



MACHAKOS UNIVERSITY

University Examinations for 2019/20 Academic Year

**SCHOOL OF AGRICULTURAL SCIENCES
DEPARTMENT OF AGRIBUSINESS MANAGEMENT AND TRADE**

**SUPPLEMENTARY EXAMINATION FOR BACHELOR OF SCIENCE IN
AGRIBUSINESS MANAGEMENT**

AGB305: INTERNATIONAL AGRICULTURAL TRADE

DATE:

TIME:

2 hours

Instructions: Answer question ONE and any other TWO questions

QUESTION ONE (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 the mercantilist theory of international trade (4 marks)
- c. Describe three forms of dumping goods (6 marks)
- d. Discuss five non-tariff barriers to trade (10 marks)

QUESTION TWO (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)	8	2	4	2
Sugar (bags/man-hour)	8	4	6	6

Under the two possibilities:

- i. Which country has an absolute advantage for each product and in which direction should trade occur? (4 marks)
- ii. Which country has a comparative advantage for each product and in which direction should trade occur? (4 marks)
- b. Kenya should allow importation of sugar. Discuss the case for or against this policy (12 marks).

QUESTION THREE (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)
 - iv. Discuss four disadvantages of economic integration (4 marks)
 - v. Explain four functions of the World Trade Organization (4 marks)

QUESTION 4 (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. Using an appropriate graph, discuss the Heckscher-Ohlin (H-O) theory of international trade (10 marks)

QUESTION 5 (20 MARKS)

- a. Using appropriate examples, discuss the stages of economic integration (12 marks)
- b. Discuss four principles of the World Trade Organization system (8 marks)