EMBU UNIVERSITY COLLEGE

(A Constituent College of the University of Nairobi)

2015/2016 ACADEMIC YEAR

SECOND SEMESTER EXAMINATION

SECOND YEAR EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE (AGRIBUSINESS MANAGEMENT)

AEB 406: INTERNATIONAL TRADE

DATE: APRIL 11, 2016   TIME: 8:30-10:30

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions

QUESTION ONE

a) Describe Adam Smith's Absolute Theory of international trade.   (5 Marks)

b) State five salient features of the new theories of trade developed after 1970s.   (5 Marks)

c) Explain the pros and cons of international trade.   (6 Marks)

d) Describe any four Non-tariff techniques used by nations to keep foreign goods from being imported.   (4 Marks)

e) Explain three reasons that would lead to external economies of scale.   (6 Marks)

f) State four advantages of international trade negotiations.   (4 Marks)

QUESTION TWO

a) Compare and contrast the Comparative Advantage and Reciprocal Demand Theories of international trade.   (10 Marks)

b) Explain the four determinant of National competitive advantage as posited by Michael Porters.   (10 Marks)

QUESTION THREE

a) Explain five arguments advanced by nations in support of protectionism policies.

(10 Marks)

b) Discuss the following two political theories of trade policy

   i) Median Voter theorem   (5 Marks)

   ii) Collective Action   (5 Marks)

QUESTION FOUR

a) Explain the aims of World Trade Organisation (WTO) as outlined during the Uruguay Round of trade negotiations held on 1st January 1995. (10 Marks)

b) Explain the issues that were offensive to the Third World Countries in GATT negotiations. (10 Marks)

QUESTION FIVE

a) Explain five types of internal economies of scale and how they relate to International Trade. (10 Marks)

b) Explain five differences between perfect and imperfect competition. (10 Marks)

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