



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF HEALTH, NATURAL RESOURCES AND APPLIED SCIENCES

SCHOOL OF AGRICULTURE AND NATURAL RESOURCES SCIENCES

DEPARTMENT OF AGRICULTURAL SCIENCES AND AGRIBUSINESS

QUALIFICATION : BACHELOR OF SCIENCE IN AGRICULTURE (AGRIBUSINESS MANAGEMENT)	
QUALIFICATION CODE: 07BAGA	LEVEL: 7
COURSE CODE: ECT721S	COURSE NAME: ECONOMICS OF TRADE
DATE: JANUARY 2025	Paper 2
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY/SUPPLEMENTARY EXAMINATION QUESTION PAPER	
EXAMINER(S)	PROF DAVID UCHEZUBA
MODERATOR:	MR BEN HARASEB

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

PERMISSIBLE MATERIALS

1. Examination question paper
2. Answering book

THIS QUESTION PAPER CONSISTS OF 9 PAGES (Excluding this front page)

SECTION 1 MULTIPLE-CHOICE QUESTIONS (20 Marks)

Question 1

When there is one factor of production, the production possibility frontier will be

- a). a straight line and downward sloping
- b). a straight line and upwards sloping
- c). a curve and upward-sloping
- d). a curve and downward sloping

Question 2

International trade is based on the notion that:

- a). Different currencies are obstacles to trade.
- b). Goods are more mobile internationally than resources.
- c). Resources are more mobile internationally than goods.
- d). A country's exports should always exceed its imports.

Question 3

In a production possibility frontier (PPF) with factor substitution possibilities, the point of infeasible production is point

- a). Outside the PPF curve
- b). inside the PPF curve
- c). On the PPF curve
- d). None of the above

Question 4

The classical trade theories of international trade:

- a). Only countries with low wages will export.
- b). Only countries with high wages will export.
- c). Countries with high wages will have high prices.
- d). All the above are false.

Question 5

The classical trade theories of Smith and Ricardo predict that:

- a). Countries will completely specialise in the production of export goods.
- b). Considerable trade will occur between countries with different levels of technology.
- c). Small countries could obtain all the gains from trade when trading with larger countries.
- d). All the above.

Question 6

Gains from international trade are closely related to:

- a). Labour theory of value
- b). How much does the autarky price differ from the international terms of trade change?
- c). The philosophy of Win some lose some.
- d). All the above.

Question 7

An Iso-value line is defined as the line representing

- a). a constant value of production.
- b). a variable value of production.
- c). an increasing value of production.
- d). a decreasing value of production.

Question 8

External economies of scale depend on the

- a). Size of the industry
- b). Size of the firm
- c). Size of both
- d). None of the above

Question 9

Countries that have similar relative amounts of factors of production are predicted to have abundant

- a). Intra and inter-industrial trade

- b). Inter-industrial trade
- c). Intra-industrial trade
- d). All of the above

Question 10

Suppose an automobile sells in the world market for \$10,000 and the cost of production is \$8,000. What is the value added by the automobile?

- a). \$18,000
- b). \$2,000
- c). \$1.25
- d). \$80, 000, 000

Question 11

The effective rate of protection:

- a). Distinguish between effective tariffs and those that are ineffective.
- b). Is the minimum level at which a tariff becomes effective in limiting imports.
- c). Shows how effective a tariff is in raising revenue for the government.
- d). Shows the increase in value-added production that a particular tariff structure makes possible, in percentage terms.

Question 12

If the terms of trade gain exceed the efficiency loss due to tariff, then national welfare will

- a). Increase in the foreign country relative to domestic country
- b). increase in both foreign and domestic countries
- c). Increase in the domestic country relative to foreign country
- d). Decrease in both foreign and domestic country

Question 13

A tariff is an instrument of

- a). Protection and revenue
- b). Protection only
- c). Revenue only

d). None of the above

Question 14

_____ represents the difference between what the consumers have to pay for a product and what they are willing and able to pay.

- a). Producer surplus
- b). Deadweight surplus
- c). Government surplus
- d). Consumer surplus

Question 15

Dynamic increasing returns to scale implies

- A. Dynamic external economies of scale
- B. Dynamic internal economies of scale
- C. Dynamic external trade integration
- D. Dynamic external terms of trade

Question 16

Mr Jones imports a commodity from Japan into Namibia, at the port, he pays 21% of the value of the goods. This implies Mr Jones paid.

- A. An import tax
- B. A custom duty
- C. A specific tariff
- D. An ad valorem tariff

Question 17

Which of the following statements is a correct effect of a tariff imposed by a small country?

- A. The price of that good in a foreign country will not fall
- B. The price of that good in a foreign country will fall
- C. The price of that good in the domestic country will fall
- D. The price of that good in foreign and domestic countries will not fall

Question 18

Suppose an electronic sells for N\$ 6000 per unit in the market, and the factor cost of producing it is N\$2000. What value did electronics add to the industry?

- A. N\$1000
- B. N\$4000
- C. N\$8000
- D. N\$12000

Question 19

What trade principle advocates for equal treatment

- A. Rule of Origin
- B. Most Favoured Nation
- C. Quarantine
- D. National procurement rule

Question 20

Which of the following statements is incorrect about countries in a Free Trade Area?

- A. They have a common external tariff
- B. They charge no tariff for members
- C. They have no common external tariff
- D. Non-members may benefit from low or free tariff

SECTION 2 ESSAY TYPE QUESTION (80 marks)

Question 2 (20 Marks)

- 2.1 The table below represents the Unit labour requirement for domestic and foreign countries in the production of cheese and wine. Use the table to answer the questions that follow.

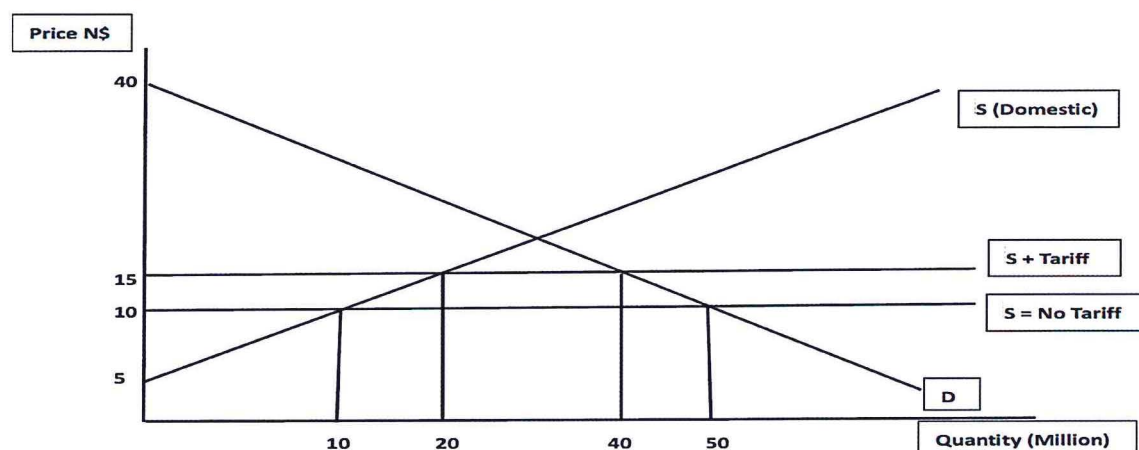
	Cheese	Wine
Domestic	$a_{LC} = 1 \text{ hour/kg}$	$a_{LW} = 2 \text{ hours/L}$
Foreign	$a_{LC}^* = 6 \text{ hours/kg}$	$a_{LW}^* = 3 \text{ hours/L}$

- 2.1.1 What is the labour unit of cheese production relative to wine in the domestic country?
(1Mark)
- 2.1.2. What is the labour unit of cheese production relative to wine in a foreign country?
(1 Mark)
- 2.2.3. What is the opportunity cost of producing wine relative to cheese in the domestic country?
(1 Mark)
- 2.1.4. What is the opportunity cost of producing wine relative to cheese in the domestic country?
(1 Mark)

2.2.

Assume the domestic country (Namibia) imposed a tariff on the importation of the commodity in Figure 2. Answer the questions that follow.

Figure 2 Domestic Country Imposed Import Tariff.



- 2.2.1. What type of Tariff was imposed? (1 Mark)
- 2.2.2. Assuming the world Price $P_w = 25$ and the equilibrium supply is 30 million tons. What is the import quantity into the domestic country? (1 Mark)
- 2.2.3. Calculate the following.
 - 2.2.3.1. The amount of tariff imposed by the domestic country (1 Mark)
 - 2.2.3.2. The import quantity after the tariff was imposed. (1 Mark)
 - 2.2.3.3. The government revenue from tariff (1 Mark)
 - 2.2.3.4. Autarky consumer surplus (1 Mark)
 - 2.2.3.5. The consumer surplus under free trade (1 Mark)
 - 2.2.3.6. The consumer surplus with trade after tariff (1 Mark)
 - 2.2.3.7. By how much tariff decreased consumer surplus after trade (1 Mark)
 - 2.2.3.8. The autarky producer surplus (1 Mark)
 - 2.2.3.9. The producer surplus under free trade (1 Mark)
 - 2.2.3.10. The producer surplus with tariff (1 Mark)
 - 2.2.3.11. By how much tariff increased producer surplus after trade (1 Mark)
 - 2.2.3.12. The dead weight welfare effect of the tariff (3 Mark)

Question 3 (20 Marks)

3.1. Explain the meaning of the following and give one example of each.

- 3.1.1 Custom Union (2 Marks)
- 3.1.2. Common market (2 Marks)
- 3.1.3. Monetary Union (2 Marks)
- 3.1.4. Free Trade Area (2 Marks)

Table 1.

Country	A	B	C
Production costs	40	30	20

3.2. Table 1 shows the production activities of countries in a customs union. Use the above table to discuss how forming a customs union can lead to

- 3.2.2. Trade creation (5 Marks)
- 3.2.2. Trade diversion (5 Marks)
- 3.3. What is trade concession (2 Marks)

Question 4 (20 Marks)

- 4.1. List eight Regional Economic Communities recognized by the Africa Union (8 Marks)
- 4.2. At the centenary celebrations of SACU, the heads of States and Governments made a declaration, about how it functions. That declaration contains the direction SACU would like to pursue as well as its regional integration agenda. Briefly outline the SACU declarations. (12 Marks)

Question 5 (20 Marks)

- 5.1. Briefly explain the meaning of the following terms
 - 5.1.1. Sanitary and phytosanitary measure (5 Marks)
 - 5.1.2. Technical Barrier to Trade (5 Marks)
- 5.2. Shoprite sells imported chicken from Argentina at less than average price. Galito chicken is worst off by the low price offered by Shoprite and lunches a compliant with competition commission. Use this scenario to answer the following questions.

- 5.2.1. What offence has Shoprite allegedly committed? (2 Marks)
- 5.2.2. What action should the competition commission take (3 Marks)
- 5.2.3. If found guilty what remedy measures will compensate Galito chickens? (2 Marks)
- 5.2.4. Why was it possible for the chicken to be below the average price in Namibia relative to Argentina? (3 Marks)