



AFRICAN ECONOMIC RESEARCH CONSORTIUM

JOINT FACILITY FOR ELECTIVES
JULY-OCTOBER, 1997

INTERNATIONAL ECONOMICS

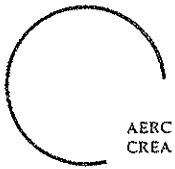
First Session: Final Examination

Monday, August 11, 1997

INSTRUCTIONS

1. Answer question One and any other Three questions.
 2. Write legibly.
 3. All questions carry equal marks.
 4. Time Allowed is THREE (3) HOURS
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- Q1. "The Heckscher-Ohlin theory of trade is valid in spite of Professor Leontief's results" Discuss.
- Q2. Using appropriate diagrams, analyze the effects of a tariff on the terms of trade of the tariff-imposing country. (Who benefits and who loses in the tariff - levying country? What happens when there is retaliation by the other country?
- Q3. "Trade can be caused by technical changes and developments that influence some industries and not others, or happen in some countries and not others". Appraise this statement with special reference to either Posner's theory of trade or Vernon's theory of international trade.



4. A Tariff on the import of a commodity will always lead to an increase in the domestic price of the commodity in the protected market. True/False, explain. **(12 points)**
5. Characterize the production and consumption effects of economic growth on international trade. **(12 points)**
6. Discuss all the following:
 - (i) Trade creation; **(4 points)**
 - (ii) Short-run export instability; **(4 points)**
 - (iii) Export-oriented industrialization; **(4 points)**