

**WEDNESDAY 24th APRIL 2013 – MORNING**

**ECONOMICS OF SEA TRANSPORT &  
INTERNATIONAL TRADE**

**Time Allowed – Three Hours**

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

**Please read the questions carefully before answering**

1. The last decade has seen massive investment in container port expansion, development and privatisation in response to increased global trade. For a port of your choice, identify and discuss the factors that the port management needs to consider in order to secure regional and global competitiveness.
2. Distinguish between intra-industry and inter-industry trade flows. How can these flows be explained by economic theories of international trade?
3. Draw a graph to demonstrate the supply and demand model. Explain how global trade has been affected by changes in freight rates over the past thirty years.
4. Using appropriate examples, explain the concept **opportunity cost** as it applies to the shipping industry.
5. The freight market is subject to the forces of supply and demand along with other factors. Explain how freight rates have been affected by one or more recent market trends.
6. Explain why ship sizes vary within ship types. Explain the theory of **economies of scale** and give examples where this theory might not apply.
7. Discuss how fluctuating exchange rates between currencies can affect shipping business and operations within the international shipping industry.
8. Consider the implication for world trade and shipping if OPEC decreased the supply of crude oil.