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6 SEM TDC DSE ECO (CBCS) 3 (H)

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(May)

ECONOMICS

(Discipline Specific Elective)

(For Honours)

Paper : DSE-3

(**International Economics**)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

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

1. Answer the following as directed : 1×8=8

(a) Which of the following is not a reason why countries trade?

(i) Comparative advantage

(ii) Cost is higher in one country and lower in another

(2)

(iii) The productivity of labour differs among countries and industries

(iv) None of the above

(Choose the correct answer)

(b) Inward-looking trade strategy relies on

(i) export promotion

(ii) import substitution

(iii) Both (i) and (ii)

(iv) None of the above

(Choose the correct answer)

(c) The inflow of capital into a country increases due to

(i) low interest rate

(ii) high bank rates

(iii) market potential

(iv) recession in the economy

(Choose the correct answer)

(3)

(d) The act of simultaneously buying a currency in one market and selling it in another is called

(i) speculation

(ii) arbitrage

(iii) spotting

(iv) forwarding

(Choose the correct answer)

(e) 'Rapid Financing Instrument' is a provision of lending by

(i) World Bank

(ii) Asian Development Bank

(iii) IMF

(iv) WTO

(Choose the correct answer)

(f) Which of the following is considered as a capital transfer in the BOP?

(i) Payment of imported goods

(ii) Payment of interest on foreign loans

(4)

(iii) Foreign aid received

(iv) Dividend paid to foreign investors

(Choose the correct answer)

(g) Forward rate of exchange is a contractual rate of exchange.

(Write True or False)

(h) Name one Indian MNC which is primarily involved in the information technology sector.

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

(a) Factor price equalization in Heckscher-Ohlin model

(b) Foreign portfolio investment

(c) Effects of IT and business outsourcing

(d) Factors affecting exchange rate

(e) Collapse of Bretton Woods system

(5)

3. (a) Explain, with suitable example and diagrams, the theory of comparative cost. What refinements were made in the theory of comparative cost by the later economists? $8+4=12$

Or

(b) What is the use of offer curves in international trade? Explain equilibrium terms of trade between two countries by using offer curves. $3+9=12$

4. (a) What is foreign direct investment (FDI)? Discuss the importance of FDI. What are the adverse effects of FDI on the host country? $1+7+3=11$

Or

(b) Discuss the significance of foreign capital in a country's economy. Do you advocate a policy of encouraging investment by multinational corporations in this regard? Give arguments in favor of your answer. $7+4=11$

(6)

5. (a) How do inward-looking trade policies differ from outward-looking ones? Discuss the role of outward-looking trade policy in promoting economic growth and development. 4+7=11

Or

- (b) What are different types of non-tariff barriers? Discuss the advantages of non-tariff barriers. 5+6=11

6. (a) Explain how equilibrium rate of exchange is determined. Mention three merits of flexible exchange rate. 8+3=11

Or

- (b) Write briefly on the following topics : 4+4+3=11

- (i) Depreciation vs. Devaluation of currency
- (ii) Sources of foreign exchange
- (iii) Forward exchange rate

7. (a) Give an account of the facilities given by the International Monetary Fund (IMF) to the member countries. 11

(7)

Or

- (b) What are the main drivers of globalization? Discuss the challenges faced by the developing countries in the era of globalization. 4+7=11
