



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION - ECONOMICS

FIRST SEMESTER – NOVEMBER 2015

EC 1810 - INTERNATIONAL ECONOMICS

Date : 12/11/2015
Time : 01:00-04:00

Dept. No.

Max. : 100 Marks

PART- A

(5 x 4 = 20 marks)

Answer any FIVE questions in 75 words each. Each question carries FOUR marks:

1. What is an offer curve?
2. Define income and commodity terms of trade.
3. State the Law of Comparative Advantage as enunciated by Ricardo.
4. State the objectives of the IMF.
5. Differentiate between Foreign Portfolio Investment and Foreign Direct Investment.
6. The free trade price of an imported cell phone in India is \$100. If it is produced in India it requires \$ 80 worth of imported components. If India imposes a 20 per cent nominal tariff on each imported cell phone but a 10 per cent nominal tariff on its imported components, calculate the rate of effective protection provided to domestic manufacturers of cell phones in India.
7. Mention the merits and de-merits of the Gold Standard.

PART - B

Answer any FOUR questions in 300 words each. Each question carries TEN marks:

(4 x 10 = 40 marks)

8. Discuss the issues plaguing the WTO trade negotiations under the Doha Round.
9. Explain diagrammatically how RBI can intervene in the Foreign Exchange Market to prevent the rupee from steeply depreciating against the US dollar.
10. Examine strategic trade policy using Boeing and Airbus industries as suitable examples.
11. Write a short note on import tariffs, import quotas and voluntary export restraints.
12. Explain product cycle theory using a suitable example.
13. Define the concept of balance of payments. How are the following transactions entered into India's balance of payments?
 - a) India gives Rs.1 million cash aid to the Government of Bhutan.
 - b) Bhutan uses the cash aid to import Rs.1 million worth of machinery from India.
 - c) If the above two transactions occur during the same year, how will they be reflected in India's balance of payments?
14. Explain the automatic income and price adjustment mechanisms in a nation's balance of payments.

PART- C

Answer any TWO questions in 1200 words each. Each question carries TWENTY marks.

(2 x 20 = 40 marks)

15. Explain the Stolper-Samuelson theorem and show how the Metzler paradox is an exception to this theorem.
16. Discuss the Heckscher-Ohlin model of International Trade. What did Leontief discover by testing this model empirically?
17. Describe the salient features of the European Union as a good example of economic integration.
18. With the help of a diagram explain the IS-LM-BP model with flexible exchange rates and perfect capital mobility.

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