

**UNIVERSITY OF ESWATINI**

**DEPARTMENT OF ECONOMICS**

**RE-SIT/ SUPPLEMENTARY EXAMINATION JULY 2019**

**PAPER TITLE : INTERNATIONAL TRADE II**

**COURSE CODE : ECON407/ECO 404**

**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) Hedging [5]
- b) Overshooting [5]
- c) Current account vs. Capital account [5]
- d) Official reserve transactions balance [5]
- e) Arbitrage [5]
- f) Using the relevant equations, differentiate between the nominal effective exchange rate and the real effective exchange rate [15]

### QUESTION 2

- a) The statement of international transactions tabulates transactions, over a year's period, between a country and the rest of the world. Using examples, discuss the various balances of the international transactions statement. [20]
- b) A trade surplus is not inherently bad, and a surplus is not inherently good. Discuss [10]

### QUESTION 3

- a) Discuss the purposes of switching currency operations [15]
- b) Using examples differentiate between spot exchange rate and forward exchange rate. [15]

### QUESTION 4

- a) What is the economic nature of the international finance? [15]
- b) Discuss the main regimes of the exchange rates? [15]