

**Eastern University, Sri Lanka**  
**Faculty of Agriculture**  
**Third Year First Semester Examination in Agriculture-2016/2017**  
**Proper/Repeat (Feb, 2019)**  
**EC 3102 International Economics**

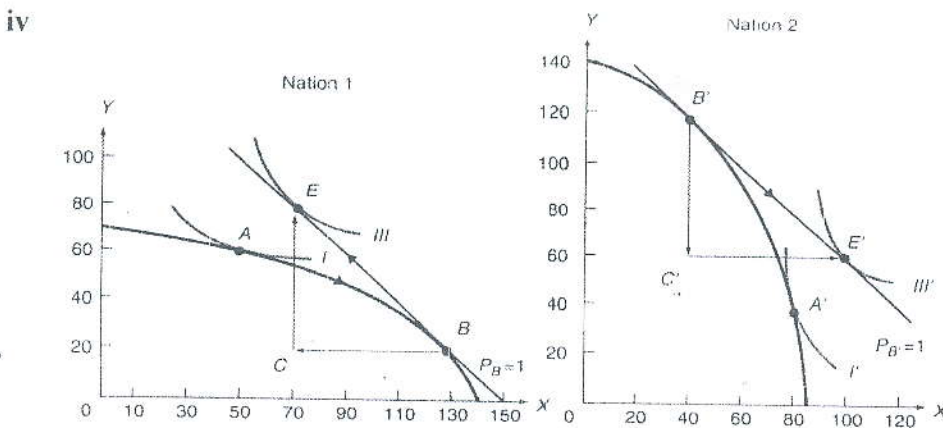
Answer all questions

Time: 02 Hours

1.
  - i. What is meant by International Trade? ( 05 Marks)
  - ii. Briefly explain the reasons for International Trade between Nations ( 10 Marks)
  - iii. List out the advantages and disadvantages of involving in international trade. ( 10 Marks)

(Total 25 Marks)

2.
  - i. Briefly state the Mercantilists' view on trade. Do you observe any major characteristics of Mercantilism in the current world trade culture? Explain this with an example ( 06 Marks)
  - ii. What is meant by Absolute Advantage? Give a hypothetical example. (06 Marks)
  - iii. Explain with example the Comparative Advantage of the countries based on the opportunity costs. (06 Marks)



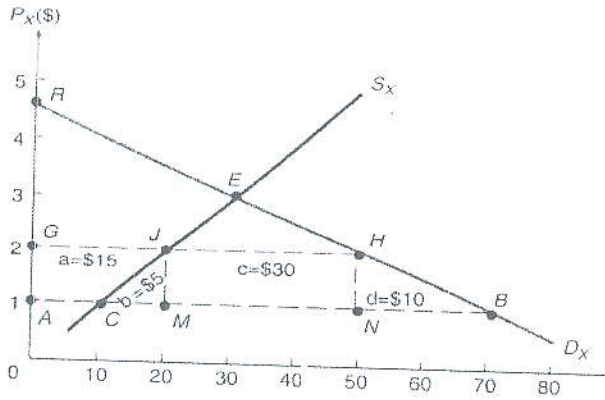
Answer the following question based on the graph given above.

- a. State the meaning of the points A and B, and A' and B'. ( 02 Marks)
- b. State the gain of Nation 1 and 2 before and after international trade. (03 Marks)
- c. How would you interpret the indifference curves (I and III, and I' and III') in two Nations. (02 Marks)

(Total 25 Marks)

3.

- i. What is meant by Tariff? List out the advantages of import Tariff to the importing country. (06)
- ii. Identify in the graph the various effects by Import Tariff.



- iii. What is meant by Export Tariff? Briefly explain under which circumstances a country has to impose an Export Tariff. (06)
- iv. Graphically explain the effects of an Import Quota on the exporting and importing countries. (07)

4.

- i. What is meant by currency exchange rate? Distinguish between currency depreciation and appreciation. (07)
- ii. Currency value against US dollar has been declining in Sri Lanka. This trend is becoming a serious of concern in Sri Lankan Economy as its value has declined significantly for last few months. What are the impacts that are being experienced in Sri Lanka by currency depreciation? (09)
- iii. What is meant by Foreign Direct Investment (FDI)? Distinguish between Resource Seeking, Market Seeking, and Efficiency Seeking FDI. (09)

(Total 25)