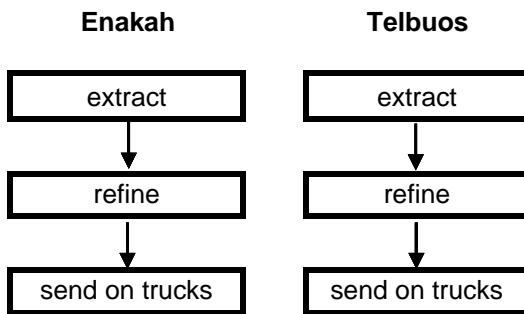


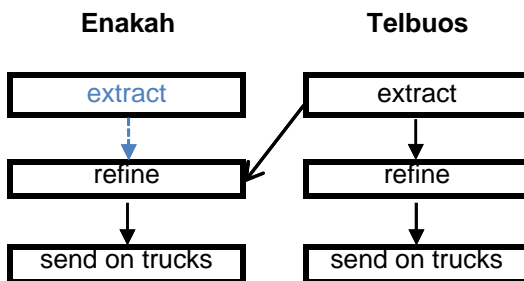
I.

a)



(3 points)

b)



(5 points)

Thus, Enakah no longer extracts crude oil, they receive crude oil as intra-firm trade from Telbuos.

II.

Ch. 8, #1:

--A CU adopts a common external tariff, but an FTA does not.

(2 points)

--A CU does not permit free movement of capital and labor between countries, whereas Common Market does allow this movement.

(2 points)

Ch. 9, #2:

Given the firm's competitiveness is a function of its proprietary knowledge the firm would be concerned about dissemination risk. The two forms of foreign market entry that lessens this risk are direct trade and FDI via a subsidiary (see Table 9.3)

(3 points)

Total points: 15 points