

**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, B and 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. NO. :** _____**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 of the following **BEST** describes a key characteristic of developing nations in international trade?
 - A. High income elasticity of exports.
 - B. Dependence on primary commodities.
 - C. Strong technological innovation capacity.
 - D. Heavy reliance on exports of manufactured goods.

2. The major problem faced by developing countries in world trade is _____.
 - A. surplus of capital
 - B. high global competitiveness
 - C. overproduction of industrial goods
 - D. declining terms of trade for primary products

3. Industrial policies in Malaysia are designed primarily to _____.
 - A. encourage agricultural exports
 - B. increase reliance on foreign aid
 - C. reduce manufacturing employment
 - D. reduce export dependency and promote import substitution

4. One of the most effective ways for developed nations to assist developing nation is through _____.
 - A. raising tariff barriers
 - B. promoting foreign monopolies
 - C. restricting imports from developing nations
 - D. providing technical assistance and market access

5. Exports diversification is important for developing nations because it _____.
 - A. limit access to new markets
 - B. focuses only on agricultural goods
 - C. increases vulnerability to global price changes
 - D. reduces reliance on one or a few export products

6. A free trade area is best defined as _____.
- A. a form of political union
 - B. countries that adopt a common currency
 - C. countries that completely remove all forms of government intervention
 - D. a group of countries that remove tariffs among themselves but retain individual external policies
7. The ASEAN Free Trade Area (AFTA) aims primarily to _____.
- A. reduce intra-regional trade
 - B. promotes isolation policies
 - C. increase the tariff on member countries
 - D. eliminate tariff barriers among ASEAN members
8. Which of the following is a potential disadvantage of regional trading blocs?
- A. Trade creation.
 - B. Trade diversion.
 - C. Market expansion.
 - D. Increased economic efficiency.
9. Regional integration helps developing countries by _____.
- A. restricting capital flows
 - B. reducing employment opportunities
 - C. limiting access to advanced technology
 - D. increasing market size and encouraging investment
10. The main benefit of Malaysia's participation in Regional Comprehensive Economic Partnership (RCEP) is _____.
- A. increased trade barriers
 - B. decreased export opportunities
 - C. reduced foreign investment inflows
 - D. enhanced trade liberalization, access to larger markets

11. Which of the following is **NOT** a typical motive for a firm to become multinational?
- A. Access to new markets.
 - B. Access to raw materials.
 - C. Limiting global competition.
 - D. Exploiting economies of scale.
12. A potential conflict between host countries and Multi National Enterprise's (MNE's) arises when _____.
- A. MNEs transfer technology
 - B. MNEs provide employment
 - C. MNEs repatriate profits instead of reinvesting
 - D. MNEs contribute to Growth Domestic Product (GDP)
13. Which of the following **BEST** explains Foreign Direct Investment (FDI)?
- A. Currency speculation.
 - B. Purchase of foreign bonds.
 - C. Short-term portfolio investment.
 - D. Long-term ownership and control of business assets abroad.
14. The term "transfer pricing" refers to _____.
- A. tariff calculation method
 - B. exchange rate adjustment policy
 - C. government subsidies to domestic exporters
 - D. pricing goods within different branches of a Multinational Enterprise (MNEs) to shift profits
15. One of the major advantages of Multinational Enterprise's (MNEs) in developing countries is _____.
- A. decreasing productivity
 - B. promoting income inequality
 - C. restricting domestic competition
 - D. increasing foreign exchange earnings and technology transfer

16. A country's balance of payment records _____.
A. only the trade of goods
B. only the financial transactions
C. only government spending abroad
D. all economic transactions between residents and non-residents
17. If Malaysia's imports exceed its exports, the country has a _____.
A. capital flow
B. trade deficit
C. trade surplus
D. balance current account
18. Exchange rate policy can be used to _____.
A. control labor productivity
B. regulate population growth
C. stabilize domestic interest rates only
D. influence trade competitiveness and balance of payments
19. The main challenge in achieving international policy coordination is _____.
A. similarity in fiscal systems
B. overdependence on a single currency
C. divergent national economic objectives
D. lack of communication between central banks
20. Fiscal expansion in an open economy often leads to _____.
A. trade surplus without inflation
B. reduction in government spending
C. currency depreciation and increased exports
D. currency appreciation and reduced net exports

(TOTAL: 20 MARKS)

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

- 1 Two developing countries, Country X and Country Z, produce electronic goods and automobile goods. Their daily production capacities are shown below:

Table 1

Country	Electronic goods (unit)	Automobile goods (unit)
Country X	40	20
Country Z	20	30

- a. Calculate the opportunity cost of producing.
- i. 1 unit of electronic goods in both countries (3 marks)
- ii. 1 unit of automobile goods in both countries (3 marks)
- b. Identify which country has a comparative advantage in electronic goods and automobiles. Support your answer using calculations. (4 marks)
- c. Suppose Country X adopts an export-led growth strategy while Country Z applies import substitution. Using your answer in (a) and (b), evaluate which strategy is more suitable for each country in improving trade performance and economic growth. (5 marks)

(Total: 15 marks)

2. a. The following data are extracted from the external accounts of Malaysia (in RM million).

Table 2

ITEMS	RM million
Exports of goods and services	1500
Imports of goods and services	1100
Net income	1400
Net current transfers	1300
Direct investment	700
Portfolio investment	600
Service account balance	300
Long-term capital account	800
Short-term capital account	200
Errors and omissions	400

Calculate:

- i. Current Account Balance. (3 marks)
 - ii. Capital and Financial Account Balance. Determine whether the country initially has a Balance of Payments (BOP) surplus or deficit. (3 marks)
- b. Explain any **THREE (3)** disadvantages of the Gold Standard. (9 marks)
- (Total: 15 marks)
- (TOTAL: 30 MARKS)

PART C: SHORT ESSAY

Instruction: Answer ALL questions.

- 1 a. Discuss the trade creation and trade diversion when countries form customs unions.
(10 marks)

- b. Analyze any **THREE (3)** advantages of moving towards an Economic Union.
(15 marks)

(Total: 25 marks)

- 2 a. Discuss **THREE (3)** primary international resource movements of Multinational Enterprises (MNEs).
(15 marks)

- b. Explain any **TWO (2)** problems that were created in the host country.
(10 marks)

(Total: 25 marks)

(TOTAL: 50 MARKS)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER