THE OPEN UNIVERSITY OF SRI LANKA
DEPARTMENT OF SOCIAL STUDIES
BA DEGREE PROGRAMME IN SOCIAL SCIENCES – (2013/2014)
FINAL EXAMINATION - LEVELV (SEMESTER I)
SSU3204 – INTERNATIONAL TRADE AND FINANCIAL RELATIONS

DURATION: THREE HOURS (03 HOURS)

Date: 18.11.2013 **Time: 09.30 a.m. – 12.30 p.m.**

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

1. (a) Explain the arguments against Mercantilism.
   (b) Define the concepts of Specialization and Absolute Advantage, and explain how they are inter-related.

2. (a) Explain, with example, the theory of comparative advantage.
   (b) Critically analyse the assumptions underlying Factor Endowment Theory.

3. (a) Explain the properties of the Linearly Homogeneous Production Function.
   (b) Draw the Edgeworth Box Diagram, and plot the efficient points.

4. (a) Discuss the arguments for and against trade protection.
   (b) What are the implications of rupee depreciation against International currencies?

5. (a) Explain how exchange rate fluctuations are managed by the Central bank.
   (b) What are the implications of a persistent BOP deficit?

6. (a) Explain the major elements of the Balance of Payment (BOP) Account.
   (b) What are the implications of a persistent BOP deficit?

7. (a) Explain the major principles of GATT.
   (b) Explain the major outcomes of the Uruguay Round of talks.

8. (a) Explain the key Characteristics of a Custom Union.
   (b) Describe, with examples, the concepts of trade creation and trade diversion.

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

   (a) Price-specie flow mechanism
   (b) Trade deficit
   (c) Dumping
   (d) Gains from trade
   (e) Exchange rate systems
   (f) Economic Union

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