



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR

FOURTH YEAR 2ND SEMESTER
MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF SCIENCE AGRICULTURE
ECONOMICS AND RESOURCE MANAGEMENT

COURSE CODE: IAE 484
COURSE TITLE: AGRICULTURAL TRADE AND
INTERNATIONAL ECONOMICS

DATE: 12TH OCTOBER 2021

TIME: 9 – 11 AM

INSTRUCTIONS TO CANDIDATES

Answer Question ONE and any other TWO Questions.

TIME: 2 Hours

This paper consists of 2 printed pages. Please Turn Over



KIBU observes ZERO tolerance to examination cheating

QUESTION ONE**30 MARKS**

- a. Briefly discuss the Pre-Classical Mercantilism theory of international trade and state its implications. (10 Marks)
- b. Define the term Balance of Payment and examine the causes of disequilibrium in the Balance of Payment (10 Marks)
- c. What is the purpose of a customs Union? And what are its advantages and disadvantages? (10 Marks)

QUESTION TWO**20 MARKS**

Explain how government intervenes in agricultural trade using indirect protection instruments

QUESTION THREE**20 MARKS**

- a. The table below shows the number of labour hours it will take to produce a unit of sugar and Maize in Kenya and Tanzania.

	Kenya(s)	Tanzania(m)
Sugar	40	60
Maize	50	45

Answer the questions below based on the information in the table.

- (i) In which good does Tanzania have absolute advantage? (2 marks)
- (ii) Countries are expected to have gains emanating from trading with one another. Compute the gains to be derived by these countries through specialisation. (8)
- b. Discuss any five benefits of trade for developing countries (10 Marks)

QUESTION FOUR**20 MARKS**

- a) How does the system of fixed exchange rate operate? (5 Marks)
- b) Discuss its advantages and weaknesses (15 Marks)

QUESTION FIVE**20 MARKS**

Write short notes on the following

- (i) Terms of Trade
- (ii) Preferential trade Area
- (iii) International capital mobility
- (iv) Argument for protection of Infant Industry