

ECS302E

October/November 2011
Oktober/November 2011

INTERNATIONAL TRADE INTERNASIONALE HANDEL

Duration : 2 Hours
Tydsduur : 2 Uur

100 Marks
100 Punte

EXAMINERS / EKSAMINATORE :

FIRST / EERSTE : MS/ME KO AMUSA
SECOND / TWEEDE : PROF NM ODHIAMBO
EXTERNAL / EKSTERNE : MR/MNR ZC BOTHA

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This paper consists of 48 pages including 4 pages for rough work (pp 45 to 48) plus the special front page.

Hierdie vraestel bestaan uit 48 bladsye insluitende 4 bladsye vir rofwerk (pp 45 tot 48) plus die spesiale voorblad.

STUDENT NUMBER / STUDENTENOMMER									

Answer **either** question 1 or 2 in **section A** and **THREE** other questions of your choice from section B. Each question counts 25 marks.

Beantwoord vraag 1 **of** vraag 2 in **afdeling A** en **DRIE** ander vrae van u keuse uit afdeling B. Elke vraag tel 25 punte.

[TURN OVER]
[BLAAI OM]

SECTION A

This section is compulsory for all students. Students must however answer *either* question 1 or question 2 from this section A.

Hierdie afdeling is verpligtend vir alle studente. Studente moet egter slegs vraag 1 of slegs vraag 2 beantwoord.

QUESTION 1 VRAAG 1

- (a) Can the theory of absolute advantage be said to fully explain international trade? What assumptions is this theory based on and what are the limitations of this theory? [18]

Kan daar gesê word dat die teorie van absolute voordeel internasionale handel ten volle verklaar? Op welke aannames is hierdie teorie gebaseer en wat is die beperkinge van hierdie teorie? [18]

- (b) Using the numerical illustration below, is it advisable for the USA to exchange 6 bushels of wheat for 6 yards of cloth? Show your calculations to motivate your answer. [3]

Met verwysing na die syfer voorbeeld hieronder, is dit raadsaam vir die VSA om 6 gerwe koring vir 6 meter klerasie te verruil? Toon u berekenings ter staving van u antwoord. [3]

- (c) If the United Kingdom receives 6 bushels of wheat from the USA in exchange, how many man hours does the country save or how many yards of cloth does the country gain? [4]

Country	Wheat (Bushels/hr)	Clothes (Yards/hr)
USA	6	4
UK	1	5

Indien die Verenigde Koninkryk 6 gerwe koring van die VSA in ruil verkry, hoeveel manure bespaar die land of hoeveel meter klerasie wen die land in die proses? [4]

Land	Koring (gerwe/uur)	Klerasie (meter/uur)
VSA	6	4
VK	1	5

[25]

QUESTION 2

- (a) Using a numerical example, explain the concept of absolute advantage. Your discussion should include a discussion of the assumptions of the model as well as its criticisms. [20]

Deur die gebruik van 'n numeriese voorbeeld, verduidelik die begrip absolute voordeel. U bespreking moet ook die aannames van die model asook die kritiek daarteen insluit. [20]

- (b) Explain the condition(s) or scenario(s) under which, according to the theory of comparative advantage, mutually beneficial trade will not occur. [5]

Verduidelik die toestand(e) of omstandighede waaronder daar, volgens die teorie van vergelykende voordele, wederkerig voordelige handel sal plaasvind. [5]

[25]

SECTION B

Answer any *three* questions of your choice from this section.
Beantwoord enige *drie* vrae van u keuse uit hierdie afdeling.

QUESTION 3 VRAAG 3

- (a) Define a community indifference curve. [2]

Definieer 'n gemeenskapsonsydigheidskromme. [2]

- (b) What are the characteristics of an indifference curve? [2]

Wat is die kenmerke van 'n onsydigheidskromme? [2]

- (c) Define the marginal rate of transformation. [2]

Definieer die marginale transformasieverhouding. [2]

- (d) Define the marginal rate of substitution. [2]

Definieer die marginale vervangingskoers. [2]

[TURN OVER]
[BLAAI OM]

- (e) Explain the difference between the "gains from exchange" and the "gains from specialisation" for a small nation with the help of the production possibility frontier and community indifference curves. [17]

Verduidelik die verskil tussen "winste uit ruil" en "winste uit spesialisasie" vir 'n klein landjie met behulp van 'n transformasiefunksie en gemeenskapsonsydigheidskrommes. [17]

[25]

QUESTION 4 VRAAG 4

- (a) "The Heckscher Ohlin model makes very strong predictions but Leontief showed that this model fails to explain United States trading patterns." Explain the Heckscher-Ohlin model and briefly discuss the various empirical tests of the factor proportions theory. *NB: Assumptions and criticisms should be part of the explanation.* [25]

"Die Heckscher Ohlin model maak besonder sterk voorspellings maar Leontief het daarop gewys dat hierdie model nie daarin slaag om die Verenigde State se handelspatrone te verduidelik nie." Verduidelik die Heckscher Ohlin model en bespreek kortliks die verskeie empiriese toetsings van die faktorverhoudingsteorie.

NB: Aannames en kritiek moet deel van die verduideliking wees.

[25]

QUESTION 5 VRAAG 5

- (a) The Heckscher-Ohlin-Samuelson theorem is considered to be a corollary to the factor proportion theory and can only hold if the factor proportions theory holds. Explain the Heckscher-Ohlin-Samuelson theorem. *NB: State clearly any assumptions you make in order to answer the question. Do not use a diagram.* [10]

Die Heckscher-Ohlin-Samuelson leerstelling word as 'n afleiding van die faktorverhoudingsteorie beskou en kan slegs geld as die faktorverhoudingsteorie geld. Verduidelik die Heckscher-Ohlin-Samuelson teorie.

NB: Noem die aannames wat u maak in die beantwoording van die vraag duidelik. Moet nie 'n figuur gebruik nie.

[10]

[TURN OVER]
[BLAAI OM]

- (b) Using the specific factors model, explain the following statement. "International trade will have an ambiguous effect on the nation's mobile factor, benefit the immobile factors specific to the nation's export sector and harm the immobile factors specific to the nation's import competing sector or commodity. **Assumptions should be clearly stated. Do not use a diagram.** [15]

Deur gebruikmaking van die spesifieke faktore model, verduidelik die volgende stelling: "Internasionale handel sal 'n twyfelagtige uitwerking hê op die land se beweeglike faktor, dit sal die beweeglike faktore eie aan die land se uitvoersektor bevoordeel en die onbeweeglike faktore eie aan die land se invoer-mededingende sektor of kommoditeit benadeel". **Aannames moet duidelik genoem word. Moet nie 'n figuur gebruik nie.** [15]

[25]

QUESTION 6 VRAAG 6

- (a) Define an import quota. [4]
Definieer 'n invoerkwota. [4]

- (b) With the aid of a correctly drawn diagram, examine the partial equilibrium effects of an import quota. [15]

Met behulp van 'n korrekte figuur, ontleed die gedeeltelike ewewigsgevolge van 'n invoerkwota. [15]

- (c) In what ways is an import quota similar to, and different from, a tariff in terms of their effects? [7]

In welke opsigte is 'n invoerkwota gelyk aan of verskil dit van 'n tarief wat betref hulle gevolge? [7]

[25]

[TURN OVER]
[BLAAI OM]

QUESTION 7
VRAAG 7

- (a) Economic integration refers to the commercial policy of discriminatively reducing or eliminating trade barriers among nations. Discuss the forms or degrees of regional economic integration. [15]

Ekonomiese integrasie verwys na die beleid van die diskriminerende vermindering of uitskakeling van handelsversperrings tussen lande. Bespreek die vorme of grade van ekonomiese integrasie. [15]

- (b) Under what conditions will a customs union result in trade creation and higher welfare levels? [5]

Onder welke toestande sal 'n doeane-unie handelskepping en hoër welvaartspeile tot gevolg hê? [5]

- (c) Discuss the dynamic benefits from joining a customs union. [5]

Bespreek die dinamiese voordele wat die aansluiting by 'n doeane-unie inhou. [5]

[25]

[TURN OVER]
[BLAAI OM]