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PG Even Semester (CBCS) Exam., May—2018

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 **five** questions, selecting **one** from each Unit

UNIT—I

1. What were the mercantilists' views on trade? How were their views different from those of Adam Smith? In what way was Ricardo's law of comparative advantage superior to Smith's theory of absolute advantage? Discuss. 3+4+7=14

2. *(a)* Why is it not advisable to go for complete specialization under increasing cost condition? Discuss.

(b) How can a country gain from trade if it is unable to change its production pattern? Explain. 7+7=14

UNIT—II

3. Discuss some of the important restrictive assumptions of Heckscher-Ohlin theorem. Why would the prevalence of factors intensity reversal lead to the rejection of the H-O theorem? Elaborate. 8+6=14

4. Discuss the impact of neutral technical progress in capital intensive industry on terms of trade. 14

UNIT—III

5. Why do importers and exporters fall foreign exchange risk? Discuss. Imagine you are to make a payment of an import bill worth $ 200 after three months from now. Write down the steps that you shall follow to cover foreign exchange risk (FER) assuming current sport rate = ₹ 50 and forward rate = ₹ 51. When would cost of covering FER be zero? 8+4+2=14

(3)

6. *(a)* Discuss the concept of foreign trade multiplier with foreign repercussions.

(b) Distinguish between covered and uncovered interest arbitrate. 7+7=14

UNIT—IV

7. *(a)* If a nation's quota in the IMF was set at $ 200 million, how and in what was this amount to be paid? How much could the nation borrow in any one year under the original rule? Elaborate.

(b) What were the major reasons behind the popularity of US dollar in 1950s? What is Roosa bond? Why did the US introduce it in the early 1960s? Briefly discuss. 7+7=14

8. How does real exchange rate affect the exports and imports of a nation? In this context, discuss the Marshall-Lerner condition required for devaluation to be effective in correcting trade balance. 5+9=14

UNIT—V

9. What is meant by ad valorem tariff, a specific tariff and a compound tariff? Using partial equilibrium analysis, discuss the various effects of an import tariff. 6+8=14

(4)

10. Write short notes on the following : 7+7=14

(a) Stolper-Samuelson theorem

(b) Trade diverting custom union

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