



K17P 0330

Reg. No. : .....

Name : .....

**Fourth Semester M.A. Degree (Reg./Suppl./Imp.) Examination, March 2017**  
**DEVELOPMENT ECONOMICS**  
**(2014 Admission Onwards)**  
**ECO4C14 : Global Trade and Finance**

Time : 3 Hours

Max. Marks : 60

**PART - A**

Answer **all** questions.

1. If a nation's terms of trade is 2, its trade partner's terms of trade is
  - a) 4
  - b) 2
  - c)  $\frac{1}{2}$
  - d) 1
2. The Leontief paradox refers to the result that U S
  - a) exports are more K-intensive than U S imports
  - b) exports are more K-intensive than U S import substitutes
  - c) imports are more K-intensive than U S exports
  - d) import substitutes are more K-intensive than U S exports
3. Which type of trade is not explained by Heckscher-Ohlin model ?
  - a) trade based on economies of scale
  - b) intra-industry trade
  - c) trade based on imitation gaps and product cycles
  - d) all of the above
4. The technological gap model represents an extension of the Heckscher-Ohlin model because the Heckscher-Ohlin model
  - a) did not consider technology
  - b) viewed technology statically (i.e. at one point in time)
  - c) viewed technology dynamically (i.e. over time)
  - d) none of the above





5. Hedging refers to
- acceptance of a foreign exchange risk
  - foreign exchange speculation
  - covering of a foreign exchange risk
  - foreign exchange arbitrage
6. If a nation faces domestic unemployment and a deficit in its BOPs, the use of expenditure increasing policies to correct the unemployment will make the deficit
- smaller
  - larger
  - zero
  - none of the above
7. The appropriate expenditure-switching policy to correct a deficit in the BOPs is
- revaluation
  - devaluation
  - monetary policy
  - fiscal policy
8. The Bretton Woods system was
- a gold standard
  - a flexible exchange rate system
  - a gold exchange standard
  - none of the above

(8x½=4)

## PART - B

Answer **any eight** questions. Each answer should **not** exceed **one** page.

- Explain the characteristics of foreign exchange markets.
- Distinguish between devaluation and revaluation.
- What is meant by currency convertibility ?
- Give a brief account on foreign exchange risks.
- Briefly explain Balance of Payments.
- Distinguish between fixed exchange rate and flexible exchange rate.
- Discuss Stolper-Samuelson theorem.
- What is meant by futures trading ?
- Explain the offer curve analysis.
- Briefly explain the foreign trade multiplier.
- Give a brief account on preferential trade agreements.

(8x2=16)





PART - C

Answer **any four** questions. **Each** answer should **not** exceed **two and half** a page.

20. Explain the importance of international finance.
21. Explain the disequilibrium and corrective measures in international transactions.
22. Explain the foreign exchange rate forecasting methods in the short, medium and long term.
23. Comment on international capital movements.
24. Discuss the elasticity, absorption and monetary approaches for balance of payments adjustment.
25. Explain the static and dynamic effects of customs union and free trade area. (4×5=20)

PART - D

Answer **any two** questions. **Each** answer should **not** exceed **six** pages.

26. Discuss the important issues relating to the management of balance of payments in India.
27. Critically examine the role of IMF in maintaining international liquidity.
28. Critically analyse the causes and consequences of the global financial crisis.
29. What is meant by international banking ? Explain its roles and functions in the present world. (2×10=20)