



**MONDAY 11<sup>th</sup> APRIL 2016 – AFTERNOON**

## **ECONOMICS OF SEA TRANSPORT AND INTERNATIONAL TRADE**

**Time allowed – three hours**

**Answer any FIVE questions – all questions carry equal marks**

**Please read the questions carefully before answering**

1. Critically analyse the liner trade, commenting on the types of ships and routes used with the associated fixed, variable and capital costs.
2. What is a balance of payment disequilibrium and how can it be corrected?
3. Discuss the impact that a sustained drop in crude oil prices would have on shipping and the global economy in both the long and short term.
4. Using appropriate examples to support your answer, explain the concept 'opportunity cost' as it applies to the shipping industry.
5. Answer **BOTH** parts of the question.
  - a) Define free trade and comparative advantage.
  - b) Discuss the advantages and disadvantages to a country of having a free trade policy.
6. Explain why the concept of substitution is so important to the elasticity of demand for shipping tonnage. Use diagrams to support your answer.
7. Identify and explain the demand factors that influence a layup decision.
8. Explain the effect of demand and inventory on optimal ship size. Use diagrams to support your answer.