



UNIVERSITY OF ESWATINI

FIRST SEMESTER MAIN EXAMINATION PAPER, APRIL 2021

FACULTY OF SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

COURSE CODE: ECO403/ECON406/ECO403 IDE

INTERNATIONAL TRADE I

TIME ALLOWED: 2 HOURS

Instructions

1. This paper consists of Section (A) and (B);
2. Section A is compulsory;
3. Answer any two (2) questions from Section B.
4. All questions in Section B carry equal marks of 30 each

Special Requirements

1. None

Additional Material (s)

None

Candidates may complete the front cover of their answer book when instructed by the Chief Invigilator and sign their examination attendance cards but must NOT write anything else until the start of the examination period is announced.

No electronic devices capable of storing and retrieving text, including electronic dictionaries and any form of foreign material may be used while in the examination room.

DO NOT turn examination paper over until instructed to do so

SECTION A

QUESTION 1 (COMPULSORY AND CARRIES 40 MARKS)

- a) With the aid of examples, distinguish between each of the following economic terms:
- i. Absolute and Comparative Advantage [10]
 - ii. Effects of a tariff and effects of an export subsidy on the economy. [10]
- b) Define what a single currency is and elaborate on the advantages and disadvantages of monetary integration. [20]

SECTION B (ANSWER ANY TWO QUESTIONS)

QUESTION 2

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

- a) Giving examples, 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 3

- a) Define trade policy and discuss its role in international trade. [10]
- b) Discuss the Factor Proportions Theory. [20]

QUESTION 4

- a) As an aspiring Economist, Critically evaluate Swaziland's SACU membership and advise 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 Managed Floating Rate System. **[10]**