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Name:

Reg. No.

THIRD SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, NOVEMBER 2024

(CBCSS)

Economics

ECO 3C 09—INTERNATIONAL TRADE

(2019 Admission onwards)

Time : Three Hours

Maximum : 20 Weightage

Part A

Answer all questions.

Each bunch of five questions carries a weightage of 1.

1. Key feature of a customs union is :
 - a) The elimination of all trade barriers, including tariffs, among member countries.
 - b) The requirement for all member countries to have similar economic policies.
 - c) The imposition of high tariffs on imports from non-member countries.
 - d) The promotion of price discrimination within the union.
2. The slope of the reciprocal demand curve depends on :
 - a) The price elasticity of demand for the goods.
 - b) The price elasticity of supply for the goods.
 - c) The rate of exchange between the two countries currencies.
 - d) The cost of production for the goods in both countries
3. Which of the following theorem states that if two countries have the same preferences and technology but different factor endowments, then they will specialize and trade based on those differences ?
 - a) The Stolper-Samuelson theorem.
 - b) The Rybczynski theorem.
 - c) The Linder hypothesis.
 - d) The Leontief paradox.

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4. According to the Vernon Product Cycle, in the initial stages of a product cycle, a product is typically produced and exported by :
- a) Developed countries with abundant labour resources.
 - b) Developed countries with abundant capital resources.
 - c) Developing countries with low labour costs.
 - d) Developing countries with advanced technology.
5. Linder's theory is often associated with which type of goods ?
- a) Homogeneous goods with low-quality standards.
 - b) Mass-produced goods with low differentiation.
 - c) Goods that are customized and tailored to consumer preferences.
 - d) Capital-intensive goods with significant economies of scale.
6. The size of the foreign trade multiplier depends on :
- a) The level of government spending in the economy.
 - b) The degree of trade openness and dependence on foreign trade.
 - c) The level of investment and capital formation.
 - d) The proportion of imports in the overall GDP.
7. Dutch Disease is primarily caused by :
- a) A decline in natural resource exports.
 - b) An increase in foreign direct investment (FDI).
 - c) A rapid appreciation of the country's currency.
 - d) A decrease in government spending.
8. The imposition of an optimum tariff is likely to result in :
- a) A decrease in domestic production and employment.
 - b) An increase in consumer surplus and lower prices for imported goods.
 - c) A decrease in government revenue from import duties.
 - d) An increase in demand for domestically produced goods.

38. Predatory dumping may lead to
- Lower profits for the dumping country's producers
 - Lower prices for consumers in the foreign market
 - An increase in competition and product diversity
 - A decrease in the dumping country's exports.
10. The main objective of trade creation is to :
- Boost exports of member countries to non-member countries.
 - Increase government revenue through tariffs and duties.
 - Reduce import quotas and restrictions within the region
 - Promote economic efficiency and welfare gains within the region.
11. Factor intensity reversal can have implications for a country's :
- Terms of trade and exchange rates.
 - Gross domestic product (GDP) growth rate.
 - Unemployment rate and inflation rate.
 - Trade deficits and surpluses.
12. According to the Stolper-Samuelson theorem, if the price of a labour-intensive good increases, which factor will benefit ?
- Labour.
 - Capital.
 - Land.
 - Entrepreneurship.
13. Immiserizing growth occurs when a country's :
- Export industries experience declining productivity.
 - Import industries become more competitive in the global market.
 - Terms of trade deteriorate due to falling export prices.
 - Terms of trade improve due to rising import prices.

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14. When a labour-abundant country trades with a capital-abundant country, the labour-abundant country is expected to :
- Export labour-intensive goods and import capital-intensive goods.
 - Export capital-intensive goods and import labour-intensive goods.
 - Only import goods from the capital-abundant country.
 - Only export goods to the capital-abundant country.
15. The Rybczynski theorem helps to explain the effects of changes in :
- Interest rates and inflation on the exchange rate.
 - Government subsidies on the production of goods.
 - Consumer preferences on the demand for imports.
 - Factor endowments on the composition of trade.

Part B (Very Short Answer Questions)

Answer any five questions.

Each question carries a weightage of 1.

16. ASEAN.
17. Offer curve.
18. Gross Barter terms of trade.
19. Trade diversion.
20. Dutch disease.
21. Advalorem tariff.
22. OPEC.
23. European common market.

$(5 \times 1 = 5)$