



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF MANAGEMENT SCIENCES**

**DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE**

<b>QUALIFICATION: BACHELOR OF ECONOMICS</b>	
<b>QUALIFICATION CODE: O7BEC0</b>	<b>LEVEL: 7</b>
<b>COURSE CODE: INT711S</b>	<b>COURSE NAME: INTERNATIONAL TRADE</b>
<b>SESSION: JUNE 2019</b>	<b>PAPER: THEORY</b>
<b>DURATION: 3 HOURS</b>	<b>MARKS: 100</b>

<b>FIRST OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	Ms Kasnath Kavezeri Mr Eden Shipanga Mr James Seibeb
<b>MODERATOR:</b>	Mr Ben Biwa

<b>INSTRUCTIONS</b>
1. Answer <b>ANY FOUR</b> questions of your choice. 2. Write clearly and neatly. 3. Number the answers clearly.

**PERMISSIBLE MATERIALS**

1. Pens/pencils/erasers
2. Calculator
3. Ruler

**THIS QUESTION PAPER CONSISTS OF 3 PAGES (Including this front page)**

**QUESTION 1 [25 Marks]**

1. Why were Mercantilist thinkers concerned with the acquisition of specie as opposed to overall productive capacity? (6)
2. What were the pillars of Mercantilist thought? (5)
3. Why was regulation of economic activity critical to the Mercantilist line of thinking? (4)
4. What is meant by the “paradox of Mercantilism” and how was it reflected in the Mercantilist wage and population policies? (10)

**QUESTION 2 [25 Marks]**

1. Home has 1200 units of labour available. It can produce two goods, apples and bananas. The unit labour requirement in apple production is 3, while in banana production it is 2.
  - a) Graph Home’s production possibilities frontier (PPF). (3)
  - b) What is the opportunity cost of apples in terms of bananas? (2)
2. Home is described in question (1) above. There is now also another country, Foreign, with a labour force of 800. Foreign’s unit labour requirement in apple production is 5, while in banana production, it is 1. Graph Foreign’s PPF. (3)
3. Now suppose world relative demand takes the following form:  
*Demand for apples/Demand for bananas = price of bananas/price of apples.*
  - a) Construct and clearly label the relative demand curve along with the relative supply curve, indicating the equilibrium relative price of apples. Explain your graph. (15)
  - b) Describe the pattern of trade. (2)

**QUESTION 3 [25 Marks]**

1. Indicate the equilibrium production and consumption point in autarky for a given country, using a clearly labelled PPF and a community indifference curve under increasing-opportunity-cost conditions. (15)
2. What must occur for the country discussed in (1) above, to gain from trade? (4)
3. Explain the difference between the production gain and consumption gain. (6)

**QUESTION 4 [25 Marks]**

Discuss and graphically illustrate the three phases of the Product Cycle Theory. (25)

**QUESTION 5 [25 Marks]**

The theories of Absolute Advantage and Comparative Advantage form an important foundation of international trade. Highlight and present critical analyses of the main arguments of these two trade theories, as well as their similarities and differences. (25)

**QUESTION 6 [25 Marks]**

1. What are multinational corporations? (4)
2. Differentiate between Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI). (8)
3. Multinational corporations operate in different parts of the world. As such, they are often accused of “exploiting” the host countries that are mostly less developed or developing economies. Do you agree/disagree with this statement? Motivate your position critically. (13)

**TOTAL = 100 MARKS**