



Uva Wellassa University

Faculty of Management

THIRD YEAR FIRST SEMESTER EXAMINATION – FEB./MARCH 2012

EMG 341-2 International Trade and Finance



Part C – Essay Questions

Answer only two questions

Marks allocation: 50 Marks

1. (i) Using a partial equilibrium analysis, i.e., supply & demand diagrams, show the effects of liberalizing imports on domestic production, domestic consumption, imports, prices, consumer welfare, producer welfare and government revenue. (15 marks)
- (ii) Suggest the ways in which tariff can be used to protect infant industries in Sri Lanka. (10 marks)
2. (i) Describe the complexity of the business environment that caused Michael Porter to develop an alternative theory explaining international trade. (15 marks)
- (ii) Briefly describe the following: (05 marks each)
 - a. Cost advantage
 - b. Differentiated product advantages
3. (i) Describe the main differences between Haberler's theory of opportunity cost and Heckscher- Ohlin (H-O) model of trade. (10 marks)
- (ii) 'The H-O Theory is closer to the reality in describing today's trade practices'. Comment. (10 marks)
- (iii) List the assumptions that are used in developing (H-O) model of trade. (05 marks)