



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF HEALTH, NATURAL RESOURCES AND APPLIED SCIENCES**

**DEPARTMENT OF AGRICULTURE AND NATURAL RESOURCES SCIENCES**

<b>QUALIFICATION : BACHELOR OF SCIENCE IN AGRICULTURE (AGRIBUSINESS MANAGEMENT)</b>	
<b>QUALIFICATION CODE: 07BAGA</b>	<b>LEVEL: 7</b>
<b>COURSE CODE: ECT721S</b>	<b>COURSE NAME: ECONOMICS OF TRADE</b>
<b>DATE: JANUARY 2023</b>	
<b>DURATION: 3 HOURS</b>	<b>MARKS: 100</b>

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

<b>INSTRUCTIONS</b>
<ol style="list-style-type: none"><li>1. Answer ALL the questions.</li><li>2. Write clearly and neatly.</li><li>3. Number the answers clearly.</li></ol>

**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

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 2

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 3

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 4

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 5**

What trade principle advocates for equal treatment

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

**Question 6**

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 7**

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 8**

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

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

**Question 9**

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

**Question 10**

Mr Shitu imports dried meat into Namibia from South Africa. Namibia wants to restrict this import, what type of trade instrument must she use?

- A. Export restrain
- B. Phytosanitary restrictions
- C. Quota restrictions
- D. Ad valorem tariff

**Question 11**

The General Agreement on Tariffs and Trade (GATT) was established in

- A. 1870 to protect U.S. industries and decrease world trade
- B. 1921 to manage legal and accounting requirements for U.S. tariffs and quotas
- C. 1947 to reduce trade restrictions among 23 countries

**Question 12**

The World Trade Organization (WTO)

- A. became, in 1995, the institutionalized and more comprehensive successor to the General Agreement on Tariffs and Trade (GATT)
- A. was established in 1947 to reduce trade restrictions among 23 member countries
- C. was established in 1980 to oppose and counteract the policies of the General Agreement on Tariffs and Trade (GATT)

**Question 13**

The most-favoured-nation clause of the World Trade Organization requires that each member must

- A. offer to all member countries the same trade concessions offered to any member country
- B. choose one foreign member as its most-favoured trading nation, and give that country its most generous trade concessions
- C. offer some trade concession to any other member country offering it a trade concession

**Question 14**

Regional trading bloc agreements

- A. are not considered trade restrictions
- B. are required by World Trade Organization rules
- C. exist primarily in Russia, Africa, and South America
- D. make special trade deals between countries in that region and discriminate against countries outside the region

**Question 15**

Which of the following is *not* used as an argument for trade restrictions?

- A. emerging domestic industries, especially those with economies of scale, could not gain entry into some world markets without protection during the early years
- B. trade restrictions are required to prevent some countries from exporting a commodity at a price below its cost of production
- C. consumer surplus is maximized only when strict import tariffs and quotas ensure that exports exceed imports

**SECTION 2 TRUE OR FALSE QUESTIONS (5 MARKS)**

1. Trade restrictions other than tariffs, such as quotas, and export taxes, are prohibited by World Trade Organization, True or False.
2. Imports of dairy products from countries that have not proven satisfactory sanitary conditions are prohibited. True or False
3. Irradiation may not be applied on meat products, fresh fruits, spices and dried vegetable seasonings as a requirement for conformity assessment related to Sanitary and Phytosanitary rules. True or False
4. For vegetables, disclosure of information on the location of the farm, name of the

farmer or fertilisers used may be required Sanitary and Phytosanitary rules. True or False

- 5 Salt level in cement, or Sulphur level in gasoline, must be below a specified amount. This is a requirement for traceability. True or False

### SECTION 3 ESSAY TYPE QUESTION (80 marks)

#### Question 1

1.1 According to the trade theories, how would you explain the following concept

- a. External economies of scale (2 Marks)
- b. Internal economies of trade (2 Marks)
- c. Intra-Industry trade (2 Marks)
- d. Inter-industrial trade (2 Marks)

1.2 Distinguish between the following terms

- a) Free Trade Area and Custom Union (4 marks)
- b) Trade creation and trade diversion. (4 marks)
- c) Regional economic integration and monetary union (4 marks)

#### Question 2

Tariffs, import quotas, export subsidies and voluntary export restraint 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 are the pre-conditions 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

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

4.1 Give reasons to explain why countries engage in trade. (10 marks)

4.2. Countries trade more in one commodity than the other, explain the factors that determine a nation's pattern of trade (10 marks)

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