

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ECONOMICS

FINAL EXAMINATION MAY 2011/2012

TITLE PAPER : INTERNATIONAL ECONOMICS

COURSE CODE : ECON 403

INSTRUCTIONS : 1. ANSWER TWO QUESTIONS IN SECTION A AND TWO QUESTIONS IN SECTION B.

2. ALL QUESTIONS CARRY 25 MARKS EACH.

3. DECIMAL NUMBERS ARE TO BE ROUNDED TO TWO (2) DECIMAL PLACES.

TIME ALLOWED : THREE (3) HOURS

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

SECTION A

QUESTION 1

Suppose there are two countries Swaziland and Botswana that both produce and consume two goods, food and clothes. Their productive capacities and efficiencies are such that if both countries devoted all their resources to food production, output would be as follows:

- (i) Swaziland : 100 tonnes
- (ii) Botswana : 400 tonnes

If their resources were allocated to the production of clothes, output would be:

- (i) Swaziland : 100 tonnes
- (ii) Botswana : 200 tonnes

- 1.1 What is the law of comparative advantage as compared to the law of absolute advantage. (10)
 - 1.2 Discuss the comparative advantage in the production of the two goods by both countries. (7)
 - 1.3 Discuss the absolute advantage in the production of both food and clothes by both countries. (8)
- (25 marks)**

QUESTION 2

Discuss the concept of Economic Integration and various approaches used to implement it. (25 marks)

QUESTION 3

Discuss the term Balance of Payments (BOP) and its usefulness to Swaziland. (25 marks)

QUESTION 4

- 4.1 Describe the terms Devaluation and Revaluation. (12)
 - 4.2 What are the two main policy implications for a currency devaluation. (13)
- (25 marks)**

SECTION B

QUESTION 5

Describe the concept of Gains from trade in economics and explain how such gains result in business. *(25 marks)*

QUESTION 6

Discuss the New Trade Theories of Heckscher-Ohlin. *(25 marks)*

QUESTION 7

Briefly discuss the main functions of the following Regional Trade Agreements: COMESA, SACU, SADC and ECOWAS. *(25 marks)*

QUESTION 8

Briefly compare and contrast the activities of the World Bank and the African Development Bank. *(25 marks)*