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2nd SEM. 2013/2014

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UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

PROGRAMME: BSc. in Agric. Economics and Agribusiness Management Year 4
BSc. in Textile & Apparel Design & Management Year 4

COURSE CODE: AEM 406

TITLE OF PAPER: INTERNATIONAL AGRICULTURAL TRADE

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION: 1. ANSWER ALL QUESTIONS
2. EACH QUESTION CARRIES TWENTY FIVE (25) MARKS

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Question 1

- a. Using your own example and a diagram, explain the effects of a tariff. (15 marks)
- b. Fill in the Table below and answer the following question. (10 marks)

	Country A	Country B
1 unit of resources can produce either	20 Ton (T) of Maize of 10 Ton (T) of Cocoa	10 Ton (T) of Maize of 8 Ton (T) of Cocoa
The opportunity cost of 1T of Maize		
The opportunity cost of 1T of Cocoa		

Which country has a comparative advantage in the production of maize and which country has a comparative advantage in the production of cocoa?

Question 2

- a. Explain any three benefits trading countries receive from trading. (9 marks)
- b. Write about the Regional Trade Agreements Swaziland has with other countries as discussed in class. (16 marks)

Question 3

- a. Discuss the basic principles of GATT/WTO. (12 marks)
- b. Government intervenes in agricultural trade by means of direct and indirect instruments. Briefly and clearly explain the indirect protection instruments. (13 marks)

Question 4

- a. What are the special features that differentiate international trade from interregional and interpersonal trade? (10 marks)
- b. Given that the World has two countries; Country A and Country B. Both countries have equal labor (20 units) each. In Country A, 1 unit of laborer can produce either 40 tonnes (T) of

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wheat or 20 tonnes of cloth. Whilst, in Country B, 1 laborer can produce 20 tonnes of wheat or 16 tonnes of cloth. How many tons of wheat and Clothes are going to be produced by each country if they decide not to trade with each other? Assuming that the country that has an absolute advantage uses 80:20 ratio in resource allocation, how many tons of wheat and Clothes are going to be produced by each country if they decide trade? What are the gains from specialization? (15 marks)