

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ECONOMICS
FINAL EXAMINATION MAY 2013

PAPER TITLE : INTERNATIONAL ECONOMICS
COURSE CODE : ECON 407

INSTRUCTIONS:

- 1. ANSWER ANY FOUR QUESTIONS.**
- 2. QUESTIONS TWO (2) AND FOUR (4) ARE COMPULSORY QUESTIONS**
- 3. ALL QUESTIONS CARRY 25 MARKS EACH**

TIME ALLOWED: THREE (3) HOURS

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

QUESTION 1

[25]

Using your theoretical knowledge of aggregate demand and GDP, describe the effects of a decrease in foreign incomes on Swaziland's exports and how will this effect the equilibrium level of income and the country's balance of trade?.

QUESTION 2

[25]

Discuss **Two** possible scenarios of an appreciation in the lilangeni against the US dollar. Use diagrammes to support your answers (**COMPULSORY**)

QUESTION 3

[25]

Discuss the Lome' Cotonou Convention under the following themes:

A. The main purposes of the first Lome' Cotonou Convention in 1976. (13)

B. The main objectives and fundamental principles of the Cotonou Agreement? (12)

QUESTION 4

[25]

Describe **Four** policy objectives leading to a number of measures to improve the current account balance of the BOP by promoting export expansion or limiting imports or both (4 X 6 +1 =25)
(COMPULSORY)

QUESTION 5

[25]

6.1 In which economic conditions would a “**devaluation**” and a “**revaluation**” of a currency occur under a fixed exchange rate system? (13)

6.2 Differentiate between these two international financial institutions: the World Bank and IMF in terms of their primary functions. (12)

QUESTION 6

[25]

A. Briefly summarise the benefits of Swaziland's involvement in the African Growth and Opportunity Act (AGOA). (11)

B. List seven ACP (Africa, Caribbean and Pacific) countries or groupings that have been formed so far, in which nations were allowed to enter into the EPAs with the European Union. (14)