



## ASSIGNMENT MEMORANDUM

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

**ASSIGNMENT : 1<sup>st</sup> SEMESTER 2010**

### **PART 1 [50]**

1. This is false. South Africa produces half as much steel and 60 times more aluminium **per unit of resource** than India – this does not mean that South Africa produces half as much steel in total as India does. **(4)**
2. This is true. **(4)**
3. This is false. The table shows that South Africa has an advantage over India in the production of aluminium ingots – it does not show whether or not South Africa has an absolute advantage in the production of aluminium ingots, 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. **(4)**  
**Study Notes Reference: Questions 1-3: Study Unit 1**
4. This is false. The balance of payments comprises the balance on all financial transactions between a country and the rest of the world. **(6)**  
**Study Notes Reference: Study Unit 2**
5. 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. **(6)**  
**Study Notes Reference: Study Unit 1**
6. False: small, high-value items, such as shells, salt, and spear heads, were used as neutral means of exchange, before coins and paper money were invented. Coins were invented before paper money. **(4)**  
**Study Notes Reference: Study Unit 1**
7. False. A bill of exchange is:  
An unconditional order in writing  
It is drawn up and signed by the seller and addressed to the buyer  
It instructs the buyer to pay a specified amount of money  
The money is to be paid either on presentation or at some future specified date  
By accepting or signing the bill of exchange the buyer agrees to pay. **(10)**

**Study Notes Reference: Study Unit 1**

8. This is true. Basic needs concern food and shelter. Other human wants cover a whole range of goods. (2)

**Study Notes Reference: Study Unit 1**

9. 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. (6)

**Study Notes Reference: Study Unit 2**

10. Import substitution is not a good way for a developing country to provide more employment. South Africa tried that route several decades ago and as a result had a number of industry sectors that were – and some still are – internationally uncompetitive. (4)

**Study Notes Reference: Study Unit 6****PART 2 [40]**

Students have a fair degree of latitude in answering this question concerning the importance of a knowledge of political and physical geography to an export manager. However, one would expect to see the following points covered.

**1. Physical geography**

- 1.1. Where countries are situated in relation to Equator affects:
  - 1.1.1. Seasons – important for seasonal products; Northern Hemisphere countries have 'opposite' seasons to Southern Hemisphere countries.
  - 1.1.2. Distance from the equator affects broad climate patterns – also important for many products and services as well as packaging.
  - 1.1.3. Distance from South Africa – affects transports costs and influences management factors.
- 1.2. On which continent countries are located influences transport, weather and to a great extent, culture.
- 1.3. Determines physical resources: mineral, agricultural, water.
- 1.4. Physical geography also covers factors such as:
  - 1.4.1. Altitude – can affect suitability of products and ease of physical market access.
  - 1.4.2. Terrain – whether flat or mountainous.
  - 1.4.3. Proximity to sea or river – affects accessibility, as well as climate and weather; determines the development of sea and river ports.
- 1.5. East-west position (lines of longitude) of countries affects local time and therefore affects communications, especially email and telephonic communications.
- 1.6. Physical geography is basic to:
  - 1.6.1. Planning transport routes and methods.
  - 1.6.2. Organising distribution channels.

## 2. Political geography

### 2.1. This encompasses

- 2.1.1. Countries' borders and names, names and position of capital cities and sea and air ports.
- 2.1.2. Export managers must recognise major cities and ports around the world; know where they are and in which countries they are located.

### 2.2. Determines:

- 2.2.1. Trade agreements, historical trading patterns.
- 2.2.2. Helps to determine opportunities for South African suppliers.

### 2.3. Influences:

- 2.3.1. Culture and way of doing business.
- 2.3.2. Legal basis for business.

### 2.4. Knowledge enables export manager to group markets for development.

There are other reasons that students may give and all valid arguments will be accepted.

**Study Notes Reference: There is no specific section of the study notes that covers this topic as the intention is to test the student's ability to carry out some research and apply the findings to the issue. The Introduction to the Introduction to International Trade (Revised April 2009) study notes, as well as Study Units 1 and 3 give background.**

**PRESENTATION**

**[10]**