

# TRADE

## MARKING SCHEME

### 1990 QUESTION 1 (d) .

(d) Explain three measures, which Kenya may take in order to reduce her unfavourable balance of trade.

- Development of other sources of energy, conservation of oil, e.g. gasoline, Hydro-electric power (HEP), solar, biogas, etc in order to reduce importation of fuels.
- Establishment of import-substitution industries to reduce imports of commodities.
- Encouragement of use of appropriate/local technology e.g. Jua Kali which does not require imports of heavy machines.
- Restriction on importation of luxury items through taxation..
- Encouragement of local assembling of machine since importation of parts is cheaper.
- Encouraging of exportation of locally manufactures goods
- Diversifying agro-exports, e.g. horticulture crops
- Finding new markets for exports
- Increasing invisible trade, e.g. shipping, insurance, tourism, etc

### 1993 QUESTION 1 (b, c)

(b) Explain why Kenya imports sugar and wheat yet she is a producer of the same commodities

- Kenya is not self-sufficient due to high population
- Cane sugar produces in Kenya is sold at higher price than beet sugar, hence Kenya makes a profit by importing beet sugar
- Crop failure due to droughts leads to shortages necessitating importation to supplement the locally produces wheat
- Increasing cost of farm inputs leads to low production, hence need to import the commodities
- Mismanagement of the industries lead to the collapse and hence need to supplement the local supplies

(c) Explain four factors that influence the importation and exportation of goods into and out Kenya

- Government policy through legislation. The government can encourage or discourage trade .
- Demand for goods both locally and outside Kenya encourages importation and exportation of good
- Distribution of resources/types of goods determine what a country exports and what it imports
- Availability of means of transport and communication enhances trade inhabit/non-availability
- Level of industrialization/development dictate the type of goods to be imported and those to be exported

### 1995 QUESTION 4

State four ways, which the Kenya Government is promoting, export trade: -

- The government encouraged the production of high quality export goods
- The government offers customs draw-backs
- The government has established Export Processing Zone

- The government has reduced import duty/tariffs on raw materials meant for export products
- Improved communication/transport
- The government has introduced export compensation of traditional goods
- The government is allowing the exporters to retain foreign exchange earned through exportation of goods/Export Retentions Account
- The government is encouraging foreign investor to establish industries in the country for production of export goods.
- Removal of trade barriers/issuing of export license
- Government conducts overseas trade promptly/ international
- Trade fair/promotion of tourism
- Signing of international trade agreements P.T.A.COMESA

#### 2000 Q 6a

- A- Maize
- B- Fertilizer
- A-  $\frac{750 \times 100}{24900} = 3.01\% / 3,012\% / 3.00\%$
- B-  $\frac{2100 \times 100}{17800} = 11.79\% / 11.8\% / 11.797\%$

#### 2005 Q 9

- Encouraging development of Jua kali industries which do not require importation of heavy machinery // so that Kenya is also able to export.
- Restricting the importation of luxury items through taxation
- Establishing/ providing import substitution industries to cut down on importation of some commodities.
- Developing alternative sources of energy in order to reduce importation of fuels / petroleum.
- Encouraging the production of high quality manufactured goods for export in order to earn higher income // high prices // production of high quality agricultural products.
- Diversifying the agricultural export base to enable the country to have a variety of exports.
- Opening new markets to avoid dependence on the traditional partners.
- Popularizing trade to increase earnings from the invisible trade.
- The imported industrial inputs have led to the growth of manufacturing industries in the country.
- Demand for Kenya's exports have led to the expansion of the industries that produce those goods.
- Transport and communication network in Kenya has been improved to facilitate the movement of trade goods // modernization of the facilities for handling goods at the port of Mombassa.
- Taxation of commodities and services rendered has generated revenue for the country.

- Employment opportunities have been created in the manufacturing service industries that handle imports and exports.
- Trade has enhanced cooperation between Kenya and the trading partners.
- Trade encourages specialization which leads to production of high quality goods in some industries in Kenya, thus enabling the country to earn higher income.
- Kenya is able to import what it needs from other countries to satisfy its people.
- Kenya gets a ready market for its surplus goods
- Kenya has foreign exchange which enables it to import goods from other countries/ credit foreign exchange.

**2008 Q 5**

- It has created a large market for goods produced in member countries.
- It has resulted in the availability of a variety of goods.
- It has led to the establishment of common tariff.
- The removal of visa requirements has made it easier for traders to move across borders within the region. (Any 2 x 1=2 marks)
  
- Membership to different trading blocks by different countries.
- Lack of a common currency.
- Underdeveloped infrastructure.
- Restriction of movement of people and goods.
- Production of similar goods.
- Political instability.
- Ideological differences. (Any 4 x 1=4 marks)

**2009 Q 8**

- Visible trade involves exchange of goods between countries / visible trade involves the import and export of goods
- Automobiles / motor vehicles parts
- Textiles
- Machinery/electrical/electronic appliances/radio/ TVs
- Watches/precision instruments
- The demand for a variety of domestically produced goods, leads to expansion of trade
- The cultural differences leads to distinctive specialization in production of goods for exchange
- The production of similar goods / products by different regions limits the market potential/ different goods enhance trade among different regions
- The low purchasing power by a majority of Kenyans limits the market for goods produced.
- The level of development of transport networks / limit / enhances trades as certain commodities may not / may be carried over long distances / the market potential is restricted / expanded
- Security encourages expansion of trade / discharge trade

NB: Explanation alone cannot score but factor alone can score

- Trade generates revenue through taxation of the goods and services
- Trade creates employment opportunities in the industries that are established / creates self employment
- The demand for good stimulates industrial growth / agric growth
- The exports of goods enable the country to earn foreign exchange
- The need to reach far off markets leads to expansion of transport facilities
- Trade leads to the development of urban centers and improved infrastructure
- Trade stimulates specialization in the production of goods
- Trade enhances cooperation between Kenya and the trading partners

4 x 1 (4 marks)

Explain four benefits which the members states of ECOWAS have derived from the creation of the trading bloc

- The volume of trade has been boosted as a result of an expanded in the region
- More transport facilities have been constructed to link the member states of the cooperation
- The removal of trade barriers has extended the market for the finished products/secured the market for the member states
- The transfer of technology / capital within the trading area has been enhanced
- Cooperation in other fields such as education / health / communication has been enhanced
- The reduction in other field such as education / health /communication has been enhanced
- Cooperation in other fields such as education / health / communication has been enhanced
- The reduction in hostilities between member countries has enhanced peace resulting in rapid economic development
- The reduction in hostilities between member countries has enhanced peace resulting in rapid economic development

4 x 2 (8 marks)

**2010 Q 10**

- Internal trade is the buying and selling of goods and services within a country's borders while regional trade between countries that are found within the same geographical region.

(2 marks)

- coffee
- Tea
- fluorspar
- Horticultural products
- Pyrethrum extract
- Flowers/fruits/vegetables
- Soda ash

(any 3 x 1 = 3 marks)

- To promote regional integration among member countries.
  - To promote sustainable economic growth in the region.
  - To establish a common market for member states/wider market
  - To liberalize trade within the region/to lower among members
  - To strengthen the bargaining power in international trade.
  - To foster peace, stability and democracy among member states.
  - To eradicate poverty in the region
  - To encourage the movement of labour. (Any 4 x 1 = 4 marks)
  - Cheap imported create unfair competition for some local products leading to reduction in the production of such goods/closure of some industries.
  - Exports are mainly raw agricultural products which are lowly priced, hence earning little revenue for the country.
  - The high fuel prices increase production/transport costs leading to increased prices of goods/low demand for goods.
  - Insecurity in the country discourages investors/traders incur great losses.
- Problem - 1 mark                      Explanation - 1 mark    Any 4 x 2 - 8 marks

- Kenya exploring new markets in the Far East countries to avoid over reliance on the European market. (This is likely to increase the quantity of Kenya's exports.)
- Kenya has signed trade agreements with various countries in Africa and in America which will help improve trade.
- Kenya's trade with African countries is likely to improve through the membership in trade such as COMESA and EAC.
- Some Kenya entrepreneurs are setting up branches of their industries in the neighbouring countries in order to expand trading activities.
- Kenya is undertaking partial processing of some of the agricultural products before export in order to add value to increase earnings.
- Interpretation of vision 2030 it will lead to increased production hence increased trade.
- Kenya should diversify her export products to attract a wider market for her goods.
- Kenya should be aggressively advertising her products to attract more buyers.
- Kenya should improve her international transport and communication links for efficient transactions. (Any 4 x 2 = 8 marks)