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*(University of Choice)*

**MASINDE MULIRO UNIVERSITY OF  
SCIENCE AND TECHNOLOGY  
(MMUST)**

**MAIN EXAMINATION**

**UNIVERSITY EXAMINATIONS  
2022/2023 ACADEMIC YEAR**

**THIRD YEAR SECOND SEMESTER EXAMINATIONS  
FOR BACHELOR OF SCIENCE ECONOMICS AND BACHELOR OF  
SCIENCE ECONOMICS AND STATISTICS**

**COURSE CODE: ECO 313**

**COURSE TITLE: INTERNATIONAL ECONOMICS II**

**DATE: THURSDAY 22/12/2022 TIME: 8:00 - 10:00**

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**INSTRUCTIONS TO CANDIDATES**

Attempt **QUESTION ONE** and **ANY OTHER TWO QUESTIONS**

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over.

### QUESTION ONE

- a) Evaluate the impact on developing countries of a long term worsening in their terms of trade. (10marks)
- b) Discuss the measures that have been adopted by the developing countries to curb external debt deficits (10marks)
- c) Explain the origin and growth of multinational companies (MNC's) in developing countries. (10marks)

### QUESTION TWO

Write short notes on each of the following terms as used in international economics

- i) Purchasing power parity ( 5marks)
- ii) Limitations of the balance of payments information (5marks)
- iii) Hedging (5marks)
- iv) Arbitrage (5marks)

### QUESTION THREE

- a) Discuss the main regimes of exchange rates (15marks)
- b) Using examples differentiate between nominal effective exchange rate and real effective exchange rate (5marks)

### QUESTION FOUR

What was the Smithsonian agreement? Discuss what led to the breakdown of the Bretton Woods (20marks)

### QUESTION FIVE

Describe the objectives and functions of the WTO. (20marks)