

## i Front page SØK2006

Department of Economics

Examination paper for SØK2006 International Trade

Examination date: May 19, 2021

Examination time (from-to): 9:00-13:00

Permitted examination support material: A / All support material is allowed

Academic contact during examination: Gonzalo Dona ([gonzalod@ntnu.no](mailto:gonzalod@ntnu.no))

Phone: 40899638

Technical support during examination: Orakel support services

Phone: 73 59 16 00

If you experience technical problems during the exam, contact Orakel support services as soon as possible before the examination time expires. If you don't get through immediately, hold the line until your call is answered.

### OTHER INFORMATION

**Make your own assumptions:** If a question is unclear/vague, make your own assumptions and specify them in your answer. Only contact academic contact in case of errors or insufficiencies in the question set.

**Cheating/Plagiarism:** The exam is an individual, independent work. Examination aids are permitted, but make sure you follow any instructions regarding citations. During the exam it is not permitted to communicate with others about the exam questions, or distribute drafts for solutions. Such communication is regarded as cheating. All submitted answers will be subject to plagiarism control. [Read more about cheating and plagiarism here.](#)

**Citations:** We do not require citations/references.

**Notifications:** If there is a need to send a message to the candidates during the exam (e.g. if there is an error in the question set), this will be done by sending a notification in Inspira. A dialogue box will appear. You can re-read the notification by clicking the bell icon in the top right-hand corner of the screen. All candidates will also receive an SMS to ensure that nobody misses out on important information. Please keep your phone available during the exam.

**Weighting:** Each question includes its weight at the end.

### ABOUT SUBMISSION

**File upload:** When working in other programs because parts of/the entire answer should be uploaded as a file attachment – make sure to save your work regularly.

All files must be uploaded before the examination time expires.

The file types allowed are specified in the upload assignment(s).

30 minutes are added to the examination time to manage the sketches/calculations/files. The additional time is included in the remaining examination time shown in the top left-hand corner.

NB! You are responsible to ensure that the file(s) are correct and not corrupt/damaged. Check the file(s) you have uploaded by clicking “Download” when viewing the question. All files can be removed or replaced as long as the test is open.

[How to digitize your sketches/calculations](#)

[How to create PDF documents](#)

[Remove personal information from the file\(s\) you want to upload](#)

**Automatic submission:** Your answer will be submitted automatically when the examination time expires and the test closes, if you have answered at least one question. This will happen even if you do not click “Submit and return to dashboard” on the last page of the question set. You can reopen and edit your answer as long as the test is open. If no questions are answered by the time the examination time expires, your answer will not be submitted. This is considered as “did not attend the exam”.

**Withdrawing from the exam:** If you become ill, or wish to submit a blank test/withdraw from the exam for another reason, go to the menu in the top right-hand corner and click “Submit blank”. This cannot be undone, even if the test is still open.

**Accessing your answer post-submission:** You will find your answer in Archive when the examination time has expired.

# 1 Exam SØK2006

[Exam - downloadable PDF](#)



**Upload your file here. Maximum one file.**

All file types are allowed. Maximum file size is **50 GB**



Select file to upload

---

Maximum marks: 10

**Question 1**  
Attached



## Exam SØK2006 – Spring 2021

Professor: Gonzalo Dona

*For each of the questions in this exam you should keep in mind always:*

- *Models, graphs, and theory are ALWAYS necessary and good. Even better when explicit.*
- *Short and clear answers are encouraged.*
- *Keep your mind open to ideas from every side.*
- *Note: I can only give points to non-blank answers*

1. Suppose country A is rich in high skill labor, and country B is rich in low skill labor. Currently they both live in autarky. (70pt)
  - a) What would be the effect of free trade in these countries in terms of welfare? Assume for simplicity that each resource (high skill/low skill work) can be used to create one different good) To fundament your answer, use model(s) we covered.
  - b) How would free trade impact wealth distribution for country A? Again, use a model learned in class to argue your points.
  - c) A shock makes the good intensive in high skill labor scarcer in the global market. What happens with the terms of trade for country A? and for country B?
  - d) Suppose country A establishes a tariff on imports from country B. Who in country A would benefit from this tariff (low skill workers or high skill workers)? Show the effects of the tariff using what you learned in class
  - e) Suppose there are very important economies of scale involved in producing goods that are intensive in low skill labor. Show why a tariff might end up being ineffective in increasing home production in this case.
  
2. A lot of debate was raised by the decision of the US Government (Trump administration) of introducing **retaliatory** tariffs against countries that they perceived behaved unfairly, most notably China. You should use what we have discussed in class, but not limit yourself to it. Remember both China and the US are real countries that will be with us for a long long time. (30pt)