



**PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF ECONOMICS	
QUALIFICATION CODE: O7BECO	LEVEL: 7
COURSE CODE: INT711S	COURSE NAME: INTERNATIONAL TRADE
SESSION: JULY 2019	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Ms Kasnath Kavezeri Mr Eden Shipanga Mr James Seibeb
MODERATOR:	Mr Ben Biwa

INSTRUCTIONS
<ol style="list-style-type: none">1. Answer ANY FOUR 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. What are the critical assumptions of the price-specie flow mechanism? (8)
2. Under the price-specie-flow mechanism what happens to the trade balance when demand is price inelastic? (5)
3. Briefly explain why the ideas of David Hume and Adam Smith were so devastating to Mercantilist thinking and policy? (12)

QUESTION 2 [25 Marks]

1. If the production conditions in Namibia and Angola were to become essentially the same, would the neoclassical model suggest that trade between the two countries would cease? Why or why not? (4)
2. Briefly discuss the concepts of trade creation and trade diversion. (6)
3. The Heckscher-Ohlin theory of trade forms an important basis for international trade. Present a brief but critical assessment of this theory, with a special focus on its underlying assumptions. (15)

QUESTION 3 [25 Marks]

1. Discuss and graphically illustrate the disequilibrium of the Offer Curves (OC) and how the Terms of Trade (ToT) is improved for the country. (15)
2. Multinational Corporations are sometimes regarded as 'international cockroaches'. Discuss this statement with reference to the disadvantages that are suffered by the least developed countries (LDCs). (10).

QUESTION 4 [25 Marks]

1. Briefly explain the term "economic integration." (5)
2. Fully discuss the four types of economic integration and give practical examples in each case. (20)

QUESTION 5 [25 Marks]

Several economic theories and hypotheses have been formulated to explain the basis of international trade. In that context, write comprehensive but brief notes, on the following theories, with a special focus on the robustness, relevance and critical analyses thereof. You

may use diagrams where applicable:

- a) Imitation Lag Hypothesis (ILH) (8)
- b) Product Cycle Theorem (PCT) (9)
- c) Technology Gap Model (TGM) (8)

QUESTION 6 [25 Marks]

Discuss the nature, causes and implications of the less-favourable terms of trade of less developed countries in comparison with those of the developed countries, critically. What can the former do in order to improve the lopsided trade relations in their favour? (25)

TOTAL = 100 MARKS