

Tutorial Letter 101/3/2014

International Trade ECS3702

Semesters 1 & 2

Department of Economics

IMPORTANT INFORMATION:

This tutorial letter contains important information
about the module.

BAR CODE

CONTENTS

1	Introduction and welcome	4
2	Purpose of and outcomes for the module	4
2.1	Purpose	4
2.2	Outcomes	5
3	Lecturers and contact details	5
3.1	Lecturers	5
3.2	Department	6
3.3	University	6
4	Module-related resources	7
4.1	Prescribed books	7
4.2	Recommended books	7
5	Student support services for the module	7
5.1	Contact with fellow students – study groups	7
5.2	myUnisa	7
5.3	Tutorial support programme	8
6	Module-specific study plan	8
6.1	Assignments and learning	8
6.2	General remarks	8
6.3	Feedback on assignments	9
6.4	Learning strategy and proposed study programme	9
7	Assessment	13
7.1	Assessment plan	13
7.2	Assessment of assignments	13
7.3	General assignment numbers	13
7.4	Unique assignment numbers	13
7.5	Due dates of assignments	13
7.6	Submission of assignments	14
8	How the examination system works	15
8.1	Assessment of the examination	15
8.2	Examination admission	15
8.3	How it works in practice	17
8.4	The examination	18

9	Assignment questions	18
9.1	Assignment 01 for semester 1	19
9.2	Assignment 02 for semester 1	26
9.3	Assignment 03 for semester 1	31
9.4	Assignment 01 for semester 2	32
9.5	Assignment 02 for semester 2	39
9.6	Assignment 03 for semester 2	44

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 assignments 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 scheme 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 assignments, 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 OF AND OUTCOMES FOR THE MODULE

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:

- (a) introduce you to the main theoretical concepts of international trade
- (b) 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
- (c) 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 of 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 study unit in the study guide.

3 LECTURERS AND CONTACT DETAILS

3.1 Lecturers

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	E-MAIL ADDRESS
Ms KO Amusa	Club 1, Room 2-25	012 429 4839 or 012 433 4642	Amusako@unisa.ac.za
Mr M Marais	Club 1, Room 2-16	012 429 4814 or 012 433 4633	Marais@unisa.ac.za

More contact details, such as 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 via myUnisa.

Please direct all academic queries regarding this module to the abovementioned 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 has moved to 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 301. You can also contact the Department's coordinator, Mr Themba Mzangwa, at 012 433 4661 or 012 429 4350.

3.3 University

If you need to contact the University about matters not related to the content of this module, please consult the publication *My studies @ Unisa* which you 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 MODULE-RELATED 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 version). USA: Wiley.

Please refer to the list of official booksellers and their addresses listed in the publication *My studies @ Unisa*. 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 e-mail to vospresc@unisa.ac.za.

4.2 Recommended books

Pugel, T. 2012. *International economics*. 15th edition. USA McGraw-Hill.

Carbaugh, R. 2011. *Global economics*. 13th edition. Canada Cengage Learning.

5 STUDENT SUPPORT SERVICES FOR THE MODULE

For information on the various student support systems and services available at Unisa (for example, student counselling, the tutorial support programme and classes, and language support), please consult the publication *My studies @ Unisa* which you 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 may be obtained from the Department of Student Admission and Registration. Please consult the publication *My studies @ Unisa* 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 to 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. You can also access the myUnisa website by typing in <http://my.unisa.ac.za>.

Please consult the publication *My studies @ Unisa*, which you 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 a 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 students' 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 publication *My studies @ Unisa*.

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 abovementioned steps.

6 MODULE-SPECIFIC 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. Look at the assessment criteria given for this module. These will help you to understand what is required of you when attempting the three assignments.

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 the publication *My studies @ Unisa* for general time management and planning skills.

6.3 Feedback on assignments

Tutorial Letter 201 and *202* 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 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 study unit in the SG as follows: First read the study 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 end of a study 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 study 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 tables 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 study 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

study 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 study unit 1, but find that you need three weeks to complete study unit 3.

PROPOSED STUDY PROGRAMME: FIRST SEMESTER

STUDY WEEK	WEEK STARTING	STUDY UNIT
1	4 February	1, 2 and 3
2	11 February	3 and 4
3	18 February – 24 February	4
4	24 February	Complete study units 1–4. Complete and submit compulsory Assignment 01. Due date: 24 February 2014
5	25 February – 1 March	5 and 6
6	11 March	7
7	18 March	Complete and submit Assignment 02. Due date: 18 March 2014
8	19 March – 11 April	5, 6 and 7
9	7 April	Complete and submit Assignment 03. Due date: 16 April 2014
10	22 April – examination	Prepare for examination.
11	22 April – examination	Prepare for examination.

PROPOSED STUDY PROGRAMME: SECOND SEMESTER

STUDY WEEK	WEEK STARTING	STUDY 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 study units 1–4 and do compulsory Assignment 01. Remember to submit compulsory Assignment 01. Due date: 11 August 2014
5	11 August	4 and 5
6	18 August – 25 August	5 and 6
7	25 August – 2 September	6 and 7
8	5 September	Complete study units 5–7 and do compulsory Assignment 02. Remember to submit compulsory Assignment 02. Due date: 5 September 2014
9	5 September – 15 September	4 to 7
10	15 September	Complete (revise) study units 2–7. Complete and submit Assignment 03. Due date: 16 September 2014
11	26 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 Assessment of 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.

7.3 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.

7.4 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 containing two essay questions that must also be submitted.

7.5 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.

SEMESTER 1: SUBMISSION DATES FOR ASSIGNMENTS

Assignment number	Unique number	Due date	Contents of assignments	Type of assignment
01	845158	24 February 2014	Study units 1–4	Multiple-choice questions
02	845346	18 March 2014	Study units 5–7	Multiple-choice questions
03	861307	7 April 2014	Study units 2–7	Essay questions

SEMESTER 2: SUBMISSION DATES FOR ASSIGNMENTS

Assignment number	Unique number	Due date	Contents of assignments	Type of assignment
01	873077	11 August 2014	Study units 1–4	Multiple-choice questions
02	811125	5 September 2014	Study units 5–7	Multiple-choice questions
03	863020	26 September 2014	Study units 2–7	Essay questions

7.6 Submission of assignments

You may submit written assignments and assignments completed on mark-reading sheets either by post or electronically 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 publication *My studies @ Unisa*.

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 HOW THE EXAMINATION SYSTEM WORKS

8.1 Assessment of examination

Please consult the publication *My studies @ Unisa*, which you 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.

8.2 Examination admission

The management of the University decided to continue with compulsory assignments in all modules to ensure 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 assignments that correspond with your registration. For example, if you have registered for the first-semester course, you should submit Assignments 01, 02 and 03 under Semester 1. Should you fail to submit Assignment 01, you will be denied admission to the examination (even if all your answers are correct). Admission to the examination will be subject to the submission of the compulsory assignment (Assignment 01) 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 How will this work in practice?

Semester mark

Your semester mark is based on the marks you 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%, the second also 25% and the third 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 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 45% or less, you fail ECS3702 and you have to reregister for ECS3702.

8.4 The examination

Please refer to the publication *My studies @ Unisa* 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 2014 and the supplementary examination will be written in October/November 2014. If you are registered for the second semester, you will write the examination in October/November 2014 and the supplementary examination will be written in May/June 2015.

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 202* 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 202*. 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 2014 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 will this work 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 folder “Official study material” or in the additional resources folder. One example of a recent examination paper will also be provided in *Tutorial Letter 202*. 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 202* explaining the format of the examination paper and providing examples of questions that you may expect in the examination.

All the best with your studies.

Kind regards

Ms K Amusa

9 ASSIGNMENT QUESTIONS

9.1 Assignment 01 for semester 1

SEMESTER 1	
COMPULSORY ASSIGNMENT 01	DUE DATE: 24 February 2014
UNIQUE NUMBER	845158

1. The following are proposed advantages of free trade, EXCEPT
 - [1] Efficient utilization of resources
 - [2] Increased competition of producers globally
 - [3] Increased consumption choices
 - [4] High wages for all domestic workers

2. A closed economy can be described as one in which
 - [1] The home country is isolated from trade
 - [2] The home country's exports equal its imports
 - [3] The home country's production exceeds its consumption
 - [4] Investors invest in the home country and not vice versa

3. If a country has a downward sloping production possibilities frontier or curve, then production is said to be subject to
 - [1] Increasing and then decreasing opportunity costs.
 - [2] Constant opportunity costs.
 - [3] Increasing opportunity costs.
 - [4] Decreasing opportunity costs.

4. Absolute advantage is determined by
 - [1] Relative differences in labor productivity between countries.
 - [2] Actual differences in labor productivity between countries.
 - [3] Differences in factor endowment
 - [4] Government policies

5. According to David Ricardo, a country will have a comparative advantage in the production of a good for which

- [1] It's labor productivity is highest
- [2] It's labour productivity is lowest
- [3] It's capital productivity is lowest
- [4] It's capital productivity is highest

Answer questions 6 and 7 below based on the information in the following table, where the numbers represent the number of labor hours it will take to produce a unit of the given good

	South Africa	Botswana
Grapes	3	9
textiles	1	2

6. South Africa has an absolute advantage in

- [1] Grapes
- [2] Textiles
- [3] Grapes and textiles
- [4] Neither grapes nor textiles.

7. South Africa has a comparative advantage in

- [1] Grapes
- [2] Textiles
- [3] Grapes and textiles
- [4] Neither grapes nor textiles

8. According to the labor theory of value

- [1] Wages must always be greater than prices.
- [2] Economists believe labor determines prices today.
- [3] The price of a good is determined by the amount of labor required to produce it.
- [4] Labor is not the only factor of production.

9. The assertion that “a country will have comparative advantage in the production of the commodity that requires intensive use of its abundant factor“ is known as

- [1] The theory of comparative advantage
- [2] The theory of absolute advantage
- [3] The labor theory of value
- [4] The factor proportions theory

10. The source of comparative advantage as posited by the H-O theory is from

- [1] Technology
- [2] Factor endowments
- [3] Relative prices
- [4] Absolute advantage

Use the table below to answer question 11

Factor Endowment	Nigeria	Ghana
Labor force	45	20
Capital stock	15	10

11. Assuming commodity A is capital intensive, then according to the H-O theory,

- [1] Ghana will export commodity A
- [2] Nigeria will export commodity A
- [3] Neither country has a comparative advantage in commodity A
- [4] Ghana will import commodity A

12. One of the assumptions of the H-O theory is that tastes are identical in the two nations. If this assumption does not hold, then

- [1] Wage equalization due to specialization will be affected
- [2] The direction of trade in terms of who exports what will be affected
- [3] The theory will still hold

13. In the 2-factor, 2 good Heckscher-Ohlin model, trade will _____ the owners of a country's _____ factor and will _____ the good that uses that factor intensively.
- [1] benefit; abundant; export
 - [2] Benefit; scarce; export
 - [3] harm; abundant; import
 - [4] Harm; scarce; export
14. Let K_j and L_j denote the capital and labor stocks of country j ($j=A$) then A is said to be capital abundant relative to B if
- [1] $L_A < L_B$.
 - [2] $K_A > K_B$.
 - [3] $K_A/L_A > K_B/L_B$.
 - [4] All of the above.
15. The following are predictions from the H-O theory except
- [1] Which factors will gain from trade
 - [2] Which nation will export what product
 - [3] That wages will become equal in the two trading partners
 - [4] The volume of trade
16. The Leontief paradox explains
- [1] The fact that US, a capital abundant nation exported capital intensive goods
 - [2] The fact that US a labor abundant nation imported capital intensive goods
 - [3] The fact that US, a capital abundant nation exported labour intensive goods and imported capital intensive goods
 - [4] The fact that US, a labor abundant nation exported capital intensive goods and imported labor intensive goods.

17. In the specific factors model, a 3% increase in the price of food accompanied by a 1% increase in the price of cloth will cause _____ in the welfare of labor, _____ in the welfare of the fixed factor in the production of food, and _____ in the welfare of the fixed factor in the production of cloth.
- [1] An ambiguous change; an ambiguous change; an ambiguous change
 - [2] An increase; a decrease; an increase
 - [3] An ambiguous change; a decrease; an increase
 - [4] An ambiguous change; an increase; a decrease
18. Intra industry trade is more of a characteristic of trade between
- [1] Developing African economies
 - [2] Industrialized countries like western European countries
 - [3] Developed and developing countries
 - [4] All countries regardless of economic classification
19. According to the specific factors model, each sector
- [1] Uses the same factor of production
 - [2] Has a shared factor with the other sector
 - [3] Uses different factors of production
 - [4] Have no factors of production in common
20. In the specific factors model, the effects of trade on welfare overall are _____ and for fixed factors used to produce the exported good they are _____.
- [1] Negative; positive
 - [2] Positive; positive
 - [3] positive; negative
 - [4] Positive; ambiguous
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 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 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.

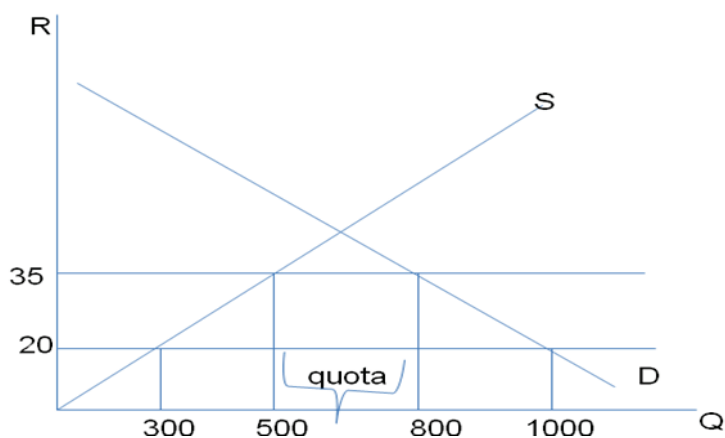
9.2 Assignment 02 for semester 1

SEMESTER 1	
ASSIGNMENT 02	DUE DATE: 18 March 2014
UNIQUE NUMBER	845346

1. The effective rate of protections measures
 - [1] The degree of protection afforded to consumers
 - [2] The degree of protection afforded to government
 - [3] The protection given by tariff to domestic value added
 - [4] The amount of tariff that must be charged on goods being exported

2. A tax of 10 cents per unit of imported oranges is an example of a (an)
 - [1] Specific tariff.
 - [2] Ad valorem tariff.
 - [3] Nominal tariff.
 - [4] Effective protection tariff.

Use the figure below to answer the question that follows



3. The quota rent will be
 - [1] R4500
 - [2] R6000
 - [3] R10500
 - [4] R28000

4. As with tariff, quotas result in
- [1] Higher prices and a reduction in imports
 - [2] Decrease in producer surplus
 - [3] Increase in consumer surplus
 - [4] Increased government revenue
5. Country moves from having an import tariff system to a free trade system, this will result in short term unemployment in
- [1] The country's export industry
 - [2] The country's import competing industry
 - [3] The low skilled segment of the economy
 - [4] Service industry
6. If Lesotho is a small country, the imposition of a tariff by Lesotho means that
- [1] Domestic producers will suffer
 - [2] Domestic consumers will suffer
 - [3] Government will lose its tariff revenue
 - [4] No group in the economy will gain from the tariff imposition
7. An optimum tariff is described as a
- [1] Tariff negotiated at the WTO
 - [2] A tariff that maximizes terms of trade gains
 - [3] A tariff that maximizes the difference between terms of trade gains and loss of trade volume
 - [4] A tariff that is ideal for large countries since there is no fear of retaliation
8. The policy that allows for a fixed quantity of a good to be imported into a country is referred to as
- [1] A tariff
 - [2] A quota
 - [3] An export subsidy
 - [4] A voluntary export restraint

9. Which of the following is an example of a non tariff barrier
- [1] Infant industry argument
 - [2] Voluntary export restraint
 - [3] Free trade areas
 - [4] Specific tariff
10. The most common form of price discrimination is
- [1] Infant industry argument
 - [2] Voluntary export restraint
 - [3] Free trade areas
 - [4] Dumping
11. Which of the following is not considered to be a strong argument for protection
- [1] Protecting domestic labour
 - [2] The infant industry argument
 - [3] Strategic trade policy argument
 - [4] To prevent dumping
12. The GATT is an example of a
- [1] International Organization
 - [2] A type of a tariff
 - [3] An agreement reached between western countries developing countries
 - [4] An international treaty
13. The Uruguay round of multilateral trade negotiations gave rise to the
- [1] WTO
 - [2] GATT
 - [3] IMF
 - [4] UN

14. A situation where any advantage given by one member of the WTO to another member must be extended to all WTO members.
- [1] Most favored nation
 - [2] Least traded nation
 - [3] Trade diversion
 - [4] Inter regional principle
15. The most prominent cartel in international trade is known as
- [1] WTO
 - [2] OPEC
 - [3] OECD
 - [4] DE BEERS
16. If the removal of trade barriers result in production shifting from higher cost to lower cost producer outside the union, we can say that
- [1] Trade creation has taken place
 - [2] Trade diversion has taken place
 - [3] A free trade area has been formed
 - [4] An economic union has been formed
17. The European union (EU) is an example of a
- [1] Common market
 - [2] Customs union
 - [3] Free trade area
 - [4] Economic union
18. Multinational corporations
- [1] Are known to increase or enable the transfer of technology to the home nation
 - [2] Partake in activities that overall benefit the home nation
 - [3] Partake in activities that solely benefit the home country
 - [4] Are driven only by profits

19. FDI flows for the most part originate from

- [1] Middle income countries
- [2] High income OECD countries
- [3] Rich developing nations
- [4] Asian countries

20. For the most part, international capital mobility tends to

- [1] Benefit the labor in the donor country
- [2] Harm the labor in the donor country
- [3] Benefit the labor in the recipient country
- [4] Harm the labor in the recipient country

9.3 Assignment 03 for semester 1

SEMESTER 1	
COMPULSORY ASSIGNMENT 03	DUE DATE: 7 April 2014
UNIQUE NUMBER	861307

This assignment contains two essay questions, each carrying 25 marks. You are required to answer both questions. Note that marks will be deducted for writing in point form (unless where necessary) or copying verbatim from the textbook. Marks will also be lost for incorrectly drawn and labelled diagrams. You are required to write with a pen and your handwriting must be legible.

Question 1:

Critically evaluate Adam Smith's theory of absolute advantage, outlining the assumptions necessary for the theory to hold in its purest form. What are the criticisms of this theory?

(25 marks)

Question 2:

Explain the domestic effects of a tariff using a correctly drawn and labelled diagram, assuming the country imposing the tariff is small.

(25 marks)

9.4 Assignment 01 for semester 2

SEMESTER 2	
COMPULSORY ASSIGNMENT 01	DUE DATE: 11 August 2014
UNIQUE NUMBER	873077

1. A primary factor driving international trade is
 - [1] The need for political allies
 - [2] Factor endowment differences
 - [3] Taste and preferences
 - [4] Geographical proximity of trading partners

2. The main characteristic of international trade is that
 - [1] Goods and services must travel across international borders
 - [2] Services must travel across international borders
 - [3] Only labour must travel across international borders
 - [4] The distance goods must travel should be in excess of 100km's

3. A country gains from international trade if its post-trade _____ point lies outside its production possibility frontier.
 - [1] Consumption
 - [2] Production
 - [3] Price
 - [4] Income

4. The tastes and preferences of all individuals can be represented by the
 - [1] Indifference curve
 - [2] The production function
 - [3] Supply curve
 - [4] The marginal rate of transformation.

5. A production possibility curve that is concave to the origin implies that
- [1] Production occurs under constant costs
 - [2] Production occurs under increasing costs
 - [3] Production occurs under decreasing costs
 - [4] Production reflects decreasing and then increasing costs
6. If points a and b both lie on a country's production possibility curve, it implies that
- [1] The country is able to produce either of the two bundles represented by the points
 - [2] The country is able to consume either of the two bundles represented by the points
 - [3] The country can produce both bundles represented by the points at any one time
 - [4] The country will be unable to produce the bundle represented by point b
7. The classical theory predicts that
- [1] Considerable trade will not occur between countries with different levels of technology.
 - [2] Specialization is incomplete
 - [3] Countries will completely specialize in the production of export goods.
 - [4] Trade is a zero sum game
8. The theory of absolute cost advantage was developed by
- [1] David Richard
 - [2] Heckscher and Ohlin
 - [3] Adam Smith
 - [4] The Mercantilists
9. David Ricardo's theory of comparative advantage can be argued to be limited in terms of real world application because
- [1] It is founded on the labor theory of value
 - [2] It is founded on the comparative advantage theory
 - [3] It is founded on the factor theory of value
 - [4] It does not factor in developing countries

10. Given the statement “South Africa has a comparative advantage over Botswana in the production of cars relative to diamonds”. This means therefore that

- [1] Botswana has a comparative advantage over South Africa in the production of diamonds
- [2] Botswana has a comparative disadvantage in the production of both cars and diamonds compared to South Africa
- [3] South Africa has a comparative advantage over Botswana in the production of both cars and diamonds
- [4] Diamonds are Botswana’s product of comparative disadvantage

11. An indifference curve

- [1] is a locus of bundles of goods such that the consumer is indifferent between each of the bundles.
- [2] is a locus of bundles of goods such that each good in every bundle yields equal satisfaction.
- [3] is a locus of bundles of goods such that the consumer is indifferent between each good in every bundle.
- [4] is a locus of bundles of goods that yields the same level of satisfaction

12. For the Heckscher-Ohlin theory to hold the following assumptions must hold EXCEPT

- [1] Countries have different factor endowments
- [2] Countries have different technology
- [3] There are two factors of production, two countries and two commodities
- [4] Production occurs under constant returns to scale

13. In the 2-factor, 2 good Heckscher-Ohlin model, the country with a relative abundance of _____ will have a production possibility frontier that is biased toward production of the _____ good.

- [1] Labor; capital intensive
- [2] Labor; labor intensive
- [3] Capital; land intensive
- [4] Land; capital intensive

14. Assume Kenya is a land abundant country and Tanzania is capital abundant. If these two countries open up to trade, then
- [1] Kenya will export land intensive commodities
 - [2] Tanzania will import capital abundant commodities
 - [3] Each country will produce some land and capital intensive commodities
 - [4] Kenya will import land intensive commodities and export capital intensive commodities.
15. One of the differences between Ricardo's theory of comparative advantage and the Heckscher-Ohlin theory is that the H-O theory assumes
- [1] Two countries
 - [2] Two factors of production
 - [3] Two commodities
 - [4] Same tastes
16. Within the context of the Heckscher Ohlin theory, if a country goes from isolation to free trade, then
- [1] The owners of capital will benefit from trade
 - [2] The owners of the abundant factor will benefit from trade
 - [3] The owners of labor will benefit from trade
 - [4] The extent to which a nation benefits from trade will depend only on factor intensities
17. Assume Namibia a labour abundant nation is starting off from a "no trade" position to a free trade position, then
- [1] With trade, wages and rent will fall in Namibia
 - [2] With trade, wages will fall and rent will rise
 - [3] With trade, wages will rise and rent will fall
 - [4] With trade both wages and rent will rise
18. For the Heckscher-Ohlin theory to hold the following assumptions must hold EXCEPT
- [1] Countries have similar factor endowments
 - [2] Countries have similar technology
 - [3] There are two factors of production, two countries and two commodities
 - [4] Production occurs under constant returns to scale

Use the table below to answer the question that follows:

	Namibia	South Africa
Capital stock	15	10
Labour Force	45	20

19. Refer to the table above. If cars are capital intensive, then following the Heckscher-Ohlin Theory,
- [1] Both Namibia and South Africa countries will export cars
 - [2] Both Namibia and South Africa will import cars.
 - [3] South Africa will export cars.
 - [4] Namibia will export cars.
20. The limitations of the H-O theory led to the emergence of new or alternative trade theories. The following are some of the new trade theories with the exception of
- [1] Technological gap model
 - [1] Product life cycle model
 - [3] Intra industry trade
 - [4] Inter industry trade
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 taking 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 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 the 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 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: 5 September 2014
UNIQUE NUMBER	811125

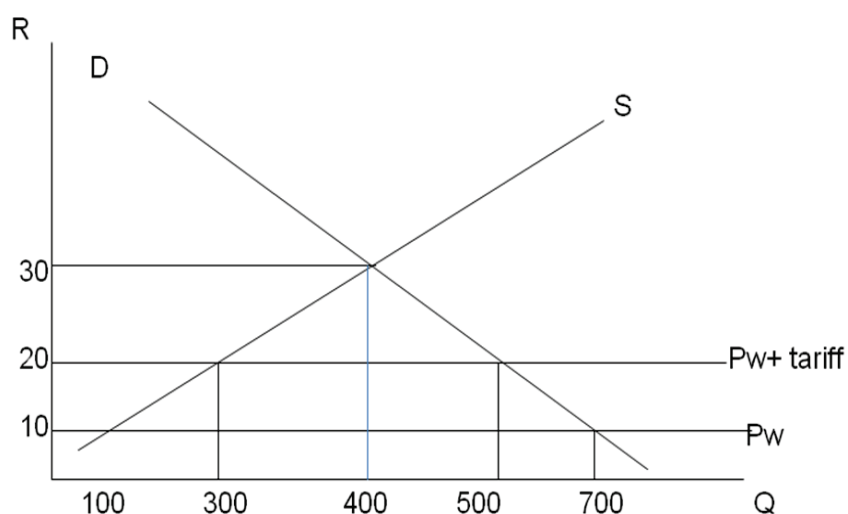
- A specific tariff is one that is _____ while an ad valorem tariff is one that is _____

 - Levied as a percentage of the value of the good, is levied as a fixed amount
 - Is levied as a fixed amount for each unit imported, is levied as a percentage of the value of the good
 - The same as an excise tax, is a proportional tax
 - The same as an average tax, similar to a vat.

- A tax of 40 percent per unit value of imported car is an example of a (an)

 - Specific tariff.
 - Ad valorem tariff.
 - Nominal tariff.
 - Effective protection tariff

Use the diagram below to answer questions 3-5 that follow.



3. Assuming a small open economy as above, with a tariff, the government collects

- [1] R2000
- [2] R6000
- [3] R5000
- [4] R8000

4. With free trade, the total value of imports will be

- [1] R12000
- [2] R70000
- [3] R20000
- [4] R40000

5. With the imposition of a tariff, total imports

- [1] Falls to 200 units of Q
- [2] Rises to 700 units of Q
- [3] Falls to 100 units of Q
- [4] Rises to 200 units of Q

6. _____ is a limit on the amount of a specific product that can enter a country.

- [1] Quota
- [2] Tariff
- [3] Exchange control
- [4] Boycott

7. For the most part, the idea of a tariff is to have a

- [1] Revenue effect
- [2] Protection effect
- [3] Revenue and protection effect
- [4] Import and revenue effect

8. Assume that Lesotho is classified as a small country. The imposition of a tariff by Lesotho's will
- [1] Not impact its terms of trade
 - [2] Improve its terms of trade
 - [3] Increase its imports
 - [4] Worsens its terms of trade
9. The imposition of a tariff allows for the redistribution of income from
- [1] Producers to consumers
 - [2] Government to producers
 - [3] Consumers to producers
 - [4] Government to consumers
10. Which of the following does not belong in the group given below?
- [1] Non tariff Barriers
 - [2] NAFTA
 - [3] World Trade Organization
 - [4] EU
11. A lower tariff on imported wool would most likely benefit
- [1] Foreign producers at the expense of domestic consumers.
 - [2] Domestic producers of wool.
 - [3] Domestic consumers of wool.
 - [4] Workers in the wool industry.
12. If South Africa imposed tariff on beef from Botswana
- [1] Exports will fall in South Africa and imports will rise in Botswana
 - [2] Imports will fall in South Africa and exports will fall in Botswana
 - [3] Exports and imports will fall in South Africa
 - [4] Exports will fall in Botswana and imports will rise in South Africa

13. Of the many arguments in favour of tariffs, the one that has enjoyed significant economic justification in developing countries has been the
- [1] Prestige argument.
 - [2] Infant industry argument.
 - [3] Optimum tariff argument.
 - [4] Balance of payments argument
14. The most famous meeting through which led to formation of WTO was
- [1] Qatar round
 - [2] Uruguay round
 - [3] Sweden round
 - [4] Manila round
15. One of the problems associated with the infant industry argument is that
- [1] The industry can possibly remain an “infant”
 - [2] It allows smaller industries with comparative advantage to develop
 - [3] It is a useful argument especially for developing countries
 - [4] It ideally allows an industry to develop economies of scale
16. The most common form of price discrimination is
- [1] Tariffs
 - [2] Dumping
 - [3] Quotas
 - [4] Voluntary export restraints
17. The GATT and WTO succeeded in
- [1] Reducing trade barriers via multilateral negotiations
 - [2] Attaining the reduction of trade barriers for developing countries
 - [3] Attaining increased trade powers for developing nations
 - [4] The reciprocal trade clause

18. The north American free trade area
- [1] Is a proposal to form an agreement to ban trade restriction between member states in the north and south of America
 - [2] Is a proposal to reduce the number of trade restrictions between member states in the north and South Americas
 - [3] Is a proposal that completely eliminates trade barriers between member and non member states
 - [4] Is a proposal that allows easy movement of factors of production across member states
19. The following are all reasons for firms in industrialized nations to undertake vertical foreign direct investments in developing countries except
- [1] Lower wages
 - [2] Access to cheap raw materials
 - [3] Export tax avoidance
 - [4] Profit
20. The principle that all countries will treat foreign firms within their boundaries the same way they treat their own domestic firms is known as
- [1] Most favored nation principle
 - [2] Reciprocity
 - [3] Fair and national treatment
 - [4] Non discrimination

9.6 Assignment 03 for semester 2

SEMESTER 2	
COMPULSORY ASSIGNMENT 03	DUE DATE: 26 September 2014
UNIQUE NUMBER	863020

This assignment contains two essay questions, each carrying 25 marks. You are required to answer both questions. Note that marks will be deducted for writing in point form (unless where necessary) or copying verbatim from the textbook. Marks will also be lost for incorrectly drawn and labelled diagrams. You are required to write with a pen and your handwriting must be legible.

Question 1:

Critically evaluate the Heckscher –Ohlin theory of international trade?

(25 marks)

Question 2:

Discuss the motives of foreign direct investment, the costs to both the home and host countries as well as the benefits to the host and home nations.

(25 marks)