

The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF ARTS, HUMANITIES, DEVELOPMENT
STUDIES AND SOCIAL SCIENCES (SADS)
DEGREE OF BACHELOR OF ARTS IN DEVELOPMENT
STUDIES

BDS 401: TRADE AND DEVELOPMENT

DATE: 28TH JULY 2026

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

Eastland Republic is a developing country whose economy depends heavily on agriculture, manufacturing, tourism, and regional trade. For many years, the government protected local industries through import tariffs, quotas, licensing requirements, and restrictions on foreign products. Policymakers believed these measures would support infant industries, create jobs, and reduce dependence on imports.

Recently, however, Eastland joined several regional trade agreements and adopted trade liberalization policies aimed at increasing exports and attracting foreign investment. Tariffs on many imported goods were reduced while trade barriers were gradually removed. Supporters argued that increased competition would improve efficiency, lower consumer prices, and stimulate economic growth.

The reforms produced mixed outcomes. Consumers benefited from a wider variety of products at lower prices, and export-oriented firms gained access to larger regional markets. However, many local manufacturers struggled to compete against imported products from more industrialized countries. Several factories reduced production or closed entirely, resulting in job losses and social concerns.

At the same time, multinational corporations increased investments in sectors such as telecommunications, agriculture, banking, and manufacturing. Foreign Direct Investment (FDI) brought new technologies, management skills, and employment opportunities. Nevertheless, critics argued that foreign companies repatriated large profits abroad and weakened local enterprises.

Farmers within Eastland also faced challenges. Agricultural exports encountered sanitary and phytosanitary standards imposed by developed countries. Local producers complained that subsidies provided to farmers in developed nations made it difficult for Eastland's agricultural products to compete internationally.

The government introduced tax incentives and subsidy programmes to encourage investment and industrial growth. While some industries expanded and created employment opportunities, questions emerged regarding whether tax incentives mainly benefited large corporations instead of small and medium enterprises.

Development planners also sought to align trade policies with national development strategies, Vision 2030 goals, poverty reduction programmes, and Sustainable Development Goals (SDGs). However, balancing economic growth, employment creation, environmental sustainability, and social equity remained a major challenge.

As global trade tensions increased and climate change affected agricultural production, Eastland Republic began reviewing its trade and development policies. Policymakers are now debating whether to strengthen protectionist measures, promote free trade, expand regional integration, or increase support for domestic industries. As a Trade and Development consultant, you have been invited to evaluate Eastland Republic's trade policies and recommend practical strategies that can promote sustainable development and economic competitiveness.

Required:

- (a) Using evidence from the case study, analyze any five major trade and development challenges affecting Eastland Republic and explain how they influence national development. **(10**

Marks)

- (b) Evaluate the effects of free trade, protectionism, tax incentives, and Foreign Direct Investment (FDI) on economic growth and development within Eastland Republic. **(10**

Marks)

- (c) Assess five importance of regional trade agreements and sustainable development goals in shaping trade and development policies. **(5 Marks)**

QUESTION TWO

- (a)** A developing country intends to open its economy to international trade after years of protectionist policies. Using practical examples, demonstrate how free trade can contribute to economic growth and development.

(7 Marks)

- (b)** Several local industries fear collapse due to increased imports following trade liberalization. Propose practical trade policy measures that government can use to protect strategic industries while remaining competitive globally.

(8

Marks)

QUESTION THREE

- (a)** A country is reviewing its tariff and non-tariff trade policies after local manufacturers complained of unfair competition. Analyze how tariffs, quotas, import licensing, and technical barriers influence trade and development.

(7

Marks)

- (b)** Using practical examples, evaluate the advantages and disadvantages of protectionist trade policies in developing countries.

(8 Marks)

QUESTION FOUR

- (a)** An export-oriented economy seeks to maximize benefits from international trade. Analyze the concept of gains from trade and explain how comparative advantage contributes to economic development.

(7 Marks)

- (b)** A government seeks to improve export performance and economic competitiveness. Evaluate any four factors that influence a country's gains from

trade in the global economy.

(8

Marks)

QUESTION FIVE

- (a)** A government has introduced tax credits, subsidies, and investment incentives to attract investors. Demonstrate how tax-subsidy programmes influence industrial growth, employment creation, and development.

(7

Marks)

- (b)** Using practical examples assess any four effectiveness of tax incentives as a strategy for promoting economic development

(8

Marks)

QUESTION SIX

- (a)** A developing country is seeking to attract multinational corporations and foreign investors into its economy. Explain the role of Foreign Direct Investment (FDI) in promoting trade and development. **(7 Marks)**

- (b)** Using practical examples, evaluate four opportunities and challenges associated with multinational corporations and foreign direct investment in developing countries. **(8**

Marks)