



Second SEM 2019/2020

UNIVERSITY OF ESWATINI

FINAL EXAMINATION PAPER

PROGRAMME: BSc IN AGRICULTURAL ECONOMICS AND MANANGEMENT

COURSE CODE: AEM402

TITLE OF PAPER: AGRICULTURAL INTERNATIONAL TRADE AND FOOD POLICY

TIME ALLOWED: TWO

INSTRUCTION

1. ANSWER ALL QUESITIONS
2. EACH QUESITION CARRIES TWENTY (25) MARKS

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QUESTION 1

Economists use the comparative advantage to justify the free trade.

- a. Explain the comparative advantage theory. [8 Marks]
- b. Many countries encourages trade including Eswatini with other countries. What are some of the challenges that comes with free trade and how can be addressed [12 MARKS]

QUESTION 2

- a. What is the economic foundation of government intervention in the agricultural and food sector . Explain in details [13 MARKS]
- b. Write short notes on the following : [12 MARKS]

Policy
Policy Program
Policy Instrument

QUESTION 3

International trade has been identified as one of the economic drivers by the Government of Eswatini .Suppose you are a trade economist based in the Ministry of Agriculture. The Principal Secretary requests you to prepare briefing notes (not more than one page) for the newly appointed Minister of agriculture on the types of trade arrangement that Swaziland is currently participating and why Eswatini should trade with other countries [25 MARKS]

QUESTION 4

The problem created by public good in resource allocation is that the public good will be under provided by the markets. Given the following public good production function $x = f(y_s^A + y_s^B)$, where x is rural road, A is Maize farmer and B is Livestock farmer . Utilities for A and B are: $U^A [(x, (y^{A*} - y_s^A))]$, $U^B [(x, (y^{B*} - y_s^B))]$.

- a) Derive the necessary condition for efficient resource allocation for these two farmers and Explain why a competitive market will fail to achieve efficient resource allocation. [15 MARKS]
- b) Subsidies have played important roles in agricultural policy in the past, sometimes for the purpose of offsetting biases against agriculture in other areas of macroeconomic policy. What are the key arguments against subsidies? [10 MARKS]