



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF HEALTH, NATURAL RESOURCES AND APPLIED SCIENCES

DEPARTMENT OF AGRICULTURE AND NATURAL RESOURCES SCIENCES

QUALIFICATION : BACHELOR OF SCIENCE IN AGRICULTURE (AGRIBUSINESS MANAGEMENT)	
QUALIFICATION CODE: 07BAGA	LEVEL: 7
COURSE CODE: ECT721S	COURSE NAME: ECONOMICS OF TRADE
DATE: NOVEMBER 2022	
DURATION: 3 HOURS	MARKS: 100

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

INSTRUCTIONS
<ol style="list-style-type: none">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 6 PAGES (Excluding this front page)

SECTION 1 MULTIPLE-CHOICE QUESTIONS (15 MARKS)

Question 1

Which of the following statement is incorrect? International trade occurs because

- A. Nations trade
- B. Inter-Industries trade
- C. Intra-Industries trade
- D. There is specialization and differentiation

Question 2

Greater inter-Industrial trade is an indication that

- A. Countries have a greater number of factors of production
- B. Countries have a similar number of factors of production
- C. Countries have different number of factors of production
- D. Countries have a smaller number of factors of production

Question 3

Which of the following statement is incorrect? In an imperfectly competitive market, there is

- A. Price discrimination
- B. Homogenous pricing
- C. Market segmentation
- D. Market failure

Question 4

Which of the following is an example of a profit-maximizing strategy?

- A. Tariff
- B. Tariff rate
- C. Quota
- D. Dumping

Question 5

A firm in country A dumps chicken into country B, what is the demand curve for this firm in countries A and B?

- A. The firm faces a downward demand curve in country A
- B. The firm faces a downward demand curve in country B
- C. The firm faces a horizontal demand curve in country A
- D. The firm faces an upward demand curve in country B

Question 6

A firm is guilty of dumping only if

- A. It is subsidized
- B. It is a low-cost producer
- C. There is an injury to the country where dumping occurred
- D. There is an arbitration to establish there is an injury to the country where dumping occurred

Question 7

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 8

Mr Jones imports a commodity from Japan into Namibia, at the port, he paid 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 9

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 10

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 11

What trade principle advocates for equal treatment

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

Question 12

Which of the following statement 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

Question 13

A Chinese national imported textile into South Africa destined for Namibia. What duty should he pay at the Namibia border?

- A. No tariff because South Africa is in a Customs Union with Namibia
- B. A tariff because China is not in a trade union with Namibia
- C. A quota because South Africa is in a Customs Union with Namibia
- D. A tariff because South Africa is in a Customs Union with Namibia

Question 14

Which of the following is an example of a monetary Union?

- A. SADC

- B. ECOWAS
- C. European Union
- D. SACU

Question 15

Which of the following is not a value-adding property of the marketing system?

- A. Place utility
- B. Form Utility
- C. Possession Utility
- D. Consumer Utility

SECTION 2 TRUE OR FALSE (5 MARKS)

1. For a country to gain in trade, it must have a comparative advantage. True or False
2. A country that has external economies of scale produce at least cost. True or False
3. A tariff will cause the price of goods to fall in a foreign country relative to a domestic country.
True or False
4. Southern African Customs Union (SACU) is an example of a common market. True or False
5. Trade restrictions other than tariffs, such as quotas, and export taxes, are prohibited by World Trade Organization, True or False.

SECTION 3 ESSAY-TYPE QUESTIONS (80 MARKS)

Question 1

When a buyer and a seller engage in a voluntary transaction, both receive something that they want and both can be made better off.

- 1.1 Give reasons to explain why countries engage in trade. (10 marks)
- 1.2. Countries trade more in one commodity than the other, explain the factors that determines a nations pattern of trade (10 marks)

Question 2

Tariffs, import quotas, export subsidies and voluntary export restrain are instruments of protectionism and trade restrictions.

- 2.1. Explain the effects of using them in the imposing nation on the
- i) Producer surplus (3 marks)
 - ii) Consumer surplus (3 marks)
 - iii) Government revenue (3 marks)
 - iv) National welfare (3 marks)

2.2.

The theories of why trade occurs can be grouped into categories such as:

- i) Labour productivity
- ii) Differences in factor endowment
- iii) Economies of scale
- iv) Consumer preference

2.2.1. Discuss the role of each factor in creating a productive advantage that results in a gainful trade.

(8 marks)

Question 3

- 3.1. The classical theory of Adam Smith advocates specialization and division of labour. What are the benefits of specialization and division of labour? (6 marks)
- 3.2. What is the pre-condition for achieving welfare increases due to specialization and division of labour? (4 marks)
- 3.3. Using examples (where necessary), explain the principles of comparative advantage (2 marks)
- 3.4. What are the simplifying assumptions underlying the law of comparative advantage? (8 marks)

Question 4

- 4.1. Explain with reasons in support or against the following misconception about comparative advantage.
- i) Free trade is beneficial only if a country is more productive than foreign countries (3 marks)
 - ii) Free trade with countries that pay low wages hurts high-wage countries. (3 marks)
 - iv) Free trade exploits less productive countries. (4 marks)
- 4.2. What is a biased growth (2 marks)
- 4.3. Illustrate with examples the difference between export and import-based (4 marks)
- 4.4. Assume Country A has a comparative advantage in Cloth and Wine over Country B. Country B has a less comparative disadvantage in Wine than in cloth. Explain how export or import-biased growth can affect countries A and B. (4 marks)

---END---