

Tutorial Letter 101/3/2018

International Trade ECS3702

Semesters 1 and 2

Department of Economics

IMPORTANT INFORMATION:

This tutorial letter contains important information
about the module.

BARCODE

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1 INTRODUCTION

Dear Student

We are pleased to welcome you to the International Trade module (ECS3702), and trust you will find it interesting and rewarding. We shall do our best to make your study of this module successful. You will be well on your way to success if you start studying early in the semester and resolve to do the assignment(s) properly.

A number of tutorial letters will be sent to you during the year. A tutorial letter is our way of communicating with you about teaching, learning and assessment. Tutorial Letter 101 contains important information about the method of work, resources and assignments for this module. We urge you to read the tutorial letter carefully and to keep it at hand when working through the study material, completing the assignment(s), preparing for the examination and addressing questions about the module to your lecturers. Please read Tutorial Letter 301 in combination with Tutorial Letter 101, as it provides important general information on distance education as well as information on the particular department in which you study.

In Tutorial Letter 101, the criteria for the assignments and assessment are explained. Instructions on the preparation and submission of the assignments are also given. This tutorial letter (101) also provides all the information you need with regard to the prescribed study material and other resources, and how to obtain them. Please study this information carefully and make sure you obtain the prescribed material as soon as possible.

Certain general and administrative information about this module is also included. Please study this section of the tutorial letter carefully. Right from the start we would like to point out that you must read all the tutorial letters you receive during the semester immediately and carefully, as they always contain important and sometimes urgent information.

We trust you will enjoy this module and wish you all the best!

2 PURPOSE AND OUTCOMES

2.1 Purpose

This module is aimed at answering some basic questions about the international economy. For example, why do some countries export and import more of certain goods and less of others, and is international trade good or bad for some countries? Specifically, the module aims to:

1. introduce you to the main theoretical concepts of international trade
2. equip you with a thorough grasp of trade theories, ranging from the classical theories of Adam Smith and David Ricardo to the neoclassical theory of Heckscher and Ohlin
3. familiarise you with the basic trade policy issues, including the tariffs and nontariff barriers to trade, the various forms of economic integration as well as the effects and motives for direct foreign investment

2.2 Outcomes

At the end of this module you should be able to:

- demonstrate an understanding of the mechanisms that give rise to the potential for mutual gains from trade
- describe the broad patterns of international trade ranging from Adam Smith's theory of absolute advantage and David Ricardo's theory of comparative advantage to the factor proportions theory of Eli Heckscher and Bertil Ohlin
- demonstrate an understanding of the static and dynamic effects of tariffs and nontariff barriers to trade
- explain the role played by economic integration in international trade
- explain the motives for direct foreign investment, and evaluate its welfare effects on both the source and host countries

More detailed module outcomes appear at the beginning of each learning unit in the study guide.

3 CONTACT DETAILS

3.1 Lecturer(s)

We, the lecturers who are responsible for this module, are available to assist you with any enquiries concerning the prescribed content. You may contact us as follows:

LECTURER'S NAME	BUILDING AND OFFICE NUMBER	TELEPHONE NUMBER	EMAIL ADDRESS
Amusa, KO Dr	Club 1, Room 2-25	012 433 4642	amusako@unisa.ac.za
Mkhize, NI Dr	Club 1, Room 2-06	012 433 4623	Mkhizni@unisa.ac.za

More contact details, for example, telephone numbers as well as the name of the building and office numbers of the lecturers are indicated in Tutorial Letter 302. You can also contact us by e-mail or via myUnisa.

Please direct all academic queries regarding this module to the above lecturers. Also, please have your study material with you when contacting the department on academic matters. Should you want to write to us, please address your letter to:

The Module Leader: ECS3702 – International Trade
Department of Economics
PO Box 392
Unisa
0003

PLEASE NOTE: Letters to lecturers may not be enclosed with or inserted into assignments.

3.2 Department

The Department of Economics is based in Hazelwood. The physical address is Club 1 Building, Corner of Dely Road and Pinaster Avenue, Hazelwood, Pretoria.

You will find the department's contact details in Tutorial Letter 301. You can also contact the department's coordinator, Ms Mpho Mudau, at 012 433 4686.

3.3 University

If you need to contact the university about matters not related to the content of this module, please consult the *Study @ Unisa* publication, which you have received with your study material. This publication contains information on how to contact the university (for example, to whom you can write for different queries, important telephone and fax numbers as well as the addresses and business hours of certain facilities).

Always have your student number at hand when you contact the university.

4 RESOURCES

4.1 Prescribed books

Your prescribed textbook for this module for this year is:

Salvatore, D. 2014. International Economics: Trade and Finance. 11th edition. International Student Edition. USA: John Wiley and Sons Inc.

Please refer to the list of official booksellers and their addresses listed in the *Study @ Unisa* publication. Prescribed books can be obtained from the university's official booksellers. Should you have difficulties in obtaining a book from these booksellers, please phone the Prescribed Books Section on +27 12 429 4152 or send an email to vospresc@unisa.ac.za

4.2 Recommended books

Pugel, T. 2012. International Economics. 15th edition. McGraw-Hill Inc.
Carbaugh, R. 2011. Global Economics. 13th edition. Cengage Learning.

4.3 Library services and resource information

For brief information, go to www.unisa.ac.za/brochures/studies

For detailed information, go to the Unisa website at <http://www.unisa.ac.za/> and click on **Library**.

For research support and services of personal librarians, go to <http://www.unisa.ac.za/Default.asp?Cmd=ViewContent&ContentID=7102>.

The library has compiled numerous library guides:

- finding recommended reading in the print collection and e-reserves – <http://libguides.unisa.ac.za/request/undergrad>
- requesting material – <http://libguides.unisa.ac.za/request/request>
- postgraduate information services – <http://libguides.unisa.ac.za/request/postgrad>
- finding , obtaining and using library resources and tools to assist in doing research – http://libguides.unisa.ac.za/Research_Skills
- how to contact the library/finding us on social media/frequently asked questions – <http://libguides.unisa.ac.za/ask>

5 STUDENT SUPPORT SERVICES

For information on the various student support systems and services available at Unisa (for example, student counselling, tutorial support programme and classes, and language support), please consult the *Study @ Unisa* publication which you have received with your study material.

5.1 Contact with fellow students: study groups

It is advisable to have contact with fellow students. One way to do this is to form study groups. The names and addresses of students living in your area who are registered for the same modules as you are may be obtained from the Department of Student Admission and Registration. Please consult the *Study @ Unisa* publication to obtain more information in this regard.

5.2 myUnisa

If you have access to a computer that is linked to the internet, you can quickly access resources and information at the university. The myUnisa learning management system is Unisa's online campus that will help you communicate with your lecturers, other students and the administrative departments of Unisa – all through the computer and the internet.

To access the myUnisa website, start at the main Unisa website, <http://www.unisa.ac.za>, and then click on the "Login to myUnisa" link on the right-hand side of the screen. This should take you to the myUnisa website. You can also access the myUnisa website by typing in <http://my.unisa.ac.za>

Please consult the *Study @ Unisa* publication which you have received with your study material to obtain more information on the myUnisa learning management system.

5.3 Tutorial support programme

Unisa offers tutor services for students as additional academic support at the various Unisa regional learning centres throughout the country.

A tutorial is an organised session where students and tutor(s) meet regularly at a common venue and at scheduled times to discuss course material. The main purpose of the tutorial services is to facilitate student learning by developing the student's independent learning skills, and to assist students to become motivated and independent learners. Tutorials help students develop and enhance their learning experience and academic performance through interaction with the tutor and fellow students. Tutorials are not compulsory and attending students receive tutorial support at a nominal fee.

Interested students are advised to contact a learning centre closest to them to enrol for tutorials. To obtain further information on learning centres and tutorials, please consult the *Study @ Unisa* publication.

Please note that tutors are not necessarily available for all modules and/or at all learning centres. The Department of Economics has no means of providing you with tutorial support if you did not follow the above steps.

6 STUDY PLAN

6.1 Assignments and learning

Assignments are seen as part of the learning material for this module. As you do the assignment, study the texts, consult other sources, discuss the work with fellow students or tutors, or do research, you are actively engaged in learning. Looking at the assessment criteria given for this module, the three assignments will help you understand more clearly what is required of you.

If you have access to the internet, you can view and download the study guides and tutorial letters for the modules for which you are registered under the official study material folder on the university's online campus, myUnisa, at <http://my.unisa.ac.za>.

6.2 General remarks

Enquiries about assignments (for example, whether the university has received your assignment or the date when an assignment was returned to you) must be directed to the Unisa Contact Centre on 0861 670 411 (RSA only) or +27 11 670 9000 (international calls) (also see Section 3.3). Information in this regard is also available on myUnisa.

Use your *Study @ Unisa* publication for general time management and planning skills.

6.3 Feedback on assignments

Tutorial Letter 201 will be sent to students once the assignments have been marked. Solutions to the questions in Assignment 01 and Assignment 02 will be given in Tutorial Letter 201. Solutions to Assignment 03 will be given in Tutorial Letter 202. Please make sure you *understand* where and why you have made any mistakes. You will be referred to the relevant pages in the study guide (SG) or the prescribed textbook (TB). A detailed explanation will be provided if the answer is not self-evident from the relevant prescribed text.

The feedback on Assignment 03 will not be in the form of model answers, but in the form of a guide explaining how the specific essay-type questions should be answered.

Once you have received the feedback, please check your answers. The assignments and the feedback on assignments constitute an important part of your learning, and should help you to be better prepared for the next assignment and the examination.

6.4 Learning strategy and proposed study programme

In this module, the emphasis is very much on developing students' understanding of different trade theories as well as the trade policies. Therefore, you will be exposed to a number of different concepts; for example, the different assumptions which underlie the theoretical models, the criticisms of the theories and the economic implications of these trade policies. It is important to have a thorough understanding of the different building blocks of the various theories so as to gain a comprehensive picture of their relevance in modern-day trade and for developing countries.

Approach each learning unit in the SG as follows: First read the learning unit outcomes which will help you to focus on the important aspects and issues in that unit. Work through each section of the SG, together with the relevant chapter in the TB. Remember that the SG serves to assist you to work through the contents of the TB. Make notes or summaries as you go along. At the end of every section or at the end of a learning unit, work through the activities provided in the SG.

You will notice that the activities test your understanding of the content and cover a range of the different types of questions that will be examined. You should also check your answers against the solutions provided. If you are not clear on certain concepts or theories, revise them before proceeding to the next learning unit.

To help you work on this module regularly and systematically, the following proposed study programme and three assignments (see section 8.4 of this tutorial letter) are provided. The proposed study programme is based on the assumption that first-semester students will commence their studies before or during the last week of January and second-semester students before or during the third week of July.

The information in the table below gives you some indication of how you can arrange your study programme for ECS3702. Remember that a semester consists of a maximum of 13 study weeks. Therefore, it is vital that you work continuously from the first week onwards. You should try to master the learning units in your study guide and the associated chapters in the prescribed textbook during the study weeks listed in the table below. You may find that less time is required for mastering the introductory learning units and chapters of the textbook than those that follow – please allow for this in your study programme. For example, you may take only one week to master learning unit 1, but find that you need three weeks to complete learning unit 3.

PROPOSED STUDY PROGRAMME: FIRST SEMESTER

STUDY WEEK	WEEK STARTING	LEARNING UNIT
1	4 February	1, 2 and 3
2	11 February	3 and 4
3	18–24 February	4
4	24 February	Complete learning units 1-4. Complete and submit compulsory Assignment 01. Due date: 26 February 2018
5	25 February–1 March	5 and 6
6	11 March	7
7	25 March	Complete and submit Assignment 02. Due date: 26 March 2018
8	19 March–7 April	5, 6 and 7
9	7 April	Complete and submit Assignment 03. Due date: 9 April 2018
10	7 April–Examination	Prepare for examination
11	7 April–examination	Prepare for examination

PROPOSED STUDY PROGRAMME: SECOND SEMESTER

STUDY WEEK	WEEK STARTING	LEARNING UNIT or study instruction
1	21 July	1 and 2
2	29 July	2 and 3
3	5 August	3 and 4
4	11 August	Complete learning units 1-4 and do compulsory Assignment 01. Remember to submit compulsory Assignment 01. Due date: 13 August 2018
5	11 August	4 and 5
6	18–25 August	5 and 6
7	25 August–2 September	6 and 7
8	7 September	Complete learning units 5–7 and do compulsory Assignment 02. Remember to submit compulsory Assignment 02. Due date: 7 September 2018
9	7–21 September	4 to 7
10	21 September	Complete (revise) study units 2-7 Complete and submit Assignment 03. Due date: 21 September 2018
11	21 September-examination	Prepare for examination

7 ASSESSMENT

7.1 Assessment plan

A summary of the department's assessment plan appears in Tutorial Letter 301. In general, assessment will be done by the module leader and, where applicable, the module team and/or contracted external markers and examiners. The names of examiners will also be indicated on examination papers.

7.2 Assignments

The assessment criteria for the assignments are as follows: the multiple-choice questions in all the assignments will be marked electronically in accordance with mark-reading master copies provided to the Assignment Section by the module leader. One mark will be awarded for each correct answer. No marks will be deducted for incorrect answers. Essay assignments will be marked by the relevant lecturers.

7.2.1 General assignment numbers

Assignments are numbered consecutively per module, starting from 01. In this module, there are three assignments per semester, namely Assignment 01, Assignment 02 and Assignment 03.

7.2.2 Unique assignment numbers

In addition to the general assignment number (for example, 01 or 02), each assignment (multiple-choice questions and essay-type questions) must have a unique assignment number (for example, 102717). In this module, Assignment 01 and Assignment 02 consist of multiple-choice questions only and therefore must be completed on a mark-reading sheet with a unique assignment number. Assignment 03 is a written assignment comprised of essay question(s) that must be submitted.

7.2.3 Due dates for assignments

Please note that the due dates for the submission of assignments to Unisa are also indicated in the proposed study programme.

The last ten questions of Assignment 01 are designed to obtain information required for the compilation of a student profile for this module. Your kind cooperation is requested, as this information assists the department in its ongoing efforts to ensure quality tuition. Your marks for this assignment will be based on your answers to questions 1 to 20.

7.2.4 Submission of assignments

SEMESTER 1: SUBMISSION DATES FOR ASSIGNMENTS

Assignment number	Unique number	Due date	Contents of assignments	Type of assignment
01	700431	26 February 2018	Learning units 1 to 4	Multiple-choice questions
02	714040	26 March 2018	Learning units 5 to 7	Multiple-choice questions
03	875290	9 April 2018	Learning units 2 to 7	Essay questions

SEMESTER 2: SUBMISSION DATES FOR ASSIGNMENTS

Assignment number	Unique number	Due date	Contents of assignments	Type of assignment
01	827288	13 August 2018	Learning units 1 to 4	Multiple-choice questions
02	837359	7 September 2018	Learning units 5 to 7	Multiple-choice questions
03	809498	21 September 2018	Learning units 2 to 7	Essay questions

You may submit assignments completed on mark-reading sheets either by post or electronically via myUnisa.

Assignment 03 should only be submitted ONLINE via myUnisa. Assignments may not be submitted by fax or e-mail.

To obtain detailed information on the requirements for assignments, please refer to the *Study @ Unisa* publication. To submit an assignment via myUnisa, please follow the steps below:

Go to myUnisa.

Log in with your student number and password.

Select the relevant module.

Click on **Assignments** in the menu on the left-hand side of the screen.

Click on the assignment number you want to submit.

Follow the instructions displayed on the screen.

8.3 THE EXAMINATION

8.3.1 Assessment of the examination

Please consult the *Study @ Unisa* publication which you have received with your study material for general information and requirements regarding the examination.

Please note that application for and the administration of remark of examination scripts are dealt with solely by the Examinations Department and not by academic departments.

8.3.2 Examination admission

The management of the university has decided to continue with compulsory assignments in all modules to ensure that students fully benefit from the formative tuition and assessment. You are, therefore, required to submit a compulsory assignment (Assignment 01) to obtain admission to the examination.

Please ensure that you submit the correct assignment that corresponds with your registration. For example, if you have registered for the first-semester course, you should submit Assignments 01 and 02 under Semester 1. Should you fail to meet this requirement, submission of the assignment will be invalid (even if all your answers are correct) and as a result you will be denied admission to the examination. Admission to the examination will be subject to the submission of the compulsory assignment and not the marks obtained for it.

Please ensure that this assignment reaches the university before the due date! Should the assignment not be submitted in time, you will not qualify for admission to the examination.

Also please note that a sub-minimum applies to the year mark. You must obtain at least 40% in the final examination to ensure your semester mark is included in the final mark.

For example, if you obtain 99% in the assignments and 35% in the final examination, your final mark will not include the 99% year mark because the mark obtained in the examination is less than the required sub-minimum (threshold). In this case, your final mark will be 35% (which is the examination mark). Please ensure you familiarise yourself with this important academic rule.

8.3.3 How it works in practice

Semester mark

Your semester mark is based on the marks you have obtained for the assignments. The first two assignments, which must be submitted during the semester, will contribute towards your semester mark. Different weights are allocated to the assignments. The first assignment contributes 25%, while the second contributes 25% and the third contributes 50% towards the semester (year) mark. No marks are awarded for assignments not submitted or submitted after the due date for whatever reason.

For example:

STUDENT A

Assignments	Marks obtained	Percentage	X Weight	Percentage of year mark
01	10/20	50%	X 0,25	12.5%
02	20/20	100%	X 0,25	25%
03	30/50	60%	X 0,50	30%
Total semester mark/year mark				67.5%

OR

STUDENT B

Assignments	Marks obtained	Percentage	X Weight	Percentage of year mark
01	6/20	30%	X 0,25	7.5%
02	Submitted after due date or not submitted at all	0%	X 0,25	0%
03	45/50	90%	X 0,50	45%
Total semester mark/year mark				52.5%

As already indicated, no marks are awarded for assignments not submitted or submitted after the due date for whatever reason.

The examination mark

The percentage obtained in the examination is used to calculate your final mark.

Final mark

The assignments will constitute 20% of the year mark, while the examination will contribute 80% towards the final year mark.

The final mark, which is based on your semester (year) mark and the examination mark, will be calculated as follows:

Semester mark (20%) + Examination mark (80%)

OR

Semester mark (out of 100) x 20% + Examination mark (out of 100) x 80%

For example:

Suppose you have obtained a semester mark of 52.5% and an examination mark of 60%. Your final mark will be calculated as follows:

$$\begin{aligned} & (52.5 \times 20\%) + (60 \times 80\%) \\ &= (52.5 \times 0,2) + (60 \times 0,8) \\ &= 10.5 + 48 \\ &= 58.5\% \end{aligned}$$

- If your final mark (as calculated above) is 50% or more, you pass ECS3702.
- If your final mark (as calculated above) varies between 45% and 49%, you do not pass ECS3702, but qualify for a supplementary examination.
- If your final mark (as calculated above) is less than 45%, you fail ECS3702 and you will have to reregister for ECS3702.

8.3.4 The examination

Please refer to the *Study @ Unisa* publication to obtain general guidelines for the examination as well as guidelines for examination preparation.

Examination period

This module is offered in a semester extending over approximately 15 weeks. This means that if you are registered for the first semester, you will write the examination in May/June 2018 and the supplementary examination will be written in October/November 2018. If you are registered for the second semester, you will write the examination in October/November 2018 and the supplementary examination will be written in May/June 2019.

During the semester, the Examination Section will provide you with information regarding the examination in general, examination venues, examination dates and examination times.

Examination paper

The format of the examination paper is discussed in detail in Tutorial Letter 201 which will be sent to students during the semester. The main features of the examination paper are as follows:

The examination will consist of one two-hour paper, the structure of which will be explained in full in Tutorial Letter 201. The examination paper will comprise essay-type questions similar to those given in Assignment 03. It is, therefore, important to work through and submit Assignment 03.

In short, the structure of the examination paper for 2018 is as follows:

It is a two-hour paper and consists of two sections (A and B) making up a total of 100 marks.

Each question totals 25 marks.

As explained in Section 8.3, *How this works in practice*, a final mark (semester mark + examination mark) of 50% is required to pass this module.

Previous examination papers

Previous examination papers are available to students on myUnisa under the **Official study material** option or in the **Additional Resources** option. One example of a recent examination paper will also be provided in Tutorial Letter 201. Should you obtain previous examination papers from elsewhere, we advise you not to focus on these papers only as the content of modules and, therefore, examination papers may change from year to year.

Studying the content of previous examination papers only will not be adequate to pass this module. You must be able to answer questions on all the prescribed work and study outcomes.

Tutorial letter with information on the examination

To help you prepare for the examination, you will receive Tutorial Letter 201 explaining the format of the examination paper and providing examples of questions that you may expect in the examination.

I wish you all the best with your studies.

Kind regards

Dr K Amusa

9 ASSIGNMENTS

9.1 Assignment 01 for Semester 1

SEMESTER 1	
COMPULSORY ASSIGNMENT 01	DUE DATE: 26 February 2018
UNIQUE NUMBER	700431

1. In South Africa, as indeed with any nation, participation in international trade is determined by
 - [1] relative factor prices
 - [2] government policies
 - [3] global economic conditions
 - [4] all of the above

2. Should the South African Rand depreciate against the Botswana Pula
 - [1] South African consumers of Botswana beef will be better off
 - [2] South African goods will be relatively cheaper for Botswana consumers
 - [3] South African goods will be relatively expensive for Botswana consumers
 - [4] Botswana consumers of South African maize will be worse off

3. The following is correct regarding mercantilists, except
 - [1] mercantilism refers to a set of economic ideologies that prevailed in the nineteenth century
 - [2] mercantilists believed that a nation must maintain a trade surplus to be successful
 - [3] mercantilists motivated for increased bullionism
 - [4] mercantilists motivated for limited government intervention in the economy

4. If Eldorado can produce 100 kg of sugar and 300 kg of salt in 10 and 20 labour hours, respectively, and Kontria can produce the same amounts of sugar and salt in 15 and 12 labour hours, respectively, then
 - [1] Kontria should produce sugar
 - [2] Eldorado should produce salt
 - [3] Kontria should produce salt
 - [4] There is no room for mutually beneficial trade to occur

Use the information in the table below to answer questions 5 and 6 that follow

Labour required per ton of good	South Africa	Japan
Diamonds	300	800
Cars	200	100

5. Which of the following statements is correct?

- [1] South Africa has an absolute advantage in producing cars
- [2] Japan has an absolute advantage in producing diamonds
- [3] South Africa has an absolute advantage in producing diamonds
- [4] Japan has an absolute advantage in producing both cars and diamonds

Use the table below to answer the question that follows

Output per worker	South Africa	Japan
Diamonds	300	800
Cars	200	100

6. Which of the following statements is correct?

- [1] South Africa's absolute disadvantage lies in the production of cars
- [2] Japan's absolute disadvantage lies in the production of diamonds
- [3] South Africa has an absolute advantage in the production of diamonds and Japan, in the production of cars
- [4] South Africa has an absolute advantage in the production of cars and Japan, in the production of diamonds

7. The following is correct regarding the opportunity cost per good in each country:

- [a] The opportunity cost of producing a car is higher in South Africa than in Japan
- [b] The opportunity cost of producing a car is lower in South Africa than in Japan
- [c] The opportunity cost of producing diamonds is higher in South Africa than in Japan
- [d] The opportunity cost of producing diamonds is lower in South Africa than in Japan

- [1] a and b
- [2] b and c
- [3] c and d
- [4] a and d

8. The following are correct regarding the opportunity cost theory, except
- [1] the theory was the basis for comparative advantage by Harberler in 1936
 - [2] the law of comparative advantage is also known as the law of opportunity cost
 - [3] a country with a lower opportunity cost has a comparative advantage in the commodity
 - [4] the opportunity cost theory assumes that labour is heterogeneous
9. Which of the following statements is incorrect?
- [1] The marginal rate of substitution is the same along an indifference curve
 - [2] In autarky, a nation is in equilibrium when it reaches the highest indifference curve possible given its PPF
 - [3] The equilibrium-relative commodity prices in isolation are given by the slope of the common tangent to the nation's PPF and the indifference curve
 - [4] The difference in relative commodity prices between nations is a reflection of their comparative advantage
10. Which of the following statements is correct?
- [1] With increasing costs, a nation is not able to consume beyond its PPF
 - [2] With increasing costs, specialisation is always complete in both nations
 - [3] With increasing costs, there is no basis for mutually beneficial trade should both nations have identical PPFs
 - [4] Specialisation will stop when relative commodity prices are equal in both nations and at that point, trade is in equilibrium
11. In order for useful economic analysis, community indifference curves must not intersect each other because
- [1] consumer preferences never overlap
 - [2] indifference curves are parallel to each other
 - [3] the consumer will no longer be indifferent between the different combinations
 - [4] if indifference curves intersect, it will not be possible to decide on which indifference curve represents a higher level of utility

12. Which of the following correctly tried to confirm or disprove the Leontief paradox
- [1] Hume (1711)
 - [2] MacDougall (1951)
 - [3] Munn (1928)
 - [4] Kenen (1965)
13. Which of the following statements is correct?
- [1] The Leontief paradox corroborates the factor proportions theory
 - [2] The H-O theory is also known as the Stolper-Samuelson theory
 - [3] The Stolper-Samuelson theorem posits that trade changes the internal distribution of income towards the relatively scarce and expensive factor of production
 - [4] The factor proportions theory assumes that the relative prices of factors differ between countries
14. Which of the following correctly explains the Rybczynski Theorem?
- [1] At constant commodity prices, increase in one factor results in a more than proportional increase in the commodity that uses the factor intensively.
 - [2] At constant commodity prices, increase in one factor results in a less than proportional increase in the commodity that uses the factor intensively.
 - [3] At constant commodity prices, increase in one factor results in a more than proportional increase in the commodity that uses the factor less intensively.
 - [4] At constant commodity prices, increase in one factor results in a less than proportional increase in the commodity that uses the factor less intensively.
15. Assuming South Africa exports diamond jewellery produced using its abundant capital resources, the returns to capital will rise. This statement refers to the
- [1] Rybczynski theorem
 - [2] Hecksher-Ohlin theory
 - [3] Specific factors theory
 - [4] Stolper-Samuelson theory

16. A fundamental difference between the Ricardian model of comparative advantage and the Hecksher-Ohlin model is that

- [1] the latter assumes constant returns to scale in production while the former does not
- [2] the latter assumes labour is used in production while the former assumes the use of both labour and capital
- [3] the latter assumes the use of both labour and capital in production while the former assumes the use of only labour
- [4] the latter assumes technology as a factor of production while the former does not

Use the information provided in the table below to answer the questions that follow.

	South Africa	Namibia
Amount of labour supply in industry	2000	1000
Amount of capital supply in industry	1000	4000
Amount of labour supply in manufacturing	2000	500
Amount of capital supply in manufacturing	800	1000

17. Which of the following is correct regarding the information in the table above?

- [1] South Africa is labour intensive
- [2] Industrial production is capital intensive
- [3] Manufacturing is capital intensive
- [4] Industrial production is labour intensive

18. Assume South Africa produces diamonds and sugar using both labour and capital. Working within the H-O framework, should the country move from isolation to free trade, this will benefit the owners of

- [1] labour
- [2] capital
- [3] the relatively abundant factor of production
- [4] the relatively scarce factor of production

19. Assume South Africa produces diamonds and sugar using both labour and capital. Working within the H-O framework, an increase in migrant workers from the neighbouring countries will
- [1] shift the PPF outward and decrease the production of the capital-intensive product
 - [2] shift the PPF outward and decrease the production of the labour-intensive product
 - [3] shift the PPF outward and increase the production of both the labour and capital-intensive product
 - [4] shift the PPF outward and decrease the production of both the labour and capital-intensive product
20. Which of the following statement is correct
- [1] The less broadly defined an industry is, the higher the intra-industry trade index
 - [2] The technological gap model emphasises standardisation while the product life cycle stresses the time lag in the imitation process
 - [3] In stage five of the product life cycle model, the innovating country is a net importer of the product
 - [4] In stage five of the product life cycle model, the innovating country is a net exporter of the product
21. Which ONE of the following is most true regarding your registration for ECS3702?
- [1] This is my first registration.
 - [2] This is my second registration.
 - [3] This is my third registration.
 - [4] This is my fourth registration.
 - [5] I have been registered more than four times.
22. Which ONE of the following is applicable to you?
- [1] This is my first registration for ECS3702.
 - [2] I have been registered for this module before, but have never written the examination.
 - [3] I have written the examination for this module once before.
 - [4] I have written the examination for this module twice before.
 - [5] I have written the examination for this module three or more times before.

23. Why are you studying ECS3702?

- [1] I am studying ECS3702 as part of a BCom (Financial Management) degree.
- [2] I am studying ECS3702 as part of a BCom (Economics) degree.
- [3] I am studying ECS3702 as part of a BCom (General) degree.
- [4] I am studying ECS3702 as part of another degree not mentioned above.
- [5] I am studying ECS3702 for non-degree purposes.

24. Which ONE of the following describes your situation best?

- [1] I am a full-time student who does not work at all.
- [2] I am a full-time student who works part time for extra pocket money (not to pay for my studies).
- [3] I am a full-time student who works part time to pay for my studies.
- [4] I work full time and study after hours only, and the work I do is not related to my degree at all.
- [5] I work full time and study after hours only, and the work I do is related to my degree.

25. How long after you had registered did you receive your study material?

- [1] Immediately (upon registration)
- [2] In less than a week
- [3] Between one and two weeks
- [4] Between two and three weeks
- [5] More than three weeks

26. Do you plan to attend the group discussion classes for ECS3702?

- [1] Yes.
- [2] No, I can cope on my own.
- [3] No, I have to work.
- [4] No, it is too far from where I live.
- [5] No, for any other reason.

27. Which ONE of the following describes your situation best?

- [1] I worked through all the prescribed study material before attempting this assignment.
- [2] I glanced through the prescribed study material before attempting this assignment.
- [3] I did not study the prescribed study material before attempting the assignment, but looked for the answers in the study material.
- [4] I could answer the questions without referring to the study material.
- [5] I chose my answers randomly.

28. Which ONE of the following applies to you?

- [1] I have access to the internet.
- [2] I have access to email.
- [3] I have access to both the internet and email.
- [4] I do not have access to either internet or email.

29. Which ONE of the following best describes your access to a computer?

- [1] I have unlimited access to a computer.
- [2] I have access to a computer, but do not know how to use it for study purposes.
- [3] I have to pay to use a computer (for example, internet café).
- [4] I can only use a computer as a favour.
- [5] I do not have any access to a computer.

30. How long after you had registered did you buy and/or receive your prescribed book?

- [1] In less than a week
- [2] Between one to two weeks
- [3] Between two to three weeks
- [4] More than three weeks
- [5] I already had one when I registered.

9.2 Assignment 2 for Semester 1

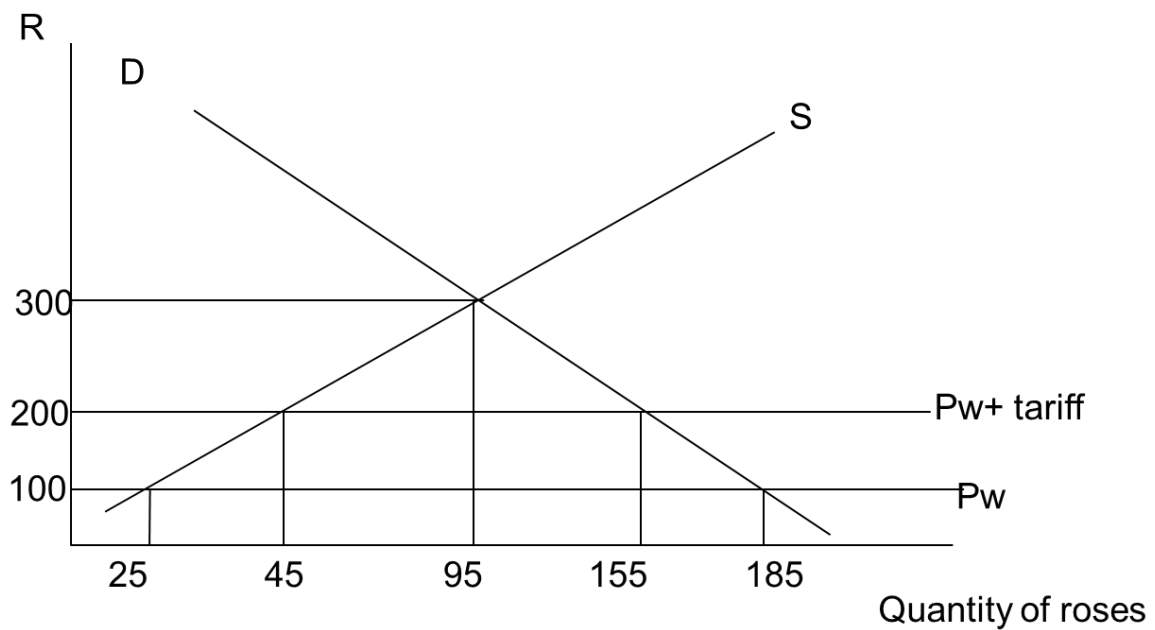
SEMESTER 1	
ASSIGNMENT 02	DUE DATE: 26 March 2018
UNIQUE NUMBER	714040

1. A benefit of free trade is that
 - [a] all nations benefit
 - [b] all nations are better off
 - [c] all nations specialise in the production of its comparative advantage good
 - [d] there are losers with trade; therefore, there cannot be any benefits to free trade
 - [1] Only a
 - [2] Only a and b
 - [3] a, b and c are correct
 - [4] d

2. A tax on an imported commodity affects the price in order to
 - [1] decrease domestic consumption
 - [2] decrease the demand of the imported good
 - [3] reduce the price of the imported good
 - [4] increase the demand of the imported good

3. Assume that Lesotho is a small nation. If Lesotho imposes a 50% tariff on imported maize from South Africa, you would expect that
 - [1] the price of maize will rise by more than 50%
 - [2] the price of maize will rise by less than 50%
 - [3] the price of maize will fall by less than 50%
 - [4] the price of maize will rise by 50%

Use the figure below on tariffs to answer question 4



4. Which of the following statements is correct?
- [1] In the absence of trade, the country consumes 25 tonnes of roses at a price of R100
 - [2] In the absence of trade, the country produces and consumes 185 tonnes of roses at R100
 - [3] In the absence of trade, the country produces and consumes 95 tonnes of roses at R300
 - [4] In the absence of trade, the country consumes 155 tonnes of roses at R200
5. Which of the following statements is correct?
- [1] An ad valorem tariff is levied as a percentage of the specific tariff amount
 - [2] A specific tariff is levied as a fixed amount per unit of the good imported
 - [3] An ad valorem tariff is levied as a fixed amount per unit of the good imported
 - [4] A specific tariff is levied as a percentage of the price of the imported good
6. The effective rate of protection is
- [1] the tariff calculated on the domestic value added in the production of a commodity
 - [2] an indication of the effectiveness of a tariff in increasing government revenue
 - [3] an indication of the effectiveness of an optimum tariff
 - [4] equal to a specific tariff

7. You are informed that the nominal tariff rate on consumers of cigars is now 25%. In addition, the cost of imported tobacco used in the production of the cigars is R40. Without tariffs, the price of cigars in South Africa is R80. Lastly, the nominal tariff rate on imported tobacco is 20%. The effective rate of protection to cigar producers in South Africa is

- [1] 25%
- [2] 20%
- [3] 40%
- [4] 10%

8. The effective rate of protection on tomato paste will be negative

- [1] if no tariff is charged on the tomatoes used in producing the paste and no tariff is imposed on tomato paste itself
- [2] if no tariff is charged on the tomatoes used in producing the paste and a tariff is imposed on tomato paste itself
- [3] if a tariff is charged on the tomatoes used in producing the paste as well as on tomato paste itself
- [4] if a tariff is charged on the tomatoes used in producing the paste and no tariff is imposed on tomato paste itself

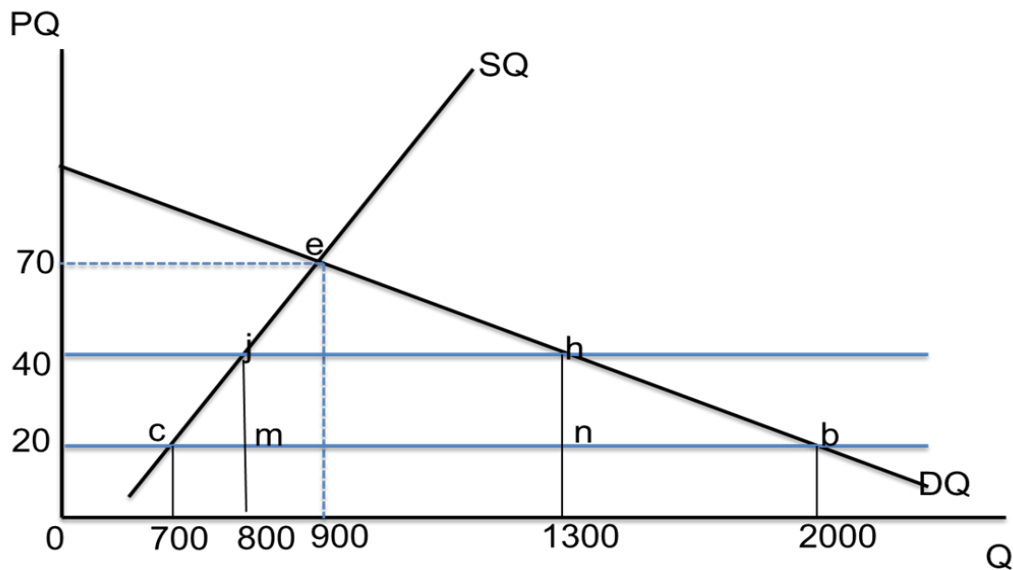
9. The following are non-tariff barriers, except

- [1] a 300-ton restriction on leather into South Africa
- [2] voluntary export restraint on textiles into South Africa
- [3] a 12% tax on the value of imported leather
- [4] a proposal to levy a tariff on imports sold in South Africa at below exporter cost price

10. The following are correct examples of regulations and requirements that hamper trade, except

- [1] safety regulations
- [2] health regulations
- [3] labelling requirements
- [4] size requirements

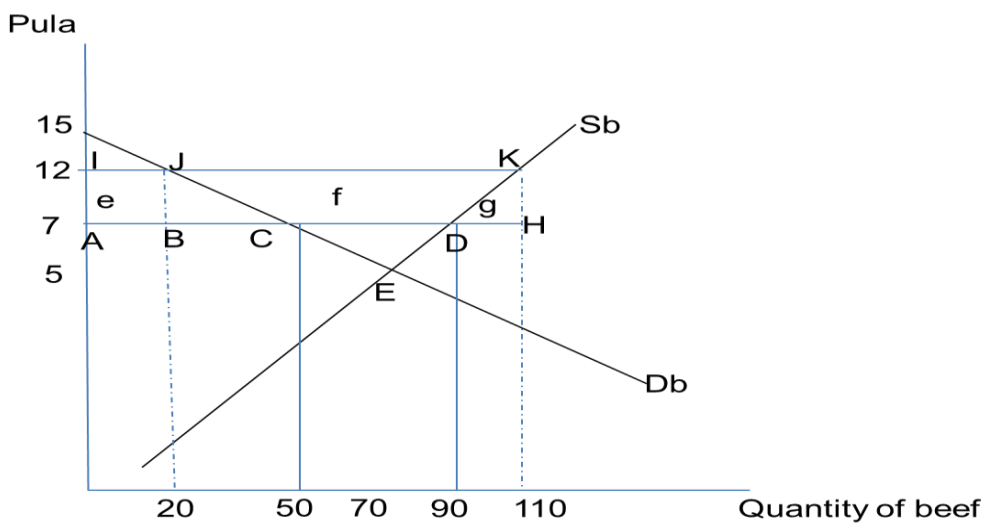
Use the figure below on quotas to answer question 11 that follows.



11. How much is the quota restriction on commodity Q?

- [1] 800Q
- [2] 1300Q
- [3] 400Q
- [4] 500Q

Use the figure below of a hypothetical export subsidy in Botswana, one of Africa's largest exporters of beef, to answer questions 12 to 13 that follow.



12. Which of the following is correct regarding the above diagram?
- [1] The free trade price is P12, Botswana produces 20 kg of beef and consumes 110 kg of beef. Thus the amount imported is 90 kg of beef.
 - [2] The free trade price is P12, Botswana produces 110 kg of beef and consumes 20 kg of beef. Thus the amount exported is 90 kg of beef.
 - [3] The free trade price is P7, Botswana produces 90 kg of beef and consumes 50 kg of beef. Thus the amount imported is 40 kg of beef.
 - [4] The free trade price is P7, Botswana produces 90 kg of beef and consumes 50 kg of beef. Thus the amount exported is 40 kg of beef.
13. What is the effect of a subsidy based on the above diagram?
- [1] A subsidy of P5 on each kg of beef exported pushes the domestic price of beef to P7.
 - [2] A subsidy of P5 on each kg of beef exported reduces the domestic price of beef to P7.
 - [3] A subsidy of P5 on each kg of beef exported pushes the domestic price of beef to P12.
 - [4] A subsidy of P8 on each kg of beef exported pushes the domestic price of beef to P15.
14. The following statements are correct about VERS, except
- [1] they have the same effect as a quota, if successful.
 - [2] they have the same effect as a tariff, if successful.
 - [3] they are administered by the exporting country.
 - [4] The revenue from VERS is captured by foreign exporters.
15. The tenant of the Most Favoured Nation principle is that
- [1] a country must remove all tariffs from its most favoured trading partner
 - [2] a country must impose the same tariff on imported goods from all exporting countries
 - [3] a country must provide the same treatment to goods coming from all nations
 - [4] a country must treat all foreign firms within its borders the same as its domestic firms

16. The -----was a GATT negotiating round conducted before the creation of the WTO.
- [1] Doha round
 - [2] Tokyo round
 - [3] Paris round
 - [4] Washington round
17. The free trade agreement between the United States, Canada and Mexico is commonly known as the
- [1] GATT
 - [2] ILO
 - [3] NAFTA
 - [4] AU
18. When low cost non-union domestic production is replaced by high cost domestic production within a union, then
- [1] trade diversion is said to have occurred
 - [2] trade creation is said to have occurred
 - [3] economic integration is said to have occurred
 - [4] free trade is said to have occurred
19. The following are correct welfare effects of international capital flows in the **investing** and **host** nations, **except**
- [1] worsening of balance of payment and improvement in the balance of payment
 - [2] reduction in employment and increase in employment
 - [3] increased tax base and decreased tax base
 - [4] redistribution of domestic income from labour to capital and the redistribution of domestic income from capital to labour
20. The following are correct effects of FDI in the host and home nations:
- [1] Technological dependence and tax avoidance
 - [2] Tax avoidance and loss of domestic jobs
 - [3] Erosion of tax base and the creation of managerial jobs
 - [4] Technological dependence and loss of domestic jobs

9.3 Assignment 03 for Semester 1

SEMESTER 1	
COMPULSORY ASSIGNMENT 03	DUE DATE: 9 April 2018
UNIQUE NUMBER	875290

This assignment contains two essay questions. You are required to answer both questions using the prescribed textbook, study notes and any other academic material at your disposal. **There is a strict three-page limit per question (single pages and/or back and front).**

The assignment must be submitted **online** and must be in PDF version only. No other format will be accepted.

Copying verbatim from the prescribed textbook is not allowed and students will be penalised for failing to adhere to this instruction. Note that **marks will be deducted for writing in point form (unless where necessary). Any source used to complete the assignment must be correctly cited in the text and referenced at the end of the assignment.**

QUESTION 1

What is the AGOA agreement? In what ways has the agreement impacted the South African economy? [25 marks]

Note that this should be a comprehensive discussion of the positive impacts and any negative impacts that may be experienced in the South African Economy as a result. This is strictly a trade question.

QUESTION 2

The South African economy is considered an open economy, with significant external trade (International trade). According to an article in *Business Day*, published on 22 March 2017, "South Africa's current account deficit narrowed to 1.7% of GDP during the fourth quarter of 2016, from 3.8%, exceeding expectations as exports outpaced import growth" (Asha Speckman, *Business Day*, 22 March 2017).

Does the above statement follow or go against the ideology of the mercantilists? Explain your response, basing your discussion on the mercantilist ideology [15 marks].

What criticism(s) did David Hume and Adam Smith levy against the mercantilists' view of trade? [10 marks]

9.4 Assignment 01 for Semester 2

SEMESTER 2	
COMPULSORY ASSIGNMENT 01	DUE DATE: 13 August 2018
UNIQUE NUMBER	827288

1. Assume that Bricks.com, a South African firm in the United Kingdom (UK), sold 100 million pounds worth of wine in the UK on 2 June 2017. Immediately after this, the pound depreciated against the rand.
 - [1] The South African company will report less revenue (in terms of the rand) than if the pound remained stable
 - [2] The South African company will report more revenue (in terms of the rand) than if the pound remained stable
 - [3] The South African company will repatriate its revenue back to the source country
 - [4] The rand amount in profits is exactly equal to the pound amount

2. The following is correct regarding mercantilists
 - [1] They believed trade to be a positive sum game.
 - [2] They were a group of philosophers who encouraged minimal government intervention.
 - [3] They believed that self-interest was detrimental to economic growth.
 - [4] They believed that in the long run, trade surplus resulted in increased holdings of precious metals

3. The idea that a government can increase economic welfare through increased exports and minimal imports without relying on previous bullion was developed by the
 - [1] mercantilists
 - [2] classical theorists
 - [3] neo-mercantilists
 - [4] new growth theorists

4. The ----- posits that South Africa can increase its economic growth by specialising in the production of goods they produce more efficiently than its trading partners.

- [1] theory of comparative advantage
- [2] theory of absolute advantage
- [3] Heckscher-Ohlin theory
- [4] mercantilists

5. Based on the theory of comparative advantage, trade between nation A and nation B, on goods X and Y will take place if

- [1] nation A can produce more of good X than nation B
- [2] nation A can produce more of both goods X and Y than nation B
- [3] nation A is more efficient at producing good X than nation B and nation B is more efficient at producing good Y than nation A
- [4] the cost of producing good X relative to good Y is lower in nation A than in nation B and the cost of producing good Y relative to good X is lower in nation B than in nation A.

Use the information in the table below to answer the question 6 that follows

Labour required per ton of good	South Africa	Japan
Diamonds	300	800
Cars	200	100

6. Which of the following statements is correct?

- [1] South Africa has a comparative advantage in the production of cars
- [2] South Africa has a comparative advantage in the production of diamonds
- [3] Japan has a comparative advantage in the production of diamonds
- [4] Japan has a comparative disadvantage in the production of cars

Use the table below to answer question 7

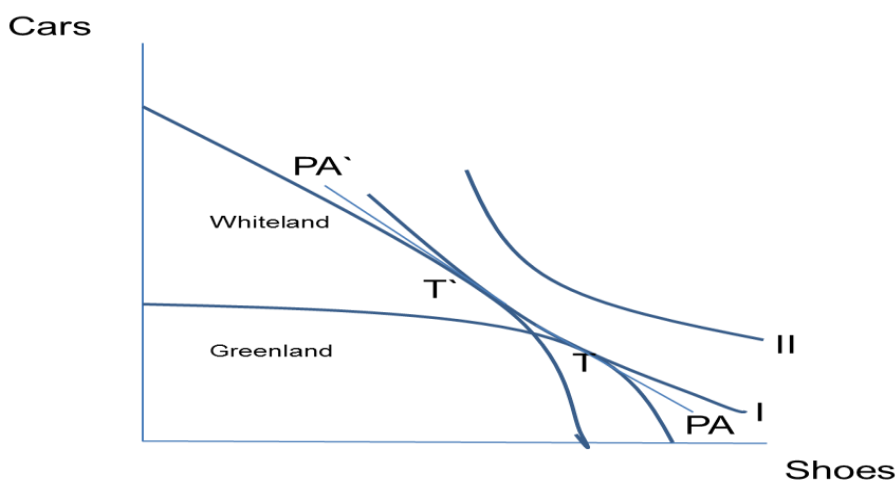
Output per worker	South Africa	Japan
Diamonds	300	800
Cars	200	100

7. The following is correct regarding the opportunity cost per good in each country
- [a] The opportunity cost of producing a car is higher in South Africa than in Japan
 - [b] The opportunity cost of producing a car is lower in South Africa than in Japan
 - [c] The opportunity cost of producing diamonds is higher in South Africa than in Japan
 - [d] The opportunity cost of producing diamonds is lower in South Africa than in Japan
- [1] a and b
[2] b and c
[3] c and d
[4] a and d
8. The labour theory of value posits that
- [1] efficiency of labour results in absolute advantage
 - [2] the value of goods and services depends on their relative labour content
 - [3] the value of goods and services depends on their relative capital content
 - [4] the value of goods and services depends on their relative labour and capital content
9. The slope of the PPF indicates
- [1] the marginal rate of substitution
 - [2] the opportunity cost of one good in terms of the other
 - [3] all possible combinations of two goods a nation can produce
 - [4] the consumer's preferences
10. Which of the following statements is correct?
- [1] The gains from exchange are synonymous with the gains from specialisation
 - [2] Community indifference curves are concave to the origin
 - [3] A PPF that is concave to the origin indicates that the nation incurs increasing opportunity costs
 - [4] In equilibrium, a nation in isolation consumes outside its PPF

11. In order for useful economic analysis, community indifference curves must not intersect each other because

- [1] consumer preferences never overlap
- [2] indifference curves are parallel to each other
- [3] the consumer will no longer be indifferent between the different combinations
- [4] if indifference curves intersect, it will not be possible to decide which indifference curve represents a higher level of utility

Use the following diagram to answer question 12.



12. According to the H-O model, Greenland is -----, and its comparative advantage lies in the production of -----, shoes are -----

- [1] capital abundant; shoes; capital intensive
- [2] capital intensive; cars; capital intensive
- [3] labour intensive; shoes; labour abundant
- [4] labour abundant; shoes; labour intensive

13. The Heckscher-Ohlin theory of international trade is premised on

- [1] difference in tastes between nations
- [2] difference in technology
- [3] difference in factor endowment
- [4] difference in labour productivity

14. Consider the Heckscher-Ohlin model consisting of labour and capital. Assume shoes are the labour intensive commodity. An increase in the price of shoes will

- [1] decrease the wage rate and increase the returns to capital
- [2] decrease both the wage rate and the returns to capital
- [3] increase the wage rate and decrease the returns to capital
- [4] increase both the wage rate and the returns to capital

Use the information provided in the table below to answer questions 15 and 16 that follow.

	South Africa	Namibia
Amount of labour supply in industry	2000	1000
Amount of capital supply in industry	1000	4000
Amount of labour supply in manufacturing	2000	500
Amount of capital supply in manufacturing	800	1000

15. According to the information in the above table

- [a] South Africa's capital-labour ratio is 1800
- [b] Namibia's capital-labour ratio is 1400
- [c] Namibia's capital-labour ratio is 3.33
- [d] South Africa's capital-labour ratio is 0.45

- [1] a and b are correct
- [2] a is correct
- [3] c and d are correct
- [4] b and c are correct

16. From the table above, one can deduce that

- [1] South Africa is capital abundant
- [2] South Africa should focus on its manufacturing sector
- [3] Namibia is capital abundant
- [4] Namibia is labour abundant

17. According to the Leontief paradox,

- [1] a significant share of US trade was between the US and other developed nations
- [2] US exported a significant amount of capital, despite being a capital abundant country
- [3] US exports were significantly capital intensive, despite the country being labour abundant
- [4] US imports were significantly capital intensive, despite the country being capital abundant

18. According to the Stolper-Samuelson theorem,

- [1] Free trade benefits the scarce factors of production and hurts the abundant factors of production
- [2] Free trade benefits the abundant factors of production and hurts the scarce factors of production
- [3] Comparative advantage arises from resource endowments
- [4] International trade results in the equalisation of relative factor prices across countries

19. Intra-industry trade occurs ideally between

- [1] developing countries
- [2] sub-Saharan Africa countries
- [3] developed countries
- [4] poor and rich countries

20. Which of the following statements is correct

- [1] The less broadly defined the industry, higher than the intra-industry trade index
- [2] The technological gap model emphasises standardisation while the product life cycle stresses the time lag in the imitation process
- [3] In stage five of the product life cycle model, the innovating country is a net importer of the product
- [4] In stage five of the product life cycle model, the innovating country is a net exporter of the product

21. Which ONE of the following is most true regarding your registration for ECS3702?
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22. Which ONE of the following is applicable to you?
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25. How long after you had registered did you receive your study material?

- [1] Immediately (upon registration)
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- [3] Between one and two weeks
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26. Do you plan to attend the group discussion classes for ECS3702?

- [1] Yes.
- [2] No, I can cope on my own.
- [3] No, I have to work.
- [4] No, it is too far from where I live.
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27. Which ONE of the following describes your situation best?

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- [4] I could answer the questions without referring to the study material.
- [5] I chose my answers randomly.

28. Which ONE of the following applies to you?

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29. Which ONE of the following best describes your access to a computer?

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- [3] I have to pay to use a computer (for example, internet café).
- [4] I can only use a computer as a favour.
- [5] I do not have any access to a computer.

30. How long after you had registered did you buy and/or receive your prescribed book?

- [1] In less than a week
- [2] Between one to two weeks
- [3] Between two to three weeks
- [4] More than three weeks
- [5] I already had one when I registered.

9.5 Assignment 02 for Semester 2

SEMESTER 2	
ASSIGNMENT 02	DUE DATE: 7 September 2018
UNIQUE NUMBER	837359

1. The following is/ are correct about tariffs, except
 - [1] a tariff benefits consumers less than producers
 - [2] a tariff can be ad valorem or specific
 - [3] a tariff is imposed to protect the domestic industry
 - [4] a tariff is imposed to protect foreign producers

2. A tariff on imported input
 - [1] is a tax on domestic consumers
 - [2] is a tax on domestic producers
 - [3] reduces the cost of production incurred by producers
 - [4] reduces the cost of consumption incurred by consumers

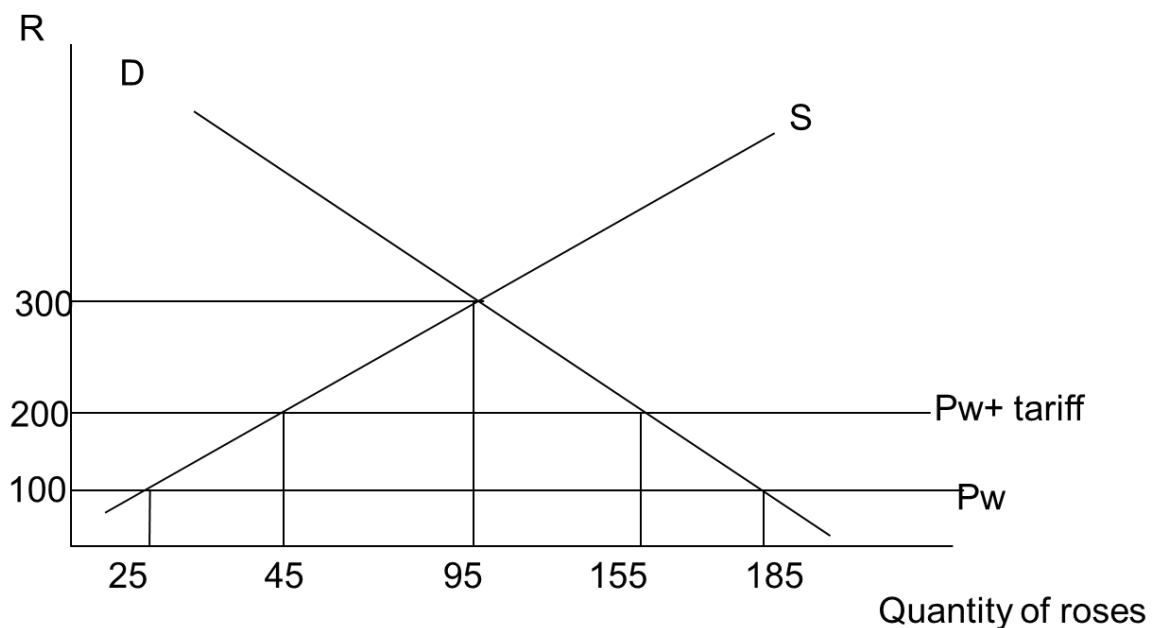
3. Nigeria trades with Lesotho. Assume Nigeria is a large country. If Nigeria imposes a 50% tariff on cotton from Lesotho, you would expect that
 - [1] the price of maize will rise by more than 50%
 - [2] the price of maize will rise by less than 50%
 - [3] the price of maize will fall by less than 50%
 - [4] the price of maize will rise by 50%

4. You are informed that the nominal tariff rate on consumers of fruit juices is now 15%. In addition, the cost of imported sugar, used in the production of the juice is R20. Without tariffs, the price of fruit juice in South Africa is R100. Lastly, the nominal tariff rate on imported sugar is 10%. The effective rate of protection to fruit juice producers in South Africa is
 - [1] 30%
 - [2] 20%
 - [3] 12.5%
 - [4] 10%

5. Assume the South African government imposes a tariff on leather, an input in shoe production, this will
- [1] increase the effective rate of protection on shoe production
 - [2] increase domestic production of shoes
 - [3] decrease the effective rate of protection on shoe production
 - [4] encourage domestic shoe producers
6. Which of the following regarding a quota is correct
- [1] The term quota is synonymous with tariff
 - [2] A quota is a specific value levied on imported goods
 - [3] A quota is the ratio of import price to export price
 - [4] A quota is a quantitative limit on imports
7. The body that arbitrates trade disputes between nations is commonly known as the
- [1] GATT
 - [2] WTO
 - [3] ILO
 - [4] EU
8. The following is true regarding OPEC
- [1] Should OPEC maximise its profits, this is beneficial to both the organisation and the rest of the world
 - [2] Should OPEC maximise its profits, this is beneficial to the rest of the world
 - [3] Should OPEC maximise its profits, this is beneficial to OPEC countries, but not all other countries
 - [4] Should a cartel such as OPEC maximise its profits, this is not beneficial for any country
9. Which of the following correctly identifies an outcome when a large nation imposes a tariff, but does not result when a small country imposes a tariff
- [1] Increase in domestic production of imported good
 - [2] Decrease in domestic consumption of the imported good
 - [3] Increase in price of the import competing good
 - [4] Decrease in world price of the imported good

10. The argument that suggests the need for temporary protection of certain industries is referred to as the
- [1] strategic trade argument
 - [2] scientific tariff argument
 - [3] economies of scale argument
 - [4] infant industry argument
11. Tom lives in Jackals town. Tom expects to pay R90 for a box of roses; however, he actually pays R30. The difference in the amount he expected to pay and what he actually paid is known as
- [1] consumer surplus
 - [2] protection loss
 - [3] producer surplus
 - [4] deadweight loss

Use the figure below on tariffs to answer questions 12 and 13.



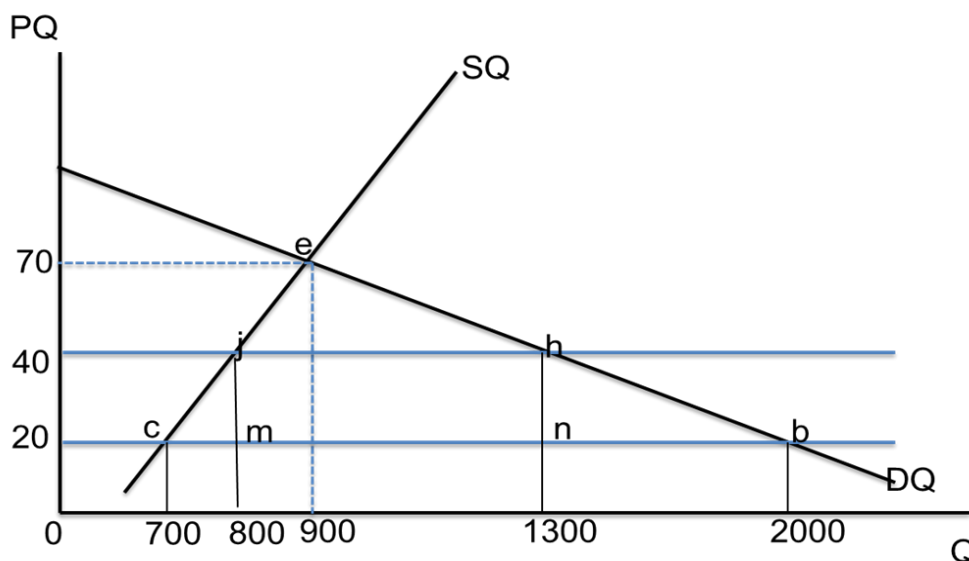
12. A 100% tariff on imported roses results in

- [1] an increase in the domestic price of roses from R100 to R200 , an increase in domestic production from 25 to 45 tonnes and an increase in domestic consumption from 155 to 185 tonnes
- [2] an increase in the domestic price of roses from R100 to R200 , an increase in domestic production from 155 to 185 tonnes and an increase in domestic consumption from 25 to 45 tonnes
- [3] an increase in the domestic price of roses from R100 to R200, an increase in domestic production from 25 to 45 tonnes and a decrease in domestic consumption from 185 to 155 tonnes
- [4] a decrease in the domestic price of roses from R200 to R100, an increase in domestic production from 25 to 45 tonnes and a decrease in domestic consumption from 185 to 155 tonnes

13. The resulting government revenue as a result of the 100% tariff is

- [1] R11 000
- [2] R 15 500
- [3] R22 000
- [4] R31 000

Use the figure below on quotas to answer the questions that follow.



14. How much is the quota rent?
- [1] R1000
 - [2] R2000
 - [3] R1400
 - [4] R20
15. The optimum tariff argument suggests that
- [1] a small country can improve its welfare by imposing an optimum tariff
 - [2] a tariff imposed by a large country benefits it due to the resulting decline in world price
 - [3] the imposition of an optimum tariff is beneficial for all nations in the long term
 - [4] the imposition of an optimum tariff is only beneficial to a small country in the period in which the tariff is imposed.
16. Which of the following is an example of an NTB
- [1] 20% tariff on imported sugar
 - [2] R100 specific tariff on imported sugar
 - [3] A 20% government subsidy to domestic producers of beef
 - [4] A 10% ad valorem tax on imported sugar
17. The tenant of the Most Favoured Nation principle is that
- [1] a country must remove all tariffs from its most favoured trading partner
 - [2] a country must impose the same tariff on imported goods from all exporting countries
 - [3] a country must provide the same treatment to goods coming from all nations
 - [4] a country must treat all foreign firms within its borders the same as its domestic firms
18. Assume that before South Africa joined the SACU, it produced salt at a higher cost than Botswana; however, upon joining SACU, it imports from Botswana, then
- [1] economic integration has occurred
 - [2] trade creation has occurred
 - [3] trade diversion has occurred
 - [4] political union between the two nations has strengthened

19. The following correctly describes the form of economic integration that yields the most integration among nations

- [1] Free trade area
- [2] Preferential trade area
- [3] Common market
- [4] Customs union

20. Which of the following statements is correct

- [1] Foreign direct investment is undertaken only by the government
- [2] MTN is an example of a multinational corporation
- [3] A multinational corporation is the same as a domestic firm
- [4] Foreign direct investment inflows is only beneficial to the owners of capital

9.6 Assignment 03 for Semester 2

SEMESTER 2	
COMPULSORY ASSIGNMENT 03	DUE DATE: 21 September 2018
UNIQUE NUMBER	809498

This assignment contains one essay question. **There is a strict three-page limit for the question (single pages and/or back and front).**

The assignment must be submitted online and must be in PDF version only. No other format will be accepted.

Copying verbatim from the source is not allowed and students will be penalised for failing to adhere to this instruction. Note that **marks will be deducted for writing in point form (unless where necessary). All sources used to complete the assignment must be correctly cited in text and referenced at the end of the assignment.**

QUESTION 1 [25 marks]

Read extensively on the SACU, using credible online sources (journals articles, official government reports, etc.). Provide a detailed assessment of the organisation (its goals, objectives, etc.) and discuss the advantages and disadvantages of South Africa's membership to the organisation.

Conclude your essay by providing your opinion on whether South Africa should remain in the union. This should be well thought out and supported by the information you have included in the body of the essay.

QUESTION 2 [25 marks]

The South African economy is considered an open economy, with significant external trade (International trade). According to an article in *Business Day*, published on 22 March 2017, "South Africa's current account deficit narrowed to 1.7% of GDP during the fourth quarter of 2016, from 3.8%, exceeding expectations as exports outpaced import growth" (Asha Speckman, *Business Day*, 22 March 2017).

Does the above statement follow or go against the ideology of the mercantilists? Explain your response, basing your discussion on the mercantilist ideology. [15 marks]

What criticism(s) did David Hume and Adam Smith levy against the mercantilists' view of trade? [10 marks]