



**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)

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)