

UNIVERSITY OF COLOMBO, SRI LANKA
FACULTY OF ARTS

Special Degree Examination in Arts (Economics)- 2019

First Semester Final Examination

ECN 4196 – International Trade

Time Allowed: Two Hours (02) Only

Question (1).

- (a) What are the sources of comparative advantage in Ricardian and Heckscher Ohlin models?
Explain the reasons for different shapes of production possibilities curves in the above models
(12 Marks)
- (b) Use Production Possibilities curves to explain autarky and post trade equilibria of the two trading partner countries in a Heckscher Ohlin world.
(13 marks)

Question (2)

- (a) 'Comparative advantage-based trade theories could only be able to explain trade between developing and developed countries.' Do you agree? Explain your answer with real world examples
(13 marks)
- (b) What are the main reasons for the increasing volume of intra- industry trade? Explain in the light of recent developments in the new trade theories
(12 marks)

Question (3)

- (a) Critically examine the debate over free trade versus protection from both economic and non-economic point of views.
(13 marks)
- (b) Discuss main trade policy measures and comment on each one of them
(12 marks)

Question (4)

- (a) Explain how free trade lead to favorable distribution of income after trade in a Heckscher – Ohlin World.
(13 marks)

- (b) Explain how winners and losers are chosen among the consumers and producers before and after trade with appropriate diagrams. (12 marks)

Question (5)

- (a) Trade liberalization can take place at global, regional, and bilateral levels. In your opinion what are the reasons for increasing tendency towards regionalism despite the establishment of global level institutions such as the WTO? (13 Marks)
- (b) What are the recent challenges to regional trading entities and explain strategies adopted by regional trading entities to cope with the challenges? (12 Marks)

Question (6)

- (a) Examine critically the advantages and disadvantages of import substitution industrialization (ISI) policies. (13 Marks)
- (b) Explain why import substitution industrialization policies have become famous during 1950s to 1970s. How successful were the Export Promotion Industrialization strategies introduced during the 1980s in achieving industrial growth in developing countries? Explain? (12 Marks)

Question (7)

Write brief explanatory notes on any TWO of the following

- (a) Most Favoured Nation clause of the GATT and the regional trading blocs
(b) Trade in intermediate goods in a globalized trading system.
(c) Advantages and disadvantages of Singapore Sri Lanka Free Trade Agreement.
(d) The impact of trade dispute between United States of America and China on developing countries.
(e) Product life cycle and technology gap models of international trade.
- (12.5 marks for each part)