# UNIVERSITI KUALA LUMPUR
## BUSINESS SCHOOL

## FINAL EXAMINATION
## JULY 2025 SEMESTER

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| COURSE CODE | : | EEB21003 |
| COURSE NAME | : | INTERNATIONAL ECONOMICS AND TRADE |
| PROGRAMME NAME | : | BACHELOR OF BUSINESS ADMINISTRATION (HONS) INTERNATIONAL BUSINESS |
| DATE | : | 19 SEPTEMBER 2025 |
| TIME | : | 9.00AM – 12.00PM |
| 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. All questions must be answered in **English** (any other language is not allowed).
6. This question paper must not be removed from the examination hall.



THERE ARE 2 PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

**SECTION A (Total: 40 marks)**

**INSTRUCTION: Answer ALL questions.**

**Please use the answer booklet provided.**

**Question 1**

"In a two-factor economy, Country A is labor-abundant, and Country B is capital-abundant. Both countries produce two goods: textiles (labor-intensive) and machinery (capital-intensive) ". Using the Heckscher-Ohlin model, answer the following:

(a) Which good will Country A specialise in and export? Why? (3 marks)

(b) Which good will Country B specialise in and export? Why? (3 marks)

(c) How will trade affect the relative prices of textiles and machinery in both countries? (4 marks)

(d) What is the expected impact on the income of labor and capital in Country A after trade? Briefly explain. (5 marks)

(e) How does the factor-endowment difference lead to comparative advantage in this model? (5 marks)

**Question 2**

(a) What does the term 'economies of scale' mean? (4 marks)

(b) Give two examples of economies of scale initiatives. (6 marks)

(c) Briefly explain how the government supports economies of scale. (10 marks)

**SECTION B: ESSAY QUESTIONS (Total: 60 marks)**

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

**Question 3**

Analyse the effects of the 2025 U.S.–China trade conflict on global prices and explain how these changes impacted Malaysia's economy. Discuss how tariffs influenced the cost of goods in both the U.S. and China, and assess the resulting implications for Malaysian consumers, exporters, and businesses, using real-world examples.

(20 marks)

**Question 4**

Explain how trade liberalisation can affect a country's economic growth. In your answer, analyse both the potential benefits and drawbacks, using real-world cases.

(20 marks)

**Question 5**

The International Monetary Fund (IMF) is a key institution in the global economy. Describe its main functions and explain how it assists countries during financial crises, encourages international trade, and fosters economic stability. Use examples to support your explanation.

(20 marks)



**END OF EXAMINATION PAPER**