

SECTION A

QUESTION 1 **(25 marks)**

- (a) The era of mercantilism covered a phase in the development of international trade. Examine this statement. (12 marks)
- (b) Critically examine David Ricardo's theory of comparative advantage as part of international trade theory. (13 marks)

QUESTION 2 **(25 marks)**

- (a) List the assumptions of the Heckscher-Ohlin theory in international trade. (8 marks)
- (b) With particular reference to the theory, what are the implications of increasing the quantity of labour in a given country? (Rybczynski's theorem) (17 marks)

QUESTION 3 **(25 marks)**

- (a) Identify the reasons why the government of a country may impose tariffs. (7 marks)
- (b) With the use of a diagram, demonstrate the costs and benefits of a tariff for an importing country. (18 marks)

QUESTION 4 **(25 marks)**

- (a) Discuss the various types of economic integration (10 marks)
- (b) What are the dynamic effects of a customs union? (15 marks)

SECTION B

QUESTION 5

(25 marks)

- (a) Define “balance of payments”. (4 marks)
- (b) Identify the different types of payments balances. (4 marks)
- (c) Discuss the policy measures that a country can take to correct a balance of payments deficit. (17 marks)

QUESTION 6

(25 marks)

- (a) How is the foreign exchange rate determined in the foreign exchange market? (8 marks)
- (b) Discuss the **advantages** and **disadvantages** of the fixed (pegged) exchange rate system. (17 marks)

QUESTION 7

(25 marks)

- (a) What is the difference between **devaluation** and **depreciation**? (6 marks)
- (b) Examine the reasons why a country may decide to devalue its currency (19 marks)

QUESTION 8

(25 marks)

- (a) The World Bank “is a multilateral development institution whose purpose is to assist its developing member countries further their economic and social progress so that their people may live better and fuller lives”. Has the World Bank been able to enhance the socio-economic development of the developing world? (17 marks)
- (b) How can Swaziland gain from the activities of the African Development Bank? (8 marks)