

Total No. of Printed Pages—6

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

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(May/June)

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) Free international trade maximizes world output

(i) through countries reducing taxes imposed

(ii) through countries specializing in production of goods they are best suited for

(2)

- (iii) through perfect competition between countries
- (iv) by diluting business laws between countries

(Choose the correct answer)

(b) Dumping refers to

- (i) sale of goods abroad at a price lower than the price charged in home country
- (ii) buying goods at low prices from abroad
- (iii) reducing tariffs
- (iv) None of the above

(Choose the correct answer)

(c) The most rigid exchange rate system which does not allow any adjustment in the rate of exchange is

- (i) flexible exchange rate system
- (ii) gold standard system
- (iii) Bretton Woods system of exchange rate
- (iv) None of the above

(Choose the correct answer)

(Continued)

(3)

- (d) When foreign currency becomes cheaper, less rupees are available for a US dollar.

(Write True or False)

(e) With reference to TRIMs, which of the following statements is true?

- (i) Quantitative restrictions on imports by foreign investors are prohibited.
- (ii) They are not concerned with the regulation of foreign investment.
- (iii) They apply to investment measures related to both goods and services.
- (iv) Both (i) and (ii)

(Choose the correct answer)

(f) Which organization prepares the 'Global Financial Stability Report'?

- (i) World Bank
- (ii) IMF
- (iii) IBRD
- (iv) Organization of Economic Cooperation and Development

(Choose the correct answer)

(g) Define spot exchange rate.

(h) What is financial globalization?

(4)

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

- (a) Importance of international trade
- (b) Adverse effects of MNCs
- (c) Outward looking trade strategy
- (d) Components of demand for foreign exchange
- (e) Lending operations of IMF

3. (a) Discuss how Adam Smith's Absolute Advantage theory provides the basis of international transactions. Point out the limitations of the theory. $9 + 3 = 12$

Or

(b) Explain clearly the Heckscher-Ohlin theory of international trade. How does this theory supplement the comparative cost theory? $8 + 4 = 12$

4. (a) What is portfolio investment? Distinguish between direct and portfolio investment. Give arguments against portfolio investment. $2 + 5 + 4 = 11$

P23/1085

(Continued)

(5)

Or

(b) What is the meaning of international capital flows? Discuss the significance of international capital flows in case of technological change and balance of payments. Mention three dangers of foreign capital flows. $2 + 6 + 3 = 11$

5. (a) What are the main types of tariffs? Examine how imposition of tariff protects the home economy through import restriction and import substitution. $4 + 7 = 11$

Or

(b) (i) Give arguments in favour of free trade policy. 5

(ii) Examine the rationale of protectionist commercial policy as a mean of industrialization in a developing economy. 6

6. (a) Discuss briefly the meaning of (i) fixed exchange rate, (ii) flexible exchange rate and (iii) managed floating exchange rate. $4 + 4 + 3 = 11$

P23/1085

(Turn Over)

Or

- (b) What do you mean by devaluation of currency? Why do countries devalue their currencies? Examine the implications of devaluation on foreign exchange rate. 2+3+6=11

7. (a) What are the objectives of WTO? Discuss briefly about WTO agreements on trade-related investment measures (TRIMs) and intellectual property rights (IPR). 3+8=11

Or

- (b) What factors caused the breakdown of Bretton Woods system? Outline the reforms made in international monetary system by IMF after the collapse of Bretton Woods system. 5+6=11
