



UNIVERSITY
OF
JOHANNESBURG

UNIVERSITY OF JOHANNESBURG

DEPARTMENT OF ECONOMICS AND ECONOMETRICS

INTERNATIONAL TRADE: THEORY AND POLICY ISSUES

EKN06X7/EKN4811/ITP8X01

Examination: 9 November 2015

LECTURER: DR J DIKGANG

MODERATOR: PROF. M. DU PREEZ

Duration: 3 HOURS

TOTAL MARKS: 100

Instructions:

1. Number of pages: **3**
 2. The paper consists of **six (6)** questions.
 3. Each question carries 25 marks.
 4. Answer **FOUR** questions **ONLY**
 5. Write **neatly** and **legibly** (**We strongly discourage SMS style of writing**)
-

Question 1

In what ways are tariffs and subsidies similar in their effects? In what ways do they differ? (Make use of a fully labeled graph).

[25 marks]

Question 2

Discuss the advantages and deficiencies of the following research methodologies for analyzing aspects of trade-growth relationships:

- Spearman's-rank correlation tests;
- Cross-section country-level studies;
- Time series and panel country-level studies;
- Firm and industry-level research.

[25 marks]

Question 3

- a. “*Old Trade Theory*”; “*New Trade Theory*”; and “*Empirical Analysis of Trade Liberalization*” have identified sources of gains from trade. What are these sources of welfare gains?

[6 marks]

- b. Identify the new dimensions of international trade that can now be examined due to recently available transaction-level data?

[4 marks]

- c. Assess the significance of the extensive margins of the number of firms and number of products for understanding variation in aggregate imports by estimating gravity equation regressions for aggregate imports and each of its components as reported in Table 1 below.

Table 1: Gravity and Aggregate U.S. Imports, 2000

| | Log of total exports value | Log of number of exporting firms | Log of number of exported products | Log of export value per product per firm |
|------------------------|----------------------------|----------------------------------|------------------------------------|------------------------------------------|
| <i>Log of GDP</i> | 1.14 *** (0.06) | 0.82 *** (0.03) | 0.71 (0.03) | -0.39 *** (0.05) |
| <i>Log of Distance</i> | -0.73 *** (0.17) | -0.43 *** (0.15) | -0.61 *** (0.15) | 0.31 (0.24) |
| | | | | |
| <i>Observations</i> | 175 | 175 | 175 | 175 |
| <i>R²</i> | 0.69 | 0.78 | 0.74 | 0.25 |

[15 marks]

Question 4

- a. What is a value chain?
[5 marks]
- b. What is the difference between buyer- and producer-driven value chains?
[5 marks]
- c. Discuss the five key roles exercised by value chains governors.
[10 marks]
- d. Identify and discuss the various forms of rent.
[5 marks]

Question 5

- a. Discuss the assumptions and outcomes behind “New Trade Theories” and FDI in developing countries?
[7 marks]
- b. Give the Markusen’s stylized facts at the macro and micro levels, which refer mostly to MNEs’ activities worldwide in the previous decade or so?
[9 marks]
- c. Discuss the assumptions and outcomes behind “New Trade Theories” and FDI in developed countries?
[9 marks]

Question 6

- Discuss the direct and indirect effects on balance of payments.
[25 marks]

END OF PAPER