NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BACHELOR OF ECONOMICS	
QUALIFICATION CODE: 12BECO	**LEVEL: 7**
COURSE CODE: INT711S	**COURSE NAME**: INTERNATIONAL TRADE
SESSION: MAY/JUNE 2023	**PAPER:** THEORY
DURATION: 3 HOURS	**MARKS:** 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
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MODERATOR:	**MR IMMANUEL NASHIVELA**

INSTRUCTIONS
1. Answer ALL questions. 2. Write clearly and neatly. 3. Number the answers clearly.

PERMISSIBLE MATERIALS

1. PEN,
2. PENCIL
3. CALCULATOR

THIS QUESTION PAPER CONSISTS OF 4 PAGES (Including this front page)

SECTION A: MULTIPLE-CHOICE QUESTIONS [20 MARKS]

Write only the number and the letter representing your choice in caps i.e., 1. A, 2. B 3. C 4. D etc.

1. **Mercantilism**
a) Is the philosophy of free international trade.
b) Was a system of export promotion and barriers to imports practiced by governments.
c) Was praised by Adam Smith in The Wealth of Nations.
d) Both (a) and (c).

2. **Which of the following statements would a mercantilist not agree with?**
a) Imports are desirable.
b) Trade is a zero-sum activity.
c) The purpose of trade is to amass revenues from exports.
d) A country can benefit by granting monopoly rights to individuals.

3. **The institutional framework developed in 1947 to promote trade liberalization is known as**
a) the WTO
b) the GATT
c) the IMF
d) the World Bank

4. **According to the theory of comparative advantage, which of the following is not a reason why countries trade?**
a) Comparative advantage.
b) Costs are higher in one country than in another.
c) The productivity of labor differs across countries and industries.
d) Exports give a country a political advantage over other countries that export less.

5. **When several countries jointly impose common external tariffs, eliminate tariffs on each other, and eliminate barriers to the movement of labor and capital among themselves, they have formed a/an**
a) free trade area
b) customs union
c) common market
d) economic union

6. **A tariff can _______ raise a country's welfare**
a) never
b) sometimes
c) always
d) Permanently

7. **Which round of international trade negotiations resulted in the creation of the World Trade Organization?**
a) Kennedy Round of 1964-1967 b.
b) Tokyo Round of 1973-1979
c) Uruguay Round of 1986-1993
d) Doha Round of 2003-2007

8. According to the theory of comparative advantage, a country will export a good only if:

a) Its productivity is higher in producing the good than the productivity of other countries in producing it.
b) Its wage rate in producing the good is lower than in other countries.
c) Its cost of producing the good, relative to other goods, is at least as low as in other countries.
d) All of the above.

9. Trade creation takes place when

a) a country moves from autarky to free trade
b) a movement to a customs union reduces the costs of trade through standardization
c) economic integration results in a movement in product origin to a lower-cost member country
d) economic integration results in a shift in product origin from a lower-cost, nonmember country to a member country having higher costs

10. According to the theory of comparative advantage, countries gain from trade because

a) Trade makes firms behave more competitively, reducing their market power.
b) Output per worker in each firm increases.
c) World output can rise when each country specializes in what it does relatively best.
d) Every country has an absolute advantage in producing something.

SECTION B: TRUE OR FALSE [20 MARKS]

1. The Theory of Absolute Advantage holds that nations can increase their economic well-being by specializing in the production of goods they produce more efficiently than anyone else.
2. The Stolpher-Samuelson theory analyzes the income distribution effects of trade in the short run, when resources are immobile among industries.
3. A country's transactions with the rest of the world are recorded in the balance of payment.
4. A nation wishing to reduce its current account deficit would be advised to engage in more government spending.
5. A tax of 20 percent per unit of imported garlic is an example of a(n) ad valorem tariff.
6. A current account surplus implies that the country is a net lender to the rest of the world
7. Quotas are government-imposed limits on the price of goods trade between countries.
8. The institutional framework developed in 1947 to promote trade liberalization is known as the WTO.
9. Absolute advantage is the ability of a country, individual, company or region to produce a good or service at a lower cost per unit than the cost at which any other entity produces that same good or service.
10. Multilateral trade means one country comes into trade with more than one country.

SECTION C: STRUCTURED QUESTIONS [60 MARKS]

QUESTION 1 [Total: 30]

1. Multinational Corporations are sometimes regarded as 'international cockroaches'. Do you agree/concur with this statement? Motivate your position. (15)

2. Analyze the possible effects of the imposition of a tariff in the context of a small country, on all stakeholders, by making use of an appropriate diagram. (15)

QUESTION 2 [Total: 30]

1 The Imitation Lag Hypothesis relaxes the assumption in the Heckscher-Ohlin analysis that the same technology is available everywhere. It assumes that there is a delay in the transmission or diffusion of technology from one country to another. Explain this hypothesis in full. (15)

2 The Product-Cycle-Theory builds on the Imitation Lag Hypothesis although it is more complete in treatment of trade patterns. Discuss the three stages of the new product and its impact on international trade (15)

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