FACULTY OF COMMERCE

DEPARTMENT OF FINANCE

BACHELOR OF COMMERCE HONOURS DEGREE IN FISCAL STUDIES

1st SEMESTER FINAL EXAMINATION – DECEMBER 2014

INTERNATIONAL TRADE [CFS 4102]

TIME ALLOWED: THREE (3) HOURS

INSTRUCTIONS TO CANDIDATES

1) Answer any **FOUR (4)** questions.
2) Read questions carefully and address all parts of the questions.
3) Questions may be written in any order, but must be legibly numbered.
4) Write legibly.

ADDITIONAL INFORMATION FOR CANDIDATES

1) The paper contains SIX (6) questions.
2) This paper consists of 4 printed pages, including cover page.
3) Marks for each question are shown in parentheses brackets **( )** and square brackets **[ ]** at the end of each part of the question and full question respectively.
4) All questions carry **equal marks** [25 marks].

QUESTION ONE

a) Discuss the three static engines of economic growth for modern economies.

(**3, 3, 3 marks**)

b) Explain the relevance and significance of international trade as a critical static engine of economic growth for African economies. (**4, 4 marks**)

c) Using Zimbabwe as an example, to what extent can the country uses its comparative advantage to promote economic growth through trade? (**8 marks**)

TOTAL [25 Marks]

QUESTION TWO

a) Policy makers are often confronted with the challenge of balancing between trade protection and trade liberalisation policies. Given your knowledge of what should be contained in a national trade policy, in your view what factors should be considered in balancing between protection and liberalisation policies?

(**15 marks**)

b) Using illustrative diagrams, explain how the domestic economy may be affected by using each of the following trade policies:
   i.   Production subsidies   (**5 marks**)
   ii. Export subsidies   (**5 marks**)

TOTAL [25 Marks]

QUESTION THREE

Availability of natural resources in a country is often regarded as a fundamental factor for national competiveness and hence a given comparative advantage in international trade. However, that is not always the case particularly for most developing countries. Discuss. (**25 marks**)

TOTAL [25 Marks]

QUESTION FOUR

a) Discuss main components that should be captured in a national trade policy.

(8 marks)

b) Explain reasons for a government to properly align strategies adopted in the national trade policy to those in national economic plan of the country.

(5 marks)

c) The Zimbabwe National Trade Policy (2012 - 2016) identified the following four key sectors as critical to achieving a targeted 10% increase in export earnings through its export-led industrialisation support strategy.

    i. Agro-processing (food, beverages, clothing, textiles, leather, wood and furniture),

    ii. Fertilizer industry,

    iii. Pharmaceuticals, and

    iv. Metals and electrical.

Given the focus of the policy stated above, critically evaluate the strengths and weaknesses of this policy *vis-à-vis* its ability to achieve the set objective of stimulating economic growth through export-led industrialisation. **(6, 6 marks)**

TOTAL [25 Marks]

QUESTION FIVE

a) State any three international organisations involved in the governing or facilitation of international trade. **(3 marks)**

b) Explain the functions and principles under which the World Trade Organisation (WTO) operates. **(5, 5 marks)**

c) Zimbabwe and Zambia co-hosted the 20th United Nations World Tourism Organisation (UNWTO) General Assembly from 24th to 29th August 2013 in Victoria Falls and Livingstone respectively. Discuss how such events by UNWTO or WTO help local business enterprises and governments in terms of international trade promotion. **(12 marks)**

TOTAL [25 Marks]

QUESTION SIX

a) Explain any three levels of regional economic integration.   **(2, 2, 2 marks)**

b) With specific reference to Africa, discuss the rationale for the formation of regional economic communities (RECs) in terms of the following:

    i)   Allocation effects,   **(3 marks)**

    ii)   Accumulation (or growth) effects of free trade in regional trade blocs, and   **(3 marks)**

    iii)   Location effects.   **(3 marks)**

c) What factors mostly account for the slow progress among the African regional economic communities (RECs)? Discuss.   **(10 marks)**

TOTAL [25 Marks]

END OF EXAMINATION PAPER