

**VI/ECO (xii) (b)**

**2014**

**( 6th Semester )**

**ECONOMICS**

**TWELFTH (B) PAPER**

**( International Trade )**

*Full Marks : 75*

*Time : 3 hours*

**( PART : B—DESCRIPTIVE )**

**( Marks : 50 )**

*The figures in the margin indicate full marks  
for the questions*

**Answer all questions**

**UNIT—1**

1. Discuss the comparative cost theory of International Trade as propounded by David Ricardo.

10

*Or*

Explain the Heckscher-Ohlin theory of international trade.

3. Concept of optimum tariff

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UNIT—2

2. Define terms of trade. Explain the concept of commodity terms of trade and point out its limitations. 3+7=10

Or

What do you mean by gains from trade? Clearly examine the distinction between consumption gains and production gains. 3+7=10

UNIT—3

3. What do you mean by tariffs? Explain the various types of tariff. Distinguish between tariffs and quotas. 2+6+2=10

Or

What do you mean by free trade? Discuss how free trade promotes welfare and economic growth. 3+7=10

UNIT—4

4. Define balance of payments. What are the various components of balance of payments? 3+7=10

Or

Discuss the various methods for correcting disequilibrium in the balance of payments. 10

( 3 )

UNIT—5

5. Discuss the recent changes in the composition and direction of India's foreign trade.

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Or

Suggest suitable measures to correct deficit in India's balance of payments.

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2014

(6th Semester)

**ECONOMICS**

**TWELFTH (B) PAPER**

**( International Trade )**

**( PART : A—OBJECTIVE )**

( Marks : 25 )

The figures in the margin indicate full marks for the questions

Answer all questions

**SECTION—A**

( Marks : 10 )

Tick (✓) the correct answer in the brackets provided : 1×10=10

1. Adam Smith favoured

- (a) free trade among nations ( )
- (b) regulation of trade among nations ( )
- (c) closed economics ( )
- (d) None of the above ( )

2. Which of the following is the cause of international trade as per Heckscher-Ohlin trade theory?

- (a) Difference in factor availability ( )
- (b) Difference in cost of production ( )
- (c) Difference in taste ( )
- (d) Difference in currency system ( )

3. 'Gains from trade' refers to

- (a) the increase in a nation's standard of living derived from specialization and trade based on comparative advantages ( )
- (b) the foreign currencies earned by exporting goods and services ( )
- (c) a nation's surplus of exports over imports ( )
- (d) a nation's balance of trade ( )

4. If a country has a 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) None of the above ( )

5. The tariff that maximizes a country's welfare is called the
- (a) double column tariff
  - (b) maximum and minimum tariff
  - (c) optimum tariff
  - (d) None of the above
6. Ad valorem tariffs are
- (a) duties levied per physical unit of the commodity imported
  - (b) duties levied as fixed percentage of the value of the imported commodity
  - (c) duties which tend to vary with the price of the imported commodities
  - (d) None of the above
7. Which one of the following items is not included in the invisible items of balance of payments?
- (a) Shipping
  - (b) Insurance
  - (c) Export and Import of goods
  - (d) None of the above

8. The rate of exchange between the domestic and a foreign currency is defined as the
- (a) foreign currency price of a unit of the domestic currency ( )
  - (b) domestic currency price of a unit of the foreign currency ( )
  - (c) foreign currency price of gold ( )
  - (d) domestic currency price of gold ( )
9. The Indian rupee was made a freely convertible currency on current account since the year
- (a) 1981 ( )
  - (b) 1991 ( )
  - (c) 1994 ( )
  - (d) 2004 ( )
10. Which one of the following statements about the direction of India's foreign trade is correct?
- (a) The share of Asia and ASEAN in total trade has increased significantly ( )
  - (b) The share of Asia and ASEAN in total trade has decreased significantly ( )
  - (c) The share of Asia and ASEAN remained constant over the years ( )
  - (d) The share of Asia and ASEAN is highly fluctuating ( )

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SECTION—B

( Marks : 15 )

Write on the following :

3×5=15

1. Absolute advantage theory of trade as propounded by Adam Smith

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4. Concept of devaluation

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5. Two measures adopted by the government to correct deficit in the balance of payments

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2. Doctrine of reciprocal demand

Write on the following :

I. Absolute advantage theory of trade as propounded by Adam Smith

- (i) foreign currency price of gold
- (ii) domestic currency price of gold

9. The Indian rupee was devalued against the US dollar in

- (a) 1981
- (b) 1991
- (c) 1994
- (d) 2004

10. Which one of the following statements about the direction of international trade is correct?

- (a) The share of Asia and ASEAN in total trade has increased significantly
- (b) The share of Asia and ASEAN in total trade has decreased significantly
- (c) The share of Asia and ASEAN in total trade has remained stable over the years
- (d) The share of Asia and ASEAN is highly fluctuating

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