



MANICALAND STATE UNIVERSITY OF APPLIED SCIENCES

FACULTY OF AGRIBUSINESS AND COMMERCE

Agricultural Economics and Development

INTERNATIONAL TRADE AND POLICY

CODE: HACE414

SESSIONAL EXAMINATIONS

August 2022

DURATION: 3 HOURS

EXAMINER: Ms. P. Dube

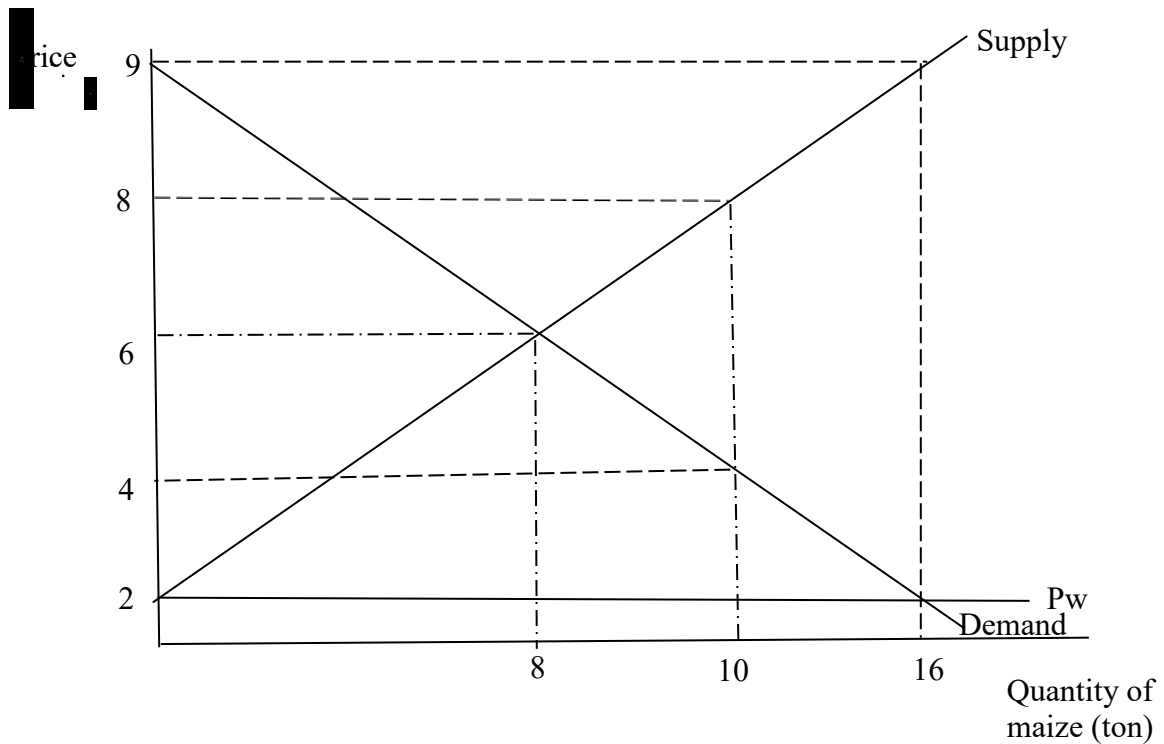
INSTRUCTIONS

- 1. Answers four (4) questions of your choice.*
- 2. Start a new question on a fresh page*
- 3. Total marks 100*

SECTION A: COMPULSORY

Question 1

Assume that, maize is freely traded in the world market. Zimbabwe is a price taker in the world market for maize. Some of the maize consumed in Zimbabwe is produced domestically while the rest is imported. The world price of maize is \$2 per kg. The graph below shows maize market and P_w represents the world price of maize



- a) At the world price of \$2 per tonne how much maize is Zimbabwe importing (4)
- b) Suppose that Zimbabwe imposes a per unit tariff on maize imports and a new domestic price including tariff is \$4:
 - i. Identify the new level of domestic production (5)
 - ii. Calculate the domestic consumer surplus for Zimbabwe (Show all working) (5)
 - iii. Calculate the total tariff revenue collected by the government (show all working) (5)
 - iv. Given the world price of \$2, what per unit tariff maximized the sum of Zimbabwe domestic consumer and producer surplus. (6)

Question 2

Use the information given in the table below to answer the following questions:

Days of labour required to produce	Country	
	Zimbabwe	Malawi
Clothing	5	1
Food	1	4

- Which country has an absolute advantage in producing food? (3)
- Compute the opportunity cost of producing clothing in each country (4)
- Which country has the comparative advantage in producing clothing (3)
- Differentiate the mercantilist's view on trade from those of Adam Smith (5)
- How did Adam Smith explain his contention that all nations engaged in trade can benefit from trade? (5)
- Why is Ricardo's explanation of the law of comparative advantage unacceptable? (5)

Question 3

International trade has been viewed as one of the economic drivers by the government of Zimbabwe. Suppose you are a trade economist based in the Ministry of Agriculture and Lands. The Permanent Secretary tasks you to prepare briefing notes for the appointed Minister of Agriculture on the types of trade arrangements that Zimbabwe is currently involved and why Zimbabwe should trade with other countries (25)

Question 4

The principle of trade is that trade can make everyone better off. However, there is strong opposition to trade:

- List and discuss three arguments advanced by government to restrict trade (15)
- Suppose you are a trade economist advisor for the Minister of commerce, how would you advise the minister on these arguments (10)

Question 5

- a) Developing countries can benefit from free trade but many developing countries are reluctant to move forward with Doha Round Trade negotiation under WTO? Explain the reason behind their reluctance. (20)
- b) Outline the outstanding trade problems facing the world today (5)

Question 6

- a) Define the following terms as used in international trade:
 - i. Trade Policy (2)
 - ii. Export subsidy (2)
- b) Globalization is a term that is bandied about by those who support it and those who oppose it, Discuss any five arguments for globalization in the developing world (10)
- c) Assess the role of foreign direct investment (FDI) in developing countries (9)

END OF EXAMINATION