

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF AGRICULTURAL ECONOMICS

AGED 434: AGRICULTURE AND INTERNATIONAL TRADE

STREAMS: B.Sc AGRIBUSINESS MGT/AGRIC ECONOMICS Y4S2 TIME: 2 HOURS

DAY/DATE: MONDAY 9/04/2018

8.30 A.M - 10.30 A.M.

INSTRUCTIONS:

- Answer Question ONE (COMPULSORY) and any other THREE Questions.
- Do not write anything on this question paper.

QUESTION ONE

- (i) One of the oldest theories that explain why countries engage in the world trade between nations is the mercantilism theory, referring to this theory show its relevance to the modern economies as nations trade with one another. [8 Marks]
- (ii) Through illustrations and giving relevant examples, discuss the following classical theories that explain the basis for international trade;
- (a) Absolute advantage theory [6 Marks]
- (b) Comparative advantage theory [6 Marks]
- (iii) Explain the following terms; [5 Marks]
- (a) Preference trade agreement
- (b) Common markets

QUESTION TWO

- (i) Giving examples, discuss the reason for international movement of capital. [12 Marks]
- (ii) Explain giving practical examples your understanding of regional integration. [3 Marks]

QUESTION THREE

- (i) Discuss the potential benefits and costs of foreign direct investment by a Chinese agricultural company to Kenya as a host country. [8 Marks]

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- (ii) Assume you want to start an agro-based agricultural firm in another country. What challenges would you encounter in international marketing and how would you mitigate them? [7 Marks]

QUESTION FOUR

Even though economists around the world advocate for free trade among nations there is still trade restrictions used by various nations to achieve different goals. Discuss ten such instruments used to distort free flow of agricultural goods and services between various countries around the world. [15 Marks]

QUESTION FIVE

- (i) Discuss the importance of agricultural export to the Kenyan economy. [10 Marks]

- (ii) What regime would you advocate for? Free trade or protectionism? Justify your answer. [5 Marks]
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