

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS

### EXAMINATION FOR THE AWARD OF DEGREE OF MASTER OF SCIENCE IN ECONOMICS

#### MSEC 844: INTERNATIONAL ECONOMICS

STREAMS: Y1S3

TIME: 3 HOURS

DAY/DATE: TUESDAY 10/04/2018

2.30 P.M – 5.30 P.M

#### INSTRUCTION:

- Answer question one and any other three questions from the remaining

1. (a) You have been asked to quantify the welfare effects of the Kenyan sugar duty. Economists have estimated the quantity of sugar that would be produced, consumed and imported by the Kenyan government if there were no sugar duty. You are given the following information :

	Situation with import tariff	Estimated situation without tariff
World price (delivered in Nairobi kenya)	\$ 0.10 per pound	\$ 0.10 per pound
Tariff outy	\$ 0.02 per pound	0
Kenyan consumption (billions per year)	20	22
Kenya production (billions per year)	8	16
Kenyan imports (billions per year)	12	16
Domestic price	\$ 0.12 per pound	\$ 0.10 per pound

You are require to calculate the following measures.

- (i) The Kenyan consumers gains from removing the tariff. [5marks]
- (ii) The Kenyan producers loss from removing the tariff. [5marks]
- (iii) The Kenyan government tariff revenue loss. [5marks]

- (iv) The net effect on Kenyan national well being. [5marks]
2. (i) Discuss the effects of successful price stabilization schemes on Kenyan exporters. [10marks]
- (ii) List the main pros and cons of taking the main import replacing road to industrialization instead of concentrating government aid and private energies on developing new comparative advantages on manufacturing exports. [10marks]
3. (i) Most developing countries have not realized the full benefits from international trade. Discuss the main reasons why such countries have not realized these benefits. [10marks]
- (ii) What policy measures would you recommend to help these countries realized the benefits of international trade. [5marks]
- (iii) In the context of international trade, explain the concept of comparative advantages with specialization. [5marks]
4. (i) What are the trade problems faced by countries that mainly rely on agricultural sector. [10marks]
- (ii) Suggest policies that could help to improve the agriculture sector in developing and transitional economies. [10marks]
5. (i) Briefly describe the historical background of regional economic integration. [4marks]
- (ii) Discuss five main stages of modern economic integration. [8marks]
- (iii) What are the arguments for and against economic groupings in Africa. [8marks]
6. (i) Briefly describe the role of Bretton wood institutions. [10marks]
- (ii) Many criticisms have been labeled against international monetary fund (IMF) .Briefly discuss. [5marks]
- (iii) Discuss the role of world trade organization. [5marks]
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