
UNIVERSITI SAINS MALAYSIA

Second Semester Examination
Academic Session 2007/2008

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SEU331E – International Finance
[Kewangan Antarabangsa]

Duration: [3 hours]

Instructions/Arahan

1. Please make sure that this examination paper comprises of SEVEN printed pages before you begin this examination.

Sila pastikan bahawa kertas peperiksaan ini mengandungi TUJUH muka surat yang bercetak sebelum anda memulakan peperiksaan ini.

2. Answer **Questions 1 and 2** in Section A and choose any **TWO (2)** questions from Section B. Each question carries 100 marks. You can answer the questions either in English or Bahasa Malaysia.

*Jawab **Soalan 1 dan 2** dalam Bahagian A dan pilih mana-mana **DUA (2)** soalan dari Bahagian B. Setiap soalan bernilai 100 markah. Anda boleh jawab soalan sama ada dalam Bahasa Inggeris atau Bahasa Malaysia.*

SECTION A/BAHAGIAN A

Answer Questions 1 and 2./Jawab Soalan 1 dan 2.

Question 1/Soalan 1

- (a) Describe the current international monetary system since the breakdown of the Bretton Woods system in terms of the types of exchange rate arrangements. How does the present system differ from the Bretton Woods system?

Perihalkan sistem kewangan antarabangsa semasa semenjak keruntuhan sistem Bretton Woods dari segi jenis-jenis susunan kadar pertukaran. Bagaimanakah sistem masa kini berbeza daripada sistem Bretton Woods?

- (b) Explain how each type of exchange rate arrangement operates under the present international monetary system.

Jelaskan bagaimana setiap jenis susunan kadar pertukaran beroperasi di bawah sistem kewangan antarabangsa masa kini.

- (c) What are the key characteristics of an effective international monetary system? Does the current system meet these requirements? Explain.

Apakah ciri-ciri utama sebuah sistem kewangan antarabangsa yang berkesan? Adakah sistem semasa memenuhi keperluan-keperluan ini? Jelaskan.

- (d) What are the main problems in the present international monetary system? Suggest ways to improve it.

Apakah masalah-masalah utama dalam sistem kewangan antarabangsa semasa? Sarankan cara-cara untuk memperbaikinya.

Question 2/Soalan 2

- (a) Explain briefly the following approaches to exchange rate determination:

- (i) Balance of payments approach
- (ii) Purchasing power parity approach
- (iii) Monetary approach
- (iv) Asset markets approach

Terangkan secara ringkas pendekatan-pendekatan berikut terhadap penentuan kadar pertukaran:

- (i) Pendekatanimbangan pembayaran
- (ii) Pendekatan pariti kuasa beli
- (iii) Pendekatan kewangan
- (iv) Pendekatan pasaran asset

- (b) From 1980 to 1986 and 1990 to 1997, Malaysia had persistent current account deficits. Use the appropriate approach to exchange rate determination to explain the impact of this factor on the value of the ringgit relative to other currencies.

Dari tahun 1980 ke 1986 dan 1990 ke 1997, Malaysia mengalami defisit imbalan akaun semasa yang berlarutan. Gunakan pendekatan penentuan kadar pertukaran yang bersesuaian untuk menerangkan kesan faktor ini ke atas nilai ringgit relatif kepada mata wang lain.

- (c) Using an appropriate approach, explain how would an increase in Malaysia's money supply relative to the United Kingdom's money supply be expected to affect the ringgit-pound exchange rate?

Dengan menggunakan pendekatan yang bersesuaian, terangkan bagaimana suatu penambahan dalam penawaran wang Malaysia relatif kepada penawaran wang United Kingdom dijangka akan mempengaruhi kadar pertukaran ringgit-pound?

- (d) Japan typically had lower inflation than the United States. How would you expect this to affect the Japanese yen's value with respect to the U.S. dollar? Why does this expected relationship not always occur?

Inflasi di Jepun lazimnya lebih rendah berbanding dengan Amerika Syarikat. Pada jangkaan anda bagaimanakah ini akan mempengaruhi nilai yen berbanding dolar A.S.? Mengapakah hubungan yang dijangkakan ini tidak selalunya berlaku?

- (e) What is the link between the real exchange rate and purchasing power parity? How do changes in a country's real exchange rate affect its competitive position in the world market?

Apakah hubung kait antara kadar pertukaran benar dan pariti kuasa beli? Bagaimanakah perubahan dalam kadar pertukaran sesebuah negara mempengaruhi kedudukan kebersaingannya di pasaran dunia?

SECTION B/BAHAGIAN B

Answer any **TWO (2)** questions from this section.

Jawab mana-mana DUA (2) soalan dari bahagian ini.

Question 3/Soalan 3

- (a) Compare and contrast the fixed, freely floating and managed floating exchange rate systems. What are some advantages and disadvantages of a freely floating exchange rate system versus a fixed exchange rate system?

Bandingkan dan bezakan antara sistem kadar pertukaran tetap, apungan bebas dan apungan terurus. Apakah kebaikan dan keburukan sistem kadar pertukaran apungan bebas berbanding sistem kadar pertukaran tetap?

- (b) Based on your answer to question (a), should the governments of Asian countries allow their currencies to float freely? What would be the advantages of letting their currencies float freely? What would be the disadvantages?

Berdasarkan jawapan anda kepada soalan (a), haruskah kerajaan negara-negara Asia membenarkan mata wang mereka terapung secara bebas? Apakah kebaikan membenarkan mata wang mereka terapung secara bebas? Apakah keburukannya?

- (c) Briefly describe the different exchange rate regimes of Malaysia since independence.

Huraikan secara ringkas rejim-rejim kadar pertukaran yang diguna pakai oleh Malaysia sejak merdeka.

- (d) Is the present exchange rate system of Malaysia sustainable given the current world economic conditions? Give reasons.

Adakah sistem kadar pertukaran Malaysia pada masa sekarang boleh dipertahankan diberi keadaan ekonomi dunia semasa? Beri sebab-sebab.

Question 4/Soalan 4

- (a) Identify five major factors that could cause or contribute to a financial crisis. Explain how each of them could lead to a financial crisis.

Kenal pasti lima faktor utama yang boleh menyebabkan atau menyumbang kepada krisis kewangan. Terangkan bagaimana setiap faktor itu boleh membawa kepada krisis kewangan.

- (b) For each of the following crises, briefly explain what were the main causes:

- (i) Mexican crisis, 1994-95
- (ii) Asian crisis, 1997-98
- (iii) Russian crisis, 1998
- (iv) Brazilian crisis, 1999
- (v) Turkish crisis, 2001
- (vi) Argentinian crisis, 2001-02

Bagi setiap satu krisis berikut, jelaskan secara ringkas punca-punca utamanya:

- (i) *krisis Mexico, 1994-95*
- (ii) *krisis Asia, 1997-98*
- (iii) *krisis Rusia, 1998*
- (iv) *krisis Brazil, 1999*
- (v) *krisis Turki, 2001*
- (vi) *krisis Argentina, 2001-02*

- (c) During the Asian crisis, some Asian central banks raised their interest rates to prevent their currencies from weakening. Yet, the currencies weakened anyway. Offer your opinion as to why the central banks' efforts at indirect intervention did not work?

Semasa krisis Asia, sesetengah bank pusat Asia menaikkan kadar faedah untuk mengelakkan mata wang mereka daripada menjadi lemah. Walau bagaimanapun, mata wang mereka masih menjadi lemah. Pada pendapat anda mengapakah ikhtiar campur tangan tak langsung oleh bank-bank pusat itu tidak berjaya?

- (d) Why do you think a country suddenly decides to peg its currency to the dollar or some other currency? When a currency is unable to maintain the peg, what do you think are the typical forces that break the peg?

Pada fikiran anda mengapakah sesebuah negara dengan tiba-tiba memacak mata wangnya kepada dolar atau mata wang lain? Apabila sesuatu mata wang tidak berupaya lagi memelihara pacakan itu, pada pandangan anda apakah kuasa-kuasa lazim yang memecahkan pacakan itu?

Question 5/Soalan 5

- (a) What is meant by a disequilibrium in the balance of payments? How are such disequilibria eliminated?

Apakah maksud ketidakseimbangan dalamimbangan pembayaran? Bagaimanakah ketidakseimbangan ini disingkirkan?

- (b) Economists talk about "twin deficits" where the twins are the current account deficit and the government budget deficit. Explain how these two deficits are related economically?

Ahli ekonomi bercakap tentang "defisit berkembar" di mana kembarnya ialah defisit akaun semasa dan defisit belanjawan kerajaan. Terangkan bagaimana dua defisit ini ada hubungan kait daripada segi ekonomi?

- (c) Is a persistent current account deficit harmful to (i) the United States, and (ii) Malaysia? Give reasons.

Adakah defisit dalam akaun semasaimbangan pembayaran berbahaya bagi (i) Amerika Syarikat, dan (ii) Malaysia? Beri sebab-sebab.

- (d) Explain how a deficit in the balance of payments can be corrected through expenditure-changing and expenditure-switching policies for a country that is under a flexible exchange rate regime and is also facing severe unemployment and inflationary pressures.

Terangkan bagaimana defisit dalamimbangan pembayaran boleh diperbetulkan dengan menggunakan dasar-dasar mengubah perbelanjaan dan dasar-dasar mengalih perbelanjaan bagi sebuah negara yang mengamalkan rejim kadar pertukaran fleksibel dan juga menghadapi masalah pengangguran yang teruk dan tekanan inflasi.

Question 6/Soalan 6

- (a) Discuss the effectiveness of fiscal and monetary policies under (i) a fixed exchange rate system and (ii) a floating exchange rate system.

Bincangkan keberkesanan dasar fiskal dan dasar kewangan di bawah (i) sistem kadar pertukaran tetap dan (ii) sistem kadar pertukaran terapung.

- (b) What is meant by “foreign repercussions”? How does the foreign trade multiplier differ when there are foreign repercussions effects compared to when such effects are absent? What type of economy is likely to experience significant foreign repercussions effect? Why?

Apakah yang dimaksudkan dengan “pantulan asing”? Bagaimanakah pengganda perdagangan luar berbeza apabila wujud kesan pantulan asing berbanding dengan tiada kesan tersebut? Jenis ekonomi yang macam manakah berkemungkinan mengalami kesan pantulan asing yang bererti? Mengapa?

- (c) Assume there is concern that the United States may experience a recession. How should the Federal Reserve influence the dollar to prevent a recession? How might U.S. exporters react to this policy? What about U.S. importing firms?

Andaikan ada kekhawatiran bahawa Amerika Syarikat akan mengalami kemelesetan. Bagaimanakah Federal Reserve harus mempengaruhi dolar untuk mengelak daripada kemelesetan? Apakah agaknya reaksi pengeksport A.S. terhadap dasar ini? Bagaimana pula dengan firma pengimport A.S.?

- (d) Assume the Malaysian ringgit is tied to the U.S. dollar. Explain how the following trade patterns would be affected by the appreciation of the Japanese yen against the dollar: (i) Malaysian exports to Japan, and (ii) Malaysian exports to the United States.

Andaikan ringgit Malaysia dipacak kepada dolar A.S. Terangkan bagaimana pola perdagangan berikut akan dipengaruhi oleh kenaikan nilai yen Jepun berbanding dolar: (i) eksport Malaysia ke Jepun, dan (ii) eksport Malaysia ke Amerika Syarikat.

Question 7/Soalan 7

- (a) There are three major approaches to analyse the impact of a currency devaluation or depreciation. Distinguish among the three approaches.

Ada tiga pendekatan utama untuk menganalisis kesan penurunan nilai atau penyusutan nilai mata wang. Bezakan di antara ketiga-tiga pendekatan ini.

- (b) What are the requirements for a devaluation to improve the balance of payments according to the (i) elasticity approach and (ii) absorption approach?

Apakah syarat-syarat yang diperlukan untuk penurunan nilai menambah baikkanimbangan pembayaran menurut (i) pendekatan keanjalan dan (ii) pendekatan penyerapan?

- (c) Under what conditions would currency devaluation fail to correct a balance of payments deficit according to (i) the elasticity approach and (ii) the absorption approach?

Dalam keadaan yang macam manakah penurunan nilai mata wang akan gagal membetulkan defisit imbalan pembayaran menurut (i) pendekatan keanjalan dan (ii) pendekatan penyerapan?

- (d) What factors might cause delays in the effects of a devaluation or depreciation of a country's currency on the country's current account position? Explain.

Apakah faktor-faktor yang boleh menyebabkan kelambatan kesan penurunan nilai atau penyusutan nilai mata wang sesebuah negara ke atas kedudukan akaun semasa imbalan pembayaran negara itu? Jelaskan.

- (e) How would (i) an undervalued ringgit, and (ii) an overvalued ringgit affect Malaysia's current account, other things being equal?

Bagaimanakah (i) ringgit yang terkurang nilai dan (ii) ringgit yang terlebih nilai akan mempengaruhi akaun semasa imbalan pembayaran Malaysia, perkara-perkara lain tidak berubah?