "dumping?" Why is dumping undertaken by countries? Would you agree or not agree that export subsidies are a form of dumping? Why?

Question Six

At what levels can different countries integrate and what are the differences between each level? At what level are the countries of East Africa? Do you see them going to higher levels or not? Why?

Question Seven

Demonstrate how economic integration can end up into;

- a) Trade creation
- b) Trade diversion

END