

D 131727

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Name.....

Reg. No.....

**THIRD SEMESTER M.A. DEGREE [REGULAR/SUPPLEMENTARY]  
EXAMINATION, NOVEMBER 2025**

(CBCSS)

Economics

ECO 3C 09—INTERNATIONAL TRADE

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

**Part A**

*Answer all questions.*

*Each bunch of five questions carries a weightage of 1.*

1. The Stolper-Samuelson theorem suggests that when a country specializes in producing and exporting goods that are intensive in the use of a specific factor, the owners of that factor will experience :
  - (a) A decrease in real income.
  - (b) An increase in real income.
  - (c) No change in real income.
  - (d) A decrease in employment opportunities.
2. The Vernon Product Cycle theory implies that a country's comparative advantage in a specific product is likely to be temporary because :
  - (a) Other countries will catch up in technology and production capabilities.
  - (b) Consumers will lose interest in the product over time.
  - (c) Governments will impose trade barriers to protect domestic industries.
  - (d) The product will become obsolete due to rapid technological advancements.

Turn over

3. According to the Linder theory, the volume of trade between two countries is likely to be higher if they have :

- (a) Similar levels of economic development.
- (b) Different levels of economic development.
- (c) Similar per capita incomes.
- (d) Different per capita incomes.

4. The sporadic nature of dumping can be influenced by :

- (a) Technological advancements in production methods.
- (b) The level of foreign direct investment in the dumping country.
- (c) Changes in government policies and trade regulations.
- (d) The strength of global demand for the dumped products

5. Customs unions are often established to :

- (a) Facilitate the free movement of people and labour within member countries.
- (b) Create a single currency for all member countries to use.
- (c) Harmonize tax rates and government spending among member countries.
- (d) Promote economic cooperation and reduce trade barriers

6. Predatory dumping is often associated with which broader economic concept ?

- (a) Comparative advantage. (b) Absolute advantage.
- (c) Monopolistic competition. (d) Cartels and collusion.

7. The adverse effects of Dutch Disease are most significant in countries that heavily depend on revenues from :

- (a) Tourism and services sector.
- (b) Manufacturing and technology exports.
- (c) Agricultural and food exports.
- (d) Natural resources and commodities.

8. An optimum tariff is typically calculated by considering the trade-off between :

- (a) Protecting domestic industries and maximizing government revenue.
- (b) Promoting export-led growth and reducing income inequality.
- (c) Minimizing the consumption of imported goods and promoting domestic production.
- (d) Maximizing consumer welfare and protecting domestic industries.

9. One policy measure that can potentially mitigate the risk of immiserizing growth is :

- (a) Promoting diversification in the export portfolio.
- (b) Reducing government expenditure to control inflation.
- (c) Increasing taxes on exports to protect domestic markets.
- (d) Encouraging domestic industries to rely more on imports.

10. The Rybczynski theorem suggests that the pattern of trade between countries can change based on changes in their respective :

- (a) Tax rates and government spending policies.
- (b) Levels of industrialization and technological capabilities.
- (c) Factor endowments and resource availability.
- (d) Cultural backgrounds and consumer preferences.

11. When a country's net exports increase, the foreign trade multiplier suggests that it will lead to :

- (a) A proportional decrease in GDP.
- (b) A proportional increase in GDP.
- (c) No change in GDP.
- (d) A change in GDP, but the direction cannot be determined.

12. Factor intensity reversal challenges the notion that a country's comparative advantage is solely determined by its :

- (a) Natural resource endowments.
- (b) Technological capabilities.
- (c) Factor endowments and resource availability.
- (d) Government's industrial policy.

**Turn over**

13. When two countries have different reciprocal demand curves, it implies that :

- (a) Both countries have a comparative advantage in producing the same goods.
- (b) Both countries have a comparative advantage in producing different goods.
- (c) The terms of trade will not be favourable for either country.
- (d) The two countries will not engage in trade with each other.

14. The offer curve is a useful tool for understanding :

- (a) The impact of government regulations on trade.
- (b) The effects of changes in domestic tax policies.
- (c) The gains from international trade and the potential benefits of specialization.
- (d) The causes of inflation in a country.

15. The slope of the offer curve represents :

- (a) The price elasticity of demand for the exported goods.
- (b) The price elasticity of supply for the exported goods.
- (c) The rate of exchange between the two goods.
- (d) The opportunity cost of producing one good in terms of the other.

$(15 \times 1/5 = 3 \text{ weightage})$

### **Part B (Very Short Answer Questions)**

*Answer any five questions.*

*Each question carries a weightage of 1.*

16. Import Quota.

17. Secular deterioration in terms of trade.

18. European Union.

19. Countervailing tariff.

20. Imitation gap theory.

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21. Treflers theorem.
22. Metzler paradox.
23. Restrictive trade.

( $5 \times 1 = 5$  weightage)

### Part C (Short Answer Questions)

*Answer any **seven** questions.*

*Each question carries a weightage of 2.*

24. Under what conditions will factor prices be equalized between two trading countries ?
25. How is the foreign trade multiplier calculated, and what are the key components in its formula ?
26. What is immiserizing growth, and how does it occur in the context of international trade ?
27. Analyse the effects of tariffs through general equilibrium analysis ?
28. What are the different types of dumping ?
29. What are the different degrees of economic integration ?
30. Analyse the role of ASEAN as a regional trade bloc.
31. Analyse the effects of import quota.
32. Critically evaluate the stolper samuelson theorem.
33. What are the main economic benefits that countries derive from engaging in international trade ?

( $7 \times 2 = 14$  weightage)

### Part D (Essay Questions)

*Answer any **two** questions.*

*Each question carries a weightage of 4.*

34. What are the implications of the Leontief Paradox for the Heckscher-Ohlin theory ?

**Turn over**

35. What are the assumptions and conditions necessary for the Rybczynski theorem to hold true ?
36. Explain how the formation of a customs union leads to trade creation and trade diversion.
37. Critically evaluate the Prebisch -Singer thesis.

( $2 \times 4 = 8$  weightage)