

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ECONOMICS
SUPPLEMENTARY EXAMINATION JULY 2013

TITLE PAPER : INTERNATIONAL TRADE THEORY

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 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

- 1.1 Describe the Rybczynski Theorem of international trade. (12)
- 1.2 State why the Edgeworth box is used to illustrate it? (6)
- 1.3 Construct the Edgeworth box for manufactures and food using isoquants. (7)
- (25 marks)**

QUESTION 2

- 2.1 Explain the following statement:
"Production functions exhibit constant returns to scale and differ among industries. (13)
- 2.2 Describe the Stolpher-Samuelson theorem of international trade. (12)
- (25 marks)**

QUESTION 3

Distinguish between the production possibility frontier curve and the Offer curve, and provide the respective diagrams.

(25 marks)

QUESTION 4

- 4.1 What is the main argument used by the state to restrict international trade? (10)
- 4.2 Outline and describe at least five methods used to restrict trade. (15)
- (25 marks)**

SECTION B

QUESTION 5

Outline and discuss at least five types of regional economic integration.

(25 marks)

QUESTION 6

Describe the Leontief Paradox .

(25 marks)

QUESTION 7

Discuss the Infant industry argument.

(25 marks)

QUESTION 8

Discuss trade creation and trade diversion and discuss their importance in real economic life.

(25 marks)