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(May)

ECONOMICS

(Major)

Course : 603

(International Economics)

Full Marks : 80

Pass Marks : 32/24

Time : 3 hours

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

1. Choose the correct answer/Answer the following : 1×8=8

(a) The theory of comparative cost advantage assumes

(i) labour theory of value

(ii) two countries, two commodities and two factors model of trade

(iii) transport costs as a factor influencing trade

(iv) increasing returns to scale of production

(Turn Over)

- (b) State the Heckscher-Ohlin theory.
- (c) The equalization of actual gain with potential gain from trade requires
- (i) tariff imposition
 - (ii) restrictions on trade
 - (iii) free trade
 - (iv) differences in domestic cost ratio
- (d) The terms of trade of a country experiencing immiserizing growth
- (i) deteriorate
 - (ii) improve
 - (iii) remain unchanged
 - (iv) result in larger volume of exports and imports
- (e) In a country's balance of payments, balance of trade is a component of
- (i) balance of capital account
 - (ii) balance of current account
 - (iii) transfers
 - (iv) None of the above

- (f) Protection is supported as it
- (i) protects interests of all nations
 - (ii) leads to optimum use of world resources
 - (iii) leads to expansion of home market
 - (iv) provides safeguard against monopolies
- (g) The inflow of foreign capital increases due to
- (i) low interest rates
 - (ii) high bank rates
 - (iii) anticipation of devaluation
 - (iv) recession in the economy
- (h) WTO came into existence as a result of which of the following negotiations?
- (i) Kennedy Round
 - (ii) Tokyo Round
 - (iii) Uruguay Round
 - (iv) Dillon Round

2. Write short notes on any *four* of the following (within 150 words each) : $4 \times 4 = 16$

- (a) Adam Smith's principle of absolute cost advantage
- (b) Effect of export-biased economic growth in terms of trade
- (c) Arguments in favour of free trade
- (d) Mint parity theory
- (e) Bretton Woods system

Answer the following questions (within 500 words each) :

3. (a) Discuss with appropriate diagrams, the opportunity costs theory of international trade under conditions of increasing opportunity costs and decreasing opportunity costs. $6+6=12$

Or

- (b) Discuss Mill's theory of reciprocal demand. How did this theory improve the comparative cost advantage theory of Ricardo? $8+4=12$

(Continued)

4. (a) Discuss Prebisch-Singer hypothesis of secular deterioration of terms of trade for the less developed countries. 11

Or

- (b) Explain Myrdal's theory of backwash effect. 11

5. (a) (i) Discuss the non-tariff barriers that a country imposes on trade. 6
(ii) Mention the unfavourable effects of FDI on the recipient country. 5

Or

- (b) Analyze the consequences of globalization for a developing country like India. 11

6. (a) Define balance of payments. Explain the balance of payments theory of exchange rate determination. $2+9=11$

Or

- (b) What is meant by fixed exchange rate? Give the arguments for and against the fixed exchange rates. $1+5+5=11$

(Turn Over)

7. (a) Examine the functions of the International Monetary Fund. Discuss its role in enlarging international liquidity. 4+7=11

Or

- (b) Mention the objectives of the World Trade Organization. Discuss the positive and negative effects of World Trade Organization on Indian economy. 4+7=11

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