

The
Management
University
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DIPLOMA UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DIPLOMA IN INTERNATIONAL RELATIONS AND
DIPLOMACY

DIR 106: INTERNATIONAL POLITICAL ECONOMY

DATE: 25TH MARCH 2025

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **10 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

INTERNATIONAL TRADE SYSTEM

The international trade system refers to the organized exchange of goods and services among countries and forms a central pillar of international political economy. It arises because countries differ in natural resources, technological capacity, and levels of economic development. These differences encourage specialization and division of labour, allowing countries to concentrate on activities where they are relatively more efficient and trade for other goods, thereby expanding global markets and increasing total production.

Participation in international trade enhances economic growth by improving efficiency, promoting innovation, and encouraging competition. Producers gain access to wider markets beyond national borders, while consumers benefit from greater variety and more stable prices. For many developing countries, international trade offers opportunities for industrial growth, employment creation, and integration into the global economy.

Despite these benefits, the international trade system also generates challenges. Domestic industries, particularly infant industries, may struggle to compete with established foreign producers. Overdependence on external markets can expose economies to global shocks and limit national policy autonomy. Additionally, international trade may contribute to environmental degradation and social inequalities if growth is pursued without adequate regulation. Consequently, governments continuously manage the tension between trade liberalization and protectionism. While liberalization promotes openness and efficiency, protectionist policies are often adopted to safeguard domestic industries, employment, and national

economic stability. This balance highlights the political dimension of international trade, where economic outcomes are shaped by power, interests, and policy choices.

Required:

a) Using the essay, explain how differences among countries make international trade necessary. Illustrate your explanation with one example mentioned or implied in the text.

(6 Marks)

b) The essay suggests that international trade can promote economic growth. Discuss two ways through which international trade contributes to growth, drawing directly from the arguments presented.

(8 Marks)

c) Examine the challenges associated with the international trade system as outlined in the essay. Why might these challenges be more significant for developing countries?

(8 Marks)

d) Based on the essay, assess why governments may simultaneously support trade liberalization and apply protectionist measures. In your answer, show how economic and political considerations influence these choices.

(8 Marks)

QUESTION TWO

a) Describe the Term Political Economy. **(2 Marks)**

b) Discuss any FOUR roles of the State in Economic Development. **(8 Marks)**

QUESTION THREE

a) Analyze how the removal of trade barriers can lead to both economic gains and economic challenges within a country. Use relevant

arguments and examples to support your response.

(5 Marks)

- b) Evaluate the reasons a government may deliberately restrict international trade despite the potential benefits of open markets. In your answer, consider economic, social, and political factors.

(5 Marks)

QUESTION FOUR

Explain how relationships between countries influence economic activities such as trade, investment, or aid in the global system. Use examples to support your answer.

**(10
Marks)**

QUESTION FIVE

- a) Explain the meaning of the term INEQUALITY. **(2
Marks)**
- b) Discuss any FOUR functions of the World Bank. **(8
Marks)**

QUESTION SIX

Discuss any FIVE ways in which poverty can be eradicated in Kenya. **(10
Marks)**

