



MACHAKOS UNIVERSITY

University Examinations 2018/2019

SCHOOL OF AGRICULTURAL SCIENCES

DEPARTMENT OF AGRIBUSINESS MANAGEMENT AND TRADE

THIRD YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF SCIENCE (AGRICULTURAL EDUCATION AND EXTENSION)

AGB 305: INTERNATIONAL AGRICULTURAL TRADE

DATE: 16/4/2019

TIME: 11:00 – 1:00 PM

INSTRUCTIONS: Answer question ONE and any other TWO questions

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Distinguish the following terms as used in international trade
- i) Closed economy and open economy (2 marks)
 - ii) Import tariffs and export subsidies (2 marks)
 - iii) Outsourcing and off-shoring (2 marks)
 - iv) Absolute advantage and comparative advantage (4 marks)
- b) Discuss four arguments for international trade barriers (4 marks)
- c) Describe three forms of dumping goods (6 marks)
- d) Discuss five reasons why international trade occurs (10 marks)

QUESTION TWO (20 MARKS)

- a) Using appropriate examples, discuss the stages of economic integration. (12 marks)
- b) Discuss four disadvantages of economic integration. (4 marks)
- c) Explain four functions of the World Trade Organization (4 marks)

QUESTION THREE (20 MARKS)

- a) Assume that the production possibilities of Kenya and Brazil for two goods, rice and sugar are as shown below.

	Possibility 1		Possibility 2	
	Kenya	Brazil	Kenya	Brazil
Rice (bags/man-hour)	4	1	2	1
Sugar (bags/man-hour)	4	2	3	3

Under the two possibilities:

- i) Which country has an absolute advantage for each product and in which direction should trade occur? (3 marks)
- ii) Which country has a comparative advantage for each product and in which direction should trade occur? (3 marks)
- b) Discuss four types of non-tariff barriers to trade (4 marks)
- c) Kenya should allow importation of sugar. Discuss the case for or against this policy (10 marks)

QUESTION FOUR (20 MARKS)

- a) Using an appropriate graph, show the effects of:
 - i) A closed economy on welfare (2 marks)
 - ii) Free international trade on welfare (5 marks)
 - iii) International trade with a tariff on welfare (5 marks)
- b) Discuss four principles of the World Trade Organization system (8 marks)

QUESTION FIVE (20 MARKS)

- a) To spur economic growth and reduce unemployment, the government should encourage investments by multinational enterprises. Argue for or against this case. (10 marks)
- b) Discuss five measures that a country could use to correct a balance of payment deficit (10 marks)