This is the final (and the only) examination. It will take 60 minutes.

In order to pass successfully the exam, read the following instructions carefully:
• write legibly, unintelligible handwriting will not be corrected and will receive zero points
• make answers short and to the point – irrelevant materiel may be penalized
• the exam has 4 pages, make sure you have all pages
• negative points are awarded for wrong answers (only) in part I
• if you have a question, you must ask it publicly and I will answer publicly
• any violation of academic honesty will be punished to the fullest extent possible

I. Multiple choice – more than one answer can be correct, for incorrect answers points are subtracted (30%)

1. A definition of “dumping” by the GATT is satisfied by
   a. exporting goods at prices lower than the home-market prices
   b. exporting goods at prices lower than the prices of exports to the third countries
   c. exporting goods at prices lower than costs including reasonable level of profit
   d. none of the above is correct

2. Among reasons for existence of international trade are NOT:
   a. technology differences among countries
   b. differences in factors of production endowments among countries
   c. differences in competitive structures among countries
   d. none of the above is correct

3. Balassa index is used to measure
   a. the extent of trade in similar goods
   b. the revealed comparative advantage
   c. the size of the market
   d. the level of international division of labour

4. Optimal tariff
   a. does depend on foreign excess demand elasticity only
   b. ensures that a country’s tariff-ridden offer curve intersects the other country’s offer curve at the highest trade indifference curve
   c. does depend on foreign excess demand elasticity and domestic demand elasticity
   d. ensures that a country’s tariff-ridden offer curve intersects the other country’s offer curve at the lowest trade indifference curve

5. Leontief in his 1956 study
   a. showed that US export production is more capital intensive than US import
   b. showed that US export production is less capital intensive than US import
   c. supported prediction of neoclassical trade model
   d. was too restrictive regarding the types of goods and factors of production
II. True, False or Uncertain? Explain in space provided! (30 %)

1. For any given terms of trade imposing a tariff always leads to a welfare loss.

2. If a country is able to benefit from imposing a tariff, this benefit must arise from the ability to influence its terms of trade.

3. According to Linder hypothesis poor countries should trade primarily with rich countries.

4. Without the assumption of identical homothetic utility function a country might import the good which intensively uses the relatively abundant factor of production.

5. Quotas are completely equivalent to tariffs provided that quotas are by the government protecting its home.
III. Write a detailed answer (40 %)

1. Explain in detail the principle of the Rybczinski proposition.

2. Explain in detail the principle of the comparative advantage.