PG (CBCS) EVEN SEMESTER EXAMINATION, 2023

ECONOMICS

4th Semester

Course No. : ECOCC - 403

(International Economics)

Full Marks : 70

Pass Marks : 28

Time : 3 hours

The figures in the margin indicate full marks for the questions

(Answer any five, selecting one from each unit)

UNIT - I

1. Discuss the derivation of offer curve with the help of trade triangles. Why does normal offer curve bulge towards the axis measuring export commodity? Also add a note on the implications of backward bending offer curve. 8+3+3=14

2. 'Gains from trade is not a zero sum game' Elaborate. Is it possible for a nation to gain from trade without specialisation? Illustrate. 7+7=14

UNIT - II

3. How can international trade take place according to the technology gap model? What criticisms are leveled against this model? What does the product

(Turn Over)

cycle model postulate? What are the various stages in a product life cycle? Elaborate. 3+2+3+6=14

4. (a) Prove that a growth in capital will improve the terms of trade of a large labour surplus nation.

(b) Discuss the impact of capital saving technical progress in a agricultural sector on factor intensity. 8+6=14

UNIT - III

5. What is meant by foreign repercussions? When is it not safe to ignore them? Discuss. Assuming that Nation 1 and 2 are both large and starting from the equilibrium level of national income and equilibrium in the balance of trade in Nation 1 and given that $MPS_1 = 0.20$, $MPS_2 = 0.15$, $MPM_1 = 0.20$ and $MPM_2 = 0.10$, find the change in the equilibrium level of national income and trade balance in Nation 1 for an autonomous increase in exports of Nation 1 of 200 that replaces domestic production in Nation 2. 10+4=14

6. (a) What is foreign exchange risk? Illustrate why is Hedging important? Discuss the steps of Hedging in the spot market. Why is Hedging not popular in the spot market? 3+1+2+1=7

(b) Suppose that you are to make a payment of $ 1 no after 3 months from now. How will you cover FOREX risk if the spot rate is Rs. 60, borrowing interest rate is 3% per month and lending

interest rate is 2% per month and spot rate after 3 month is Rs. 70? What is your cost of hedging? 6+1=7

UNIT - IV

7. What kinds of exchange rate regime India adopted after Independence? Briefly illustrate. How India's BOP crisis in the early 1990s is attributed to this exchange rate regime? What kind of exchange rate system India follows presently? Elaborate. 5+3+6=14

8. Distinguish between expenditure reducing and expenditure switching policies to correct BOP disequilibrium. Do you think that mass economic requirements to correct BOP disequlibrium are painful for a less developed nation? Elaborate. 4+10=14

UNIT - V

9. Compare and contrast between import tariff and import quota which one should a developing nation prefer between tariff and quota to protect domestic industries under imperfect market conditions? Justify your argument. 4+10=14

10. Write short note on :

(a) Metzler Paradox

(b) Optimum Tariff War 7+7=14

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