

THE OPEN UNIVERSITY OF SRILANKA
 DEPARTMENT OF SOCIAL STUDIES
 BA DEGREE IN SOCIAL SCIENCES – LEVEL V
 FINAL EXAMINATION – 2009/2010
 SSU 3204 - INTERNATIONAL TRADE AND FINANCIAL RELATIONS



DURATION: THREE (3) HOURS

Date: 13th June 2010

Time: 1.30 p.m. – 4.30 p.m.

Answer five (5) questions only. Each question carries equal marks

1. (a) Explain the Mercantilist Economic System and specific policies adopted by it to sustain an economy.
 (b) Describe the Price-Specie-Flow mechanism.
2. (a) Explain how Adam Smith and David Ricardo differ in explaining the theory of comparative advantage.
 (b) Describe the Labour Theory of Value.
3. (a) Illustrate, with a diagram, the basis of comparative advantage as explained in the Heckscher-Ohlin model.
 (b) Briefly explain the concept of comparative advantage as explained in Human Skills Approach and Product Life Cycle Approach.
4. (a) Argue whether protectionist policies support or discourage diversification of export base.
 (b) What measures could Sri Lanka adopt to maintain a favourable balance of trade?
5. (a) Explain, with a diagram, the effect of import tariffs on consumers.
 (b) Describe the effect of import tariffs on domestic producers.
6. (a) Describe, with a diagram, the Floating Exchange Rate System.
 (b) Define Currency Depreciation and explain the factors that cause depreciation.
7. (a) Explain the importance of each element in the Current Account of BOP.
 (b) Briefly explain how Sri Lanka is managing its Balance of Payment imbalances at present.
8. (a) What is a Custom Union?
 (b) Explain Trade Creation and Trade Diversion using a partial equilibrium analysis.
9. Write short notes on four (04) of the following
 - (a) Factor Price Equalisation
 - (b) Currency Appreciation
 - (c) Uruguay Round
 - (d) Generalised System of Preferences (GSP)
 - (e) ASEAN
 - (f) Indo-Sri Lanka Free Trade Agreement

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