**BALBUS**

**NOVEMBER 2013 EXAMINATION**

**DATE:** 7 NOVEMBER 2013

**TIME:** 09H00 – 11H00  **TOTAL:** 100 MARKS

**DURATION:** 2 HOURS  **PASS MARK:** 40%

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**BALANCE OF PAYMENTS AND PROTECTIONISM**

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**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 SHORT QUESTIONS**

**ANSWER ALL THE QUESTIONS**  **(50 MARKS)**

**SECTION C:**

**CONSISTS OF 3 LONG ANSWER QUESTIONS**

**ANSWER ANY TWO OF THE QUESTIONS**  **(20 MARKS)**

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**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. How does the IMF (International Monetary Fund) meet its primary objective?
   (a) It promotes free international trade.
   (b) It oversees the balance of payments, acting as a forum of world negotiation and regulating world exchange rates.
   (c) It acts as an arbitrator for the dispute settlement of world trade matters.
   (d) It aligns its primary objective with the monetary objectives of national governments.

2. The record of a country's transactions in goods, services, and assets with the rest of the world is its:
   (a) balance of payments.
   (b) balance of trade.
   (c) capital account.
   (d) current account.

3. A lower tariff on imported steel would most likely benefit:
   (a) foreign producers at the expense of domestic consumers.
   (b) domestic manufacturers of steel.
   (c) domestic consumers of steel.
   (d) None of the above.

4. The following trading blocs are key trading partners to South Africa and Southern Africa.
   (a) EU – The European Union
   (b) Mercosur – Common Market of the South (South America)
   (c) ECOWAS – Economic Community of West African states
   (d) All of the above.

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 of payments is divided into two major accounts:
   (a) current account and the trade account.
   (b) trade account and the capital account.
   (c) current account and the capital account.
   (d) current account and the reserve account.

7. The fall in value of one currency relative to another is:
   (a) a strengthening of a currency.
   (b) a floating of the currency.
   (c) a depreciation of a currency.
   (d) an appreciation of a currency.

8. Which of the following statements is correct?
   (a) The overall sum of all the entries in the balance of payments must be positive.
   (b) If the current account is in surplus, then the capital account must also be in surplus.
   (c) If the current account is in deficit, then the capital account must also be in deficit.
   (d) The overall sum of all the entries in the balance of payments must be zero.

9. Which of the following is not an objective of the AU?
   (a) Promote peace, stability and prosperity on the continent.
   (b) Raise the standard of living of the people of Africa.
   (c) Achieve greater unity amongst countries on the continent.
   (d) Raise revenue through taxes.

10. Suppose South Africa eliminates its tariff on ball bearings. We would expect ball bearing prices in South Africa to:
    (a) increase, and the volume of imports into South Africa to increase.
    (b) decrease, and the volume of imports into South Africa to increase.
    (c) increase, and volume of imports into South Africa to decrease.
    (d) decrease, and volume of imports into South Africa to decrease.
(ii) **TRUE OR FALSE QUESTIONS**

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

1. Department of Customs and Exercise looks after customs disputes and tariff applications.
2. During the apartheid years the trade embargoes created employment.
3. Kenya is a member of the Southern African Development Community (SADC).
4. The African Union (AU) was formerly known as the Organisation of African Unity.
5. A big push strategy by a nation means investing in many projects all at once. \[5 \times 2 = 10\]

(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. international debt</td>
<td>(a) an absolute restriction against the purchase of certain goods from another country</td>
</tr>
<tr>
<td>2. debt-service ratio</td>
<td>(b) the amount that a nation owes other nations and institutions</td>
</tr>
<tr>
<td>3. scan of the market environment</td>
<td>(c) a measurement that determines the interest payment on international debt</td>
</tr>
<tr>
<td>4. scan of macro environment</td>
<td>(d) examines strategic partners</td>
</tr>
<tr>
<td>5. a quota</td>
<td>(e) examines the socio-cultural environment</td>
</tr>
<tr>
<td>6. tariffs</td>
<td>(f) a specific quantitative or monetary limit applied to a particular type of good</td>
</tr>
<tr>
<td>7. a government boycott</td>
<td>(g) often used as reprisals against protectionist trading partners</td>
</tr>
<tr>
<td>8. embargoes</td>
<td>(h) Namibia is a member</td>
</tr>
<tr>
<td>9. SACU</td>
<td>(i) refusals to sell to a specific country</td>
</tr>
<tr>
<td>10. SADC</td>
<td>(j) Zimbabwe is a member</td>
</tr>
</tbody>
</table>
SECTION B: SHORT QUESTIONS (50 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1

(a) List and explain three types of monetary barriers. (3 × 3 = 9)

(b) Which non-African country signed the African Growth and Opportunity Trade Act? (1) [10]

QUESTION 2

Which industrial sectors in South Africa have achieved incredible recognition in their specific international achievements? [10]

QUESTION 3

(a) List six forms of trade agreements. (6)

(b) List four forms of trade barriers. (4) [10]

QUESTION 4

(a) What do the following acronyms stand for?

   i EU (1)  
   ii Mercosur (1)  
   iii NAFTA (1)  
   iv ASEAN (1)

(b) Explain the new formula for calculating customs revenue agreed on by Southern Africa Customs Union (SACU) member states. (3 × 2 = 6) [10]

QUESTION 5

What is the role of the state in the context of international law? [5 × 2 = 10] [50]
SECTION C: LONG-ANSWER QUESTIONS (20 MARKS)

ANSWER ANY TWO OF THE QUESTIONS

QUESTION 1
List five disadvantages of tariffs. [5 × 2 = 10]

AND / OR

QUESTION 2
Which government organisations in South Africa are responsible for policy development, implementation and administration of all aspects of trade? Name the organisations and their responsibilities. [5 × 2 = 10]

AND / OR

QUESTION 3
What are the objectives of the African Union (AU)? [5 × 2 = 10]