



**SPRING END SEMESTER EXAMINATION-2024**

**4<sup>th</sup> Semester B.Tech**

**INTERNATIONAL ECONOMIC COOPERATION**

**HS20122**

**(For 2022 & Previous Admitted Batches)**

Time: 2 Hours 30 Minutes

Full Marks: 50

*Answer any FIVE questions.*

*Question paper consists of two SECTIONS i.e. A and B.*

*Section A is compulsory.*

*Attempt any Four question from Sections B.*

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words as far as practicable and all parts of a question should be answered at one place only.*

**SECTION-A**

1. Answer the following questions: [1 × 10]
  - (a) According to the Heckscher-Ohlin model, if the United States is richly endowed in human- capital relative to Mexico, then as NAFTA increasingly leads to more bilateral free trade between the two countries
    - A. The United States will find its industrial base sucked into Mexico.
    - B. Mexico will find its relatively highly skilled workers drawn to the United States.
    - C. The wages of highly skilled U.S. workers will be drawn down to Mexican levels.
    - D. The wages of highly skilled Mexican workers will rise to those in the United States.
    - E. The wages of highly skilled Mexican workers will fall to those in the United State

- (b) Hours of labour necessary to produce a unit of X and Y in two countries given in the following table. Check whether international trade is possible or not in this case answer with reason.

Good Country	X	Y
A	200	400
B	450	500

- (c) The balanced trade shows a deficit of Rs.5000 crores and the value of imports are Rs.9000 crores. What is the value of exports?
- (d) Why dumping is not good for an economy?
- (e) What do the acronyms TRIMs stand for, and what do that mean?
- (f) There has been a significant increase in Indian citizens travelling abroad for leisure. What will be its likely impact on foreign exchange rate and how?
- (g) On a particular day, 200 US dollars are worth Rs 9666. On that day, how many dollars could be bought for Rs. 5074?
- (h) Depreciation of currency has the same effect on exports as devaluation of currency. State, giving valid reasons whether the statement is true or false.
- (i) How is a fix exchange rate determined?
- (j) "An import tariff and an export subsidy can be treated as similar policies since they both support domestic producers"- Do you agree? Explain.

## SECTION-B

2. (a) Using offer curves of two nations, logically explain equilibrium terms of trade.

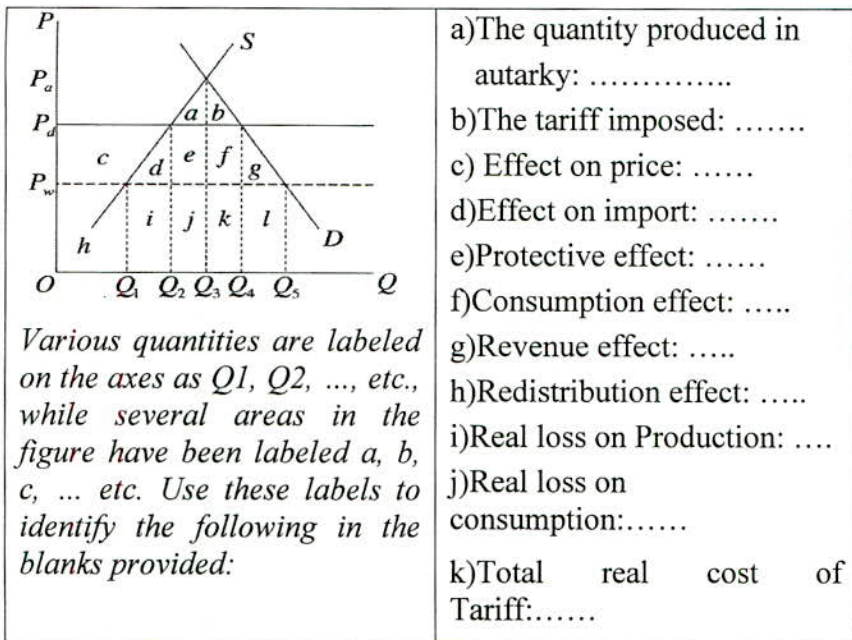
[5]

- (b) The following table represents a country's Index of export price and Index of import price. [5]

Calculate Net Barter Terms of Trade for each year and explain what happens to terms of trade over the given period of time. Describe any three factors influencing terms of trade.

Year	Index of export price	Index of import price
2020	102	98
2021	94	100
2022	92	99
2023	105	103

3. (a) Discuss various methods that a country can adopt to correct an adverse balance of payments. [5]
- (b) Analyse the diagram and answer the questions. [5]





4. (a) *“India signed a significant trade agreement with the European Free Trade Association (EFTA) comprising Switzerland, Norway, Liechtenstein, and Iceland, committing to a \$100 billion investment over 15 years. The Trade and Economic Partnership Agreement (TEPA) aims to increase foreign direct investment (FDI) in India and generate one million direct jobs. The deal, India's first FTA with developed nations, focuses on innovation and collaboration, with investments expected to flow steadily, potentially exceeding estimates”-The Economic Times, Mar 10, 2024, 11:30:00 PM IST* [5]

Conduct an analysis of the potential economic impact of the TEPA on Economy of India. Propose ways to ensure that the investment and job creation resulting from the TEPA contribute to sustainable development in India.

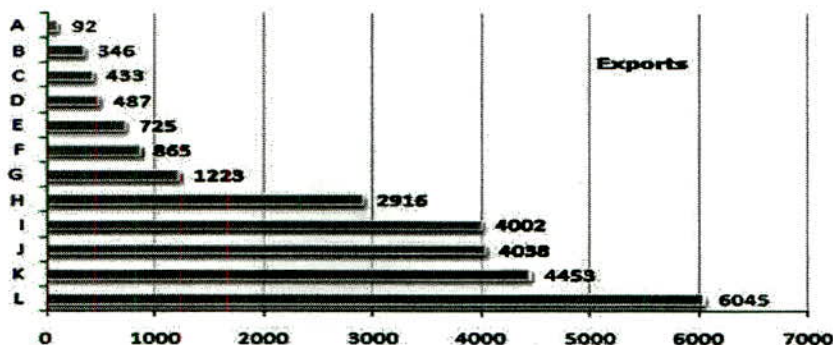
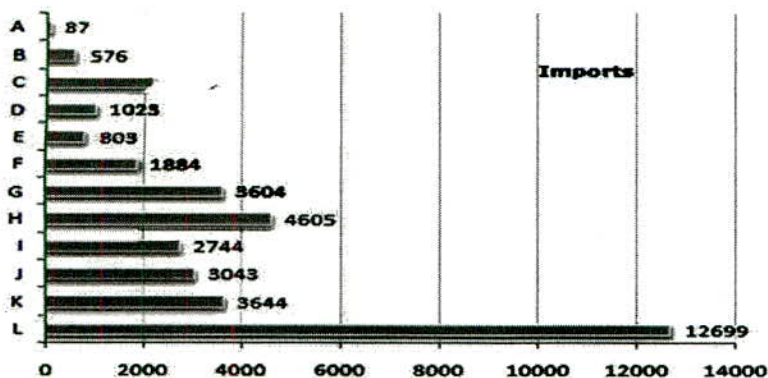
- (b) Write short note on working of SDR with a suitable example. [5]
5. (a) “Under the gold standard, the market rate of exchange fluctuates within the limits set by the gold points and never crosses them.” Justify the statement (with diagrammatic presentation) [5]
- (b) i. Company A produces rice and wheat and exports them all over the world. In India, the selling rate for wheat is 1 quintal = 4000 Rs, and for rice, it is 1 quintal = 5000 Rs. And in the US, the wheat and rice selling rates are 8000 and 9000 per quintal, respectively. So calculate purchasing power parity. [5]
- ii. Suppose the base year exchange rate between the Indian rupee and the US Dollar was Rs.50=\$1. Due to inflation, the current year price index in India is 176 and in the USA it is 154. The price indices of two countries in the base period were 100. Find the current equilibrium exchange rate between two currencies.

6. (a) Mahindra Group Chairman Anand Mahindra said that [5]  
the Indian government could consider tying up  
international aid to industry. He explained, *“By making  
developing nations purchase from India in return for  
development aid, the government would be opening up  
markets which were otherwise closed for Indian  
industry”*- CNBC TV18, Mar 11, 2024 2:23 AM IST

In his statement, he is talking about which type of  
foreign trade policy (Import substitution/Export  
promotion). Justify his statement by elaborating the  
necessity of this trade policy.

- (b) Analyse the given charts representing *Foreign Trade* [5]  
*(Imports and Exports)* by countries for a particular  
year and answer the questions.

*Note: Countries on Y axis and Import/Export data on X axis.*



- i. The ratio of the maximum exports to the minimum imports?
- ii. How many countries exhibited a trade surplus?
- iii. The total trade deficit/surplus for all the countries put together was?
- iv. The highest trade deficit was shown by which country?
- v. The ratio of Exports to Imports was highest for which country?

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