

**UNIVERSITY OF SWAZILAND**

**DEPARTMENT OF ECONOMICS**

**FINAL EXAMINATION DECEMBER 2012**

**TITLE PAPER : INTERNATIONAL ECONOMICS**

**COURSE CODE : ECON 406**

**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 LACES.**

**TIME ALLOWED : THREE (3) HOURS**

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

## SECTION A

### QUESTION 1

Describe the Factor Endowment Theorem of International Trade, and provide illustrations and comparison.

*(25 marks)*

### QUESTION 2

2.1 Provide Three explanations of the term “Factor intensity” and show the diagram (13)

2.2 Discuss the arguments against the theory of comparative advantage by Paul Craig Roberts (12)

*(25 marks)*

### QUESTION 3

3.1 Explain why is it important to define labour productivity in order to define absolute advantage? (15)

3.2 Describe how gains from trade are derived in economics. (10)

*(25 marks)*

### QUESTION 4

4.1 What are the Six potential gains in economic welfare that can be achieved through free trade? (18)

4.2 Why do countries need to specialize in the production of goods and services? (7)

*(25 marks)*

## **SECTION B**

### **QUESTION 5**

5.1 Explain the following statement:

“Factors are mobile in each country, but are immobile across national borders”. (13)

5.2 Provide at least three descriptions of factor abundance and show the diagram (12)

*(25 marks)*

### **QUESTION 6**

Discuss the New Trade Theories of Heckscher-Ohlin.

*(25 marks)*

### **QUESTION 7**

Briefly discuss trade between developing countries as compared with trade between developed and developing countries.

*(25 marks)*

### **QUESTION 8**

Discuss the main trade policy instruments used in international trade.

*(25 marks)*