Uva Wellassa University

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Faculty of Animal Science and Export Agriculture

Degree of Bachelor of Science in Tea Technology and Value Addition

THIRD YEAR FIRST SEMESTER EXAMINATION – FEBRUARY-MARCH 2012

EAG 422 –2 International Trade and Finance

Part C – Essay Questions

Marks allocation: 50

Answer **only Three (03)** questions from Part C **including question No. One (01)**

01.

i. "Some trade theories can be applied to explain the situation of developing countries while some theories cannot be" Critically examine the above statement by giving necessary justifications.

(10 Marks)

ii. Explain the practical usage of "Gravity Model" in order to analyze the trade flows between countries.

(10 Marks)

(Total Marks 20)

02. Consider following demand and supply equation for "X" commodity.

$$QD = 200P^{-1.2}$$
$$QS = 1.3P$$

i. Find the equilibrium price and quantity for commodity "X".

(3 Marks)

ii. If the government is ready to import "X" commodity at Rs.8/=, find the amount that the government need to import.

(4 Marks)

iii. Assume, the government wants to impose a tariff (tariff is equal 1/=) on the import of this commodity as a protection strategy. Find the new equilibrium and government's tariff revenue.

(4 Marks)

iv. Graphically show all the effects of above tariff.

(4 Marks)

(Total Marks 15)

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03.
i. Explain the different types of Exchange Rate Regimes. (5 Marks)

ii. Explain the Exchange Rate Policy of post independent in Sri Lanka. (5 Marks)

iii. "We need higher level of foreign reserves to maintain a Fixed Exchange Rate". Justify the above statement using appropriate graphical illustrations. (5 Marks)

(Total Marks 15)

04. Briefly explain the followings.

i. World Trade Organization
ii. GATT
iii. CEPA
iv. EURO
v. UNCTAD

(3 Marks each)

(Total Marks 15)