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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR FOUR**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: ECO 414**

**COURSE TITLE: INTERNATIONAL ECONOMICS 1**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 09/04/2021 TIME: 3.00-5.00 PM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of TWO (2) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

Discuss the relevance of the following postulations in international economics.

* + 1. Country Similarity Theory (5 marks)
    2. Product Life Cycle Theory (5 marks)
    3. Global Strategic Rivalry Theory (5 marks)
    4. Porter’s national Competitive Advantage Theory (5 marks)
    5. Heckscher-Ohlin Theory (5 marks)
    6. Leontief Paradox Theory (5 marks)

**QUESTION TWO (20 marks)**

Explain the following approaches to the concept of gains from trade.

1. Adam Smith’s Approach (8marks)
2. Ricardo-Malthus Approach (12marks)

**QUESTION THREE (20 marks)**

1. Discuss five propositions that have informed the idea that free trade is superior to no trade. (10 Marks)
2. Explain with an aid of a diagram that free international trade is much superior to autarchy. (10marks)

**QUESTION FOUR**

Discuss the following Static Gains from Trade

1. Expansion in Production (5marks)
2. Increase in Welfare (5marks)
3. Rise in National Income (5marks)
4. Vent for Surplus (5marks)

**QUESTION FIVE (20 marks)**

1. Discuss any five benefits that accrue to an economy by being a member of a customs union. (10 marks)
2. Discuss in detail any five challenges faced by custom unions. (10 marks)