



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

P.O. Box 62157

00200 Nairobi - KENYA

MAIN EXAMINATION

Telephone: 891601-6

MAY – AUGUST 2021

Ext 1022/23/25

FACULTY OF ARTS AND SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

REGULAR PROGRAMME

ECN 308: INTERNATIONAL TRADE

Date: AUGUST 2021

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and any other TWO Questions

Q1.

- a) Explain some of the reasons for the unequal exchange (trade) between the developed and the developing countries. **(6 marks)**
- b) Highlight some of the negative impacts of international trade. **(3 marks)**
- c) Briefly discuss the evolution of international trade from the Mercantilist theory to the Classical and new classical trade theories. **(15 marks)**
- d) What is the offer-curve of a country as defined in international trade? **(2 marks)**
- e) Differentiate between Comparative and Absolute advantage theories of trade. **(4 marks)**

Q2.

- a) Briefly discuss David Ricardo's theory of Comparative advantage. **(6 marks)**
- b) Discuss the Production and Consumption gains from trade. (Give clear and relevant examples and illustrations). **(14 marks)**

Q3.

- (a) Distinguish between hard and soft money. **(4 marks)**
- (b) Briefly examine the concept of money as a commodity in the foreign exchange market (International money). **(4 marks)**

- (c) Examine the categories of transactions within the current account of balance of payments. (8 marks)
- (d) Highlight the major participants in the foreign exchange market. (4 marks)

Q4.

- a) Discuss the basic assumptions of the classical theory of trade (8 marks)
- b) Derive an offer curve using the 'Trade Triangle Approach'. (Show all the processes and illustrations). (14 marks)

Q5.

- a) Briefly discuss and illustrate the concept of community indifference curves. (8 marks)
- b) Discuss the functions of the foreign exchange market. (12 marks)

END