



Høgskolen i Østfold

EXAMINATION

Course code: SFB 13509	Course: Topics in International Economics
Date: 06.05.2011	Duration 09.00 – 12.00
Permitted sources: Mother tongue – English and English – mother tongue dictionary Calculator	Lecturer: Danuta Tomczak
<p>The examination: The examination papers consist of 2 pages, inclusive this page. Please check that the examination papers are complete before you start answering the questions.</p> <p>Three of six questions should be answered: one question from Part I, one question from Part II and one question from Part III. Mark which questions you answer.</p>	
Date of announcement of the examination results: 30.05 The examination results will be made available on the Studentweb no later than two workdays after the announcement of the examination results (www.hiof.no/studentweb).	

**Please answer three questions – one question from each part indicated below.
Mark clearly which questions you answer.**

Part I

Question 1

During the WTO Committee meeting on 21st April 2011, Director – General of WTO Pascal Lamy, expressed his worries about the danger of the Doha-Round breakdown, after almost ten years of ongoing negotiations. The European Union works hard to make Doha a success, but several non-European countries question what effect a further tariff reduction may have on their development. Use economic theory to explain the problem.

Question 2

Explain the ‘trade creation’ and ‘trade diversion’ effects using theory of a customs union. Discuss whether it is important to study these effects. Does a regional customs union break the free trade principles agreed on by WTO?

Part II

Question 3

Explain why the European Union has common policies. On what areas are common policies applied in the EU?

Choose one of the policies and explain its importance, objectives and instruments.

Question 4

Choose an example of institutional changes in the EU in recent years which you find especially important. Explain what has been done and why do you find it important.

Part III

Question 5

Following the intensification of the financial crisis in the fall of 2008, many countries suggested implementing large scale fiscal stimulus packages aimed at mitigating the effects of the recession.

- a) Use the ISLM-model to show the impact of a fiscal stimulus in a nation suffering from a recession.
- b) How does the stability and growth pact (SGP) of the EU affect the possibility to conduct countercyclical fiscal policies?

Question 6

- a) What do we mean by asymmetric shocks and why are they particularly painful inside a monetary union?
- b) “Admission of new Member States into the Eurozone is likely to increase the risk of asymmetric shocks.” Comment.

Good luck!