



23. How the current account and the capital (= financial) account of BOP are related ?
24. Critically examine the Lipsey model of customs union.
25. Analyze the absorption approach to balance of payments. (4×5=20)

PART – D

Answer **any 2** questions. **Each** carries **10** marks and should **not** exceed **6** pages.

26. Explain the partial equilibrium analysis of the effects of customs union.
27. Interpret the Marshall-Lerner condition and explain the two effects that determine the current account position after a change in the exchange rate.
28. Make a brief survey on the various theories of foreign exchange rate determination.
29. What are the different forms of international capital flows ? Analyze the effects, arguments for and against such flows to LDCs. (2×10=20)

PART – C



Reg. No. :

Name :

IV Semester M.A. Degree (CBSS – Reg./Suppl./Imp.) Examination, April 2020
(2014 Admission Onwards)

ECONOMICS/APPLIED ECONOMICS
ECO4C14 : International Economics – II

Time : 3 Hours

Max. Marks : 60

PART – A

Choose the correct answer. Answer **all** questions. **All** questions carry **equal** marks.

- According to the Marshall-Lerner approach, currency depreciation will best lead to an improvement in the home country's trade balance when the
 - Home demand for imports is elastic – foreign export demand is elastic
 - Home demand for imports is inelastic – foreign export demand is inelastic
 - Home demand for imports is inelastic – foreign export demand is elastic
 - Home demand for imports is elastic – foreign export demand is inelastic
- Customs union means
 - It is an agreement between countries for trade
 - Maintain free trade area among member countries
 - Impose common external tariff against the non member countries
 - All of these
- Which of the following is an invisible item of the Balance of Payment Account ?
 - Foreign remittance
 - Insurance charges
 - Income from tourists
 - All of these

4. Which of the following is the weakest form of economic integration ?
- Preferential Trade Agreement (PTA)
 - Customs Union (CU)
 - Common Market (CM)
 - Economic Union (EU)
5. The balance of payments of a country records flows of money from
- Imports and exports only
 - Imports, exports and investment flows
 - Imports, exports, investment flows and speculative flows
 - Imports, exports and domestic demand
6. Which of the following explains why trade diversion is undesirable for an importing country that lowers its tariff against a partner in a free trade area ?
- Domestic producers suffer a loss of income
 - The country imports from the partner at higher cost than it previously imported from some other country
 - Workers are laid off as producers shift production into the partner country
 - All of these
7. The absorption approach to currency depreciation is represented by which of the following equations ?
- $B = Y - A$
 - $Y = C + I + G + (X - M)$
 - $I + X = S + M$
 - $S - I = X - M$
8. Which of the following foreign currency is having the highest exchange rate when compared to Indian Rupee ?
- U. S. Dollar
 - Pound Sterling
 - Kuwait Dinar
 - Euro

(8×½=4)

PART – B

Answer **any eight** questions. **Each** question carries **2** marks and should **not** exceed **1 page each**.

- What is meant by dirty float ?
- Compare the “futures and options” of foreign exchange market.
- What are the objectives of ASEAN ?
- What is meant by convertibility of currency ?
- Distinguish between internal debt and international debt.
- Distinguish between devaluation and depreciation.
- Analyze the role of MNC in the diffusion of technology.
- Differentiate trade creation and trade diversion.
- Distinguish between external balance and internal balance.
- Explain the process of correcting balance of payment disequilibrium through devaluation.

19. What is FEMA ?

(8×2=16)

PART – C

Answer **any 4** questions. **Each** question carries **5** marks and should **not** exceed **2 and half** pages.

- Explain briefly the factors that can contribute to a country's Current Account deficit.
- A devaluation will lead to a J-curve effect in the balance of payments. Discuss.
- What are the different forms of economic integration ? Explain with examples.