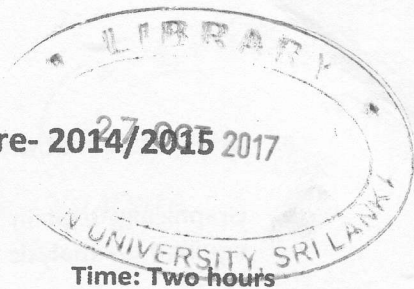


**Eastern University, Sri Lanka  
Faculty of Agriculture**

**Third Year First Semester Examination in Agriculture- 2014/2015 2017  
Jan./Feb.-2017 Proper/Repeat  
EC 3102 International Economics**



Answer all questions

- a. What is meant by International Trade? List out the reasons for trade. (08 Marks)
- b. Briefly explain the advantages of International Trade (09 Marks)
- c. What is meant by Mercantilism? What is emphasized by Mercantilists? (08 Marks)

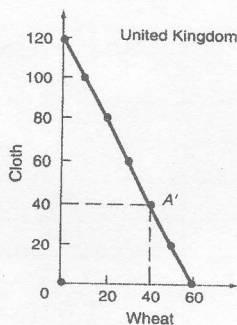
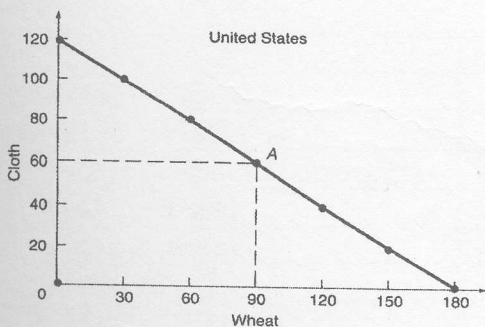
**(Total 25 Marks)**

- a. Distinguish between Theory of Absolute and Comparative Advantage using appropriate hypothetical examples. (07 Marks)
- b. Assume that two countries A and B are producing only cars and commercial trucks as follows; answer the questions below.

Products	Country A	Country B
Cars	30 Million	35 Million
Trucks	6 Million	21 Million

- i. In which products the countries A and B should be specialized? Why? (03 Marks)
- ii. Using appropriate diagram compare the total output (World output) of these two countries under **self-sufficiency** and **trade after specialization**. (05 Marks)

- c. Using the diagram below, briefly explain the world gain by international trade under constant opportunity costs. *Hint*: Exchange rate of Cloths (C) and Wheat (W) between USA and UK is 70W:70C



(05 Marks)

- d. Define factor endowment, factor intensity and factor abundance.

(05 Marks)  
**(Total 25 Marks)**

3.

- a. Briefly state that why economies practice tariffs and non-tariff barriers. (06)
- b. Graphically explain the effects of a tariff in a small nation. *Hint: Use partial equilibrium analysis of tariff.* (07)
- c. What is meant by Rate of Effective Protection? How far is it informative to the domestic producers? (05)
- d. Write brief notes on any three on the followings;
  - i. Import Quota Vs Import Tariff
  - ii. Dumping
  - iii. Local content requirement
  - iv. Export subsidies
  - v. Technical and administrative regulations (07 M)

(Total 25)

4.

- a. Define Foreign Direct Investment (FDI). List out advantages and disadvantages of foreign direct investment inflows. (08 M)
- b. What is meant by exchange rate? Graphically explain how exchange rate of a currency is determined? (08 M)
- c. Sri Lanka has been experiencing currency depreciation over the years. Briefly explain the economic impact of currency depreciation. (09 M)

(Total 25)