

**Topic 1. Interconnections in international economy.**

**5 балів**

**I. Дайте відповіді на будь-які 5 поставлених питань.**

1. When did the world's economies have become increasingly interdependent in terms of the movement of goods and services, business enterprise, capital, and technology?
2. Why did The United States have seen growing interdependence with the rest of the world in its trade sector, financial markets, ownership of production facilities, and labour force?
3. Name the countries in which exports constitute a small fraction of national output.
4. What are the some of the major arguments pro and contra an open trading system?
5. What significance does growing economic interdependence have for a country like the United States?
6. What factors influence the rate of growth in the volume of world trade?
7. Identify the major fallacies of international trade.
8. What is meant by international competitiveness? How does this concept apply to a firm, an industry, and a nation?
9. What do researchers have to say about the relation between a firm's productivity and exposure to global competition?
10. When is international trade an opportunity for workers? When is it a threat to workers?

**II. Дайте відповіді на будь-які 5 поставлених питань. Відповідь необхідно обґрунтувати.**

**True-false questions**

1. The two most important trading partners of the United States are Canada and Mexico.
2. The United States exports a larger percentage of its gross domestic product than Japan, Germany, and Canada.
3. Opening the economy to international trade tends to lessen inflationary pressures at home.
4. The benefits of international trade accrue in the forms of lower domestic prices, development of more efficient methods and new products, and a greater range of consumption choices.
5. In an open trading system, a country will import those commodities that it produces at relatively low cost while exporting commodities that can be produced at relatively high cost.
6. Although free trade provides benefits for consumers, it is often argued that import protection should be provided to domestic producers of strategic goods and materials vital to the nation's security.

7. In the long run, competitiveness depends on an industry's natural resources, its stock of machinery and equipment, and the skill of its workers in creating goods that people want to buy.
8. If a nation has an open economy, it means that the nation allows private ownership of capital.
9. Increased foreign competition tends to increase profits of domestic import-competing companies.
10. Restrictive trade policies have resulted in U.S. producers of minerals and metals supplying all of the U.S. consumers' needs.

### **III. Теоретичні питання. Розкрити в 5-7 речень.**

1. Describe mercantilism. Is the global economy today still mercantilistic?
2. Draw a circular flow diagram of an open economy, that is, an economy that engages in international trade, international finance, international investment, and international migration.

## Topic 2. Theories of international trade.

5 балів

### I. Дайте відповіді на будь-які 5 поставлених питань.

1. How did Smith's views on international trade differ from those of the mercantilists?
2. How does the comparative-cost concept relate to a nation's production possibilities schedule? Illustrate how differently shaped production possibilities schedules give rise to different opportunity costs.
3. What is the difference between absolute and comparative advantage?
4. Explain the difference between inter-industry and intra-industry trade.
5. How is the phenomenon of horizontal intra-industry trade related to product diversification?
6. According to Steffan Linder, there are two explanations of international trade patterns-one for manufactures and another for primary (agricultural) goods. Explain.
7. How can economies of large-scale production affect world trade patterns?
8. The Heckscher-Ohlin theory demonstrates how trade affects the distribution of income within trading partners. Explain.
9. How does the Heckscher-Ohlin theory differ from Ricardian theory in explaining international trade patterns?
10. Explain how the international movement of products and of factor inputs promotes an equalization of the factor prices among nations.

### II. Дайте відповіді на будь-які 5 поставлених питань. Відповідь необхідно обґрунтувати.

True-false questions

1. According to the mercantilists, a nation's welfare would improve if it maintained a surplus of exports over imports.
2. The mercantilists maintained that a free-trade policy best enhances a nation's welfare.
3. The principle of absolute advantage asserts that mutually beneficial trade can occur even if one nation is absolutely more efficient in the production of all goods.
4. The basis for trade is explained by the principle of absolute advantage according to David Ricardo and the principle of comparative advantage according to Adam Smith.
5. The Heckscher-Ohlin theory suggests that differences in relative factor endowments among nations underlie the basis for trade.
6. Economies of large-scale production can be translated into lower product prices, which improve a firm's competitiveness.
7. Staffan Linder offers two explanations of world trade pattern
8. Free trade permits factor-price equalization to occur because factor inputs that cannot move to another country are implicitly being shipped in the form of commodities.
9. The product life cycle theory focuses on the role of technological innovation as a key determinant of trade patterns in manufactured products.

10. Intraindustry specialization requires a shift of resources within an industry instead of between industries.

**III. Теоретичні питання 1 та 2 розкрити в 5-7 речень.**

1. Using the Stolper-Samuelson theorem, describe who will support and who will oppose trade in these two countries. Use a flow chart diagram to help you in your description.

2. In the early 1800s in England, a debate arose in Parliament over the Corn Laws, restriction on imports of grain into the country. David Ricardo, the father of the comparative advantage concept, favoured the repeal of these import restrictions. Explain why.

3. Fill in the table 1:

Table 1

Type of Trade	Phrase	Meaning	Source
Inter-industry	Either/or	Either imports or exports in a given sector of the economy	Comparative advantage
	Both/and/same		
	Both/and/different		

### Topic 3. Demand and supply in the external trade.

5 балів

#### 1. Дайте відповіді на питання.

1. Brazil increases its production of coffee because of an extension in the land suitable for cultivation. Depending on the reaction of the world price of coffee, explain why this increase in coffee production may increase/decrease welfare in Brazil. Illustrate graphically.

2. Under what conditions does an international transfer between countries deteriorate the terms of trade of the donor?

3. In reality, an important share of international aid for developing countries is conditional. For example, France may finance an irrigation project in Africa, under the condition that the pumps, pipelines and other building materials be bought to French producers.

a) How does this conditionality affect the impact of international transfers on each country's terms of trade?

b) Is this conditionality important for the donor?

c) Can you imagine a situation in which the conditional aid deteriorates the situation of the developing country?

4. A country's terms of trade measures a country's export prices in relation to its import prices, and is expressed as:

$$\frac{\text{Index of Export Prices}}{\text{Index of Import Prices}} \times 100$$

a) Calculate the terms of trade, if, over a given period, the index of export prices rises by 10% and the index of import prices rises by 5%.

b) What do we call the terms of trade rise above 100?

c) What do we call the terms of trade fall below 100?

5. What does the Rybczynski theorem demonstrate?

6. The Rybczynski Theorem says that: At constant commodity prices, an increase in the supply of a factor, other things equal, will result in an absolute increase in the output of the good that is intensive in the use of the expanded factor and an absolute contraction in the output of the other good. Briefly explain the relationships that give rise to the Rybczynski result.

7. Describe the main assumptions of the Core Dutch Disease model.

8. Рост Пугеловии ориентирован на расширение экспортных отраслей. Как, по вашему мнению, изменятся условия ведения торговых отношений Пугеловии со временем?

9. Целый ряд латиноамериканских стран экспортирует кофе и импортирует другие товары. Длительная засуха привела к сокращению производства кофе в странах этого региона. Предположим, что они продолжают оставаться экспор-

терами кофе. Объясните, почему длительная засуха в регионе может привести к росту благосостояния этих стран. Что делает такой рост возможным?

10. «Страна, чья торговля не влияет на уровень мировых цен, максимально рискует подвергнуться разоряющему росту». Вы согласны с данным высказыванием? Приведите свои доводы.