

# INTERNATIONAL TRADE AND FINANCE

## M.A. Economics (Final)

### Paper - VIII

M. Marks : 100

Time : 3 Hrs.

**Note :**

- i) Question paper will consist of two section A and B.
- ii) *Section A will consist of two Compulsory questions spread over the whole of syllabus. The first question will consist of 7 parts and the candidate will be required to attempt 5 parts. Answers will be very short type about 35 words carrying 4 marks to attempt 5 parts. Answers will be very short type about 35 words carrying 4 marks each. The second question will consist of 3 parts and the candidate will be required to attempt 2 parts. Answers will be short type of about 200 words carrying 10 marks each.*
- iii) *Section B of the paper will consist of 6 questions taking two from each unit, and the candidate will be required to attempt 3 questions selecting one from each unit. The answers will be full length essay type carrying 20 marks each.*

#### UNIT-I

The pure theory of international trade – Theories of absolute advantage, comparative advantage and opportunity costs, modern theory of international trade; Theorem of factor price equalization; Empirical testing of theory of absolute cost and comparative cost – Heckscher – Ohlin theory of trade. Kravis and Linder theory of trade, Role of dynamic factors, i.e., change in tastes, technology and factor endowments in explaining the emergence of trade. The Rybezynski theorem – concept and policy implications of immiserizing growth; Causes of emergence and measurement of intra-industry trade and its impact on developing economies. Measurement of gains from trade and their distribution; Concepts of terms of trade, their was and limitations for less developed countries; Trade as an engine of economic growth; Welfare implication— Empirical evidence and policy issues; The Theory of interventions (Tariffs, Quotas and non-tariff barriers); Economic effects of tariffs and quotas on national income, output, employment, term of trade, income distribution; Balance of payments on trading partners both in partial and general equilibrium analysis. The political economy of non-tariff barriers and their implications; Trade under imperfectly competitive market.

#### UNIT-II

Meaning and components of balance of payments; Equilibrium and disequilibrium in the balance of payments; The process of adjustment under system of gold standard, fixed exchange rates; Expenditure reducing and expenditure-switching policies and direct controls for adjustment; Policies for achieving internal and external equilibrium simultaneously under alternative exchange rate regimes; A critical review of the Absorption and monetary approaches to the theory of balance payment adjustment; Foreign trade multiplier with and without foreign repercussions and determinations of national income and output; Relative merits and demerits of fixed and flexible exchange rate in the context of growth and development in developing countries. Forms of economic cooperation; Static and Dynamic effects of a custom union and free trade areas.

#### UNIT-III

##### **International Monetary System and Trade Policies in India**

Multilateralism and Wto; Rise and fall of gold standard and Bretton – Woods system; Need, adequacy and determinants of international reserves; of IMF; International Monetary System with special reference to Post and developing countries; Reforms of the International Monetary System, and developing countries; Functions of GATT/WTO (TRIPS, TRIMS); Recent changes in the direction and composition of trade and their implication; Rationale and impact of trade reforms since 1991 on balance of payments, employment and growth, Problems of India's International debt; Working and regulations of MNCs in India; Instrument of export promotion and recent import and export policies and agenda for future.