

**CARMEL COLLEGE OF ARTS, SCIENCE & COMMERCE FOR WOMEN,
NUVEM-GOA**

SEMESTER END EXAMINATION, AUGUST 2020

Subject: Economics Semester: VI BCom

Course Name and Code: International Economics (CC18) CEC104

Total Marks: 30

Date: 04/08/20

Duration: 2 Hours

Total No of Pages: 02

Instructions i) Questions 1 and 2 are compulsory; however, internal choice is available.

*ii) Figures to the **right** indicate **maximum** marks to the questions/sub-questions*

1. Answer any five of the following.

5x2=10

- i) How is international trade gainful to the world economy? Give a few instances of countries which have gained after opening to world trade.
- ii) What do you understand by comparative advantage in international trade? Give suitable examples of how countries determine their comparative advantage.
- iii) How is Gross Barter terms of trade computed? Give a numerical example to illustrate.
- iv) Give any two arguments for protectionism and two against in the context of developing countries.
- v) Between FDI and FPI, which is more beneficial for the host nation and why?
- vi) A loan amount of \$2000 borrowed by SBI from Bank of America in April 2020. In which sub-account of India's Balance of Payments will this amount be recorded and why? Will it be a debit or credit entry for India?
- vii) An importer enters into a contract on 1st June 2020 with Union Bank of India to buy €500 at an agreed price of ₹ 80 per Euro on 1st September, 2020. What is such a transaction called? State the benefits of such a transaction to the importer. List the other alternative transactions that the importer can make.
- viii) Explain, with examples, any four determinants of FDI in the host country.

2. Answer any four of the following.

4x5 = 20

- i) Why is intra-industry trade significant in the modern times? Explain any three factors that are giving rise to intra-industry trade.

- ii) Use your knowledge about trade policy to analyze the effects of a hike in tariff imposed by India on import of SUVs on i) employment in India ii) prices of SUVs in India and iii) India's Terms of Trade.

If the tariff is replaced by Voluntary Export Restraints, what will be the effect on i) Government revenue and ii) consumer welfare?

- iii) Suppose Brazil is facing persistent trade deficits. What measures can the Brazilian Government take to correct the disequilibrium?
- iv) Using the concept of managed floating, explain the ways in which a country's Central Bank can influence exchange rates.
- v) Explain the entry modes adopted by MNCs with relevant real world examples of each mode.
- vi) Based on your understanding of the WTO agreements, evaluate the role of WTO in liberalizing agricultural trade.

