

**FOURTH YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF B.A
(ECONOMICS) AND B.ED FOR ACADEMIC YEAR 2016/2017
ECO 414 – INTERNATIONAL ECONOMICS I
MAIN PAPER (MAIN CAMPUS)**

INSTRUCTIONS: Answer questions ONE and any other THREE questions.

QUESTION ONE (25 MARKS)

- a) Explain the meaning of the following terms used in international trade theory. (5 marks)
- i) International economics
 - ii) Economic intergration
 - iii) Sporadic dumping
 - iv) Voluntary Export Restraint (VER)
 - v) Marginal rate of transformation
- b) Explain the welfare effects of a custom union. (10 marks)
- c) Compare and contrast Adam's Smith and David Ricardo's theories of international trade. (10 marks)

QUESTION TWO (15 MARKS)

- a) Briefly discuss the mercantilist philosophy of international trade. (5 marks)
- b) Discuss with relevant examples five reasons why the international trade may be harmful to a country like Kenya. (10 Marks)

QUESTION THREE (15 MARKS)

- a) Using relevant examples discuss FIVE methods of protectionism. (10 marks)
- b) Explain the difference between trade creating and trade diverting custom unions. (5 marks)

QUESTION FOUR (15 MARKS)

- (a) Outline five objectives of the International monetary Fund (IMF) as stated in their charter. (5 Marks)
- (b) Using the assumptions of the Ricardian Model, critically analyze the relevance of the theory to international trade. (10 marks)

QUESTION FIVE (15 MARKS)

- a) Over the years International Monetary Fund has been criticized over its conditions for lending among other issues. Discuss any five criticisms. (10 Marks)
- b) Briefly explain the stages of an economic integration. (5 marks)