

**UNIVERSITY OF KABIANGA**

**UNIVERSITY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

**FOURTH YEAR SECOND SEMESTER EXAMINATION**

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

**COURSE CODE: ECO 415**

**COURSE TITLE: INTERNATIONAL ECONOMICS II**

**DATE: 13TH APRIL, 2016**

**TIME: 2.00 P.M- 5.00 P.M**

**INSTRUCTIONS TO CANDIDATES:**

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

QUESTION ONE (25 MARKS)

1. Distinguish between the following terms as used in international finance;
2. Balance of trade and balance of payment. (4 marks)
3. Depreciation and devaluation. (4 marks)
4. Arbitrages and speculators. (4 marks)
5. Current account and capital account. (4 marks)
6. Fixed exchange rate and floating exchange rate. (4 marks)
7. Is the Kenyan economy facing a balance of trade deficit or surplus? Discuss (5 marks)

**QUESTION TWO (15 MARKS)**

1. Explain clearly the major determinants of exchange rates in a country. (10 marks)
2. Do you agree with the view that flexible exchange rates are more suited to today’s economic conditions than fixed exchange rates regime? (5 marks)

**QUESTION THREE (15 MARKS)**

1. Developing countries have continued to experience persistent and rising external debt.

Required;

1. Outline the main causes of high external debt in developing countries. (10 marks)
2. State the measures that could be adopted by developing countries to alleviate the problem of external debt. (5 marks)

**QUESTION FOUR (15 MARKS)**

1. Most developing countries in 1970’s and 1980’s marked a major transition in their balance of payment accounts with the rest of the world. Discuss the major factors that caused these balance payment problems. (10 marks)
2. Argue for the case against private foreign investment. (5 marks)

**QUESTION SIX (15 MARKS)**

1. What is the rationale behind regional economic integration. (5 marks)
2. Discuss the typical International Monetary Fund (IMF) stabilization package for severely indebted countries. (10 marks)