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

**2022**

( June/July )

**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. Choose the correct answer/Answer the following : 1×8=8

- (a) When there is equal cost difference
- (i) trade can take place with gain to both countries
  - (ii) trade can take place at loss to both countries
  - (iii) no trade can take place
  - (iv) None of the above

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- (b) The policy of free trade was supported by
- (i) Adam Smith
  - (ii) J. M. Keynes
  - (iii) Karl Marx
  - (iv) None of them
- (c) The exchange rate at which demand for foreign currency becomes equal to its supply, is called
- (i) equal rate of exchange
  - (ii) mint parity
  - (iii) equilibrium rate of exchange
  - (iv) All of the above
- (d) Under which system, gold was taken as the common unit of parity between currencies of different countries in circulation?
- (i) Bretton Woods system
  - (ii) Gold standard system
  - (iii) Flexible exchange rate system
  - (iv) Managed floating system of exchange rate

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( Continued )

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- (e) If ₹ 100 is required to buy \$1, instead of ₹ 90 earlier,
- (i) domestic currency has appreciated
  - (ii) domestic currency has depreciated
  - (iii) rupee value of import bill will increase
  - (iv) Both (ii) and (iii)
- (f) What is portfolio investment?
- (g) Define spot exchange rate.
- (h) Mention one feature of an infant industry.
2. Write short notes on any four of the following (within 150 words each) :  $4 \times 4 = 16$
- (a) Principle of Absolute Cost Advantage
  - (b) Importance of Foreign Capital for LDCs
  - (c) Benefits of Free Trade Policy
  - (d) Sources of Foreign Exchange
  - (e) Bretton Woods Agreement on Currency Exchange Rate
3. (a) Explain how the theory of comparative advantage provides a strong argument in favour of free trade and specialization among countries. Point out the main weaknesses of the theory.  $8+4=12$

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( Turn Over )

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Or

(b) Explain how the equilibrium terms of trade are determined by the equation of reciprocal demand. Why is it regarded as an improvement over the comparative cost advantage theory?

8+4=12

4. (a) Define foreign direct investment. Discuss the benefits of foreign direct investment to a home economy. What are the challenges of foreign direct investment? 2+5+4=11

Or

(b) What is outsourcing? Why do the MNCs outsource their operations? Discuss critically the impacts of MNCs on the development of LDCs. 2+3+6=11

5. (a) (i) Discuss the non-tariff barriers that a country imposes on trade. 6

(ii) What are the major economic arguments for protection? 5

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( Continued )

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Or

(b) Give a brief account of the outward-looking and inward-looking trade strategies. Which one of these two strategies is adopted by India and why?

8+3=11

6. (a) What is meant by foreign exchange rate? "When demand for foreign currency increases, the rate of exchange falls." Explain, how. 3+8=11

Or

(b) Discuss the causes of fluctuations in the rate of exchange. Mention three arguments for flexible exchange rate.

8+3=11

7. (a) Mention the objectives of the International Monetary Fund. Discuss its role in the maintenance of international liquidity and credit facilities. 3+8=11

Or

(b) Write an explanatory note on 'the consequences of globalization for a developing country like India'. 11

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