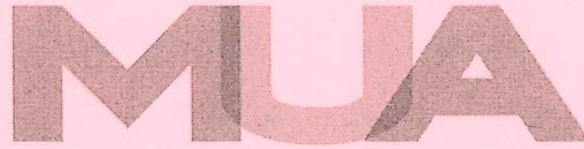


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**DIPLOMA UNIVERSITY EXAMINATIONS**

**SCHOOL OF MANAGEMENT AND LEADERSHIP**

**DIPLOMA IN INTERNATIONAL RELATIONS AND DIPLOMACY**

**DIR 102 : INTRODUCTION TO INTERNATIONAL BUSINESS AND THE LAW**

**DATE: 5<sup>TH</sup> DECEMBER 2024**

**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 **FOUR** 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:

### THE IMPACT OF GLOBALIZATION ON DEVELOPING ECONOMIES

A global economy refers to an intricate and interconnected network of economic activities, transactions, and interactions that span across countries and regions worldwide. In a global economy, economic relationships and dependencies transcend national borders, creating a highly interdependent and interrelated system. This phenomenon is primarily driven by the movement of goods, services, capital, and information across international boundaries. One fundamental aspect of a global economy is international trade, where countries exchange goods and services with one another. This exchange is facilitated by reduced trade barriers, such as tariffs and quotas, which allow for the flow of goods and services more freely across borders. Advancements in transportation and communication technologies have greatly accelerated the integration of the global economy by making it easier and more efficient for businesses to operate and collaborate internationally.

A comparison between the global economies of developed and developing nations reveals stark differences in their economic characteristics and challenges. Developed economies, often found in North America, Western Europe, and parts of Asia, are characterized by high levels of industrialization, technological advancement, and per capita income. They boast mature financial systems, well-developed infrastructure, and strong institutions that support stable economic growth. These economies typically have diversified industries, robust social safety nets, and high standards of living. However, they also contend with issues such as income inequality and the need for sustainable development.

In contrast, developing economies, mainly found in Africa, parts of Asia, and Latin America, exhibit lower levels of industrialization and technological advancement. They often face challenges related to poverty, inadequate infrastructure, and limited access to

education and healthcare. Developing nations frequently rely on agriculture and primary industries as significant sources of employment and income. While they offer growth potential, these economies are vulnerable to external shocks, income inequality, environmental concerns, face higher risks of inflation, labour displacement and currency devaluation, and often grapple with issues like political instability and corruption.

Governments should implement policies that promote inclusive economic growth, ensuring that the benefits of globalization are more equitably shared among their populations. Strengthening financial regulations and oversight can help prevent and mitigate financial crises. A commitment to sustainable development can help mitigate the environmental impacts of economic growth and ensure a more secure future. Nations should work together through international organizations like the United Nations, WTO, and IMF to resolve conflicts and promote global economic stability. Preparing the workforce for the challenges of automation and globalization through education and reskilling programs can help mitigate labor displacement.

A global economy represents a world where economic activities are not confined to national boundaries but are integrated on a global scale. Understanding the dynamics of the global economy is essential for policymakers, businesses, and individuals as they navigate the opportunities and complexities of our interconnected world.

**Required:**

- (a) Globalization brought about substantial economic growth and lifted millions out of poverty. Describe five economic drivers of a global economy as seen from the case study above ( 10 Marks)
- (b) Discuss five challenges in the global economy as evidenced from the case study (10 Marks)

- (c) Explain five ways that can be used in addressing the challenges of the global economy which requires international cooperation and thoughtful policies as demonstrated on the case study above **(10 Marks)**

### QUESTION TWO

- a) Differentiate between Absolute Advantage and Comparative Advantage **(4 Marks)**
- b) Mercantilism is an economic theory and policy that was prevalent in the 16th to 18th centuries. Explain its characteristics **(2 Marks)**
- c) Discuss the role of Financial Markets in the global economy **(4 Marks)**

### QUESTION THREE

- (a) A tariff is a tax or duty that is imposed by a government on imported or exported goods. Tariffs are typically levied at a specific percentage of the value of the goods being imported or, in some cases, at a fixed amount per unit of the product. Describe any four types of tariffs that used by the Kenyan government **(8 Marks)**
- (b) Differentiate between vertical and horizontal foreign investment **(2 Marks)**

#### QUESTION FOUR

Commercial contracts, also known as business contracts, are legally binding agreements between two or more parties in a business context. These contracts outline the terms, conditions, rights, and responsibilities of the parties involved in a commercial transaction or business relationship. Commercial contracts are essential for businesses as they provide a framework for conducting various activities, including buying and selling goods and services, forming partnerships, and engaging in other business arrangements.

List and Explain any five types of contract (10 Marks)

#### QUESTION FIVE

(a) Political factors can significantly impact the business environment. These factors arise from government actions, policies, and decisions, and they can create both opportunities and challenges for businesses. Briefly explain any seven political factors that can affect businesses in Kenya (7 Marks)

(b) Identify any three types of international contracts (3 Marks)

#### QUESTION SIX

a) Free trade is a policy and economic concept that promotes the exchange of goods and services between countries with minimal or no government-imposed restrictions or barriers. Discuss three advantages of promoting free trade (6 Marks)

b) Suggest any four ways that foreign investment can be encouraged in developing economies in Africa such as Kenya (4 Marks)

