



# 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) – 2024

May- 2026

#### BCOM E3045 – International Economics

No. of questions: Seven (06)

Time: 03 hours

Answer only five (05) questions.

---

#### Question No. 01

- a) Explain why has the labour theory of value been criticized by many economists?  
(03 Marks)
- b) How classical trade theories formed the basis for the emergence of modern trade theories?  
(07 Marks)
- c) Explain how the following international trade theories influenced to the growth of international trade.
- i. The theory of Comparative Advantage
  - ii. Hecksher – Ohlin Theory
- (10 Marks)  
**(Total 20 Marks)**

#### Question No. 02

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

#### Question No. 03

- a) Who proposed the principle of comparative advantage and what is the time period it presented.  
(03 Marks)
- b) Distinguish between special relativity and the principle of relativity.  
(06 Marks)

- c) How did the principle of comparative advantage help to create a basis for trade?  
(05 Marks)
- d) Explain the principle of comparative advantage using with two examples.  
(06 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?  
(06 Marks)
- b) Explain the reasons why Sri Lanka has entered into preferential trade agreements.  
(06 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) What is the role of multilateral trading organizations?  
(05 Marks)
- b) Explain what are the actions the government can take to prevent "Dumping"?  
(05 Marks)
- c) Name five - nontariff barriers to trade and briefly explain each of them.  
(10 Marks)

**(Total 20 Marks)**

**Question No. 06**

- a) What were the factors that led to the establishment of the World Trade Organization?  
(08 Marks)
- b) Explain any two of the following with examples.
- i. Free Trade Area
  - ii. Common Markets
  - iii. Economic Unions

(6 x 02 = 12 Marks)

**(Total 20 Marks)**