

**THE NATIONAL UNIVERSITY OF LESOTHO
INSTITUTE OF EXTRA MURAL STUDIES
DEPARTMENT OF BUSINESS AND MANAGEMENT DEVELOPMENT
BACHELOR OF ARTS IN BUSINESS AND ENTREPRENEURSHIP
BBE4303- FOREIGN TRADE MANAGEMENT**

JANUARY 2023

TIME: 3 HOURS

MARKS: 100

INSTRUCTIONS: Answer any **FOUR (4)** questions

QUESTION ONE.

- (a) What is dumping? Why does prohibiting it often work better in theory than in practice? [4]
- (b) Using this table, to calculate which country has a comparative advantage in each industry and what their trade pattern would look like.

Country	Cloth (labour hours per piece)	Beer (labour hours per bottle)
Lesotho	4	2
South Africa	1	5

[6]

- (c) We have learned that countries can gain from trade by specializing in the production of products that they have a comparative advantage in. However, approximately half of all world trade is between countries that produce similar goods popularly known as intra-industry trade.
Cite any two solid reasons why you think there are still gains from trade among the countries practicing intra-industry trade, in which they import and export the same products at the same time. [6]
- (d) (i) Give a clear distinction between foreign direct investment (FDI) and Foreign Portfolio Investment (FPI). [5]
(ii) Mention any 2 distinguishing features for both letter of credit and bill of lading. [4]

QUESTION TWO

- (a) After completing your degree in BABE, supposed you have been engaged by the Ministry of trade and industry as one of their key stakeholders in drafting the Lesotho trade policy. You are assigned to work on the section discussing the commercial policies or barriers to trade, such as tariffs and quotas, and why a country would either implement or remove them. Most people have cited that Lesotho should continue to implement them to protect local industries, jobs and the environment. However, you hold a different view from the majority.
Justify why you think using trade barriers to protect local industries may be a bad idea both politically and economically? [8]
- (b) While globalization has caused a large number of people to amass wealth and improve their well-being, the road has not been a smooth one. Among other issues, the benefits of globalization have not been shared equally among people (that is, some citizens may be made worse-off) and businesses. Discuss grounds for deglobalization and some of the arguments underpinning the concept. [8]
- (c) The theory of Comparative Advantage is aimed at rectifying some of the shortfalls of Absolute cost advantage theory. Explain fully the ideology of this theory. Is the theory still applicable in the modern-day economy? [4]

- (d) (i) Define a subsidy and give any 2 reasons to demonstrate how subsidies help domestic producers. [3]
(ii) Define Trade liberalization [2]

QUESTION THREE

- (a) The exchange rate is influenced by a confluence of factors. Explain as to how the following factors affect exchange rate: (i) Supply and demand of a currency. (ii) Inflation rate (iii) interest rate and (iv) Political stability and economic performance. [12]
- (b) Lesotho is a member of a number of regional and international bodies. As a member of SACU and CMA, discuss the benefits that Lesotho derive from being a member of these two economic blocs? [11]
- (c) What is the difference between a trade surplus and a trade deficit? [2]

QUESTION FOUR

- (a) Maluti Mountain Adventure (PTY) LTD, a company based in Lesotho had a contract bridge with one of its supplies (MMM). It failed to provide its merchandise on time, leading to the company losing a considerable number of clients. As a result, the management wants to sue MMM. Which legal route would you advise the management to take between arbitration or litigation? Remember to include both the advantages and disadvantage [20]
- (b) What are some of the reasons for trade barriers? Give at least five. [5]

QUESTION FIVE

- (a) With an aid of a diagram explain the impact of a tariff in the economy. [15]
- (b) With the aid of example(s), explain the importance of standards in international trade? [10]

QUESTION SIX

- (a) Lesotho is a small open economy, which engages in international trade with many countries. Give at least 5 advantages of Foreign Direct Investment into Lesotho. [10]
- (b) Explain the following terminologies that are used in international trade:
(i) Greenfield investment
(ii) Brownfield investment
(iii) International company
(iv) Globalization
(v) Copy rights [10]
- (c) Compare and contrast between a patent and intellectual property rights. [5]