

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

KISUMU LEARNING CENTRE

SCHOOL OF BUSINESS

2014/2015 EXAMS (AUGUST)

ABA 422: INTERNATIONAL TRADE

YEAR 4 SEM 2

TIME: 2 HOURS

INSTRUCTIONS

- 1. This paper contains five questions**
- 2. Answer question 1 (compulsory) and ANY other 2 Questions**
- 3. Write all answers in the booklet provided**

1. (a) Explain what is meant by International trade. **(3mks)**
(b) In the context of International trade, explain the concept of;
 - (i) Absolute Advantage **(7mks)**
 - (II) Comparative Advantage **(5mks)**(c) Write short notes on;
 - (i) Customs Union
 - (ii) Dumping
 - (iii) Explain 5 factors determining Exchange Rates **(15 Marks)**
2. Many developing Countries have in the recent past adopted liberalization on policies in their economies:
 - (a) What is meant by the term "trade liberalization" **(4mks)**
 - (b) What are the advantages of trade Liberalization **(6mks)**
 - (c) Explain five negative effects of trade Liberalization **(10mks)**

3. (a) Most developing Countries, especially in Africa have not realized the full benefits from international trade. Discuss the main reasons why Countries have not realized these benefits

(10mks)

(b) Why do most developing countries experience balance of payments deficits **(10mks)**

4. (a) Briefly explain Leontief paradox **(6mks)**

(b) While protectionism is bad, the World Trade Organization (WTO) preference for the use of tariffs over quotas as a protectionist device is extremely sensible. Discuss.

(14marks)

5. In the recent past, the East African Countries have tried to start operating as a trading block referred to as East African Community (EAC)

(a) What is the rationale behind the formation of EAC as a regional integration. **(6mks)**

(b) Carefully discuss the four main levels of regional integration. **(8mks)**

(c) In your opinion, why have regional integration, such as EAC, not been successful? **(6mks)**