

LAIKIPIA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FIRST SEMESTER 2025/2026 ACADEMIC YEAR

FOURTH YEAR EXAMINATION FOR THE DEGREE
OF BACHELOR OF SCIENCE IN ECONOMICS &
STATISTICS

ECON 413: INTERNATIONAL ECONOMICS I

STREAM: *BSC (ECON STAT)*

TIME: *2 HRS*

DAY: *THURSDAY [11.30 A.M-13.30 P.M]*

DATE: *05/02/2026*

THIS QUESTION PAPER CONSISTS OF TWO (2) PAGES

PLEASE DO NOT OPEN UNTIL THE INVIGILATOR SAYS SO.

Instruction:

Answer three questions.

Question one is compulsory

Question One

- a) Distinguish between domestic economics and international economics, giving at least three points of difference. **(10 Marks)**
- b) State and explain three major beliefs held by the Mercantilists. **(10 Marks)**
- c) Critically evaluate the Mercantilist doctrine, highlighting two strengths and three weaknesses **(10 Marks)**

Question Two

- a) Using offer curves, show how the international trade equilibrium is determined between two countries. **(10 minutes)**
- b) Draw and explain a trade triangle. What information does it reveal about a country's trade? **(10 minutes)**

Question Three

- a) Using a clearly labelled diagram of a Production Possibilities Frontier (PPF), explain how specialisation arises in the Ricardian model **(10 Marks)**
- b) Discuss the main features of the Neo-classical model of trade and how it differs from the Ricardian model. **(10 Marks)**

Question Four

- a) Define economic integration and explain its main forms with relevant examples. **(10 Marks)**
- b) Using appropriate diagrams, analyse the trade-creation and trade-diversion effects of a customs union. **(10 Marks)**

Question Five

- a) Explain the theory of the second best and discuss its relevance to regional economic integration. **(10 Marks)**
- b) Evaluate the progress, benefits, and challenges of East African regional integration. **(10 Marks)**