



**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**

COURSE CODE: AAE 3423

COURSE TITLE: INTERNATIONAL AGRICULTURAL TRADE

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

DATE: **EXAM SESSION:**

TIME: 2HOURS

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]**