JUNE 2013 EXAMINATION

DATE: 6 JUNE 2013
TIME: 09H00 – 11H00
TOTAL: 100 MARKS
DURATION: 2 HOURS
PASS MARK: 40%

(YH-42)

BALANCE OF PAYMENTS AND PROTECTIONISM

THIS EXAMINATION PAPER CONSISTS OF 3 SECTIONS:

SECTION A: CONSISTS OF:
(i) 10 MULTIPLE-CHOICE QUESTIONS (10 MARKS)
(ii) 5 TRUE OR FALSE QUESTIONS (10 MARKS)
(iii) 10 MATCHING-STATEMENT QUESTIONS (10 MARKS)
ANSWER ALL THE QUESTIONS

SECTION B: CONSISTS OF 5 QUESTIONS
ANSWER ALL THE QUESTIONS (50 MARKS)

SECTION C: CONSISTS OF 3 QUESTIONS
ANSWER ANY TWO OF THE QUESTIONS (20 MARKS)

INSTRUCTIONS:
1. Read the following instructions carefully before answering the paper, as failure to act upon them will result in a loss of marks.
2. Write your answers in your answer book, which is provided in the exam.
3. Ensure that your name and student number are clearly indicated on your answer book.
4. Write your answers in either blue or black ink in your answer book.
5. Read each question very carefully before you answer it and number your answers exactly as the questions are numbered.
6. Begin with the question for which you think you will get the best marks.
7. Note the mark allocations for each question – give enough facts to earn the marks allocated. Don't waste time by giving more information than required.
8. You are welcome to use diagrams to illustrate your answers.
9. Please write neatly – we cannot mark illegible handwriting.
10. Any student caught cheating will have his or her examination paper and notes confiscated. The College will take disciplinary measures to protect the integrity of these examinations.
11. If there is something wrong with or missing from your exam paper or your answer book, please inform your invigilator immediately. If you do not inform your invigilator about a problem, the College will not be able to rectify it afterwards, and your marks cannot be adjusted to allow for the problem.
12. This paper may be removed from the examination hall after the examination has taken place.
(i) MULTIPLE-CHOICE QUESTIONS

Choose the correct option for each of the following. Write only the question number and your chosen answer. For instance, if you think that the correct answer for number 1 is (a), then write it as 1. (a).

1. What is the role of the IMF?
   (a) It controls the budgets of national governments.
   (b) It acts as a forum for international economics.
   (c) It observes world exchange rates, balance of payments and multilateral payments.
   (d) It seeks to promote free internal trade.

2. If a good is imported into (large) country H from country F, then the imposition of a tariff in country H:
   (a) raises the price of the good in both countries (the Law of One Price).
   (b) raises the price in country H and cannot affect the price in country F.
   (c) lowers the price of the good in H and could raise it in F.
   (d) raises the price of the good in H and lowers it in F.

3. If a small country imposes a tariff, then:
   (a) the producers must suffer a loss.
   (b) the consumers must suffer a loss.
   (c) the government revenue must suffer a loss.
   (d) None of the above.

4. The World Trade Organisation (WTO) was organised as a successor to the:
   (a) IMF.
   (b) UN.
   (c) GATT.
   (d) World Bank.

5. Which one of the following is not a member of the Southern African Customs Union (SACU)?
   (a) Zimbabwe
   (b) Lesotho
   (c) Namibia
   (d) Botswana
6. The balance on current account includes all of the following items except:

(a) merchandise exports minus merchandise imports.
(b) exports of services minus imports of services.
(c) income receipts minus income payments on investments.
(d) changes in South African assets owned abroad and foreign assets owned in South Africa.

7. If the current account for a country is in deficit, then there must be:

(a) a surplus in the government budget.
(b) low interest rates.
(c) high productivity.
(d) a capital account surplus.

8. Debt service refers to:

(a) interest payments on international debt as a percentage of a nation's merchandise exports.
(b) the outflows from a nation's capital account to pay for its imports of foreign services.
(c) debt owed to a nation for the export of its services.
(d) international debt representing all the services transacted on all of a nations' balance of payments accounts.

9. States protect domestic industry:

(a) in order to increase imports.
(b) to raise revenue through taxes.
(c) in order to protect an infant industry.
(d) only in authoritarian systems.

10. If the Zimbabwean dollar appreciates relative to the South African rand, then:

(a) more rands will be required to purchase one dollar.
(b) fewer rands will be required to purchase one dollar.
(c) the dollar has weakened relative to the rand.
(d) South Africa's demand for Zimbabwean goods will increase.

(ii) TRUE OR FALSE QUESTIONS

Indicate whether the following statements are True or False. Motivate all your answers.

1. The foreign exchange market is where the international trade of goods and services takes place.

2. A currency depreciates if less of that currency is required to buy one unit of another currency.

3. Low productivity contributes to a favourable balance of trade by making the domestic producers' goods relatively cheaper than goods from other countries.
4. South Africa is a member of the Common Market for Eastern and Southern Africa (COMESA).

5. The largest portion of services traded in the service account consists of transportation and financial services. [5 × 2 = 10]

(iii) MATCHING-STATEMENT QUESTIONS

Match the statements in Column B to the terms in Column A. Write down the answers only, for example 1. (a).

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. the macro environment</td>
<td>(a) can be used as a revenue-generating tax</td>
</tr>
<tr>
<td>2. the micro environment</td>
<td>(b) external and uncontrollable</td>
</tr>
<tr>
<td>3. tariffs</td>
<td>(c) internal and controllable</td>
</tr>
<tr>
<td>4. embargo</td>
<td>(d) refusal to sell to a specific country</td>
</tr>
<tr>
<td>5. South African Revenue Service (SARS)</td>
<td>(e) Common Market of South America</td>
</tr>
<tr>
<td>6. Department of Customs and Excise</td>
<td>(f) Common Market of the Eastern and Southern Africa</td>
</tr>
<tr>
<td>7. Mercosur</td>
<td>(g) concerned with customs revenues</td>
</tr>
<tr>
<td>8. COMESA</td>
<td>(h) SACU</td>
</tr>
<tr>
<td>9. Namibia is a member</td>
<td>(i) COMESA</td>
</tr>
<tr>
<td>10. Zimbabwe is a member</td>
<td>(j) concerned with tax and VAT matters</td>
</tr>
</tbody>
</table>

[10] [30]
QUESTION 1
Identify five key functions of the World Bank. 

[5 × 2 = 10]

QUESTION 2
List ten roles of protectionism. 

[10]

QUESTION 3
(a) List at least seven members of the Southern African Development Community (SADC). 

(7)
(b) Explain what a Free Trade Area is. 

(3) [10]

QUESTION 4
(a) Which two products are mainly covered under the African Growth and Opportunity Trade Act (AGOA)? 

(2)
(b) What do the following acronyms stand for?

i. ASEAN 

(1)
ii. ECOWAS 

(1)
(c) Explain the new formula agreed on by Southern Africa Customs Union (SACU) member states in calculating customs revenue. 

(3 × 2 = 6) [10]

QUESTION 5
Identify the factors that constitute the economic environment. 

[5 × 2 = 10]

[50]
SECTION C (20 MARKS)

ANSWER ANY TWO OF THE QUESTIONS

QUESTION 1

Identify the steps taken in conducting cross-cultural analyses that isolates the Self-Reference Criterion (SRC) influences and maintains a vigilance regarding ethnocentrism. [5 × 2 = 10]

AND / OR

QUESTION 2

Identify the problems associated with acquiring data when conducting international marketing. [5 × 2 = 10]

AND / OR

QUESTION 3

Explain why it is important to consider the political environment of a country when looking at international trade opportunities. [5 × 2 = 10]

[20]

Section A: 30 marks
Section B: 50 marks
Section C: 20 marks
TOTAL: 100 MARKS