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(CBCS)

(6th Semester)

ECONOMICS

TWELFTH (B) PAPER

(International Trade)

Full Marks : 75

Time : 3 hours

INSTRUCTIONS TO CANDIDATES

(Please read the instructions carefully before you start writing your answers)

1. Questions should be attempted as per instructions.
2. Do not copy the Questions. Indicate the Section and Question No. clearly while attempting the answer.
3. For Multiple choice answer, candidate should indicate the **Question No., Sub. No., (if any) and the correct answer. For example :**

1. *Name the State capital of Mizoram.*

(a) *Lunglei*

(b) *Aizawl*

(c) *Champhai*

Candidate should provide answer as—Q. No. 1 : *(b) Aizawl*

[Candidate should **avoid** writing only *(b)*]

4. The figures in the margin indicate full marks for the questions.

(SECTION : A—OBJECTIVE)

(Marks : 10)

Choose the correct answer from the options provided :

1×10=10

- 1.** The main reason for different nations to enter into trade is that
 - (a) every nation can produce by itself all the commodities and services required by its people
 - (b) some nations are capable of producing all the goods and services required by its people
 - (c) no country has the capability of producing all the goods and services required by its people
 - (d) None of the above

- 2.** David Ricardo believed that international trade is governed by
 - (a) absolute cost advantage only
 - (b) mobility of factors
 - (c) absolute cost and comparative cost advantages
 - (d) comparative cost advantage

- 3.** If a country has favourable terms of trade, it will claim
 - (a) a larger share in the distribution of gains
 - (b) an equal share in the distribution of gains
 - (c) a smaller share in the distribution of gains
 - (d) either a larger share or a smaller share in the distribution of gains

4. The difference in the domestic cost ratios of producing two commodities in two countries is called
- (a) potential gains
 - (b) actual gains
 - (c) partial gains
 - (d) price gains
5. The tariff rates which are based on trade agreements or treaties with other countries is known as
- (a) revenue tariff
 - (b) protective tariff
 - (c) conventional tariff
 - (d) multiple column tariff
6. A quota established through mutual agreement or negotiations between two countries is
- (a) allocated quota
 - (b) unilateral quota
 - (c) import-export quota
 - (d) bilateral quota
7. In Balance of Payments Account, all goods exported and imported are recorded in
- (a) Capital Accounts
 - (b) Merchandise Account
 - (c) Current Account
 - (d) Savings Account

8. Devaluation results in

- (a) increase in domestic price of imports and decrease in foreign price of exports
- (b) increase in foreign price of exports and decrease in domestic price of imports
- (c) decrease in domestic price of imports and increase in foreign price of exports
- (d) None of the above

9. Which of the following manages and monitors India's foreign exchange rate in order to correct deficit in balance of payments?

- (a) The Government of India
- (b) The Securities and Exchange Board of India
- (c) The Reserve Bank of India
- (d) The Ministry of External Affairs

10. India's top import item is

- (a) gold
- (b) POL
- (c) precious or semi-precious stones
- (d) fertilizers

(SECTION : B—SHORT ANSWER)

(Marks : 15)

Write short notes on the following :

3×5=15

1. (a) The opportunity cost theory of international trade.

OR

(b) Difference between international trade and interregional trade

2. (a) Net barter terms of trade

OR

(b) Static and dynamic gains from trade

3. (a) Optimum tariff

OR

(b) Trade protection

4. (a) Balance of trade

OR

(b) Devaluation

5. (a) Effects of adverse balance of payments in India

OR

(b) Full convertibility of rupee

(SECTION : C—DESCRIPTIVE)

(Marks : 50)

Answer the following questions :

10×5=50

UNIT—I

1. (a) Explain the theory of international trade propounded by Adam Smith. 10

OR

- (b) State and explain the Heckscher-Ohlin theory of international trade. 10

UNIT—II

2. (a) Critically discuss the theory of reciprocal demand. 10

OR

- (b) Give a brief explanation of the different types of terms of trade. 10

UNIT—III

3. (a) How is tariff different from quota? Examine the effects of tariffs in partial equilibrium analysis. 3+7=10

OR

- (b) Give arguments for and against free trade and protection. Which, among the two, would be more conducive for economic development? 7+3=10

UNIT—IV

4. (a) Define balance of payments. What are the various components of balance of payments? 2+8=10

OR

- (b) Discuss the various measures to correct deficit in the balance of payments. 10

UNIT—V

5. (a) Giving special reference to its composition and direction, explain how India's foreign trade has changed over the years. 5+5=10

OR

- (b) What are the causes of India's adverse balance of payments? Highlight the measures adopted by the government to correct the deficit in India's balance of payments. 5+5=10
