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(c) How does the spending by foreign tourists during their stay in Qatar to watch the Soccer World Cup matches affect the following?

(i) GDP of Qatar

(ii) Value of Qatar's domestic currency vis-a-vis US Dollar under clean float. $(2+2+2+2)+3+(2+2)=15$

Ex/UG/ECO/CORE/5.1/2023

BACHELOR OF ARTS EXAMINATION, 2023

(3rd Year, 1st Semester)

ECONOMICS

[**INTERNATIONAL ECONOMICS**]

Time : Two Hours

Full Marks : 30

Answer *Q. no. 1* and any *one* from the rest.

1. Argue whether the following statements (Any two) are true, false or uncertain.
 - (a) In a two-country, two-good, two-factor world, a relatively capital abundant country exports the relatively capital-intensive good.
 - (b) A tariff that maximizes a large tariff-imposing country's welfare, always raises the domestic relative price of the import-competing good.
 - (c) The Indian economy can be insulated against external shocks such as the US Federal Bank tightening its monetary policy when the Rupee-Dollar exchange rate is pegged. $7.5+7.5=15$

2. (a) Why is it that the domestic demand has no role in determining the pattern of trade in a two-country two-good Ricardian model?

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- (b) Will the domestic demand matter for post-trade production specialization of the two trading nations? Explain your answer.
- (c) What is the range of post-trade relative prices of good 1 for which both the countries will be completely specialized? Illustrate your answer in terms of CIC and PPF of both the countries.
- (d) Suppose the aggregate utility function of all consumers in the home and foreign countries taken together (for consuming two goods 1 and 2) is given by $U = C_1^\alpha C_2^{1-\alpha}$. Both countries are equally efficient in production of good 1, but the foreign country is more efficient in production of good 2. Suppose sizes of workforce of the two countries are the same. Under these conditions, for which values of the demand parameters α will both the countries be completely specialized? $3+3+4+5=15$
3. (a) Distinguish between an import quota and an import tariff. What is the Price Equivalence theorem? Prove this theorem. Does it hold for a large importing country? Explain.
- (b) Suppose, to import a good the importers must obtain licenses from the customs officials which is distributed free of charge on a first-come-first-served basis. Each

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license allows only one unit of import and each importer can get only one license. Customs Office issues 60 licenses. If import demand is $M = 100 - p^W$, and foreign supply is $X^* = 50 + p^W$, then at what prices the importers will buy the good in the world market and sell in the domestic market? Calculate the price-equivalent (advalorem) tariff rate and the revenue that it will generate. $(2+1+2+3)+(4+3)=15$

4. (a) Distinguish between current account and capital account transactions of a country with the rest of the world. With reasons categorize the following transactions into current and capital account transactions :
- (i) Spending by foreign tourists visiting Qatar to watch Soccer World Cup 2022 matches.
- (ii) Renault setting up a car manufacturing unit in West Bengal.
- (iii) Ramkrishna Mission receiving donations from abroad for providing food to the poor and jobless workers during the lockdown in India.
- (b) Explain whether transactions or spending in (b) and (c) above contribute to India's GDP or GNP.

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