



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR

FOURTH YEAR 2ND SEMESTER
SPECIAL/SUPPLEMENTARY EXAMINATIONS

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

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

DATE: 21ST JANUARY 2022

TIME: 2 – 4 PM

INSTRUCTIONS TO CANDIDATES

Answer Question ONE and any other TWO Questions.

TIME: 2 Hours

This paper consists of 2 printed pages. Please Turn Over



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QUESTION ONE**30 MARKS**

- a. Economist use comparative advantage to justify free trade, Explain the theory of comparative advantage (10 Marks)
- b. Tariffs are the most common type of trade restrictions, With the aid of a diagram, explain the effects of an import tariff (10Marks)
- c. Define the following terms (10 Marks)
- (i) Sanitary and phytosanitary restrictions
 - (ii) Trade distortions
 - (iii) Balance of Payment
 - (iv) Foreign Direct Investment
 - (v) Export subsidies

QUESTION TWO**20 MARKS**

Discuss the key principles underlying the operations of the WTO, explaining to what extent these principles make economic sense.

QUESTION THREE**20 MARKS**

- a. Define economic integration and giving appropriate example discuss its stages. (10 Marks)
- b. Discuss the effects of economic integration on international trade (10 Marks)

QUESTION FOUR**20 MARKS**

Write short notes to distinguish between the following

- (i) Fixed and freely floating exchange rate systems
- (ii) Monetary integration and economic integration
- (iii) Import Substitution and Export Promotion
- (iv) equilibrium and disequilibrium in the balance of payments.

QUESTION FIVE**20 MARKS**

Money markets between countries can be linked through the exchange rate market. Graphically illustrate and explain the effect of an increase in the money supply of the home country on the exchange rate in the short run (price level fixed).