

C 83771

(Pages : 3)

Name.....

Reg. No.....

**SECOND SEMESTER M.A. DEGREE EXAMINATION, JUNE 2015**

(CUCSS)

Economics

**ECO 2C 08—INTERNATIONAL TRADE—THEORY AND POLICY**

Time : Three Hours

Maximum : 36 Weightage

**Part A**

*Answer all questions.*

*Each bunch of four questions carries weightage of 1.*

**A. Multiple Choice :—**

- 1 Small nations with more than one major trading partner tend to peg the value of their currencies to :
  - (a) Gold.
  - (b) Silver.
  - (c) A single currency.
  - (d) A basket of currencies.
- 2 The real income of domestic producers and consumers can be increased by :
  - (a) Technological progress, but not international trade.
  - (b) International trade, but not technological progress.
  - (c) Technological progress and international trade.
  - (d) Neither technological progress nor international trade.
- 3 According to the classical theory of international trade :
  - (a) Only countries with low wages will export.
  - (b) Only countries with high wages will import.
  - (c) Countries with high wages will have higher prices.
  - (d) All the above are false.
- 4 That the division of labour is limited by the size of the market best applies to which explanation of trade :
  - (a) Factor endowment theory.
  - (b) Product life cycle theory.
  - (c) Economies of scale theory.
  - (d) Overlapping demand theory.

**B. Multiple Choice :—**

- 5 A tax of 20 cents per unit of imported cheese would be an example of a (an) :
  - (a) Compound tariff.
  - (b) Effective tariff.
  - (c) Ad valorem tariff.
  - (d) Specific tariff.

Turn over

- 6 Which round of international trade negotiations resulted in the creation of the World Trade Organization ?
- (a) Kennedy Round of 1964-1967. (b) Tokyo Round of 1973-1979.  
(c) Uruguay Round of 1986-1993. (d) Doha Round of 2003-2007.
- 7 Economic sanctions :—
- (a) Are prohibited by the World Trade Organization.  
(b) Affect international trade but not international financial flows.  
(c) Involve restrictions on imports, but not exports.  
(d) Involve restrictions in imports, exports, and or financial flows.
- 8 Export-led growth strategies tend to emphasize :
- (a) Resource allocation based on the principle of absolute advantage.  
(b) Resource allocation based on the principle of comparative advantage.  
(c) Trade protection for import-competing firms.  
(d) Trade protection for exporting-competing firms.

C. Fill in the blanks :

- 9 Tariff levels in advanced countries tend to be \_\_\_\_\_ tariff levels in developing countries.
- 10 The theory of \_\_\_\_\_ suggests that government can assist domestic companies in capturing economic profits from foreign competitors.
- 11 \_\_\_\_\_ allows a specified number of goods to be imported each year, but it does not specify from where the product is shipped or who is permitted to import.
- 12 According to the factor price equalization theorem, the \_\_\_\_\_ factor should oppose free trade policies in any given country.

D. True or False :

- 13 The European free trade association was formed in 1958.
- 14 Leontief's results can be interpreted as support for the Heckscher-Ohlin model.
- 15 Specific tariffs are collected as a percentage of the price of the product.
- 16 The NAFTA is a free trade area.

(16 × ¼ = 4 weightage)

**Part B**

*Short Answer Questions.*

*Answer any ten not exceeding one page each.*

- 17 Distinguish between tariff and non-tariff barriers.
- 18 Dead weight loss of tariff.



- 19 Effective rate of protection.
- 20 What is an offer curve ? How is it derived ?
- 21 Examine the partial equilibrium effects of free trade in the steel market of a small developing nation.
- 22 What is the Leontif paradox in reference to the H-O theorem ?
- 23 Explain Metzler Paradox.
- 24 Review the arguments on trade protection.
- 25 Explain immiserising growth.
- 26 Examine the economic integration schemes of developing countries.
- 27 Write a short note on Indo-EU trade.
- 28 Explain mixing quotas.
- 29 Explain the static effect of customs union.
- 30 Voluntary Export Restraints.

(10 × 2 = 20 weightage)

### Part C

#### *Essay Questions.*

*Answer any three not exceeding three pages each.*

- 31 State the assumptions of the Heckscher-Ohlin theory. Critically evaluate Heckscher-Ohlin theory.
- 32 Discuss the international trade equilibrium when there are increasing returns to scale of production
- 33 Discuss the static and dynamic effects of customs union.
- 34 Discuss the interrelationship between foreign trade and economic development.
- 35 What is the importance of terms of trade ? Explain the various terms of trade concepts.

(3 × 4 = 12 weightage)