THE OPEN UNIVERSITY OF SRI LANKA
DEPARTMENT OF SOCIAL STUDIES
BA DEGREE PROGRAMME IN SOCIAL SCIENCES – LEVEL 5
FINAL EXAMINATION – 2011/2012
SSU 3204 – INTERNATIONAL TRADE & FINANCIAL RELATIONS

DURATION – THREE (03) HOURS

Date: 12th June 2011 **Time: 9.30 a.m. – 12.30 p.m.**

Answer five (05) questions only. Each question carries 20 marks.

1. (a) Mercantilist literature was often related to the interests of the merchant businessmen of that time. Explain.
   (b) Explain on what basis the mercantilist doctrine was challenged.

2. (a) Illustrate with examples the absolute advantage argument for foreign trade.
   (b) Does this argument apply to trade within a country? Explain.

3 (a) Explain how David Ricardo differs from Adam Smith in explaining the reasons for free trade between countries.
   (b) Briefly explain the basis of comparative advantage in Hecksher-Ohlin model.

4 (a) The proponents of protectionism argue that trade protection will save jobs, promote domestic industries and reduce trade deficit. Critically examine this argument.
   (b) "Trade restrictions promote uneconomic and wasteful activity." Do you agree with this statement? Give reasons for your answer.

5. (a) Explain the factors affecting currency depreciation.
   (b) Explain how the exchange rate is determined in a floating exchange system.

6. (a) Describe the components of the Current Account.
   (b) Explain the significance of a capital account surplus.

7. (a) What were the GATT principles and their exceptions?
   (b) Explain the factors that led to the formation of the World Trade Organization.

8. (a) Explain the different types of regional economic integration?
   (b) Explain the factors that hinder greater cooperation among the SAARC countries.

9 Write short notes on **four (04)** of the following
   (a) Gains from trade
   (b) Dumping
   (c) Fixed exchange rate regime
   (d) Currency appreciation
   (e) Trade creation
   (f) Uruguay Round

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