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2 PGDE ECON 4

2012

(Nov.-Dec.)

**ECONOMICS**

Paper : Eco-204

**(International Economics)**

Full Marks – 80

Time – Three hours

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

1. (a) The number of units of cloth and wheat produced by India and Bangladesh with 10 units of labour is shown below :

Country	Cloth	Wheat
India	18	12
Bangladesh	8	10

- (i) Identify the commodity in which each country has comparative cost advantage.

(ii) What would be the production gain for each country, if they go for complete specialisation in the production of the commodity having comparative advantage ? 4

(iii) Determine the range of terms of trade for mutually beneficial trade. 4

(iv) If both countries exchange 10 cloth for 10 wheat at the equilibrium terms of trade 1 cloth : 1 wheat, how much would each nation gain ? 4

Or

(b) What do you mean by offer curves ? How are they derived ? Determine the equilibrium terms of trade by using offer curves of two countries. 2+6+8=16

2. (a) What do you mean by factor intensity ? How is factor abundance defined under the price criterion and physical criterion ? Explain the Heckscher-Ohlin theory using the price criterion of factor abundance. 2+4+10=16

Or

(b) What is imitation lag ? Explain the imitation lag theory of international trade. What are its shortcomings ? 2+10+4=16

3. (a) Discuss the effects of growth in labour force in a country on the volume of production and terms of trade of the country. 16

Or

- (b) What do you mean by net barter terms of trade? Critically discuss the Prebisch-Singer hypothesis of secular deterioration in terms of trade of the less developed countries.

2+14=16

4. (a) Discuss with suitable examples the meaning of multinational firms. Explain the benefits and problems created by multinational firms in the home nation. 4+12=16

Or

- (b) Explain the following :

(i) Effects of foreign investment on the balance of payments in both short-run and long-run in the home and host countries. 6

(ii) Horizontal and vertical integration of multinational firms. 5

(iii) Basic motives for international portfolio investment. 5

5. (a) Explain the different forms of international economic integration. Discuss the static effects of trade creating customs union.

6+10=16

Or

- (b) Write explanatory notes on :

8+8=16

(i) ASEAN

(ii) WTO.

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