



The University of Fiji
(An Entity of Arya Pratinidhi Sabha of Fiji)



SCHOOL OF BUSINESS AND ECONOMICS
Semester 2, 2025

FINAL EXAMINATION PAPER

ECO408: ADVANCE INTERNATIONAL TRADE

Important Instructions to Students

1. Read the questions, instructions carefully and answer the questions.
2. You are allowed an **extra 10 minute reading time** (during this time, you are not allowed to write with pen) and **180 minutes (3 Hours) to complete this paper**.
3. Silent, non-programmable calculators are allowed, but not supplied.
4. Write all your answers in the answer booklet provided. If you need extra sheets, please ask from the supervisor. Write your name, course code and student identification number in the answer booklet and in the attendance sheet.
5. This paper contains five (5) sections A, B, C, D and E. All questions are compulsory to answer except section E that has choices.
6. Write all your answers legibly. The marker has the right to award zero for answers that are not legible.
7. This is a **Restrictive Open Book Examination**. Students are permitted to bring maximum of two (02) page print out of data tables that will assist in answering essay questions in Section E. No hand-written content or typed notes are allowed. The University views plagiarism, cheating and dishonest practice as serious offences and if found, offenders are penalized.

Examination Paper Content (Format):

Section	Question	Content	Marks	Suggested Time
A	1-15	Multiple Choice	15	27 minutes
B	16 - 20	True or False	05	09 minutes
C	21-25	Short Answer Questions	20	36 minutes
D	26-28	Long answer questions	30	54 minutes
E	29-31	Essays (Choose Any One Question)	30	54 minutes
TOTAL			100	180 Minutes

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Registration Certificate Number (RGN0020/11)

SECTION A
Multiple Choice Questions
(15 Questions)

15 Marks

PROVIDE THE ANSWERS ON THE GRID SHEET

**Circle the letter representing the correct answer on the Grid sheet
provided**

Answer all questions from this section. Each question carries one mark.

1. When the countries are open for trade, factor incomes are redistributed within each country in favour of the abundant factor of each country. This is called
 - A. Theory of Comparative Advantage
 - B. Theory of factor price equalization
 - C. Stolper-Samuelson theory
 - D. Rybczynski Theorem

2. Country A exports commodity X worth USD 50 million. Its total exports equal USD 1,500 million. Globally, exports of X are USD 800 million, while total world exports are USD 200,000 million.
The Revealed Comparative Advantage (RCA) and Revealed Symmetric Comparative Advantage (RSCA) of Country A in commodity X are:
 - A. 0.79 and 8.33
 - B. 1.88 and 0.30
 - C. 8.33 and 0.79
 - D. 0.30 and 1.88

3. Country A's RSCA is 0.75 for commodity X and 0.55 for commodity Y. Country B's RSCA is 0.95 for X and 0.45 for Y. What is the most suitable trade pattern?
 - A. No trade of X or Y between A and B
 - B. Country A should import X from B and export Y to B
 - C. Country A should upgrade technology in X to raise its RSCA
 - D. Country B improves the production technology of Y to increase her RSCA

4. According to Trade Map data for 2024, the top import of Fiji is HS 27 (Petroleum products). The RSCA for the same product for year 2024 for Fiji is 0.36. The most accurate interpretation is
 - A. Fiji should specialize production of 27
 - B. Fiji exhibits locational advantage over product 27
 - C. Data errors
 - D. Fiji should stop importing commodity 27

5. In 2024, Fiji reported exports of USD 7,605 thousand in Sugar and Confectionary (HS 17) to the USA. The USA recorded import of the same item at USD 11,273 thousand. The difference is due to
 - A. Statistical discrepancy
 - B. Freight and Freight Insurance
 - C. Tariff
 - D. Differences in domestic inflation

6. In economics, what does the term “re-exports” mean?
 - A. Import goods, add value, then export
 - B. Import and export the same commodity in the same form, without processing
 - C. Import in bulk, label, and then export
 - D. Import raw materials, process them into final products, and export.

7. Identify the list of trade agreements that are effective exclusively in the Pacific region.
 - A. AFTA, ACFTA, RCEP
 - B. AJCEP, EFTA Convention, AFCFTA
 - C. USMCA, CAFTA-DR, CAN (Cartagena Agreement)
 - D. PACER Plus, PICTA, MSG Trade Agreement (MSGTA)

8. What is the most commonly used definition of *Country of Origin* in international trade?
 - A. 100% value addition is from the exporting country
 - B. Over 75% value addition is from the exporting country
 - C. Over 40% is from the exporting country
 - D. Over 25% is from the exporting country

9. In 2024, USA exports USD 18.72 billion worth high-end electronics to China and USA imports USD 0.18 billion worth low-end electronics from China. This situation is best described as
 - A. Vertical Intra Industry Trade (VIIT).
 - B. Horizontal Intra Industry Trade (HIIT).
 - C. Theory of gravitation.
 - D. Theory of Comparative Advantage.

10. One of the key theoretical premises under “export-led economic growth” theory is
 - A. Economic growth is primarily achieved when domestic industries are shielded from international competition through import substitution policies.
 - B. Persistent current account deficits are a necessary condition for export expansion in developing economies.
 - C. Export expansion promotes long-run economic growth by improving productivity, stimulating investment, and facilitating technology transfer.
 - D. Trade liberalization reduces growth potential by diverting resources away from the comparative advantage sectors.

11. Examples for 2 forms of non-tariff barriers respectively are
- A. Duty and Incentives for local producers
 - B. Incentives for local producers and Quota
 - C. Quota and Export Tax
 - D. Standards and import licensing
12. The key theoretical deduction of the Heckscher–Ohlin (H–O) model is that
- A. Trade occurs according to comparative advantage
 - B. Factor price ratios between trading partners equalize under free trade
 - C. Factor incomes redistribute in favor of the abundant factor under free trade
 - D. Countries export commodities that use their abundant factor intensively
13. Lieontief Paradox is based on the empirical finding that
- A. Labor-Output Ratio of US exports is greater than the Labor-Output Ratio of US imports, given that the US is a capital abundant country
 - B. Labor-Output Ratio of US exports is greater than the Labor-Output Ratio of US import substitutes, given that the US is a Capital abundant country
 - C. US imports capital intensive goods given that the US is a capital abundant country.
 - D. US is a labor abundant country.
14. US reciprocal tariff means
- A. The United States imposes arbitrarily high import duties to discourage imports.
 - B. The United States imposes high import duties against countries that maintain a large trade deficit with the U.S.
 - C. The United States imposes high import duties against countries that maintain a large trade surplus with the U.S., to ensure reciprocal treatment in trade.
 - D. The United States promotes import substitution policies by protecting domestic industries through high import duties.
15. The World Trade Organization (WTO) was formally established in:
- A. 1986
 - B. 1994
 - C. 1995
 - D. 1948

SECTION B
True or False Questions
(05 Questions)

05 Marks

PROVIDE THE ANSWERS ON THE GRID SHEET

**Circle the letter representing the correct answer on the Grid sheet
provided**

Answer all questions from this section. Each question carries one mark.

16. The Heckscher–Ohlin (H–O) theory is based on the assumption that there is free factor mobility between countries.

a. True

b. Falls

17. The Heckscher–Ohlin (H–O) theory is based on the assumption that there is free factor mobility between products.

a. True

b. Falls

18. The Stolper–Samuelson theory is about the factor income redistribution within a country, whereas Samuelson's Factor Price Equalization theory is about factor price changes between countries.

a. True

b. Falls

19. The gravity model predicts a negative relationship between export volume and the GDP of importing countries.

a. True

b. False

20. The theory of Comparative Advantages hypothesizes that free trade always increases social welfare of all trading partners.

a. True

b. False

**SECTION C:
SHORT ANSWER QUESTIONS**

20 marks

There are Five (05) Questions in this section. Provide Short Answers to All Questions from this section.

21. State one key theoretical difference between Theory of Absolute Advantage and the Theory of Comparative Advantage. (04 Marks)
22. Briefly outline the main hypothesis of the Stolper-Samuelson theorem. (04 Marks)
23. Provide a five-step verbal proof of the Stolper-Samuelson theory. (04 Marks)
24. State three (03) key assumptions of the Stolper-Samuelson theorem. (04 Marks)
25. State two (02) major criticisms of the Heckscher–Ohlin (H–O) Model. (04 Marks)

**Section D
Long Answer Questions**

30 Marks

**Use of Graphs or Equations to answer questions (wherever necessary)
in this section is encouraged.**

26. Use the information below to answer the questions A to D.

Units of Labor required to 1 unit of Sugar and 1 Unit of Chees in Fiji and Australia

	Sugar	Chees
Australia	100	50
Fiji	60	20

- A. Calculate opportunity cost of Sugar and Cheese in both countries. (02 Marks)
- B. Draw the Production Possibility Frontier (PPF) for each country. (02 Marks)
- C. Identify which country will export Sugar and which will export Cheese. (02 Marks)
- D. Using the PPF, show how trade can increase welfare for at least one country without reducing the welfare of the other. (04 Marks)

27. Use the export data given in table below to answer questions below.

Export Data			
	2023		
Com Category	Fiji	Brazil	World
Sugars and sugar confectionery	72	15,982	68,441
Total	1,078	339,696	23,669,610
Source: Trade Map			

A. Calculate RCA for Fiji and for Brazil.

(02 Marks)

B. Calculate RSCA for Fiji and Brazil.

(02 Marks)

C. Write three (03) sentences describing the relative comparative advantage the export data revealed and prescribe the optimal trade direction implied.

(06 Marks)

28. Table below provides Fiji total export to the USA, Australia and New Zealand.

Fiji's Exports to Major Buyers (2023)

(Values in USD million)

Partner Country	Fiji's reported Export	Partner's Reported Imports from Fiji
USA	214	221
Australia	105	116
New Zealand	57	68
Source: Trade Map		

A. Identify the differences in export and import values for each partner country.

(02 Marks)

B. Calculate the percentage differences of Import and export values for each destination country.

(04 Marks)

C. Write four (04) sentences on trade policy implications of your calculations under B above.

(04 Marks)

Section E
Essay Questions

30 Marks

Answer Only One (01) Question from this section

Minimum length of the essay is 3 pages.

Statistical evidence and descriptive analysis of trends are required.

**Students can bring two (02) page print out with relevant trade data
useful for essays**

29. The global economic crisis in post COVID 19 pandemic has changed the Comparative Advantages for Fiji exports. Write a critical essay describing evidence for and against this hypothesis, patterns of changes in Comparative Advantage and major policy implications.
30. Export data of the recent past show that out of total exports, 27% comes from export of mineral fuel. Export destination-wise analysis shows that 17% of Fiji exports goes to Ship stores and Bunkering. These items are among the top export commodities and destinations in the recent past. Write a critical essay describing this situation and policy implications thereof.
31. Trade Map data reports exports in FOB values and Imports in CIF values. For example, Fiji's export of Sugar to USA in 2023 was USD 7,605 thousands. In USA import data records this is recorded as 11,273. Write a critical essay describing the reasons or this difference, its implications on free trade policy and trade policy implications for Fiji.

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