FACULTY	FACULTY OF AGRICULTURE, ENGINEERING AND NATURAL SCIENCES		
SCHOOL	AGRICULTURE AND FISHERIES SCIENCES		
DEPARTMENT	ANIMAL PRODUCTION, AGRIBUSINESS AND ECONOMICS		
SUBJECT	INTERNATIONAL AGRICULTURAL TRADE AND POLICY		
SUBJECT CODE	**AAEC 3891**		
DATE	JUNE 2023		
DURATION	**3 HOURS**	**MARKS**	100

Second Opportunity Examination

Examiner: Mrs Susanna Shivolo-Useb and Mr. Cecil Togarepi
Internal moderator: Mr. K. Kalundu
External Moderator: Dr. T. Moyo

Instructions

- The Question paper consists of Section A (30 marks) and Section B (70 marks)
- Please write legibly and number your questions clearly
- Students are allowed to make use of calculators
- This question paper consists of eleven **(11)** pages including this front page

UNIVERSITY OF NAMIBIA EXAMINATIONS

SECTION A

1. What economist introduced the notion of comparative advantage as a justification for mutually beneficial trade between countries?

a) Adam Smith
b) David Ricardo
c) Herbert Simon
d) John Maynard Keynes
e) Amartya Sen

Use the table below, showing the maximum quantities of two items that two countries could produce if they each specialized entirely in one good or the other, to answer Questions 2-3.

	Industry	
Country	**Electronic equipment**	**Toys**
Nerdomania	8 tons	5 boxes
Bozonia	2 tons	1 boxes

2. The opportunity cost of a ton of electronic equipment in Bozonia is …

a) 5 boxes of toys
b) 5/8 boxes of toys
c) 1.6 boxes of toys
d) 4 boxes of toys
e) ½ box of toys

3. If it follows the principle of comparative advantage, which item should Nerdomania tend to specialize in producing?

a) electronic equipment
b) toys
c) both
d) neither
e) you can't tell from the information given

4. The principle of comparative advantage says that ...

a) you should specialize in producing goods for which your opportunity costs are relatively low.
b) you should specialize only if you can produce something at a lower cost than other economic actors.
c) you should compare prices before you buy a good or service.
d) trading is generally prohibited by high transactions costs.

e) you should specialize only to the point where the marginal benefits equal the marginal costs.

5. Free trade has the potential to make countries vulnerable because …

a) opening markets inevitably leads to opening of borders to unwanted influences.
b) some goods are important enough not to rely upon other countries to produce.
c) economic relationships inevitably spill over into the political realm, possibly leaving countries politically vulnerable.
d) trade is often highly unequal.
e) None of the above are true.

6. Potential adverse social or political impacts of free and unrestricted trade include …

a) markets for human organs, environmental degradation, and a "race to the bottom."
b) a "race to the bottom," higher consumer prices, loss of jobs.
c) factor price inequality, markets for human organs, and loss of jobs.
d) comparative disadvantages, a "race to the bottom," and worsening inequality.
e) environmental degradation, higher consumer prices, and loss of jobs.

7. Which one of the following is an example of a protectionist policy?

a) A means-tested program to help those with very low incomes
b) A Social security system that provides benefits regardless of need
c) The estate tax
d) A tariff on imported steel
e) A tax on carbon emissions

8. A tariff can best be described as …

a) a law which sets a limit on the amount of a good which can be imported.
b) a tax on sales of an exported good.
c) a tax on sales of an imported good.
d) a government payment to domestic producers to enable them to sell competitively in world markets.
e) an assessment on a homeowner to pay for public services.

9. In the language of economics, an "infant industry" is …

a) cute.
b) the sector producing products for baby care.
c) an industry that needs to be protected from foreign competition if we want to survive and mature and thus be able to compete.
d) any industry that is just starting.
e) an industry which has been protected too much and thus can't survive the rigors of competition.

10. Using consumer protection regulations as a basis for restricting trade is an example of …

a) comparative advantage.
b) factor-price equalization.
c) administrative obstacles.
d) import substitution.
e) None of the above

11. The international organization holding fair trade among all the world's countries as its chief aim is the …

a) International Monetary Fund.
b) World Trade Organization.
c) European Union.
d) United States-Mexico-Canada Agreement.
e) North Atlantic Free Trade Area.

12. Which of the following is not an issue linked to debates about the fairness of free trade?

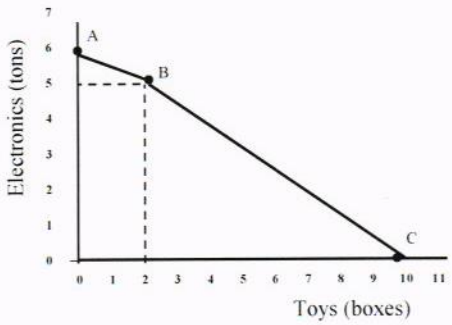
a) Labor standards
b) GMO products
c) Dumping
d) Factor-price equalization
e) All of the above relate to trade fairness.

(Note: Questions 13-16 are based on the appendix.) Use the table below, showing the maximum quantities of two items that two countries could produce if they each specialized entirely in one good or the other, to answer Questions 25-31.

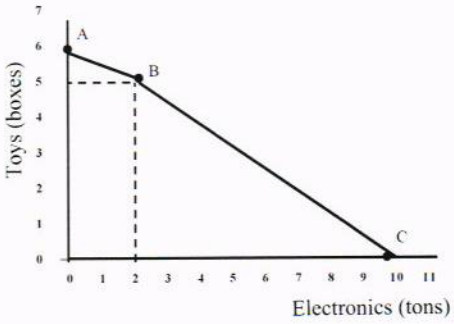
	Industry	
Country	**Electronic equipment**	**Toys**
Nerdomania	8 tons	5 boxes
Bozonia	2 tons	1 boxes

13. An efficient joint Production Possibilities Frontier for Nerdomania and Bozonia would look like which of the following? (Point B indicates the point where the line changes slope.)

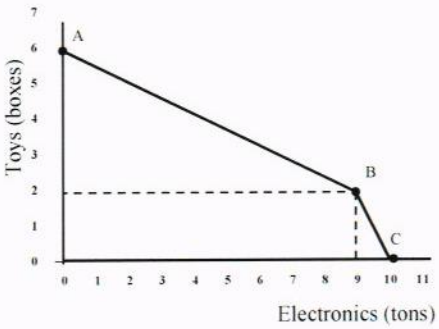
a)



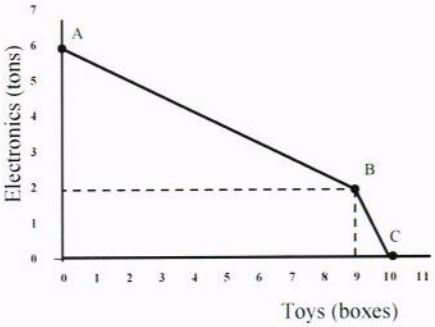
b)



c)



d)



e) none of the above

14. On the efficient joint Production Possibilities Frontier for Nerdomania and Bozonia, the tradeoff between toys and electronics between points B and C (as shown in the graphs above) is …

a) 5 boxes of toys per ton of electronic equipment.
b) 5/8 box of toys per ton of electronic equipment.
c) 1.6 boxes of toys per ton of electronic equipment.
d) 2 boxes of toys per ton of electronic equipment.
e) ½ box of toys per ton of electronic equipment.

15. On the efficient joint Production Possibilities Frontier for Nerdomania and Bozonia (as shown in the graphs above), at a point between points B and C the following would be true:

a) Bozonia produces some of each good.
b) Nerdomania produces some of each good.
c) Bozonia produces only toys.
d) Nerdomania produces only toys.
e) Nerdomania produces only electronics.

16. If the two countries use different levels of all resources to produce the quantities given in the table, which country has the absolute advantage?

a) Nerdomania
b) Bozonia
c) both
d) neither
e) you can't tell from the information given

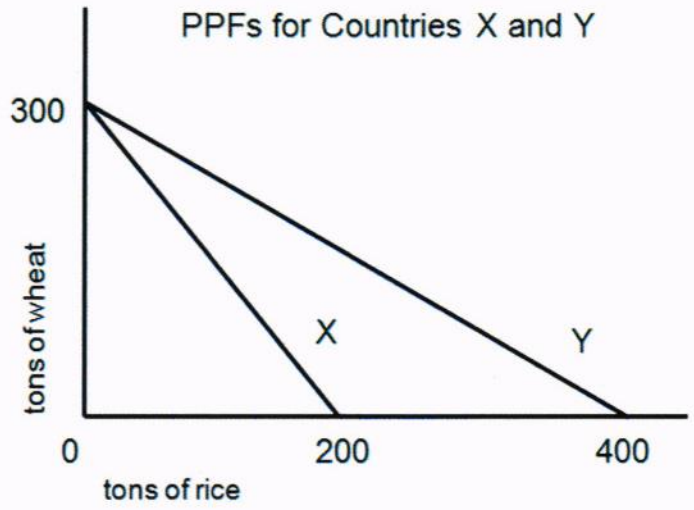
17. Countries A and B produce only coffee and tea. If Country A has a comparative advantage in producing coffee, then…

a) only Country A will benefit from free trade.
b) Country A will not benefit from free trade.
c) Country A can definitely produce more coffee than Country B.
d) Country A has a higher opportunity cost to producing coffee than Country B.
e) County B has a comparative advantage in producing tea.

18. Countries A and B produce only coffee and tea. If the two countries can benefit from free trade, then …

a) Countries A must have a comparative advantage in producing coffee or tea.
b) trade can allow both countries to consume a combination of goods that lie outside their production possibility frontiers.
c) the two countries have different opportunity costs for producing tea.
d) the two countries have different opportunity costs for producing coffee.
e) all of the above.

Refer to the figure below for Questions 19-20.



19. In the graph above, the opportunity cost of producing a ton of wheat is…

a) 2 tons of rice for Country X and 4 tons of rice for Country Y.
b) 1/2 a ton of rice for Country X and 1/4 a ton of rice for Country Y.
c) 2/3 a ton of rice for Country X and 4/3 a ton of rice for Country Y.
d) 3/2 a ton of rice for Country X and 3/4 a ton of rice for Country Y.
e) the same for both Country X and Y.

20. In the graph above, if both countries specialize in producing the good in which they have a comparative advantage, together they will produce…

a) 300 tons of wheat and 200 tons of rice.
b) 300 tons of wheat and 400 tons of rice.
c) 300 tons of wheat and 600 tons of rice.
d) 600 tons of wheat and 400 tons of rice.
e) 600 tons of wheat and 600 tons of rice.

21. Every evening, Carol and John have to wash the dishes and put two children to bed. They have found that the quickest way to complete these tasks is to have Carol wash the dishes and John put the children to bed. Which of the following statements is false?

a) Carol has a comparative advantage in dishwashing.
b) Carol has a comparative advantage in putting kids to bed.
c) Carol specializes in dishwashing.
d) The couple benefits from the division of labor.
e) It would take the couple longer if each parent washed half the dishes and put one kid to bed.

22. Which of the following is not a potential disadvantage to free trade?

a) Free trade can make countries more reliant on the production of a few goods.
b) Free trade can lock countries into producing goods in which they have a short-run comparative advantage.
c) Free trade can allow powerful countries to capture most of the gains from trade.
d) Free trade can force countries to consume a combination of goods inside their own production possibility frontier.
e) Free trade can lead to a "race to the bottom" in social and environmental regulations.

23. Protectionism refers to...

a) international agreements that promote free trade.
b) the "race to the bottom."
c) trade restrictions that protect domestic industries.
d) globalization.
e) countries' military capabilities.

24.The infant industry argument claims…

a) that countries should focus on developing their current comparative advantage.
b) that free trade is always the best policy.
c) that human infants have a comparative advantage in producing certain goods.
d) that governments should protect some domestic industries until they are internationally competitive.
e) that governments should provide subsidies to domestic industries indefinitely.

25. The theory of factor-price-equalization predicts that trade…

a) should tend to equalize the returns to capital (profits) and labor (wages) across countries.
b) will not lead to an international equalization of wages, but may result in higher unemployment.
c) will increase wages in industrialized countries.
d) will keep wages high in capital intensive countries, and low in labor intensive countries.
e) will allow a country to industrialize.

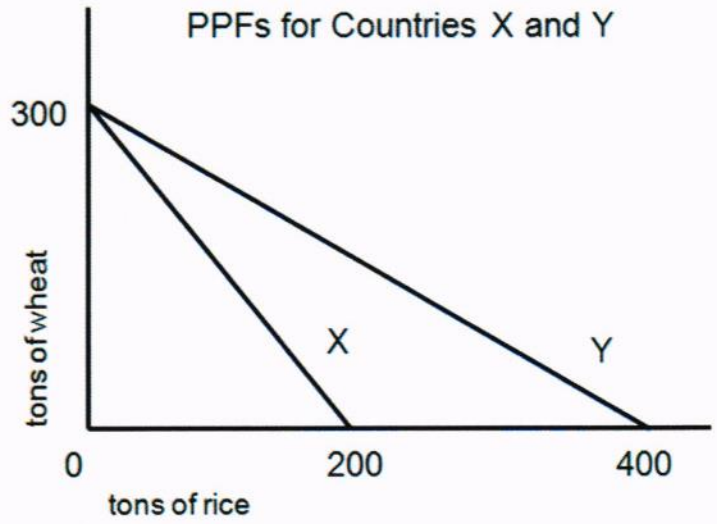
26. Which one of the following is not a potential drawback of free trade?

a) Each party becomes more vulnerable to the actions of its trading partners.
b) Widespread monoculture can make agricultural economies more susceptible to crisis from drought, pest or disease.
c) Countries may become locked-in to specializing in goods that have little potential for technological innovation.
d) Powerful countries can demand terms of trade in their own favor.
e) Countries can take advantage of economies of scale.

27. Which of the following is not a form of trade protectionism?

a) Tariffs
b) Trade quotas
c) Trade related subsidies
d) Administrative obstacles to trade
e) Income taxes

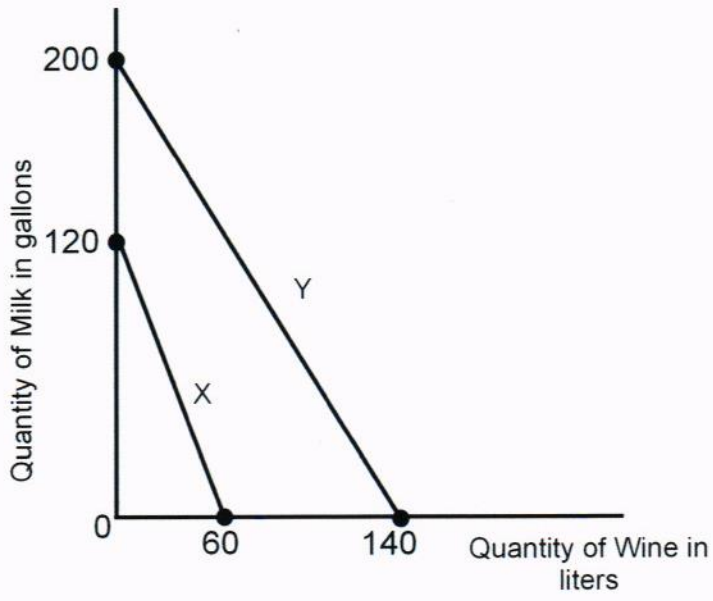
Refer to the figure below for Question 28.



28. Refer to the figure above that shows the production-possibilities frontier of countries X and Y. The points on each axis represent the maximum quantities that each country could produce if they specialized entirely in one of the goods. Which country has the absolute advantage at producing rice?

a) Country X
b) Country Y
c) Both X and Y
d) Neither X nor Y
e) There is not enough information to answer the question.

Refer to the figure below for Question 29.



29. Refer to the figure above that shows the production-possibilities frontier of countries X and Y. The points on each axis represent the maximum quantities that each country could produce if they specialized entirely in one good or another. Which country has a comparative advantage at producing wine?

a) Country X
b) Country Y
c) Both X and Y
d) Neither X nor Y
e) Cannot be determined from the information given

30. Division of labor is another word for …

a) Hard work
b) Specialization
c) Efficiency
d) Work sharing
e) Expanding markets

SECTION B

Question 1 **[20]**

In October 2021 the Namibian government announced its intentions to impose import restrictions on dairy products into Namibia, to save the country's dairy industry from collapse. This restriction could come either in a form of a Tariff or non-Tariff trade form. Do a comparative analysis between a tariff-based and non-tariff-based restrictions. Use graphs to help clarify your answers. (20)

Question 2 **[20]**

Partial equilibrium effects of forming a customs union are measured in terms of trade creation and trade diversion. Using graphical illustrations distinguish between a trade-creating customs union and a trade-diverting customs union. (20)

Question 3 **[30]**

a. Under what conditions is a customs union more likely to lead to trade creation and increased welfare? (15)

b. Explain the effect of the following on the balance of payments (FE) curve:

i. Foreign demand for the country's exports increases (5)

ii. The foreign interest rate increases (5)

iii. The country's interest rate increases (5)

THE END