

INTERNATIONAL TRADE

MARKING SCHEME

1. **1995 P1**
 - Obtains loan from PTA
 - Obtains wide market for goods
 - Obtain loan from PTA bank
 - Promotes understanding between states
 - Promotes understanding between states
 - Reduced customs duty.
 - Obtains goods cheaply
 - She can get goods that she cannot produce
 - There is need for foreign exchange when importing goods from PTA members.
2. **1995 P2**
 - The country is able to export surplus goods
 - The country is able to buy what it does not produce
 - The country is able to earn foreign exchange.
 - Consumers in the country enjoy a variety of goods
 - The country is able to acquire technology from other countries
 - Country's citizens may acquire/ learn positive habits lifestyle
 - It enables a country to specialize in fields where it is best suited
 - Promotes healthy competition among local and foreign manufacturers
 - A country variable to get goods even during times of calamities e.g floods
 - It creates employment opportunities for citizens.
 - It generates revenue through taxes.
3. **1996 P1**
 - To protect infant factories
 - To avoid dumping
 - To correct balance of payment deficit
 - To raise revenue
 - To protect existing local industries.
4. **1996 P2**
 - It records tangibles/ visible exports.
 - It records tangible/visible exports
 - It records non tangible/visible imports.
 - It records non tangible imports services.
 - Inflow of loans/grant by foreign government.
 - Inflow of private capital
 - Out flow of loans by a government to other countries
 - Monetary movement form IMF/ world Bank
5. **1997 P1**
 - Earn foreign exchange
 - Access a wide market
 - Country can get what it doesn't produce
 - Promote good international relations
 - Wide variety goods
 - Create employment
 - Country can be assisted during calamities
 - Improve living standards

- Leads to competition hence high quality goods.

6. 1997 P2

- By participation in international trade fairs
- By using her commercial attaches to promote countries of accreditation
- By subsidizing production of export / giving boundaries through export compensation.
- By diversifying her export/ relying on different products
- By entering into (bilateral) trade agreement
- By lowering duties on imported raw materials meant for export/customs drawback
- Lending/ making finance available for export producers
- Reduce bureaucracy in licensing of export trade
- By establishing EPZ

7. 1998 P1

- Tariffs on imports
- Subsidies to control local producers
- Exchange control
- Quotas
- Total ban
- Long import producers
- Administration

8. 1998 P2

- Terms of trade: the rate at which exports on one country exchanges with imports. ToT = Price index of exports determines whether the trade between one country and another is favourable.
- Balance of payment: the difference between both capital and current exports and imports of a country. If the value of exports is higher, the country experiences a surplus and vice versa. It determines whether a country is experiencing surplus in I
- Exchange rate: rate at which a country's currency exchanges with another. This rate determines the value of exports and imports/ shows its indication of a country's economic strength.
- Balance trade: the difference between the value of a country's visible tangible imports and its value of exports is higher than imports.
- Determines whether a country is experiencing surplus/ deficit trade
- Common market: an agreement between countries that allow free movement of goods and factors of production. This allows mobilization of resources/ trade without restriction.

9. 1999 P1

- Exporters to be export compensation
- Exporters to be paid export compensation as an incentive
- allow waivers for customs duty on raw materials meant for production of export
- Negotiate for preferential treatment of Kenya products abroad
- Government subsidy on some expenses
- Establishing advisory bodies
- Customs drawbacks
- Revaluations of Kenya shillings
- Simplicity of export procedures
- Export guarantee schemes
- Exporters producing high quality goods
- sponsor exhibition for Kenyan goods abroad

10. 1999 P2

- Bill of lading: it is a document used in transporting goods by ship. It enables the holder to take possession of goods. It entitles the holder to take possession to goods imported.
- Performa invoice- a document sent in advance of goods being exported.
- Indent- an order placed with agent of exporter. It is used to assist the exporter of agent to know where to buy goods. It used to assist the agent to select on exporters.
- Letter of credit – an official letter from a bank allowing another bank in foreign country to pay an exporter on behalf of the importer.

11. 2000 P1

- Lack of good will
- Similar products
- Bureaucracy.
- Difference in heights and measures
- Political
- Language barrier
- Cultural difference.

12. 2000 P1

Statements	Documents
- Informs buyers when goods dispatched And by what means	Advise note
- A request by seller for payment in advance	Pro-forma invoice
- Used to correct an undercharge in an invoice	Debit note
- Shows details in the transaction between a seller And a buyer during a given period of time	Statement of account

13. 2000 P2

- Highlight earnings from exports than payments than payments for imports
- Low importation by citizens
- Increased prices of export
- Through same quality bought
- Receipts in forms of capital transfer from abroad
- Restricted importation.
- Improved economy/raised gross domestic products

14. 2000 P2

- He uses it as a document for future reference.
- He uses the bill of lading to countercheck his goods on arrival
- He can use it to get money for clearing, once the goods have come
- He can use it as a proof of business transaction
- He can use the bill to claim compensation in case all the goods indicated do not reach him.

15. 2001 P1

- Causes exhaustion of non-renewable resources
- Threat to growth of local industry due to importation of cheaper and better goods
- Importance of goods that have adverse effect on citizens, like consumption of harmful imported products
- Erosion of cultural value due to coping of undesired foreign habits

- Police blackmail due to political difference
 - Increased inflation due to importation of expensive goods
 - May lead to dumping when local market is flooded with cheap goods.
- 16. 2001 P1**
- When goods are sent on an agent to show selling prices
 - When the seller doesn't want to give credit to the buyer
 - When payment for goods is required in advance
 - When the importer want written clearance before goods are sent
 - When goods are sent to a trader
 - When answering an inquiry letter
 - When the consignee of goods wishes to determine profitability before selling
- 17. 2001 P2**
- Poor infrastructure which discourages investors makes local goods less competition
 - High production costs which may make local products expensive
 - Insecurity: may discourage investors/discourage tourism
 - Corruption / embezzlement of funds which may add to extra costs to project
 - Shortages of energy may hamper the operations of the investors
 - Inadequate funds may make it difficult for KETA to achieve its aims
 - Political interference which hinders the smooth running of KETA
 - Competition from other countries which makes it difficult for the Kenyan goods to sell.
- 18. 2001 P2**
- High prices of imports. Lower prices exports compared to countries exports.
 - Advice/fall in exchange rates / depreciation of local currency which makes the imports expensive
 - Appreciation of foreign currency which makes imports more expensive
 - Low / fall in demand for country's exports more expensive
 - Competition (from similar products of other countries in the same market which leads to decrease hence lower export prices
 - Devaluation of local currency thus making imports more expensive making exports cheaper
- 19. 2002 P1**
- LOCO - Price of goods whenever they are laying (transport, packing expenses met by importer)
 - FOR – price paid cover transport and loading for rail
 - FAS –(Free alongside ship) price paid is for transport up to alongside ship.
 - Bill of lading- documents that are given particular of goods to be shipped by a consignor to the consignee. It includes price of consignment. A document of title.
- 20. 2003 P1**
- Protection of consumer against exploitation (high prices and low quality)
 - Carry out market research on distribution of essential goods and services
 - Promotion and development of internal trade.
 - Acts as a mediator for commercial banks in case of dispute between them.
 - It repatriates excess foreign currency on behalf of commercial banks.
 - Statutory management during financial crisis.
- 21. 2003 P2**
- Market imports to the country

- It can be inflationary
- It can lead to low earnings from exports
- Can lead to high costs of bank credit
- May discourage investments in the country
- May lead to deteriorating terms of trade.

22. 2005 P1

-Increasing volume of imports.

- Initiating or completing
- Development project in the country
- Increasing the amount by which it services foreign countries
- Enables a country to obtain what she does not produce.
- Enables consumers in the trading countries to obtain a variety of goods and services
- Enables a country to obtain goods more cheaply that it can produce
- Provides revenue to the government through taxes.
- Enables a country to fully exploit the resources due to widened market
- Promotes competition between imports and locally produced goods and this improves quality of goods produced.

23. 2006 Q4b P2

(b)

- i. Retaliation by other trading partners/countries leading to reduction in exports.
- ii. Low/foreign exchange earnings due to reduced exports.
- iii. Curtailed transfer of technology/factors of production that may lead to poor quality production/low quality of products/low output.
- iv. Lack of variety of/limited products which restricts consumers' choice.
- v. Poor international relations which may lead to conflicts among consumers/may not get assistance in times of calamity/needs.
- vi. Leads to increased unemployment due to reduced trading activities.
- vii. May suffer balance of payment as a result of reduced income of exports.
- viii. Reduced competition leading to low quality goods/services/inefficient firms/exploitation of consumers.

24. 2007 Q22 P1

- a) Exchange their surpluses
- b) Acquire goods/ they are unable to produce
- c) Enhance international relations
- d) Acquire much needed foreign exchange
- e) Exchange skills and knowledge of producing certain goods
- f) Acquire a variety of goods/ services
- g) Acquire quality goods
- h) When it's cheaper to import
- i) Create employment
- j) Exploit resources optimally as there is
- k) Enhance factors mobility
- l) Wider market

25. 2007 Q4b P2

- i) Access to specialized goods from relevant department/shops/since each shop stocks/sells particular types of goods
- ii) Personal attention to customers as they have access to relevant staff
- iii) Access to auxiliary/after sake services which may be readily available within the store.

- iv) One can save time by shopping under one roof
- v) Prices of goods are relatively low enabling a customer to save/buying
- vi) One can access variety of goods under one roof.
- vii) Use of debit/credit /credit cards relieving customers the bother of carrying cash/purchase goods with cash.
- viii) Access to a new products/ information which he/she may not be aware

26. 2007 Q5a P2

- a) i) Avoid unfair competition from developed countries with superior products as it may/could lead to loss of market for their products.
- ii) Prevent dumping of inferior goods by developed countries which may have adverse effects on the economy.
- iii) To safeguard local employment this may suffer due to free entry of imports.
- iv) Reduce balance of payments deficits; as a result of payment for imports exceeding receipts form exports.
- v) Safeguard against government revenue otherwise earned through taxation of exports/imports.
- vi) Safeguard against government revenue otherwise earned through taxation of exports/imports.
- vii) Avoid erosion of cultural values arising from unrestricted interruption in free trade
- viii) Avoid over exploitation of resources which may be depleted/exhausted due to increase demand in free trade.
- ix) Avoid imported inflation which may be caused by inflow of highly priced imports.
- x) Prevent entry of harmful goods/ services which may have adverse effects on the health of the people/accept examples if harmful goods as explanation.

27. 2008 Q5b P2

- (b)
 - Where there is need to protect local/infant industries which may not withstand competition from established foreign industries.
 - Where there is need to control dumping to prevent adverse effects on the economy.
 - Where balance of trade/payment continues to deteriorate to reduce payment on imports.
 - Where goods are hazardous/harmful for consumption in order to protect the health of consumers.
 - Where goods involved are a security risk to the country to ensure peace and stability.
 - Where it is necessary to counter the actions of trading partners as a retaliatory measure.
 - Where there is need to avoid imported inflation arising from overpriced imports.
 - Where it is politically expedient to do so in order to promote good governance in another country.
 - Where there is need to safeguard local employment which may be lost through entry of cheap imports.
 - Where there is need to avoid overdependence on imports which may lead to political blackmail.
 - Where there is need to avoid overexploitation of resources which may cause their depletion.

- Where there is need to build reserves of strategic commodities to avoid shortages in meeting local demands.

(Any 6x2=12 marks)

28. 2009 Q8 P1

- a. Receipts from export of goods / visible export
- b. Receipts from export of services / invisible exports
- c. Receipt from investment abroad
- d. Deficit balance.

4x 14marks

29. 2009 Q1b P2

- i. **Creation of export processing zones** — where the producers / exporters enjoy a variety of incentives / accept e.g. of investors as explanation.
- ii. **Manufacture under bond** to encourage local manufacturers to produce exclusive for export.
- iii. **Export compensation schemes / subsidies schemes** by refunding a specific % age of value of goods / services exported / meeting part of the cost of production for exporters
- iv. **Providing information on international markets** through publications / seminars / workshops / educational tours.
- v. **Financing those producing for exports** by availing credit / loans to exporters.
- vi. **Participating in international trade fairs / exhibition** / show to expose the exporters / their goods / services.
- vii. **Use of commercial attaches other government agencies** to promote exports / advertise / look for markets for exports.
- viii. **Reduction of bureaucracy / red tape** through simplification of export procedures.
- ix. **Customs drawbacks** by refunding tax on imported raw materials used to produce exports.
- x. **Devolution of currency** to make exports cheaper / increased demand.
- xi. **Improved infrastructure** to facilitate export production / export trade / accept e.g. of infrastructure as mentioned.
- xii. **Entering into trade agreement / blocs / integration grouping cooperation** to give preferential treatment to cooling exports.
- xiii. **Improving quality / standardization / packaging** to make exports more attractive.
- xiv. **Export credit guarantee scheme** to insure / compensate exporters against risks when selling overseas.
- xv. **Tax** rebates / lowering of duties on exports / reduction of taxes on inputs used to produce goods for export to make them cheaper / increase their demand / to reduce cost of production.
- xvi. **Improve / adopt modern technology** in order to increase the volume of goods for exports.

30. 2010 Q8 P1

Terms of sale used in international trade.

- i) Loco This means the price of goods quoted at the exporters warehouse/premises (the importer bears the cost of packaging and transport/factory price/exports)
- ii) C.I.F Cost Insurance and Freight. Cost of Insurance and freight included up to the port of entry
- iii) F.A.S Free Alongside Ship. Costs incurred on goods up to to the point where they are ready to be loaded onto the ship.
- iv) F.O.Q Free on Quay. This means the price quoted include all costs incurred up to the quay. (4 x 1 = 4mks)

31. 2012 Q3a P2

3. (a)

- (i) Reduced competition- leading to low quality goods/services in efficient firms/explanation of consumers.
- (ii) Reduced/limited consumer choice- trade restriction reduces the variety of goods/services available to consumers leading to low standards of living.
- (iii) Retaliation/trading partners are likely to retaliate leading to loss of business between countries involved/reduced export/imports.
- (iv) Reduced/low investment due to limited trading opportunities
- (v) Blackmail of government by infant/local industries seeking continued protection/due to lack of growth/stagnation/not to withdraw protection.
- (vi) Reduced/limited market hence under exploitation of available resources/reduced production capacity.
- (vii) Misallocation of resources/inappropriate allocation of resources- it may force a country to use her resources in areas where she has no comparative advantage/not best suited in
- (viii) Costly to the government- This may happen if measures like subsidies are used/to enhance restrictions by encouraging import substitution/meet part of the costs.
- (ix) Reduced/loss of government revenue earned from import /export taxes.
- (x) Reduced foreign exchange earnings from goods/services not exported
- (xi) Leads to increased unemployment due to reduced trading activities.
- (xii) Poor international relations which may lead to conflicts/friction/among countries/may not get assistance in times of calamities.

(xiii) Controlled transfer of technology/factors of production that may lead to poor quality goods/low quality of products

(xvi) Reduced/limited supply of goods and services which may adversely affect consumers (Accept examples of adverse effects as explanation)

(xvii) Encourages smuggling/black marketing hence leading to loss of revenue/entry of counterfeit goods/services.

32. 2012 Q9 P1

Forms of economic integration include:

- (a) common markets – (explanation not required) full mobility of factors of production.
- (b) Free Trade Areas - where barriers such as tariffs and quotas are removed.
- (c) Customs Unions - member countries charge common external tariffs.
- (d) Economic Union - where common economic institutions like banks are set to deal with monetary policy.

(4x1=4 marks)

33. 2012 Q15 P1

Benefits that a country gets by encouraging trade among her citizens include:

- a) Enables a community to get to get what it cannot produce
- b) Create employment opportunities
- c) Earns revenue, from businesses
- d) Enhances relationships between communities.
- e) Opens up remote areas / infrastructure
- f) Encourages specialization
- g) Improves the standards of living for citizens.
- h) Enables a community to dispose off surplus produce
- i) Avails a variety of goods & surplus
- j) Maximum use of local resources
- k) New skills can be learnt
- l) Ensures steady supply use of goods & services
- m) Communities can help one another in times of calamities
- n) Ensures stable prices for consumer
- o) Improved qualities of goods and services