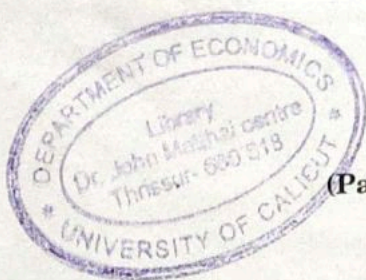


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Name.....

Reg. No.....

SECOND SEMESTER P.G. DEGREE EXAMINATION, APRIL 2019

(CCSS)

Economics

ECO 2C 08—INTERNATIONAL TRADE : THEORY AND POLICY

(2018 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A (Multiple Choice Questions)

Answer all questions.

Each question carries 1 mark .

1. Which of the following is NOT a clause of WTO ?
 - (a) Lowering of trade barriers.
 - (b) Most Favoured Nation treatment.
 - (c) Discouraging unfair trade practices.
 - (d) Financial aid to countries having unfavourable BoP.
2. Dumping in international trade refers to :
 - (a) Exporting goods of inferior quality.
 - (b) Export price is lower than actual cost of production.
 - (c) Exporting goods in terms of re-importing.
 - (d) Importing goods without paying appropriate taxes.
3. J S Mill was the founder of the :
 - (a) Theory of Absolute Advantage.
 - (b) Theory of Comparative Advantage.
 - (c) Theory of Factor Endowments.
 - (d) Theory of Reciprocal Demand.
4. The theory which states that a country initially an importer of a particular commodity will eventually become an importer rather than a manufacturer of the product :
 - (a) Transportation Cost Theory.
 - (b) Imitation Gap Model.
 - (c) Product Life Cycle Theory.
 - (d) Factor Price Equalization Theory.

Turn over

5. Convertibility of Rupee implies :
- (a) Being able to convert rupee notes in to gold.
 - (b) Developing international market for rupee in India.
 - (c) Permitting the free conversion of rupee to other foreign currencies and vice-versa.
 - (d) Allowing a fixed exchange rate for rupee.
6. Differences in environmental standards or other government regulations among nations :
- (a) Have no impact on patterns of international trade.
 - (b) Have tended to make U.S. steel companies more competitive internationally.
 - (c) Can affect production costs and thus alter comparative advantages and trade patterns.
 - (d) Have been eliminated by the nations participating in NAFTA.
7. What is said to exist when the formation of a regional trading group leads to the reduction of trade with non member countries in favour of member countries ?
- (a) Trade creation.
 - (b) Trade diversion.
 - (c) Trade exclusion.
 - (d) Trade distortion.
8. In oligopolistic intra-industry model, the number of firms in the manufacturing sector is supposed to be :
- (a) Very large.
 - (b) Small.
 - (c) Medium.
 - (d) Large.
9. Transport Costs in foreign trade are imposed by :
- (a) Exporting Countries.
 - (b) Importing Countries.
 - (c) Geographic Location.
 - (d) None of the Above.
10. The reduction or covering of foreign exchange risk is called :
- (a) Hedging.
 - (b) Speculation.
 - (c) Intervention.
 - (d) Arbitrage.

(10 × 1 = 10 marks)

Part B (Very Short Questions)

Answer all of the following.

Each question carries 2 marks.

Answer in one or two sentences each.

11. Dutch Disease.
12. European Monetary System.
13. Leontief Paradox.
14. Common Market.
15. Infant Industry Argument.

(5 × 2 = 10 marks)

Part C (Short Answer Questions)

Answer any eight questions.

Each question carries 5 marks.

16. What are the obstacles of equalization of factor prices.
17. Empirical tests of Ricardian theory of International Trade.
18. Explain the Rybczynski Theorem.
19. State how trade takes place owing to differences in taste and technology
20. Discuss the arguments in favour of protection.
21. What are the characteristics of a good international monetary system?
22. How Quotas are more restrictive than Tariffs.
23. State the objectives of the formation of European Economic Union.
24. Explain Brander Krugman intra-industry trade model.
25. How do transportation costs emerge while nations indulge in international trade.
26. Discuss the Product Cycle theory.
27. Explain the Metzler Paradox.

(8 × 5 = 40 marks)

Turn over

Part D (Essay Type Questions)

*Answer any **two** questions.*

Each question carries 10 marks.

28. Analyse the Production effects of growth in international trade.
29. Discuss critically the Hecksher-Ohlin theory of International trade and conditions underlying it.
30. There has been an explosion of theoretical models on intra-industry trade. Do you agree with it ?
31. Explain the static and dynamic effects of Customs Union.

(2 × 10 = 20 marks)