**INTERNATIONAL TRADE**

1. i)Free of All Expenses

ii)Or Nearest Offer

iii)Cash With Order

iv) I Owe You

2. - Promote communication in the region

* Promote trade
* Promote tourism
* Encourage both human and capital investment.
* Increases free flow of goods and services in the region

- Maximum utilization of resources

3. -Encouragement of exports

-Reduction in export duties

-Subsidies to export industries

-Reduction in imports

-Imposition of new imports duties and enhancement of existing import duties

-Import quota system

-Import prohibition

4. (i)Lack of knowledge of foreign markets

(ii) Language barrier

(iii) Difference in currency

(iv) Long distance involved

(v) Restrictions and controls imposed by countries

(vi) Differences in weights and measurement

|  |  |
| --- | --- |
|  | Level |
|  | Custom union |
|  | Economic union |
|  | Free trade area |
|  | Common market |

5.

6. (i) Wider market for her export goods

(ii) availability of products

(iii) Increased mobility of factors of production e.g. labour and capital

(iv) Higher quality of products due to specialization and competition

(v) Creation of more opportunities

(vi) promotes peace with trading partners

(vii) Cheaper import goods

7. -Indent

- Bill of lading

- Letter o credit

- Certificate of origin

8. i) Produce similar products i.e. due to similar climatic conditions

ii) Poor infrastructure i.e. hinders free flow of goods and services

iii) Differences in currencies i.e. the exchange rate is varied and needs to be converted

iv) Port congestion due to increase volume of trade there by slowing down the flow of inputs

and exports

v) Refugees e.g there is a middle influx of refugees from neighboring countries due to political

instability eg. Rwanda

vi) Mistrust among the member states i.e. the feeling that one is gaining more than the other

**INTERNATIONAL TRADE**

***1. Benefits of transporting oil products by pipeline ;***

1. Road damage has due to reduced heavy tankers on roads.
2. Reduces road accident as congestion to tankers on roads has reduced
3. Environmental pollution has reduced as pipes do not emit gases/smoke from tankers has reduced.
4. Cost of handling oil has reduced since few workers are employed.
5. Large volumes of oil are transported within a very short time.
6. Ensures regular supply of oil hence reducing shortage.
7. Pilferages of oil has reduced since pipe are very hard to break.
8. Cheap to maintain the pipes after construction.
9. *Pipes are not easily affected by poor weather as they are permanently fixed.*

***2. Advantages that a country may experience from imposing trade restrictions in trading partners:***

* Retaliation by other trading countries leading to reduction in ex ports
* Reduced exchange earning due to reduced exports
* Shrinking markets due to reduced volume of trade
* Curtailed transfer of technology/low output/poor quality
* Limited variety of products which restricts consume choice
* Poor international relation leading to conflicts/friction
* Leads to increased unemployment due to reduced trading activities
* Low involvement due to limited trading opportunities
* May worsen balance of payment as a result of reduce volume of exports
* Reduced competition leading to low quality services 
  + A wider market for its product enabling the firms in the region to produce to their full capacity
  + Specialization where it will concentrate on production of goods and services that it can produce cheaply and efficiently.
  + High quality and cheap products will be produced because of specialization and competition among member countries
  + It will promote peace among people of the involved countries as they interact and co-operate among each other
  + It will enjoy common bargaining front with non-member countries bringing about better terms of trade
  + Development of industries will be coordinated to have a balanced development and avoid unnecessary duplication
  + Employment creation since factors of production will be freely mobile within the member countries

***3. Five reasons why many countries tend to prefer free trade***

* Enable a country to enjoy quality goods and service due to increased competition
* Allow specialization/countries tend to specialize in what they can produce best.
* Allow them access wide variety of goods/services
* Allow wider market for goods /services produced
* Free movement of factors of production from country to country.
* Allow creation of many job opportunities for investment in different countries
* Countries enjoy cheaper goods/services
* Allow free flow of new technology ideas and skills among different countries
* Promote peace and understanding among countries

***4. Causes of persistence balance of payment diselequilibrium in East Africa***

***-*** Fall in volume of exports – rely on primary/agricultural products usually affected by draught yielding low production hence low exports hence reduced foreign earning

-Deteriorating terms trade – value of exports are low relative to the value of imports hence pay more than the foreign earned

-Less capital inflow compared to outflow- they usually borrow money from developed countries at repay at high interest rates creating a net capital out flow.

***-***Devaluation policy – devaluation of local currency makes exports cheaper to foreigners and hence an increase in the cost importation

-Increase in import volume of capital goods and industrial raw materials for development purposes. This increases expenditure on foreign good.

***5. Five measures that the Government of Kenya may take to control her persistent***

***Balance of payment deficit ;***

i) Increasing the volume of exports ie. by giving incentives to traders so that they can produce more output

ii) Reducing the level of input ie. By using restrictive measures such as input duties total ban etc

iii) By diversifying the rate of exports of the country so that when some fail others can still sell in the world market

iv) Through Devaluation of the country’s currency- this makes the exports cheaper and hence more competitive in the market

v) By negotiating for foreign debt reduction

vi) By adding value to the exports

***6.*** - A wider market is created for goods and services produced in the region

- Countries are able to specialize in the production of those goods and services they are best

endowed

- Promotion of peace and understanding among member countries due to integration

-Higher quality goods and services are produced due to competition

- People have access to a wider variety of goods and services which satisfy different consumer

needs

- Creation of employment for individuals living within the region

- Increased economic bargaining power in trading activities by the countries forming the

trading block

- Increased production of goods as a result of people engaging in different business activities

- Improvement of infrastructure in the region due to increased economic activities

- Establishment of common services e.g. railway ports authorities and research agencies to

avoid duplication