UNIVERSITY OF SWAZIAND

DEPARTMENT OF ECONOMICS

FINAL EXAMINATION PAPER, MAY 2006

TITLE OF PAPER

INTERNATIONAL ECONOMICS

COURSE CODE

ECON 403

TIME ALLOWED

THREE HOURS

INSTRUCTIONS

1. ANSWER FOUR QUESTIONS

2. ALL QUESTIONS CARRY EQUAL MARKS OF 25 EACH

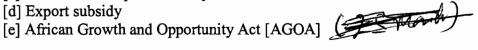
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QUESTION 1

[25 marks; 5 marks each]

Discuss each of the following topics:

- [a] Mercantilism
- [b] The new trade theory
- [c] International capital mobility
- [d] Export subsidy



QUESTION 2

[25 marks]

[a] Discuss David Ricardo's comparative advantage within the context of classical trade theory.

[10 marks]

[b] Examine the basic factor endowment model of international trade theory.

[15 marks]

QUESTION 3

[25 marks]

[a] Wassily Leontief found that United States' exports were less capitalintensive than her imports. Why was the finding called a "paradox"?

[12 marks]

[b] Discuss the various effects of an export subsidy.

[13 marks]

QUESTION 4

[25 marks]

[a] Identify the various types of commercial policies. [9 marks] [b] Discuss the dynamic effects of a customs union. [8 marks]

[c] Examine the Southern African Development Community as an experiment in regional economic integration.

[8 marks]

QUESTION 5

[a] What is the difference between devaluation and depreciation?

[5 marks]

[b] Examine the problems associated with devaluation.

[10marks]

[c] How can a deficit in a country's balance of payments be corrected?

[10marks]

QUESTION 6

[25 marks]

[a] How does the system of fixed [pegged] exchange rate operate? [5marks] [b] What are the advantages of the fixed exchange rate system? [10marks] [c] Discuss the weaknesses of the system. [10 marks]