



"Investing in Africa's Future"

COLLEGE OF HEALTH, AGRICULTURE & NATURAL SCIENCES

NMEC 504 INTERNATIONAL TRADE AND FINANCE

END OF FIRST SEMESTER EXAMINATIONS

NOVEMBER/DECEMBER 2019

LECTURER: PROF L. DUBE

DURATION: 3 HOURS

INSTRUCTIONS

1. Do not write your name on the answer sheet

2. Use Answer Sheets Provided

3. Begin your answer for Each Question on a New Page

4. Credit is Given for Neat Presentation

INSTRUCTIONS TO CANDIDATES

Answer any 4 questions. All questions carry equal marks.

Question 1

- a) Discuss the theory of comparative advantage by David Ricardo. What are the assumptions in its purest form? [10]
- b) Illustrate how the theory of comparative advantage differ fundamentally from Adam Smith's theory of absolute advantage? [15]

Question 2

- a) Trade policies come in many forms. With specific reference to Zimbabwe, define and discuss the use of any three of these policies. [10]
- b) The government of Zimbabwe recently suspended Statutory Instrument 122 of 2017 to allow for the importation of basic goods into the country. Using appropriate illustrations, discuss how this measure will affect the economic welfare of the country. [15]

Question 3

- a) Briefly explain the main forms of economic integration. [15]
- b) Discuss the trade creation and trade diversion which occur when a country joins a customs union. Can a trade diverting customs union result in trade creation? [10]

Question 4

- (a) Critically evaluate the main motivations for trade regulation to a country. [10]
- (b) "While protectionism is bad, the World Trade Organisation preference for use tariffs over quotas as a protectionist device is extremely sensible." Discuss. [15]

Question 5

- (a) Trade is often described as an engine of growth. Discuss the relationship between trade and growth in developing countries. [15]

(b) Trade policies come in many forms. With specific reference to Zimbabwe, define and discuss the use of any two of these policies. [10]