



ASSIGNMENT MEMORANDUM

**SUBJECT : INTRODUCTION TO INTERNATIONAL TRADE (IIT)
INTERNATIONAL TRADE 1 (IT101)**

ASSIGNMENT : 2ND SEMESTER 2011

ASSIGNMENT [90]

1. This is false. Many developed countries import more goods than they export; but the usual characteristic is that they export more services than they import. (5)
Learner Guide reference: Study Unit 1
2. It is true that import duties restrict the amount of goods imported into a country as well as the price of the goods. However, the main purpose is to increase the price of the goods; this usually has the indirect effect of reducing demand and therefore the amount imported. (5)
Learner Guide reference: Study Unit 2
3. It is true that every country has a comparative advantage in at least one item and that all countries can gain from international trade. David Ricardo's proposition refers. (5)
Learner Guide reference: Study Unit 1

The following three questions were based on this table:

	Maize	Rice
South Africa	500 kg	15 kg
India	250 kg	150 kg

4. This is false.
South Africa produces twice as much maize as India produces **per unit of resource**. India produces 10 times as much rice as South Africa produces **per unit of resource**. This does not mean that South Africa produces twice as much maize in total as India does, nor that India produces 10 times the amount of rice in total that South Africa produces. (6)

5. This is true. (3)
6. This is false.
 The table shows that South Africa has an advantage over India in the production of maize. It does not show whether or not South Africa has an absolute advantage in the production of maize, as other countries may be more efficient than South Africa in their production – we just do not know from the data supplied in the table.
 The same applies to India and the production of rice: we do not have enough data to say that India has an international absolute advantage in rice production. (6)
Learner Guide reference: Study Unit 1
7. False:
 Opportunity cost describes the economic possibilities that a country gives up when it makes a particular economic choice.

 Example: A country uses limited resources to produce an additional 10 million tons of copper from its mines instead of using the same amount of resources to produce an additional 20 million tons of coffee from its farms. The opportunity cost of one ton of copper is therefore equal to two tons of coffee. (5)
Learner Guide reference: Study Unit 1
8. False:
 Specialisation is where the producer – which may be an individual, organisation or country – concentrates on a narrow range of goods and services instead of producing all that it consumes. A number of individuals, organisations or countries might – and do – specialise in the same narrow range of goods. (5)
Learner Guide reference: Study Unit 1
9. False:
 This was held to be true originally.
 However, comparative advantage is now thought to be far more complex and to include among other factors: technology, cultural influences, educational priorities, national policies. (5)
Learner Guide reference: Study Unit 1
10. False:
 Visible trade is trade in any items with a physical existence.
 Visible trade includes agricultural and mining raw materials and semi-processed goods, and fish and other sea products, as well as manufactured goods. (5)
Learner Guide reference: Study Unit 1
11. True:
 Nando's earns money from the franchise agreement and this comes back to South Africa, as a payment for a service.
 Payment is also received in South Africa for the sauces that are exported from South Africa to the countries concerned. (5)
Learner Guide reference: Study Unit 1

12. This is not true.

Government export subsidies *may* lead to companies 'dumping' products on foreign markets.

However, companies may 'dump' products as a marketing strategy, or merely to rid themselves of surplus stock. (5)

Learner Guide reference: Study Unit 2

13. The statement is wrong. A bill of exchange in international trade is an unconditional order in writing, which the seller signs and addresses to the buyer. It instructs the buyer to pay, either on presentation of the bill or at some later date, a specified amount of money. The buyer, by signing or accepting the bill, undertakes to pay. (5)

Learner Guide reference: Study Unit 1

14. The statement is correct regarding the mercantilist era.

However, it is wrong in regard to South Africa. South Africa's trade deficit arises because she exports less than she imports. The export of gold actually earns South Africa foreign exchange and therefore lessens the trade deficit; it does not cause it. (5)

Learner Guide reference: Study Unit 1

15. Unfortunately it is not always true that an industry that begins to export will always employ more people because its sales increase in value. Often, to be competitive internationally, a company may have to use automated production processes that require fewer rather than more workers. However, the ripple effects of any industrial growth results in increased job opportunities in industries and services supplying the growing sectors. (5)

Learner Guide reference: Study Unit 1

16. It is untrue that trade sanctions during the apartheid era prevented South Africa from developing any technologically advanced products. In fact, the existence of trade sanctions made the then-government encourage the development of specialised technologies. (5)

Learner Guide reference: Study Unit 6

17. It is a common misunderstanding that prior to South Africa's first democratic elections, the country had far fewer trading partners than other developing countries. In fact, South Africa had a wider trading partner base than most developing countries. (5)

Learner Guide reference: Study Unit 6

18. It would be very unwise for South Africa to concentrate on exporting mineral products to the industrial world. Economic growth and resulting improved job opportunities and poverty alleviation will result from the country exporting goods with as high a value-added as possible. (5)

Learner Guide reference: Study Units 5 and 6

PRESENTATION

[10]