****

 **University**

 **Mount Kenya**

**UNIVERSITY EXAMINATION 2013/2014**

**SCHOOL OF BUSINESS & ECONOMICS**

**DEPARTMENT OF ECONOMICS AND DEVELOPMENT STUDIES**

**UNIT CODE: BED 3209 UNIT TITLE: INTERNATIONAL ECONOMICS**

**DECEMBER 2014 TIME: 2HRS**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO**

**Question 1 -(30 marks)**

 **SECTION A**

1. Discuss the following terms as used in international economics
2. Opportunity Cost: (4 marks)
3. Opportunity Cost Theory (4 marks)
4. Labour Theory of Value (4 marks)

1. Suggest any six ways that would enhance economic integration (6 marks)
2. Discuss the types of economic integration (6 marks)
3. Explain the major challenges that have faced East Africa Community in their economic integration process. (6 marks)

 **SECTION B**

1. Discuss the major problems that are associated with economic integration (10 marks)
2. Measures to Encourage Economic Integration among Developing Countries (10 marks)
3. Illustrate clearly the theory of clearly the theory of absolute advantage. (20 marks)
4. Explain five main causes of a balance of payment disequilibrium (10 marks)
5. Discuss the possible measures to correct the balance of payments equilibrium deficit. (10 marks)
6. The East African Community (EAC) was formed to enhance economic and political integration among member states. It aspires to form an economic union and become a political federation with a unitary government in future. However EAC has faced some challenges that hinder the realization of its objectives. By giving examples, discuss the challenges and measures to overcome them. (20 marks)