FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF ECONOMICS	
QUALIFICATION CODE: 12BECO	LEVEL: 7
COURSE CODE: INT711S	COURSE NAME: INTERNATIONAL TRADE
SESSION: MAY/JUNE 2022	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	MR EDEN TATE SHIPANGA MR ESLON NGEENDEPI
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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 3 PAGES (Including this front page)

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. A country's transactions with the rest of the world are recorded in the balance of payment.
3. A nation wishing to reduce its current account deficit would be advised to engage in more government spending.
4. A current account surplus implies that the country is a net lender to the rest of the world
5. Quotas are government-imposed limits on the price of goods trade between countries.
6. The institutional framework developed in 1947 to promote trade liberalization is known as the WTO.
7. 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.
8. Multilateral trade means one country comes into trade with more than one country.
9. The likely consequence of introducing a subsidy paid to domestic producers to protect against foreign producers is to provide an incentive for producers to be efficient.
10. Free Trade means international trade is not left to its natural course and it includes tariffs, quotas, or other restrictions.
11. Trade diversion takes place when economic integration results in a shift in product origin from a lower-cost, nonmember country to a member country having higher costs.
12. International trade is based on the idea that resources are less mobile internationally than are good.
13. If tariff is higher, then the imports will decrease.
14. A multinational enterprise is best described as a business that has bases abroad.
15. Mercantilism was praised by Adam Smith in The Wealth of Nations.
16. The comparative advantage model of Ricardo was based on demand conditions underlying specialization and trade.
17. The Stolpher-Samuelson theory analyzes the income distribution effects of trade in the short run, when resources are immobile among industries.
18. The new world Trade organization WTO., which replaced the GATT came into effect from 1st January 1995.
19. Trade between two countries can be useful if cost ratios of goods are different.
20. A tax of 20 percent per unit of imported garlic is an example of a(n) ad valorem tariff.

QUESTION 1   **[30 MARKS]**

Analyse the Mercantilist school of thought view's on trade. In light of your analysis; are these ideas still relevant to the current international economics trends? Motivate your position.

QUESTION 2   **[30 MARKS]**

With the aid of a graph, elaborate and evaluate the robustness of H-O model with emphasis on presenting the gains from trade under the following assumptions for two countries:

a) Identical production capacity and different demands   (10)
b) Different production capacity and different consumption level   (10)
c) Different production capacity and identical demands   (10)

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