



UNIVERSITY OF KELANIYA – SRI LANKA

Centre for Distance and Continuing Education

FACULTY OF COMMERCE & MANAGEMENT STUDIES

Bachelor of Commerce (Special) Degree Third Year Examination (External) – 2022

March 2025

BCOM E3045 – International Economics

No. of questions: Seven (07)

Time: 03 hours

Answer only five (05) questions.

Question No. 01

- a) Why do countries engage in international trade? (06 Marks)
 - b) Give four reasons to prove that “inefficiency in the allocation of resources” negatively affects the growth of international trade. (07 Marks)
 - c) How does “freedom of entrepreneurship” and “freedom of choice” affect the growth of international trade. (07 Marks)
- (Total 20 Marks)**

Question No. 02

- a) Define “terms of trade” and explain the factors that determine the terms of trade? (06 Marks)
 - b) Explain the factors that cause the terms of trade to increase or decrease. (06 Marks)
 - c) How should countries facing economic challenges, such as Sri Lanka, manage their imports of goods and services to achieve economic stability? (08 Marks)
- (Total 20 Marks)**

Question No. 03

- a) Is it possible to expand international trade in a free market economy? Explain. (05 Marks)
- b) Explain why was the barter system not popular in international trade. (05 Marks)
- c) Explain how the basic institutional characteristics of an economic system influence the functioning of a marketing economy and its relation to the international economy. (10 Marks)

(Total 20 Marks)

Question No. 04

- a) Why the Indo- Sri Lanka Free Trade Agreement, is an important feature of Sri Lanka's preferential trade policy? (04 Marks)
- b) Explain the reasons why Sri Lanka has entered into preferential trade agreements. (08 Marks)
- c) How is the South Asian Free Trade Agreement (SAFTA) influenced trade expansion in Sri Lanka? (08 Marks)

(Total 20 Marks)

Question No. 05

- a) Briefly explain the actions the government can take to prevent "Dumping"? (06 Marks)
- b) Name seven-nontariff barriers to trade and briefly explain each. (14 Marks)

(Total 20 Marks)

Question No. 06

- a) Explain the main objectives and functions of the World Tarde Organization (WTO).
(08 Marks)
- b) Explain any two of the following with examples.
- i. Custom Unions
 - ii. Common Markets
 - iii. Economic Unions
- (6 x 2 = 12 Marks)
(Total 20 Marks)

Question No. 07

- a) Explain how the following international trade theories influenced the growth of international trade.
- i. Mercantilist's view on trade
 - ii. The theory of Absolute advantage
- (5x2 = 10 Marks)
- b) Explain the assumptions of comparative advantage theory is based and briefly explain why the theory of comparative advantages become the basis for modern trade theories.
- (10 Marks)
(Total 20 Marks)

