

**UNIVERSITY OF KABIANGA**

**UNIVERSITY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

**FOURTH YEAR FIRST SEMESTER EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF ARTS (ECONOMICS)**

**COURSE CODE: ECO 414**

**COURSE TITLE: INTERNATIONAL ECONOMICS 1**

**INSTRUCTIONS:**

Answer question **ONE** and any other **THREE** questions.

**QUESTION ONE**

1. In the context of international trade, explain why a government may adopt protectionist measures. (10 marks)
2. Discuss the effects of trade on national Income to a country. (5 marks)
3. Explain **three** ways in which international factor movement may occur. (10 marks)

**QUESTION TWO**

1. Discuss the criticisms of comparative cost theory. (8 marks)
2. Discuss the recent trend in Kenya’s international trade. (7 marks)

**QUESTION THREE**

1. Explain the term free trade. (3 marks)
2. Argue the case for and against free trade among countries of the world. (12 marks)

**QUESTION FOUR**

1. In the context of international trade, explain the concept of absolute advantage with the help of an illustration. (9 marks)
2. What problems are often encountered when nations attempt to individually maximize gains from trade through specialization. (6 marks)

**QUESTION FIVE**

1. Explain the meaning of terms of trade. (2 marks)
2. Discuss the factors that may cause disequilibrium in a country’s terms of trade. (13 marks)

**QUESTION SIX**

Most developing countries have not realized the full benefits from international trade. From this statement;

1. Discuss the main reasons why countries have not realized these benefits. (7 marks)
2. What policy measures would you recommend to help these countries realize these benefits. (8 marks)