

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ECONOMICS

MAIN EXAMINATION DECEMBER 2017

PAPER TITLE : INTERNATIONAL ECONOMICS

COURSE CODE : ECON 406

INSTRUCTIONS:

- 1. ANSWER THREE QUESTIONS.**
- 2. QUESTION ONE IS COMPULSORY.**
- 3. TIME ALLOWED: TWO (2) HOURS**

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

QUESTION 1 (COMPULSORY)

- a) Discuss international economics as a subject [that is, the subject matter of international economics] [5]
- b) What are the main features of mercantilism? [10]
- c) Discuss the demise of the mercantilism [5]
- d) **With the aid of examples, distinguish between each of the following economic terms:**
 - i. Fixed and freely floating exchange-rate systems [5]
 - ii. Absolute and Comparative Advantage [5]
 - iii. Effects of a tariff and effects of an export subsidy [5]
 - iv. Monetary integration and Economic integration [5]

ANSWER ANY TWO QUESTIONS FROM THE FOLLOWING:

QUESTION 2

Swaziland is an affiliate of many international organisations. Apart from being a member of the Common Monetary Area (CMA) and SACU amongst others, Swaziland is also part of SADC.

- a) As an aspiring Economist, Critically evaluate Swaziland's SACU membership and advice whether Swaziland should maintain her membership with SACU or should cut ties and look for other alternatives in the midst of the deteriorating economy landscape. [20]
- b) Discuss the effects of economic integration [10]

QUESTION 3

The fundamental basis of international trade lies in the fact that countries are endowed by nature with different elements of productive power.

- a) Discuss any five benefits of trade for developing countries [15]
- b) Despite the arguments in favour of free trade and increasing trade openness, protectionism is still widely practiced. Critically evaluate the Infant Industry Argument as another reason why some governments still protect trade. [15]

QUESTION 4

- a) Define trade policy and state why it is important in developing countries? [10]
- b) Define an export subsidy [5]
- c) Discuss the reasons for imposing tariffs [15]