

SØK 2006 International Trade
EXAM Spring term 2020

The exam consists of four questions that shall all be answered. In the grading they will be given equal weight.

QUESTION 1

Explain the concept of comparative advantage.

QUESTION 2

In several of the models in the course it is assumed that a country can produce two different goods, and in the analysis a production possibility frontier is used. Explain what the production possibility frontier shows, what it looks like, and state different reasons for why the production possibility frontier may have a bowed shape (i.e. is concave).

QUESTION 3

Suppose we look at a case with external economies of scale, where two countries produce the same good. Explain why it is the case that with trade the price on the good falls to a level below where prices were before there was trade. Discuss if production necessary will be located in the country that can produce the good at the lowest cost.

QUESTION 4

Assume that there are two countries that both have the choice between free trade and protection. Discuss how total welfare depends on if these two countries negotiate or not.