



UNIVERSITI KUALA LUMPUR  
BUSINESS SCHOOL

**FINAL EXAMINATION**  
**OCTOBER 2025 SEMESTER**

COURSE CODE	EEB21303
COURSE TITLE	INTERNATIONAL TRADE AND ECONOMY
PROGRAMME NAME	BACHELOR OF SCIENCE (HONS) IN ANALYTICAL ECONOMICS
DATE	24 JANUARY 2026
TIME	9:00AM - 12:00PM
DURATION	3 HOURS

**INSTRUCTIONS TO CANDIDATES**

1. Please read the instructions given in the question paper CAREFULLY.
2. This question paper is printed on both sides of the paper.
3. This question paper consist of TWO sections.
4. Answer ALL questions for Section A.
5. Section B consist of four questions. Answer THREE (3) questions only.
6. Please write your answer on the answer booklet provided.
7. Please answer all questions in English only.
8. Please answer MCQ/EMQ questions using OMR sheet.  *Tick if applicable*
9. Refer to the attached Formula/ Appendies.  *Tick if applicable*

THERE ARE 5 PAGES OF QUESTIONS INCLUDING THIS PAGE

## SECTION A (Total: 40 marks)

Answer ALL questions.

Please use the answer booklet provided.

## Question 1

The following table shows the production of tomato and olive oil in Spain and Portugal. Based on the table, answer the questions below.

*Refer Below - Table1 : Production of tomato and olive oil in Spain and Portugal .*

Table 1: Production of tomato and olive oil in Spain and Portugal

Countries	Tomato (tons)	Olive oil (tons)
Spain	16	4
Portugal	6	12

- (a) Attribute how do absolute advantage and comparative advantage help determine which products to specialize in for export production. (5 marks)
- (b) Which country has an absolute advantage in the production of (i) tomato? (ii) olive oil? You can justify your answer by comparing the production of tomato and olive oil before and after trade? (5 marks)
- (c) Calculate the opportunity costs in the production of tomato and olive oils for Spain and Portugal. Identify which country has the comparative advantage in the production of (i) tomato? (ii) olive oil? Justify your answer using the above opportunity cost calculation. (5 marks)
- (d) Do the principles of comparative advantage and absolute advantage yield the same results regarding specialization? If not, clarify which country should specialize in producing which products. Please provide your reasoning. (5 marks)

## Question 2

The following table shows the factor of production in U.S. in cloth industry. Based on the above table, answer the questions below.

*Refer Below - Table2 : Factor of production in U.S. in cloth industry .*

Table 2: Factor of production in U.S. in cloth industry

Countries	Import	Export
Capital (dollars)	\$2,132,000	\$1,876,000
Labor (person)	119	131
Capital-labor ratio (dollars per worker)		
Wage-rental ratio	100	120
Relative prices (per dollars)	4	10

- (a) Deduce how the Heckscher-Ohlin model determines which products export production should specifically produce. (5 marks)
- (b) Calculate the capital-labor ratio for imported clothes and exported clothes. (2 marks)
- (c) Between imported cloth and exported cloth, which is more capital intensive? Which is more labor intensive? Justify your answer with the given wage-rental ratio. (4 marks)
- (d) If the wage-to-rent ratio for imported cloth decreases by 10%, will the imported cloth continue to be capital-intensive? Justify your answer with capital-labor ratio. (4 marks)
- (e) When the wage-rent ratio for imported cloth falls by 10%, should the country import or export more cloth? Justify your answer with the relative export and import prices given. (5 marks)

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

**Answer THREE (3) questions only.**

**Please use the answer booklet provided.**

**Question 1**

Answer the following questions:

- (a) Write the concept of Specific Factor Model. (6 marks)
- (b) Explain the types of tariffs: specific tariff and ad valorem tariff. (8 marks)
- (c) Indicate the impacts of environmental regulations on trade pattern. (6 marks)

**Question 2**

Answer the following questions:

- (a) Examine the relevance between specific factor models and production and trade. (6 marks)
- (b) Describe the role of export promotion in expanding trade. (8 marks)
- (c) Evaluate the impacts of carbon tariffs on promoting economic sustainability. (6 marks)

**Question 3**

Answer the following questions:

- (a) Identify the impacts of trade on the income distribution of owners of specific factors.  
(6 marks)
- (b) Clarify the necessity for import substitution strategy in trade expansion.  
(8 marks)
- (c) Assess the significance of global trade organizations in trade regulations.  
(6 marks)

**Question 4**

Answer the following questions:

- (a) Explain how income support can solve the political economy problems of trade.  
(6 marks)
- (b) Show the impacts of import tariffs on the economy.  
(8 marks)
- (c) Criticise regional trade agreements should be established to better guide trade.  
(6 marks)

**END OF EXAMINATION PAPER**