(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)

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

SECTION C: CONSISTS OF 2 QUESTIONS
ANSWER BOTH 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.

Examiner: A Chakabva
(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. Which one of the following is not included in the current account of balance of payments?
   
   (a) travel and tourism  
   (b) government loans  
   (c) government transfer payments  
   (d) None of the above.

2. An example of a debit in the current account of balance of payments is:
   
   (a) export of goods.  
   (b) a gift received from a foreigner.  
   (c) a gift given to a foreigner.  
   (d) export of banking and services.

3. By imposing duties or tariffs on imports a nation:
   
   i. cuts down demand for imports.  
   ii. stimulates investment and promotes recovery.  
   iii. corrects disequilibrium of balance of payments.
   
   (a) i. only  
   (b) ii. only  
   (c) iii. only  
   (d) i. ii. and iii.

4. A surplus in the balance of payments is when:
   
   (a) demand for foreign exchange exceeds supply.  
   (b) there is inflow if income into the country.  
   (c) there is outflow of income from the country.  
   (d) imports exceed exports.

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. Which one of the following does not represent the main form of trade barriers?

(a) tariffs
(b) quotas
(c) voluntary export restraints
(d) sales tax

7. In a scan of the macro environment, you analyse:

(a) the internal environment.
(b) the organisational environment.
(c) the economic environment.
(d) the tax environment.

8. The General Agreement on Trade and Tariffs was replaced by the:

(a) General Agreement on Trade and Development.
(b) World Trade Organisation.
(c) Cross Regional Trade Group.
(d) North American Trade Organisation.

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. Foreign exchange is:

i. an important constituent of balance of trade.
ii. the exchange of goods and services between two countries.
iii. a system by which different nations work out their obligations.

(a) i. only
(b) ii. only
(c) iii. only
(d) i. and iii.

(ii) TRUE OR FALSE QUESTIONS

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

1. 'Dumping' refers to the sale of goods above the marginal cost.

2. Embargoes are an absolute restriction against the purchase of certain goods from another country.

3. South Africa is a member of the Common Market for Eastern and Southern Africa (COMESA).

4. The Common Monetary Area agreement (CMA) entails that the currency in Zimbabwe is pegged (fixed at a specific rate) against the South African rand.
5. The macro environment is controllable and is concerned with establishing strengths and weakness within the organisation. \[5 \times 2 = 10\]

(iii) MATCHING-STATEMENT QUESTIONS

Match the statements in Column B to the statements 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. purchase by the Russian government of wheat from a US grain company</td>
<td>(a) measurement that determines the interest payment on international debt as a percentage of a nation's merchandise exports</td>
</tr>
<tr>
<td>2. purchase of stock in an Egyptian corporation by a retired school teacher in US</td>
<td>(b) contributes positively to US balance of trade</td>
</tr>
<tr>
<td>3. debt-service ratio</td>
<td>(c) does not contribute negatively to the US balance of trade</td>
</tr>
<tr>
<td>4. international debt</td>
<td>(d) the amount of outstanding debt that a nation owes other nations and institutions</td>
</tr>
<tr>
<td>5. self-reference criterion (SRC)</td>
<td>(e) a non-tariff barrier</td>
</tr>
<tr>
<td>6. ethnocentrism</td>
<td>(f) not a non-tariff barrier</td>
</tr>
<tr>
<td>7. a tax equal to 12% of value on imported oil</td>
<td>(g) the notion that your own culture or way of doing things is better than everyone else's culture or way of doing things</td>
</tr>
<tr>
<td>8. a quota on apparel</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) the unconscious reference to your own cultural values, experience and knowledge as a basis for decisions</td>
</tr>
</tbody>
</table>

[10]

[30]
SECTION B  (50 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1
List five aims of the African Union.  [5 × 2 = 10]

QUESTION 2
List ten roles of protectionism. [10]

QUESTION 3
(a) Identify seven factors you will analyse when doing an internal or micro environmental scan. (7)
(b) Identify three factors you will analyse when doing a macro-environmental scan. (3) [10]

QUESTION 4
(a) Give two reasons for justifying the imposition of tariffs by the government. (2)
(b) What does a current account deficit imply? (2)
(c) What analysis should a company do before moving outside its borders? (2)
(d) Which organisation was launched by industrialised nations to lend money to less developed countries? (2)
(e) Differences in the importance of personal space are an example of which type of international trade barrier? (2) [10]

QUESTION 5
Identify the factors that constitute the economic environment. [5 × 2 = 10]
SECTION C  
(20 MARKS)

ANSWER BOTH QUESTIONS

QUESTION 1

Identify and discuss five economic risks experienced in international trade.  

[5 \times 2 = 10]

QUESTION 2

Explain how a government can effectively regulate its international trade position by various forms of exchange control restrictions.  

[10]

[20]

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