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THE OPEN UNIVERSITY OF SRI LANKA
DEPARTMENT OF SOCIAL STUDIES
BA DEGREE PROGRAMME IN SOCIAL SCIENCES – LEVEL V (2014/2015)
FINAL EXAMINATION (SEMESTER I)
SSU3204 – INTERNATIONAL TRADE AND FINANCIAL RELATIONS

DURATION: THREE HOURS (03 HOURS)

Date: 02 November 2014 **Time: 09.30 am – 12.30 pm**

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

1. (a) Explain the theory of absolute advantage and its limitations using an example.
   (b) Illustrate the basis of comparative advantage as explained by David Ricardo

2. (a) Explain the key features of the Heckscher-Ohlin theory
   (b) Explain the Factor Price Equalization Theorem.

3 (a) Explain graphically gains from trade after specialization.
   (b) Discuss the long run dynamic gains of trade.

4 (a) Discuss the different exchange rate systems from a historical perspective.
   (b) Explain Sri Lanka's exchange rate policy choices of the recent past.

5. (a) Describe the major components of the current account of the BOP account
   (b) Examine the major consequences of a persistent deficit of the BOP.

6. (a) Describe the different types of economic integration among regional countries
   (b) Explain how trade creation occurs in a custom union

7. (a) Discuss the reasons that led to the formation of UNCTAD
   (b) Explain the major proposals discussed at the Uruguay Round of Talks

8. (a) Explain the key functions of the World Trade Organization
   (b) Examine the advantages and disadvantages of Indo-Lanka Preferential Trade Agreement.

9 Write short notes on four (04) of the following
   (a) Most Favored Nation Clause
   (b) Generalized System of Preference
   (c) Foreign Exchange Market
   (d) International Financial Institutions
   (e) Labour Theory of Value
   (f) Protectionism

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