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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)** 1×6=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)  $L_A/K_A > K_B/L_B$

Contd.

(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.