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63/1 (SEM-6) DSE3/ECOHE6036

2024

ECONOMICS

Paper : ECOHE6036

(International Economics)

Full Marks : 80

Pass Marks : 32

Time : Three hours

**The figures in the margin indicate
full marks for the questions.**

1. Choose the correct answer of the following :
(any six) $1 \times 6 = 6$

(a) The relative capital abundance of country A over B, according to physical criterion, exists when

(i) $K_A/L_A > K_B/L_B$

(ii) $K_A/L_A < K_B/L_B$

(iii) $K_A/L_A = K_B/L_B$

(iv) $L_A/K_A > K_B/L_B$

(b) The Heckscher-Ohlin theory of trade pattern assumes

- (i) Perfect competition in product markets but not in the factor market
- (ii) Perfect competition in factor markets but not in the product market
- (iii) Perfect competition in both product market and factor market
- (iv) Unemployment in the labour market

(c) International trade and domestic trade differs because of

- (i) Different government policies
- (ii) Immobility of factors
- (iii) Trade restrictions
- (iv) All of the above

(d) A specific exchange rate, under fixed exchange rate is determined by

- (i) Market forces
- (ii) Govt. and monetary authority
- (iii) Quantities of exports and imports
- (iv) Foreign exchange reserve

(e) Equilibrium rate of exchange is one which

- (i) Gives artificial gains from exports
- (ii) Makes the currency overvalued
- (iii) Increases foreign exchange reserves
- (iv) Gives neither gain nor loss in foreign trade

(f) Hedging refers to

- (i) Fixed exchange rate
- (ii) Flexible exchange rate
- (iii) It covers foreign exchange risk
- (iv) It is related with devaluation

(g) Which of the following not related with WTO ?

- (i) TRIPS
- (ii) TRIMS
- (iii) Supports world trade
- (iv) WTO is the agent of UN

- (h) The median voter is the one who
- (i) Exactly half way in the line of voters preferring high tariff and low rates
 - (ii) At less than exactly half way
 - (iii) At more than exactly half way
 - (iv) None of the above
- (i) Prices of goods and prices of factor are equalized under
- (i) Modern theory of international trade
 - (ii) Comparative cost advantage
 - (iii) New trade theory
 - (iv) Factor equalization theorem
- (j) Which is not a role of Multinational corporations?
- (i) Transfer of technology
 - (ii) Development of market
 - (iii) Loss of revenue to the government
 - (iv) Creation of infrastructure

2. Answer the following questions : **(any five)**
2×5=10

- (a) What is factor mobility in international trade?
- (b) Mention any two disadvantages of international trade.
- (c) Define the concept of median voter.
- (d) What is meant by rent seeking?
- (e) Mention any two functions of foreign exchange market
- (f) What is managed floating?
- (g) Mention two main objectives of multinational enterprises.

3. Answer the following questions : **(any six)**
5×6=30

- (a) Explain the scope of international economics.
- (b) In what way do cost differences influence international trade?
- (c) Distinguish between spot exchange rate and forward exchange rate.
- (d) What are fixed and flexible exchange rates?

- (e) Write the concept of arbitrage in foreign exchange market.
- (f) Mention the relative merits and demerits of tariff and import quotas.
- (g) What are the different instruments of trade policies used in India?
- (h) Define the concept of financial crisis.
- (i) What are the adverse consequences of globalization?
- (j) State the objectives of World Trade Organization.

4. Answer the following questions : **(any two)**
10×2=20

- (a) Discuss the physical criterion of Heckscher-Ohlin theory of international trade using a diagram.
- (b) Explain how foreign exchange rate is determined in a perfectly competitive market.
- (c) Write clearly the effects of import quotas for the importing country.
- (d) Discuss the role of IMF in economic development of an underdeveloped country.

5. Answer the following questions : **(any one)**
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- (a) Critically explain Ricardian theory of international trade.
- (b) To what extent do the flexible exchange rates, cause uncertainty and instability? Justify your answer.
- (c) Discuss the positive and negative effects of globalization upon the Indian economy.