

B.A. (Honours) Examination, 2019
Semester–VI
Economics
Course – H-15
(International Economics)

Time: Three Hours

Full Marks: 40

Questions are of value as indicated in the margin.

Answer **any four** questions.

1. Distinguish between Absolute Advantage and Comparative Advantage in trade theory. In this context, explain the role of opportunity cost. 7+3
 2. Explain the Gravity model in trade theory. In this context, explain what you understand by service off-shoring. 8+2
 3. Explain the basis of trade in the Heckscher-Ohlin model. Assume a 2 country, 2 commodities and 2 factor model. Both the factors are used in production. Under the given circumstances, explain the relationship between factor prices and commodity prices in the above context. 4+6
 4. Explain what you understand by Fundamental Balance of Payments Identity. In this context, justify the statement “Balance of Payment always balances.” 7+3
 5. Explain the various non-tariff barriers used as instruments of trade policy. Does a small country gain from import tariff? Argue your case. 7+3
 6. Using consumer and producer surplus in a partial equilibrium framework, explain how you can measure the costs and benefits of a tariff for the normal importing country. In this context, explain the difference between quota and tariff. 8+2
 7. Explain the importance of Current Account for a country in an open economy. In this context explain the difference between private spending and government spending. 7+3
 8. Write short notes on the following: 5+5
 - (i) Specific Factor model of trade
 - (ii) Effective rate of Protection
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