



THE UNIVERSITY OF THE WEST INDIES
ST. AUGUSTINE

EXAMINATIONS OF DECEMBER 2005

HR 1
58

EC30N 3006

Code and Name of Course: **EC30N – International Trade Theory and Policy**

Paper:

Date and Time: **Monday 12th December, 2005 4:00pm** Duration: Two Hours

INSTRUCTIONS TO CANDIDATES: This paper has 2 pages and 9 questions.

ANSWER QUESTION 1 AND ANY OTHER TWO

QUESTION 1 CARRIES 30 MARKS AND ALL OTHER QUESTIONS CARRY 25 MARKS

1. Explain each of the following using diagrams where appropriate:

- i. Heckscher-Ohlin Theory,
- ii. Gains from Exchange and Gains from specialization,
- iii. Immizerizing Growth,
- iv. Offer curves and the equilibrium terms of trade,
- v. Rybczynski Theorem.

(30 marks)

2. Discuss a methodology to measure the economic welfare impact of the implementation of the Regional Economic Partnership Agreement between the EU and Cariforum.

(25 marks)

3. Discuss in detail, using diagrams where possible, the resource movement and spending effect associated with the Dutch Disease. Outline four policy measures that the government of an economy with a booming tradable resource can implement to prevent the emergence of the Dutch Disease.

(25 marks)

4. Outline and discuss the following indices encountered in the international trade literature:

- i. Revealed Comparative Advantage
- ii. Intra Industry Trade
- iii. Specialization Index
- iv. Cumulative Experience

(25 marks)

5. a) Discuss the Factor Price Equalization Theory stating clearly the assumptions on which this theory is based. (15 marks)
- b) Explain the theoretical linkage between the Stolper – Samuelson theorem and the factor price equalization theory. (10 marks)
6. a) List and discuss those factors which influence the magnitude of Foreign Direct Investment flows into the Caricom region? (15 marks)
- (b) How can the impact of Foreign Direct Investment (FDI) on the economic growth performance of an economy be measured? (10 marks)
7. What are benefits and costs of the Free Trade Area of the Americas (FTAA) to a named Caricom country? (25 marks)
8. Discuss the various avenues through which tourism exports can influence the economic growth process in any country. (25 marks)
9. (a) What is the Leontief paradox? Discuss any four attempts researchers to explain the Leontief paradox. (10 marks)
- (b) Discuss the benefits of the establishment of the Caricom Single Market and Economy. (15 marks).

END OF QUESTION PAPER