

(4)

2. Write short notes on any *four* of the following (within 150 words each) : $4 \times 4 = 16$

- (a) Adam Smith's principle of absolute cost advantage
- (b) Effect of export-biased economic growth in terms of trade
- (c) Arguments in favour of free trade
- (d) Mint parity theory
- (e) Bretton Woods system

Answer the following questions (within 500 words each) :

3. (a) Discuss with appropriate diagrams, the opportunity costs theory of international trade under conditions of increasing opportunity costs and decreasing opportunity costs. $6+6=12$

Or

(b) Discuss Mill's theory of reciprocal demand. How did this theory improve the comparative cost advantage theory of Ricardo? $8+4=12$

(5)

4. (a) Discuss Prebisch-Singer hypothesis of secular deterioration of terms of trade for the less developed countries. 11

Or

(b) Explain Myrdal's theory of backwash effect. 11

5. (a) (i) Discuss the non-tariff barriers that a country imposes on trade. 6

(ii) Mention the unfavourable effects of FDI on the recipient country. 5

Or

(b) Analyze the consequences of globalization for a developing country like India. 11

6. (a) Define balance of payments. Explain the balance of payments theory of exchange rate determination. $2+9=11$

Or

(b) What is meant by fixed exchange rate? Give the arguments for and against the fixed exchange rates. $1+5+5=11$