

BACHELOR OF ARTS EXAMINATION, 2019

(3rd Year, 5th Semester)

ECONOMICS (HONOURS)

INTERNATIONAL TRADE II : THEORY OF BALANCE OF PAYMENTS AND EXCHANGE RATE

Time : Two hours

Full Marks : 30

Answer *any three* questions.

1. Identify current account transaction and capital account transaction of the following incidences with explanation
 - (a) WHO distributes polio drugs in India
 - (b) Interest paid by the government of India on loans taken from IMF
 - (c) Capital raised by a USA firm by selling its shares in the global capital market
 - (d) Apollo Gleneagles in Muscat hires local doctors and staff nurse on the annual contract basis
 - (e) Interest paid by an Indian firm on bonds and shares held by American citizen residing in U.S.A

2X5=10

2. Discuss the role of speculators in the international foreign exchange market with special reference to 'bull' and 'bear'.

5+5=10

3. Analyse the impact of devaluation on the trade balance of a small open economy in a synthesis approach framework.

10

4. Write short note on any two:

5+5=10

- (a) Dutch Disease
- (b) Triffin Dilemma
- (c) Seigniorage Problem
- (d) Transfer problem

[Turn over

5. **Suppose there is a small open economy with low capital mobility and flexible exchange rate regime. Examine the relative efficacy of the fiscal policy and monetary policy in this context.**

5 +5=10