FIFTH SEMESTER B.A. DEGREE EXAMINATION, NOVEMBER 2017

(CUCBCSS—UG)

Economics

ECO 5B 10—INTERNATIONAL ECONOMICS

Time : Three Hours   Maximum : 80 Marks

*Answers may be written **either** in English **or** in Malayalam.*

Part A

*Answer **all** questions.*
Each question carries ½ marks.

1. Adam Smith argued in favour of :

    (a) Free trade.
    (b) Protection.
    (c) Govt. intervention.
    (d) Self sufficiency.

2. The main reason for international trade is :

    (a) Technological advancement.
    (b) Tradition.
    (c) Political needs.
    (d) Geographical specialization.

3. The first empirical test of Heckscher-Ohlin theory was conducted by :

    (a) D. Young
    (b) Richard A Caves.
    (c) J.S. Champan
    (d) Leontief.

4. To promote a favourable trade balance, Mercantilists advocated :

    (a) Closed economy.
    (b) Laissez faire economy.
    (c) Market economy.
    (d) Govt. regulation of trade.

5. The tariff imposed as a fixed percentage of the value of the commodity imported are called :

    (a) Specific tariff.
    (b) Compound tariff.
    (c) Ad-valorem tariff.
    (d) Nominal tariff.

6. ASEAN was formed in :

    (a) 1989.
    (b) 1967.
    (c) 1957.
    (d) 1979.

Turn over

7. A commercial policy designed to increase exports by an additional sum above the domestic price per unit exported is known as :

    (a) Grants in aid.   (b) Tax concession.

    (c) Targeting.   (d) Export subsidy.

8. The Watch dog of international trade is :

    (a) European Union.   (b) WTO.

    (c) IMF.   (d) World Bank.

9. A systematic record of all transactions between the residents of one country and the rest of the world :

    (a) Balance of Payments.   (b) Balance of Trade.

    (c) Current Account.   (d) Capital Account.

10. The price of one currency in terms of another currency is called :

    (a) Depreciation.   (b) Devaluation.

    (c) Exchange rate.   (d) Foreign exchange.

11. The act of avoiding a foreign exchange risk arising from an agreed forward rate is called :

    (a) Speculation.   (b) Arbitrage.

    (c) Hedging.   (d) Dumping.

12. International Monetary Fund started functioning on :

    (a) 1944.   (b) 1947.

    (c) 1995.   (d) 1982.

$(12 \times \frac{1}{2} = 6 \text{ marks})$

Part B (Very Short Answer Questions)

Answer any **ten** *questions.*
Each question carries 2 marks.

13. Define internal trade.

14. What is meant by import substitution ?

15. Write a note on capital account.

16. Explain currency convertibility.

17. Briefly explain about European Union.

18. What is meant by overvaluation of currency ?

19. Define hybrid exchange rate.

20. Explain commodity terms of trade.

21. What is Foreign exchange market ?

22. Define labour theory of value.

23. Define factor endowment.

24. What is dumping ?

(10 × 2 = 20 marks)

Part C (Short Essay Questions)

Answer any six questions.
Each question carries 5 marks.

25. Explain the important objectives of SAARC.

26. What is meant by equilibrium rate of exchange ? How is it determined ?

27. Explain the structure of Balance of Payment.

28. What are the important arguments in favour of free trade ?

29. Bring out the important differences between internal trade and international trade.

30. Explain the Balance of Payment theory of exchange rate determination.

31. What are the important disadvantages of fixed exchange rate system ?

32. Explain the important criticisms leveled against Heckscher Ohlin theory of international trade.

(6 × 5 = 30 marks)

Part D (Essay Questions)

Answer any two questions.
Each question carries 12 marks.

33. Comment on the role of international trade in economic development of a country.

34. Explain the objectives and functions of International Monetary Fund.

35. Critically examine the Absolute Cost Advantage Theory of International Trade.

36. What are the important causes for BOP disequilibrium? Suggest measures to correct disequilibrium in BoP.

(2 × 12 = 24 marks)