THE OPEN UNIVERSITY OF SRI LANKA
DEPARTMENT OF SOCIAL STUDIES
BA DEGREE PROGRAMME IN SOCIAL SCIENCES - LEVEL IV
FINAL EXAMINATION 2023/2024 (SEMESTER II)
DSU4334 – INTERNATIONAL ECONOMICS

DURATION: THREE HOURS (3 HOURS)

Date: 01.09.2024   Time: 09.30 a.m. – 12.30 p.m.

Instructions:

> There are nine (09) questions in this paper.
> Answer any five (05) questions.
> Each question carries equal marks.

1. (a) Explain the difference between trade in goods and trade in services.   (10 marks)

   (b) Compare and contrast the main ideas of mercantilism and absolute advantage theory.

   (10 marks)

2. (a) What are trade barriers, and why do countries use them?   (10 marks)

   (b) Discuss the effects of different trade barriers on domestic industries.   (10 marks)

3. (a) Explain what antidumping duties are and why they are implemented.   (10 marks)

   (b) Examine what measures countries can take to protect local industries.   (10 marks)

4. (a) Compare the trade characteristics of developing nations and developed nations.

   (10 marks)

   (b) Explain the major challenges faced by developing nations in international trade.

   (10 marks)

5. (a) Describe the importance of regional trade agreements to its member countries.

   (10 marks)

   (b) Examine the effects of various regional trade agreements on Sri Lanka's trade.

   (10 marks)

6. (a) Briefly explain the motives for foreign direct investment. (10 marks)

   (b) Discuss the role and impact of multinational enterprises on the global economy.

   (10 marks)

7. Compare and contrast the characteristics of fixed and floating exchange rate regimes. Provide graphs to support your analysis. (20 marks)

8. (a) Describe the purpose of maintaining international reserves. (10 marks)

   (b) Explain the components of the balance of payments. (10 marks)

9. Write short notes on **any four (04)** of the following:

   a) Paul Krugman's New Trade Theory

   b) Tariffs and its effects

   c) Preferential trade agreements

   d) International Monetary Fund (IMF)

   e) Trade account and trade balance

   f) Aggregate demand and aggregate supply (5 x 4 = 20 marks)