

UNIVERSITY OF ESWATINI
DEPARTMENT OF ECONOMICS
MAIN EXAMINATION DECEMBER 2018

PAPER TITLE : INTERNATIONAL TRADE I

COURSE CODE : ECON406/ECO 403

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)

Write short notes on the following terms as used in international trade

- a) Specialization in international trade [5]
- b) Managed floating rate system [5]
- c) Trade policy [5]
- d) Export subsidy [5]
- e) Globalization is a term that is bandied about by those who support it and those who oppose it. Discuss any five arguments for globalization in the developing world? [10]
- f) Assess the role of Foreign Direct Investment (FDI) in developing economies. [10]

Question 2

- a) A single currency is when a number of countries join their currencies together into one single currency. Evaluate the advantages and disadvantages for Zimbabwe of joining a single currency. [20]
- b) Just like many other countries, the Kingdom of Eswatini is a member of different trading blocs. What are the implications of multiple memberships? [10]

Question 3

- a) Explain the theory of absolute advantage. [10]
- b) Discuss any five benefits of trade for developing countries [10]
- c) Differentiate between the effects of a tariff and effects of an export subsidy [10]

Question 4

- a) Explain the role of the World Trade Organization (WTO) in the governance of world trade. [10]
- b) Discuss any five arguments in favour of trade protectionism [20]