UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2022

Course: BA (Hons.) Economics   Semester: IV
Program: International Trade-I   Time: 03 hrs.
Course Code: INTB 2010   Max. Marks: 100

Instructions: Attempt all the questions.

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	By adjusting the model of comparative advantage to include transportation costs along with production costs, we would expect - (a) The prices of traded goods to be lower than when there are no transportation costs. (b) Specialization to stop when the production costs of the trading partners equalize. (c) The volume of trade to be less than when there are no transportation costs. (d) The gains from trade to be greater than when there are no transportation costs.	2	CO1
Q 2	The analysis method used in Leontief's study- (a) Factor price equalization theorem. (b) Double entry book keeping system. (c) Input – output analysis. (d) None of the above.	2	CO1
Q 3	If a very small country trades with a very large country according to the Recardian model, then - (a) The small country will suffer a decrease in economic welfare. (b) The large country will suffer a decrease in economic welfare. (c) The small country will enjoy gains from trade. (d) The large country will enjoy gains from trade.	2	CO1
Q 4	The Heckscher-Ohlin model predicts all of the following except- (a) Which country will export which product? (b) Which factor of production within each country will gain from trade? (c) The volume of trade. (d) That wages will tend to become equal in both trading countries.	2	CO1
Q 5	Most international trade today is classified as trade in -	2	CO1

	(a) Agricultural products. (b) Services. (c) Manufactured products. (d) Dairy products.		
Q 6	Evidence shows that- (a) the effect of borders is not important when comparing international trade with trade between regions within a country. (b) the amount of trade that a country undertakes is not related to its geography. (c) the amount of trade between countries is not related to the cultural affinity between the countries. (d) countries farther apart have less trade between them on average.		CO1
Q 7	The North American Free Trade Agreement - (a) has reduced the usefulness of the gravity model. (b) has shown that international borders no longer affect the amount of trade between countries. (c) has reduced tariffs and other trade restrictions among British Columbia, Manitoba and Ontario. (d) has reduced tariffs and other trade restrictions among Canada, Mexico and the US.	2	CO1
Q 8	On the balance-of-payments statements, merchandise imports are classified in the- (a) Current account. (b) Capital account. (c) Unilateral transfer account. (d) Official settlements account.	2	CO1
Q 9	Country A has 5000 units of labor. It takes 50 units of labor to produce one computer and 1 unit to create a Web page. What is the opportunity cost of a Web page in terms of computers? - (a) 50. (b) 0.0002. (c) 100. (d) 0.02.	2	CO1
Q 10	What is "immiserizing growth"? - (a) Export-biased growth that worsens terms of trade so that a country is worse off as a result. (b) The specialization of low-income countries in production of low-wage products. (c) Trade that hurts the poorest group of people. (d) Improvement in a country's terms of trade at the expense of other	2	CO1

	countries.		
	SECTION B **4Qx5M= 20 Marks**		
Q 11	How can a nation eliminate or reduce a balance-of-payments deficit?	**5**	**CO2**
Q 12	In what way is a nation's offer curve similar to: (a) a demand curve, and (b) a supply curve?	**5**	**CO2**
Q 13	Explain neutral, labor-saving, and capital-saving technical progress.	**5**	**CO2**
Q 14	Show how transportation costs can be analysed with production frontiers.	**5**	**CO2**
	SECTION-C **3Qx10M=30 Marks**		
Q 15	A difference in factor endowments will cause the production frontiers of two nations to be shaped differently. What else could cause their production frontiers to have different shapes? What are other possible causes of a difference in relative commodity prices between the two nations in the absence of trade?	**10**	**CO3**
Q 16	Explain why, with factor-intensity reversal, inter- national differences in the price of capital can decrease, increase, or remain unchanged with international trade.	**10**	**CO3**
Q 17	What do economic integration, a preferential trade arrangement, a free trade area, a customs union, a common market, and an economic union mean? Give an example of each.	**10**	**CO3**
	SECTION-D **2Qx15M= 30 Marks**		
Q 18	Suppose that the autarky price of commodity X is $10 in Nation A, $8 in Nation B, and $6 in Nation C, and that Nation A is too small to affect prices in Nation B or C by trading. If Nation A initially imposes a nondiscriminatory ad valorem tariff of 100 percent on its imports of commodity, X from Nations B and C, will Nation A produce commodity X domestically or import it from Nation B or Nation C?	**15**	**CO4**
Q 19	Explain the role of WTO in International Trade. What are the outstanding trade problems facing the world today?	**15**	**CO3**