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(CBCS)

(6th Semester)

ECONOMICS

TWELFTH (B) PAPER

(International Trade)

Full Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

(SECTION : A—OBJECTIVE)

(Marks : 10)

Tick (✓) the correct answer in the brackets provided :

1×10=10

1. According to the absolute differences in cost theory of trade

- (a) no country should specialize in the production of any commodity ()
- (b) every country should specialize in the production of goods which it can produce at higher cost than other countries in exchange for cheaper goods of other countries ()
- (c) every country should specialize in the production of goods which it can produce more cheaply than other countries and exchange it for goods which cost less in other countries ()
- (d) every country can produce by itself all the commodities required by its people ()

2. The cause of international trade as per Heckscher-Ohlin trade theory is

- (a) difference in factor endowments ()
- (b) difference in taste ()
- (c) difference in cost of production ()
- (d) difference in gold holding ()

- 3.** The terms of trade of a country is said to have improved when the
- (a) import price of a country relatively rises to its export prices ()
 - (b) export price of a country relatively rises to its import prices ()
 - (c) export price of a country does not rise in relation to its import prices ()
 - (d) import price of a country is the same with its export prices ()
- 4.** Gains from trade depends on
- (a) relative strength of the elasticity of demand for export and import goods ()
 - (b) size of the country ()
 - (c) change in technology ()
 - (d) income of the participating country ()
- 5.** A tariff results in an improvement in terms of trade on one hand and on the other hand it increases the
- (a) demand for the commodity ()
 - (b) price of the commodity ()
 - (c) level of welfare ()
 - (d) quantity of inputs ()
- 6.** A quota system which allows a certain specified quantity of a commodity to be imported duty free or at a low rate of import duty is
- (a) bilateral quota ()
 - (b) global quota ()
 - (c) level of welfare ()
 - (d) import quota ()

7. A systematic record of receipts and payments in international transactions of a country in a given year is called
- (a) balance of payments ()
 - (b) exchange control ()
 - (c) loans ()
 - (d) balance of trade ()
8. Capital account includes
- (a) invisible export ()
 - (b) long-term capital transaction ()
 - (c) invisible import ()
 - (d) short-term current transaction ()
9. The Indian rupee was made a freely convertible currency on current account since the year
- (a) 1991 ()
 - (b) 2001 ()
 - (c) 1981 ()
 - (d) 1994 ()
10. The most important item of import for India in terms of value is
- (a) mobile handset ()
 - (b) POL ()
 - (c) gold ()
 - (d) electronics ()

(SECTION : B—SHORT NOTE)

(Marks : 15)

Write short notes on the following :

3×5=15

UNIT—I

1. The opportunity cost theory of international trade

OR

2. Distinction between inter-regional trade and international trade

UNIT—II

3. Potential gains and actual gains from trade

OR

4. Terms of trade

UNIT—III

5. Import quota

OR

6. Optimum tariff

UNIT—IV

7. Devaluation and its effects on international trade

OR

8. Balance of payments and balance of trade

UNIT—V

9. Composition of India's exports

OR

10. Full convertibility of rupee

(SECTION : C—DESCRIPTIVE)

(Marks : 50)

Answer the following questions :

10×5=50

UNIT—I

1. Discuss the comparative cost theory of international trade as propounded by David Ricardo.

10

OR

2. Explain the Heckscher-Ohlin theory of international trade with the help of factor abundance or scarcity in terms of factor prices.

10

UNIT—II

3. Explain the different concepts of terms of trade. 10

OR

4. What is reciprocal demand? Examine the theory of reciprocal demand. 3+7=10

UNIT—III

5. Discuss the various types of tariffs. 10

OR

6. Explain the effects of import quotas under partial equilibrium analysis. 10

UNIT—IV

7. Distinguish between balance of trade and balance of payments. Discuss the causes of disequilibrium in the balance of payments. 3+7=10

OR

8. What is meant by devaluation? Discuss the relative merits and demerits of devaluation. 3+7=10

UNIT—V

9. Discuss recent changes in the composition and direction of India's foreign trade. 10

OR

10. Explain the measures adopted by the Government of India to correct deficits in the balance of payments. 10
