UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
JULY 2024 SEMESTER

COURSE CODE	:	EEB21003
COURSE NAME	:	INTERNATIONAL ECONOMICS AND TRADE
PROGRAMME NAME	:	BACHELOR OF BUSINESS ADMINISTRATION (HONS) INTERNATIONAL BUSINESS
DATE	:	21 SEPTEMBER 2024
TIME	:	2.00 PM – 5.00 PM
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

1. **Please CAREFULLY read the instructions given in the question paper.**
2. **This question paper has information printed on both sides of the paper.**
3. This question paper consists of **TWO (2) Sections**. **Section A** and **Section B**.
4. Answer **ALL** questions in **Section A** and **Section B**.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. **This question paper must not be removed from the examination hall.**

THERE ARE TWO (2) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (Total: 20 marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 1

Assume that both nation X and nation Y produce only 2 goods, namely cars and computers. The following table shows information about the two nations' production of cars and computers.

Figure 1: Production Possibilities by same amount of labor

Nation	Cars (units)	Computers (units)
X	10,000	5,000
Y	18,000	6,000

a) Which nation has an absolute advantage in the production of cars? Which nation has an absolute advantage in the production of computers?

(2 marks)

b) Calculate the opportunity cost of producing 1 car in nation X and Y.

(4 marks)

c) Calculate the opportunity cost of producing 1 computer in nation X and Y.

(4 marks)

d) Based on your answers in question (b) and (c), which nation has a comparative advantage in the production of cars? Which nation has a comparative advantage in the production of computers? Explain your answers.

(8 marks)

e) How much is the total world output after specialization?

(2 marks)

SECTION B (Total: 80 marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 2

What are the main types of regional integration agreements, and how do they differ from one another? Explain.

(20 marks)

Question 3

Briefly explain the following terms

a) Balance of payment deficit
b) World Trade Organization (WTO)
c) Eclectic theory in foreign direct investment
d) The difference between currency hedging and arbitrage

(20 marks)

Question 4

What are the reasons for restrictions on currency conversion? Explain **TWO (2)** policies government use to restrict currency conversion.

(20 marks)

Question 5

The International Monetary Fund (IMF) provides financial assistance and policy advice to countries facing economic crises. However, its policy solutions often encounter multiple setbacks. Explain **FOUR (4)** factors that contribute to this situation.

(20 marks)

END OF EXAMINATION PAPER