UNIVERSITY OF SWAZIAND

DEPARTMENT OF ECONOMICS

FINAL EXAMINATION PAPER, MAY 2005

TITLE OF PAPER   :   INTERNATIONAL ECONOMICS

COURSE CODE   :   ECON 403

TIME ALLOWED   :   THREE HOURS

INSTRUCTIONS   :   1. ANSWER FOUR QUESTIONS
2. ALL QUESTIONS CARRY EQUAL
MARKS OF 25 EACH

THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR

QUESTION 1   [25 marks; 5 marks each]

Write on each of the following topics:
[a] The Leontief Paradox
[b] Infant industry argument for protection
[c] Terms of trade
[d] World Trade Organization [WTO]
[e] African Growth and Opportunity Act [AGOA]

QUESTION 2

[a]What are the bases for and the gains from trade in David
    Ricardo's "Comparative Advantage"?   [7marks]
[b] Examine the Hechscher-Ohlin Theory in all its ramifications. [18 marks]

QUESTION 3

[a] Demonstrate a proof of the Rybczynnski Theorem.   [10marks]
[b] When a country is small, a tariff it imposes cannot lower the
    foreign price of the good it imports. Do you agree?   [5marks]
[c] What are the costs and benefits of a tariff for an importing
    country?   [10marks]

QUESTION 4

[a] Discuss the main types of economic integration   [5marks]
[b] Critically examine the various effects of customs unions. [20marks]

QUESTION 5

[a] What is the meaning of "balance of payments"?   [5marks]
[b] Examine the causes of disequilibrium in the balance of payments [20 marks]

QUESTION 6

[a] Describe the foreign exchange market.   [5marks]
[b] What are the advantages and disadvantages of the flexible
    [floating] exchange rate?   [20marks]