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) – 2023

November 2025

BCOM E3045 – International Economics

No. of questions: Six (06) **Time: 03 hours**

Answer only five (05) questions.

Question No. 01

a) Explain how the following international trade theories have influenced the growth of international trade:

i. Mercantilists' view on trade

(05 Marks)

ii. Theory of Absolute Advantage

(05 Marks)

b) Explain the assumptions on which the Theory of Absolute Advantage is based, and briefly discuss its weaknesses.

(05 Marks)

c) Explain why the Labour Theory of Value has been criticized by many economists.

(05 Marks)

(Total: 20 Marks)

Question No. 02

a) Explain the principle of Comparative Advantage and discuss the reasons for its emergence.

(06 Marks)

b) Illustrate the principle of Comparative Advantage with a simple example.

(07 Marks)

c) Explain the appropriateness and inappropriateness of applying the principle of Comparative Advantage to specific factors.

(07 Marks)

(Total: 20 Marks)

Question No. 03

a) Define the term "Terms of Trade."

(04 Marks)

b) Explain four factors that affect the Terms of Trade.

(08 Marks)

c) "Sri Lanka's trade balance appears to have been subject to severe fluctuations in recent times."
Explain this statement using recent trade data from Sri Lanka.

(08 Marks)
(Total: 20 Marks)

Question No. 04

"Although the benefits of free trade are enormous, practically every country in the world seems to adopt policies that hinder free trade to some extent."

a) Name and explain three (03) protectionist measures that restrict free trade.

(06 Marks)

b) Explain the importance of establishing economic integrations to enhance the benefits of trade further, and name five economic integration programs currently in operation.

(07 Marks)

c) Briefly describe two preferential trade agreements implemented in Sri Lanka, providing relevant examples.

(07 Marks)
(Total: 20 Marks)

Question No. 05

a) Explain the role of multilateral trading organizations.

(10 Marks)

b) Explain the following:
i. World Trade Organization (WTO)

(05 Marks)

ii. Generalized System of Preferences (GSP)

(05 Marks)
(Total: 20 Marks)

Question No. 06

a) Describe the objectives of establishing the International Monetary Fund (IMF)

(10 Marks)

b) What are the main quantitative targets assigned to Sri Lanka to achieve public debt sustainability under the current arrangements with the International Monetary Fund (IMF)?

(10 Marks)

(Total: 20 Marks)