

(Q. 1) Suppose that country I increases its willingness to trade at the same time that trading partner country II decreases its willingness to trade. What can be said about the resulting impact on the terms of trade and on the volume of trade?

(Q. 2) “If countries are behaving rationally, they should always be willing to export more at a higher export price. Thus, one would not expect to be see backward-bending offer curves.” Do you agree? Discuss.

(Q. 3) Explain and illustrate how countries gain from trade in the context of Ricardian framework, and the H-O theorem.