



THE CO-OPERATIVE UNIVERSITY OF KENYA

END OF SEMESTER EXAMINATION DECEMBER -2022

**EXAMINATION FOR THE DEGREE OF BACHELOR OF AGRIBUSINESS
MANAGEMENT
(YR IV SEM I)**

UNIT CODE: BAFS 4234

UNIT TITLE: INTERNATIONAL TRADE

DATE: FRIDAY 23RD DECEMBER, 2022

TIME: 9:00 AM – 11:00 AM

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INSTRUCTIONS:

- Answer question ONE (compulsory) and any other TWO questions

QUESTION ONE

- (a) Distinguish between the following trade terminologies
 - (i) Customs union and free trade area (4 Marks)
 - (ii) Comparative advantage and Leontieff Paradox (4 Marks)
 - (iii) Trade creation and trade diversion (4 Marks)
- (b) What are the major problems and issues that face the less developed countries in international agricultural trade. (5 Marks)
- (c) In the context of national welfare, why is free trade preferred to autarky? (5 Marks)
- (d) Discuss the effects of factor endowments on international trade. (8 Marks)

QUESTION TWO

- (a). Critically evaluate the relevance of the Heckscher-Ohlin trade model in explaining the pattern of international trade flows. (10 Marks)
- (b). Explain situations under which small scale agricultural producers may lose out in the regional integration process and suggest how these losses may be minimized.(10 Marks)

QUESTION THREE

Discuss the conditions under which tariff preferences might;

- (a) Improve the welfare of the recipient countries (10 Marks)
- (b) Not improve the welfare of the recipient countries (10 Marks)

QUESTION FOUR

Discuss the reasons why some nations restrict trade (20 Marks)

QUESTION 5

Two countries with identical abilities to produce (production possibilities curves) and identical tastes can gain from trading with each other?

- (a) Explain why this is possible. (10 Marks)
- (b) Provide relevant examples to justify the above statement. (10 Marks)