

# AFRICAN ECONOMIC RESEARCH CONSORTIUM

Collaborative MA Programme in Economics for Anglophone Africa  
(Except Nigeria)

## JOINT FACILITY FOR ELECTIVES JUNE – OCTOBER 2005

### INTERNATIONAL ECONOMICS

#### First Semester: Final Examination

Time: 09.00 AM – 12.00 Noon

Tuesday August 9, 2005

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**INSTRUCTIONS:** Attempt any three Questions. All questions are of equal weight. Marks will be awarded for clarity of work and expressions. Explore formal models and diagrams where applicable

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#### Question 1.

- a) State and demonstrate a proof of the Heckscher- Ohlin Theorem *(10 marks)*.
- b) Explain why Leontief's result was considered to be paradoxical. Why do economists consider his approach to have been only an incomplete 'test' of the Heckscher- Ohlin model? *(10 marks)*.

#### Question 2.

- a) Why do countries engage in intra-industry trade? Explain whether or not such trade can be reconciled with the notion that trade is determined by differences in factor endowments. *(10 marks)*.
- b) Suppose the Kenyan government wants to protect the domestic sugar industry. Show what happens if the market is protected by a quota or a tariff equivalent. Explain which instrument leads to better welfare outcome for the country. *(10 marks)*.

exports except in some unskilled-labour intensive primary intensive products (Wood, 1994; Wood and Mayer, 1998). Using your country as illustration, what are the policy measures that African countries could undertake to overcome this yoke of primary commodity dependence? *(10 marks)*.

**Question 5.**

Compare the following: *(4 marks each)*

- a) The Stolper-Samuelson and Rybczynski Theorems
- b) Effective Rate of Protection and Domestic Resource Cost
- c) Trade Creation and Trade Diversion
- d) The General Agreement on Tariffs (GATT) and the World Trade Organization (WTO).
- e) African Growth and Opportunity Act (AGOA) and the European Union Everything But Arms' (EBA) Initiative.