

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ECONOMICS
FINAL EXAMINATION DECEMBER 2016

PAPER TITLE : INTERNATIONAL ECONOMICS

COURSE CODE : ECON 406

INSTRUCTIONS:

- 1. ANSWER FOUR QUESTIONS.**
- 2. BE PRECISE AND TO THE POINT**
- 3. TIME ALLOWED: TWO (2) HOURS**

This paper is not to be opened until permission has been granted by the invigilator.

Question 1

Answer the questions below based on the information in the following table, where the numbers represent the number of labor hours it will take to produce a unit of the given good.

	Swaziland	Mozambique
Sugar	40	60
Yard	45	50

- a) What determines Absolute advantage? Mozambique has an absolute advantage in which good? (5)
- b) Determine the opportunity cost of producing a unit of the given goods in both countries (5)
- c) Countries are expected to have gains emanating from trading with one another. Compute the gains to be derived by these countries through specialisation. (8)
- d) Briefly discuss the Pre-Classical Mercantilism theory of international trade and give its implications. (7)

Question 2

After the United Kingdom voted to leave the EU, the country (UK) faces the prospect of having to establish new trade relationships- both with the remaining 27 EU members and other countries around the world.

- a. Giving a brief background of these events, what are the implications of Brexit to the EU and Africa with Swaziland inclusive? (10)
- b. Brexit puts UK on new economic path, discuss. (7)
- c. In general, what are the arguments for trade protection? (8)

Question 3

- a) Define Economic Integration and state its role in international trade. (5)
- b) Giving appropriate examples, discuss the stages of economic integration. (20)

Question 4

- a) As a result of the conclusion of interim EPAs, the EU is now trading with Sub-Saharan African countries under four different regimes: What are they? Discuss (16)
- b) Compare and contrast fixed and freely floating exchange-rate systems? (5)
- c) It is often suggested that the monetary approach is the intellectual grandchild of the specie-flow mechanism developed by David Hume. What is the argument with regards to David Hume's approach? (4)

Question 5

- a) Define trade policy and discuss any five main instruments of trade policy (18)
- b) Discuss the benefits of trade for developing countries (7)