

**FINAL EXAMINATION****BACHELOR OF BUSINESS ADMINISTRATION (HONOURS)**

COURSE	:	INTERNATIONAL ECONOMICS
COURSE CODE	:	ECO3203
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES :

1. This question paper consists of **THREE (3)** parts. : PART A (20 questions)
: PART B (2 questions)
: PART C (2 questions)
2. Answer ALL questions from PART A, PART B and PART C.
 - i. Answer PART A in the Objective Answer Sheet
 - ii. Answer PART B and C in the Answer Booklet provided
3. Please check to make sure that this examination pack consists of:
 - i. The Question Paper
 - ii. An Answer Booklet
 - iii. An Objective Answer Sheet
4. Do not bring any material into the examination hall. The use of a calculator is allowed. Students are **NOT** allowed to take this question paper out of the examination hall.
5. Please write your answer using permanent ink.

MY KAD/PASSPORT NO : _____
ID NUMBER : _____
LECTURER : _____
SECTION : _____

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

This question paper consists of 8 printed pages including the front page

PART A: MULTIPLE CHOICE**Instruction: Answer ALL questions**

1. Which condition is necessary for a country to gain from trade?
 - A. Higher tariffs.
 - B. Trade deficits.
 - C. Absolute advantage.
 - D. Comparative advantage.

2. Developing countries often face unstable export earnings because their export are mainly _____.
 - A. service
 - B. capital goods
 - C. primary commodities
 - D. manufactured goods

3. The infant industry argument justified protection when _____.
 - A. consumers face lower prices
 - B. government revenue is maximised
 - C. domestic firms are already efficient
 - D. long-term competitiveness can be achieved

4. A tariff imposed by a developing nation will most likely _____.
 - A. increased imports
 - B. reduce trade volume
 - C. reduce domestic prices
 - D. increase consumer surplus

5. Export-led growth strategy mainly emphasizes _____.
 - A. import restrictions
 - B. reduction of exports
 - C. domestic self-sufficiency
 - D. integration with world markets

6. A Free Trade Area (FTA) eliminates _____.
- A. labour mobility
 - B. common currency
 - C. internal tariff only
 - D. all tariffs, including external
7. Which stage involves a standard external tariff?
- A. Customs Union.
 - B. Free Trade Area.
 - C. Common Market.
 - D. Preferential Trade Area.
8. Trade creation occur when _____.
- A. tariffs increase government revenue
 - B. imports shift to higher-cost members
 - C. domestic production replaces imports
 - D. imports shift to lower-cost member countries
9. Which integration stage allows free movement of labour?
- A. Customs Union.
 - B. Free Trade Area.
 - C. Common Market.
 - D. Preferential Trade Area.
10. ASEAN is **MOST** similar to which form of economic integration?
- A. Political Union.
 - B. Customs Union.
 - C. Free Trade Area.
 - D. Economic Union.
11. Which feature best distinguishes Foreign Direct Investment (FDI) from Portfolio Investment (PI)?
- A. High liquidity.
 - B. High volatility.
 - C. Short-term focus.
 - D. Managerial control.

12. An investor can buy foreign government bonds and sell them quickly. This is an example of _____.
- A. Technology transfer
 - B. Portfolio investment
 - C. Greenfield investment
 - D. Foreign Direct Investment
13. Which motives explain a firm's decision to invest abroad to bypass tariffs?
- A. Diversification.
 - B. Market access.
 - C. Higher returns.
 - D. Strategic assets.
14. The main risk of portfolio investment for host countries is _____.
- A. capital flight
 - B. cultural erosion
 - C. resources depletion
 - D. low employment creation
15. Which form of FDI involves building new facilities from scratch?
- A. Merger.
 - B. Expansion.
 - C. Acquisition.
 - D. Greenfield investment.
16. The balance of payment (BOP) is best defined as _____.
- A. a record of foreign reserves
 - B. a record of domestic production
 - C. an increase in U.S. prices above foreign prices
 - D. a systematic record of international transactions
17. Which account records exports and imports of goods and services?
- A. Capital account
 - B. Current account
 - C. Reserve account
 - D. Financial account

18. Under flexible exchange rates, a current account deficit is mainly corrected through _____.
- A. higher tariffs
 - B. capital controls
 - C. fiscal expansion
 - D. currency depreciation
19. The depreciation of the Malaysia Ringgit will _____.
- A. reduce the prices of Malaysia's imports and exports
 - B. increase the prices of Malaysia's imports and exports.
 - C. reduce the prices of imported goods but increase the prices of exported goods in Malaysia
 - D. increase the prices of imported goods but decrease the prices of exported goods in Malaysia
20. In a fixed exchange rate system, a deficit leads the central bank to _____.
- A. print money
 - B. lower interest rates
 - C. sell foreign reserves
 - D. buy foreign reserves

(TOTAL: 20 MARKS)

PART B: STRUCTURED**Instruction: Answer ALL questions.**

1. The Malaysian government provides an export subsidy to local palm oil producers to increase export competitiveness.

Table 1

Item	
Export quantity (per gallon)	12,000
Subsidy rate (RM)	25

- a. Calculate the total subsidy received by producers. (3 marks)
- b. If export quantity increases to 15,000 gallons, calculate the new total subsidy. (3 marks)
- c. Determine the increase in government expenditure on subsidies. (3 marks)
- d. Explain any **THREE (3)** characteristics of developing nations. (6 marks)

(Total: 15 marks)

2. Table 2 shows Malaysia's Balance of Payments.

Table 2

ITEMS	RM
Education	750
Merchandise import	600
Government transaction	300
Error and Omission	250
Portfolio investment	700
Transportation	400
Merchandise exports	850
Other investment	150
Insurance	350
Direct investment	750
Other services	200
Capital account	900

- a. Calculate;
- i. current account. (5 marks)
 - ii. capital account. (5 marks)
 - iii. overall balance. (3 marks)
- b. Explain whether the country Malaysia experiences a surplus or a deficit in the Balance of Payments. (2 marks)

(Total: 15 marks)

(TOTAL: 30 MARKS)

PART C: SHORT ESSAY

Instruction: Answer ALL questions.

- 1 a. Evaluate any **TWO (2)** effects of economic integration. (5 marks)
b. Explain any **FOUR (4)** stages of economic integration with examples. (20 marks)
(Total: 25 marks)
 2. a. Evaluate any **TWO (2)** of the potential problems that MNEs may create in their home countries. (5 marks)
b. Discuss **FOUR (4)** motives that encourage firms to become Multinational Enterprises (MNEs). (20 marks)
(Total: 25 marks)
- (TOTAL: 50 MARKS)
- (TOTAL: 100 MARKS)**

END OF QUESTION PAPER