



"Investing in Africa's Future"

COLLEGE OF HEALTH, AGRICULTURE & NATURAL SCIENCES

NMEC 504 INTERNATIONAL TRADE AND FINANCE

END OF FIRST SEMESTER EXAMINATIONS

NOVEMBER 2021

LECTURER: PROF L. DUBE

DURATION: 5 HOURS

INSTRUCTIONS

1. Do not write your name on the answer sheet

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2. Use Answer Sheets Provided

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

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4. Credit is Given for Neat Presentation
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INSTRUCTIONS TO CANDIDATES

Answer any 1 question. All questions carry equal marks.

Question 1

- a) Critically discuss Porter's diamond of international competitiveness, explaining its utility and relevance. Apply the theory to the Zimbabwean clothing and textile industry with specific reference to determinants of competitiveness in the Zimbabwean context. (40%)
- b) Discuss how a weakening or depreciating RTGS dollar is advantageous and disadvantageous to tobacco farmers in Zimbabwe. (20%)
- c) Through Statutory Instrument 245 of 2020, the Government of Zimbabwe suspended duty on fertilised poultry eggs for hatching for nine approved breeders with effect from October 1, 2020 to March 31, 2021 allowing for the importation of a total of 9 458 000 fertilised eggs into Zimbabwe in an attempt to improve the supply of day old chicks for local chicken producers. With aid of relevant diagrams, critically discuss the welfare effects of this policy move to the country. (40%)

Question 2

- a) In recent years, Zimbabwe has witnessed increased imports of second-hand textile imports, and this has seriously affected the viability of the local textile industry. If the government wants to reduce the amount of these second-hand textile imports to a specific quantity, should it use a tariff or an import quota? Motivate your answer. (40%)
- b) What were the mercantilist's views on trade? How do they relate to the current ideology of protectionism? (20%)
- c) Regional economic integration can be seen as an attempt to achieve additional gains from the free flow of trade and investment between countries beyond those attainable under international agreements like the WTO. With specific reference to the Africa Continental Free Trade Agreement (AfCFTA), what are the economic and political arguments for regional economic integration? Given these arguments, why are we not seeing more integration in the world economy? (40%)

Question 3

- a) Many countries have import quotas on certain goods. Use a partial equilibrium model under perfect competition to illustrate the effects of an import quota for the case of a small country.
 - i) Which group is winning or losing from the quota regime and why are its welfare effects always negative for a small country? (15%)



- ii) How can the gains and losses in welfare induced by the quota be measured? (Give a detailed explanation). (5%)
- iii) Compare the impact of an import quota with that of a tariff. (20%)
- b) Despite the benefits of trade, countries continue to impose restrictions on trade.
 - i) Critically evaluate the main motivations for regulating the trade in agribusiness products in Zimbabwe. Use examples in your discussion. (10%)
 - ii) Illustrate how Zimbabwe can use the exchange rate to manage the flow of horticultural imports into the country. (10%)
- c) Discuss the relationship between globalisation and the following trade theories:
 - i) Product life-cycle theory;
 - ii) Heckscher-Ohlin's trade theory; and
 - iii) Theory of comparative advantage. (40%)

