



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF AGRICULTURE AND FOOD SCIENCES**  
**SECOND SEMESTER FOURTH YEAR EXAMINATION FOR THE DEGREE OF**  
**BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT 2019/2020**  
**ACADEMIC YEAR**

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**COURSE CODE: AAE 3423**

**COURSE TITLE: INTERNATIONAL AGRICULTURAL TRADE**

**EXAM VENUE:** **STREAM: (BSc. Agribusiness Management)**

**DATE:** **EXAM SESSION:**

**TIME: 2HOURS**

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**Instructions:**

- 1. Answer ALL questions in Section A (compulsory) and ANY TWO questions in Section B**
- 2. Candidates are advised not to write on the question paper**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room**

**SECTION A [30 MARKS]**

**Answer ALL questions from this section**

1. International trade is the exchange of goods and services across a country's border or across the international boundaries.
  - a) Differentiate between balance of trade and balance of payment. [2marks]
  - b) How does the dynamism of comparative advantage affect trade between two countries? [2marks]
  - c) Explain how the following assumptions limit the applicability of the concept of comparative advantage in international trade.
    - i. Constant returns to scale. [2marks]
    - ii. Perfect mobility of factors of trade. [2marks]
    - iii. Disregarding transport cost. [2marks]
  
2. Protectionism is the implementation of policies which restrict the free flow of goods and services internationally.
  - a) Why are non-tariff barriers considered problematic than tariff barriers? [4marks]
  - b) How does implementation of subsidies affect imports? [2marks]
  - c) Differentiate between quotas and embargoes. [2marks]
  - d) State the Factor Proportions Theory of trade. [2marks]
  
3. Dumping is the practice of selling a commodity abroad at a price lower than that charged for the same product in the domestic market.
  - a) Explain the implication of this practice both in the domestic and international markets. [4marks]
  - b) Explain the following terms as used in international trade:
    - i. Economic sanctions [2marks]
    - ii. Economic integration [2marks]
  - c) What is the implication of a rise in terms of trade index? [2marks]

**SECTION B [40 MARKS]**

**Answer any TWO QUESTIONS in this Section.**

4. World Trade Organization (WTO) is the only global international organization which deals with the rules of trade.
- a) Briefly explain how it facilitates international trade? **[10marks]**
  - b) Why do some countries advocate for protectionism despite the numerous benefits of trade liberalization? **[6marks]**
  - c) Explain the following terms as used in international trade:
    - i. Export-led growth. **[2marks]**
    - ii. Import substitution. **[2marks]**
5. There have been deliberate attempts by the Sub-Saharan governments to encourage the export sector through export promotion strategies.
- a) What are the advantages of this strategy in facilitating international trade? **[10marks]**
  - b) Explain why developing countries have changed from import substitution policy. **[10marks]**
6. Free trade is a policy formed between two or more nations that permits the unlimited import or export of goods or services between partner nations.
- a) What are disadvantages of this policy especially to sub-Saharan countries? **[7marks]**
  - b) What strategies would you recommend to the governments of developing countries to help them alleviate persistent rising debts? **[5marks]**
  - c) Explain some of the problems faced by economic integration in developing countries. **[8marks]**