

UNIVERSITY OF SWAZIAND
DEPARTMENT OF ECONOMICS
FINAL EXAMINATION PAPER, MAY 2006

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]**

Discuss each of the following topics:

- [a] Mercantilism
- [b] The new trade theory
- [c] International capital mobility
- [d] Export subsidy
- [e] African Growth and Opportunity Act [AGOA] ~~(5 marks)~~

QUESTION 2**[25 marks]**

- [a] Discuss David Ricardo's comparative advantage within the context of classical trade theory. [10 marks]
- [b] Examine the basic factor endowment model of international trade theory. [15 marks]

QUESTION 3**[25 marks]**

- [a] Wassily Leontief found that United States' exports were less capital-intensive than her imports. Why was the finding called a "paradox"? [12 marks]
- [b] Discuss the various effects of an export subsidy. [13 marks]

QUESTION 4**[25 marks]**

- [a] Identify the various types of commercial policies. [9 marks]
- [b] Discuss the dynamic effects of a customs union. [8 marks]
- [c] Examine the Southern African Development Community as an experiment in regional economic integration. [8 marks]

QUESTION 5

- [a] What is the difference between devaluation and depreciation? [5 marks]
- [b] Examine the problems associated with devaluation. [10marks]
- [c] How can a deficit in a country's balance of payments be corrected? [10marks]

QUESTION 6**[25 marks]**

- [a] How does the system of fixed [pegged] exchange rate operate? [5marks]
- [b] What are the advantages of the fixed exchange rate system? [10marks]
- [c] Discuss the weaknesses of the system. [10 marks]