INTERNATIONAL TRADE

(ECON 1086- RMIT, Australia)

(ECON 1269- RMIT, Vietnam)

(ECON 1089- SIM, Singapore)

Information on ASSIGNMENT 2

PLEASE CHECK RMIT/SIM BLACBOARD FOR RELEVANT DUE DATE; IT IS UP TO YOU TO FIND THESE OUT.

Instructions for submission:

1. **Click on Assessment tasks on BlackBoard.**
2. **Click on Assignment 2. It is in red.**
3. **Scroll down to Assignment Submission.**
4. **Attach your file by clicking on "Browse My Computer".**

To answer the questions 1 and 3, first get the data and follow these steps.

1. Questions 1 and 3 require you to obtain data for Mexico and Argentina.
2. In addition to the variables you obtained from the World Bank in doing Assignment 1,[1] also obtain GINI index (World Bank estimate) from the World Bank's World Development Indicators for the years 1990-2012. (http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators). **[Note that if your browser (such as Google) does not open the webpage, try a different browser (such as Internet Explorer)]**
3. Note that the GINI Coefficient is an index and not measured as a currency.
4. Note some observations may be missing for some years for GINI index. That is still OK, continue to select all years (including the missing ones) to do your calculations.
5. **DO NOT attach** Excel files to the assignment.

[1] These were country-level data on imports of goods and services (in current US$), exports of goods and services (in current US$), GDP (in current US$) and GDP per capita (in current US$).

Assignment 2 (25% of your final grade)

Check **BLACKBOARD** for due dates.

*** Follow the instructions above on how to get the data.
*** Read Chapters 1, 2 and 6 of the textbook very carefully.

1. Using data for Mexico and Argentina, calculate the correlation coefficient (using CORREL command in excel) between Openness and the GINI Index for each nation. Report and interpret this relationship in up to 100 words. [Hint: the GINI is often used as a proxy for the ratio of skilled to unskilled wages in empirical studies]. (5 marks)

2. Using a diagram for substitutable inputs case, explain in up to 100 words the Stolper-Samuelson theorem. (5 marks)

3. Assume that both Mexico and Argentina are unskilled-labour abundant countries. Based on your findings in Question 1, explain in up to 100 words whether your data agree or disagree with the Stolper-Samuelson theorem. (5 marks)

4. Consider the Ricardian model given in Question 3 of Assignment 1.

   (a) Derive the relative demand curve relating the relative demand for tables to the relative price of tables. Do this algebraically, and then show what the curve looks like in a diagram (put the relative price of tables on the vertical axis and the relative quantity of tables on the horizontal axis). (2 marks)

   (b) Derive the world relative supply curve of tables. (2 marks)

   (c) Put in the same figure the relative demand curve for tables that you found in part (a) and the world relative supply curve of tables that you found in part (b). Determine the equilibrium relative price of tables and the equilibrium relative quantity of tables under free trade. (2 marks)

   (d) Under free trade, which country produces which good(s)? How many units? (2 marks)

   (e) Who gains from trade? Who loses from trade? State labours' stance towards free trade in each country. (2 marks)