

2015  
**ECONOMICS**  
Paper : 3.1

**INTERNATIONAL ECONOMICS**

Full Marks : 80

Time : 3 hours

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

1. Answer the following questions (within 50 words)  $2 \times 4 = 8$ 
  - (a) Define the term technical progress.
  - (b) State the basic proposition of comparative cost advantage theory of international trade.
  - (c) State the significance of an 'Optimum Tariff'.
  - (d) What is dumping?
  
2. Answer the following questions (within 150 words)  
 $5 \times 4 = 20$ 
  - (a) State the conditions under which the monopolist in the home country sells their output at a cheaper price than in the home market.
  - (b) State the basic proposition of availability approach to the international trade theory.

- (c) State the conditions under which the formation of customs union gives net welfare gain.
- (d) State the effect of WTO on India's agricultural sector.
3. Answer any two of the following questions:  $10 \times 2 = 20$
- (a) State the basic idea of imitation gap model of international trade.
- (b) Examine the 'consumption cost of protection' and 'production cost of protection' in a partial equilibrium analysis of a tariff theory.
- (c) "The new goods move through a series of stages during the course of its development." Explain the statement.
- (d) What is meant by an optimum currency area? State the conditions required for the establishment of an optimum currency area.

4. Answer any two of the following questions:  $16 \times 2 = 32$
- (a) Critically explain why Heckscher-Ohlin trade proposition holds true, only when the factor abundance is defined in terms of the prices of factors of production.

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or

Analyse the net welfare effect of 'trade creation' and 'trade diversion effect of customs union. State under

(2)

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which conditions the chances of net welfare gain arises.

$$10 + 6 = 16$$

- (b) Illustrate the effect of a change in factor endowments on the nation's production frontier and the terms of trade. Examine the validity of Rybczynski theorem.

$$10 + 6 = 16$$

Or

What are the principal objectives of the IMF? Outline the procedures for nations to borrow the fund from the IMF.

$$8 + 8 = 16$$

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