

UNIVERSITY OF FORT HARE

ECO 321/ ECO 321E
SUPPLEMENTARY EXAMINATIONS: 2024

November Exams
2024

.....

Time: 3h00

Subject: ECO 321/321E (International Trade Theory and Policy)

Marks: 100

This paper consists of 2 pages including the cover page

Internal Examiners

Ms N Ndesi
Dr S Tendengu
Ms N Gcadana

Moderator

Dr Vacu

INSTRUCTIONS

1. There are THREE sections.
2. Sections A and C are **COMPULSORY**.
3. Answer **ANY TWO** questions in section B.
4. Use clearly labelled diagrams where necessary.
5. Show any workings.

SECTION A -COMPULSORY**[25]****Question 1**

- a) Explain three (3) arguments for trade protection. [10 marks]
- b) With reference to the three arguments for protection discussed in 1(a) above, critically discuss their relevance in the context of South Africa. [15 marks]

SECTION B (ANSWER ANY TWO QUESTIONS FROM THIS SECTION)**[50]****Question 2****[25]**

Suppose China and Dubai are the only countries in the world, and labour is the only productive input. Suppose the technology of the two countries is characterized by the following input requirement table:

	TV	Computers
China	6hrs/unit	4hrs/unit
Dubai	3hrs/unit	3hrs/unit

- a. Which country has absolute advantage in Televisions? In Computers? Explain. (4)
- b. Determine the pre-trade relative prices, i.e., the price of a television in units of computers in each country? (8)
- c. Calculate the opportunity cost of production of each good for both countries. (8)
- d. Which country has comparative advantage in Televisions? Explain. (5)

Question 3**[25]**

- (a) Illustrate and explain what is meant by the product cycle hypothesis. (10)
- (b) Illustrate and explain what is meant by the Linder theory. (10)
- (c) What were the limitations and criticisms of Mercantilism as an international trade theory? (5)

Question 4**[25]**

The proponents of economic integration argue that if countries integrate and set zero tariffs against each other, then both countries are likely to benefit as compared to when both countries set optimal tariffs against each other. Discuss the static effects of economic integration and provide illustrations where necessary.

SECTION C: COMPULSORY**[25]****Question 5**

- (a) Differentiate between Intra- and Inter-industry trade. What is the basis of trade in each? [10 marks]
- (b) Differentiate between trade diversion and trade creation. [10 marks]
- (c) Discuss ONE non-tariff barriers. [5 marks]

END OF SUPPLEMENTARY EXAMINATION PAPER.