



**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: JULY 2023	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
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INSTRUCTIONS
<ol style="list-style-type: none">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)

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

1. International trade is based on the idea that:
 - a) Exports should exceed imports
 - b) Imports should exceed exports
 - c) Resources are more mobile internationally than are goods
 - d) Resources are less mobile internationally than are goods

2. The NAFTA is a:
 - a) monetary union
 - b) free trade area
 - c) common market
 - d) customs union

3. A main advantage of specialization results from:
 - a) Economics of large-scale production
 - b) The specializing country behaving as a monopoly
 - c) Smaller production runs resulting in lower unit costs.
 - d) High wages paid to foreign workers

4. The Heckscher-Ohlin theory explains comparative advantage as the result of differences in countries:
 - a) Economies of large-scale production.
 - b) Relative abundance of various resources.
 - c) Relative costs of labor.
 - d) Research and development expenditures.

5. Most tariffs have:
 - a) only revenue effects
 - b) only protective effects
 - c) both protective and revenue effects
 - d) neither protective or revenue effects

6. When one country provides the most favored nation status (normal trade relations) for another, it agrees to
 - a) charge that nation's products a lower tariff than any other nation's
 - b) charge that nation's products a tariff rate no higher than that of any other nation
 - c) charge that nation's products a higher tariff than any other nation's
 - d) exports to that nation any products that it wants to purchase

7. If international trade takes place as a result of comparative advantage, it will cause which of the following effects in the participating countries?
 - a) Inequality among households will be reduced.
 - b) The average well-being of people in both countries will increase.
 - c) Both countries will grow faster over time.
 - d) All of the above

8. The World Trade Organization is sometimes criticized for all of the following reasons except
- it reduces the sovereignty of member countries
 - favors free trade over the quality of the environment
 - it has no way to solve trade disputes among member countries
 - it is a "puppet" of multinational corporations
9. If Namibia wishes to reduce its current account deficit would be advised to:
- Engage in more government spending.
 - Reduce government tax.
 - Decrease domestic consumption spending.
 - Increase private investment spending.
10. A primary reason why nations conduct international trade is because:
- Some nations prefer to produce one thing while others produce another
 - Resources are not equally distributed to all trading nations
 - Trade enhances opportunities to accumulate profits
 - Interest rates are not identical in all trading nations

SECTION B: TRUE OR FALSE

[20 MARKS]

- Mercantilism was praised by Adam Smith in The Wealth of Nations.
- 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.
- Free Trade means international trade is not left to its natural course and it includes tariffs, quotas, or other restrictions.
- 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.
- International trade is based on the idea that resources are less mobile internationally than are goods.
- If the tariff is higher, then the imports will decrease.
- A multinational enterprise is best described as a business that has bases abroad.
- The comparative advantage model of Ricardo was based on demand conditions underlying specialization and trade.
- The new world Trade organization WTO, which replaced the GATT came into effect from 1st January 1995.
- Trade between two countries can be useful if cost ratios of goods are different.

SECTION C: STRUCTURED QUESTIONS

[60 MARKS]

QUESTION 1

[Total: 30]

- 1 Mention the reasons for Intra-industry trade in a product category and write a short explanation on each. (15)
- 2 According to the Linder theory, trade will occur in goods that have overlapping demand. Illustrate this theory and its implications. (15)

QUESTION 2

[Total: 30]

Write brief notes on each of the following:

- (a) Trade creation and trade diversion. (10)
- (b) Economic union and monetary union. (10)
- (c) Implications of an appreciation and depreciation of a currency. (10)

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