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**UNIVERSITY OF SWAZILAND**  
**DEPARTMENT OF ECONOMICS**  
**MAIN EXAMINATION PAPER, MAY 2011**

**TITLE OF PAPER: INTERNATIONAL ECONOMICS**

**COURSE CODE: ECON 403**

**TIME ALLOWED: THREE HOURS**

**INSTRUCTIONS:**

- 1. ANSWER TWO(2) QUESTIONS FROM EACH SECTION.**
- 2. ANSWER FOUR(4) QUESTIONS IN ALL.**

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

**SECTION A**

**QUESTION 1**

- a) Discuss the Hecksher Ohlin Theory of international trade. Make sure to state all assumptions, and give real life examples. **[10 marks]**
- b) The New Trade Theories are a departure from the standard H-O theory of International trade. Discuss these theories and how they explain trade, with reference to the following:
  - i. Product Cycle Theory **[5 marks]**
  - ii. Gravity Model **[5 marks]**
  - iii. Intra-industry Trade **[5 marks]**

**QUESTION 2**

- a) Highlight the effects of international trade on economic growth. **[10 marks]**
- b) State the reasons for industrialization as well as the strategies used by countries for industrialization. **[15 marks]**

**Question 3**

- a) Despite the global negotiations for countries to liberalize trade through reduction of tariffs, we still observe a lot of proliferation of barriers to trade. Use quotas to discuss the impact of Non Tariff Barriers (NTBs) on welfare of an importing country. Why and how could quotas have a greater adverse effect than tariffs on the welfare of the importing country? **[10 marks]**
- b) State the different stages of economic integration giving the various effects of integration. Give real life examples where possible. **[15 marks]**

**Question 4**

- a) Evaluate the role played by the GATT/WTO in tariff negotiations, and the impact these have had on the trade of developing countries. **[15 marks]**

- b) Discuss the causes and effects of international labour mobility **[10 marks]**

**SECTION B**

**Question 5**

- a) Discuss the Current Account and the Capital Account within the context of Balance of Payments. **[10 marks]**
- b) Examine the various policies that the government of a country can pursue to correct a balance of payments surplus. **[15 marks]**

**Question 6**

A number of institutions are said to have been sources of international finance and development assistance. Discuss the role that each of the following has played:

- a) The World Bank **[15 marks]**
- b) The African Development Bank **[10 marks]**

**Question 7**

- a) Discuss the various problems a country may experience as a result of devaluation. **[15 marks]**
- b) State the reasons that may necessitate a revaluation of a given country's currency. **[10 marks]**

**Question 8**

- a) Discuss the two types of foreign exchange systems. **[10 marks]**
- b) What are the advantages and disadvantages of a floating (flexible) exchange rate system? **[15 marks]**