

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)  
MA DEGREE EXAMINATION DECEMBER 2025  
(First Semester)

Branch - ECONOMICS

**INTERNATIONAL TRADE: THEORIES AND POLICIES**

Time: Three Hours

Maximum: 75 Marks

**SECTION-A (10 Marks)**

Answer ALL questions

ALL questions carry EQUAL marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	Which model explains international trade based on differences in factor endowments? a) Heckscher–Ohlin Model   b) Ricardian Model c) Mercantilist Theory   d) Gravity Model	K1	CO1
	2	The “Leontief Paradox” is an empirical test of which theory? a) Product Life Cycle Theory b) Heckscher–Ohlin Theorem c) Linder Hypothesis d) Singer–Prebisch Hypothesis	K2	CO2
2	3	“Potential and actual gains from trade” refer to a) Difference between imports and exports b) Exchange rate fluctuations c) Only tariff revenue d) Maximum and realized benefits from international trade	K1	CO1
	4	“Immiserizing Growth” (Bhagwati) refers to. a) Growth that reduces a country’s welfare despite more trade b) Growth that improves a country’s welfare c) Zero growth in exports d) Balanced growth	K2	CO2
3	5	The “Optimum Tariff” is the rate of tariff that a) Maximizes government revenue b) Maximizes domestic employment c) Maximizes a country’s welfare d) Minimizes imports	K1	CO1
	6	Import quotas are classified as. a) Non-tariff barriers   b) Fiscal policy measures c) Monetary policy measures   d) Exchange controls	K2	CO2
4	7	Which of the following is a component of the Balance of Payments capital account? a) Export receipts   b) Import payments c) Foreign direct investment   d) Invisible exports	K1	CO1
	8	The “Elasticity Approach” explains Balance of Payments adjustment under. a) Floating exchange rate   b) Fixed exchange rate c) Gold monetization   d) Managed float	K2	CO2
5	9	Which organization replaced GATT in 1995? a) UNCTAD   b) World Bank c) IMF   d) WTO	K1	CO1
	10	TRIPS and TRIMS agreements are administered by a) World Bank   b) WTO c) IMF   d) UNCSCO	K2	CO2

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**SECTION - B (35 Marks)**

Answer ALL questions

ALL questions carry EQUAL Marks

(5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO
1	11.a.	Examine the limitation lag hypothesis.	K4	CO1
		(OR)		
	11.b.	Asses the various phases of product Life Cycle Model.		
2	12.a.	Distinguish between potential gains and actual gains from trade.	K4	CO2
		(OR)		
	12.b.	Analyze the impact of Dynamic factor in International Trade.		
3	13.a.	Define an optimum tariff and state its welfare implication.	K5	CO3
		(OR)		
	13.b.	Explain the non-tariff barriers.		
4	14.a.	List the main components of the Balance of Payments.	K5	CO4
		(OR)		
	14.b.	Explain the elasticity approach to BOP adjustment under fixed exchange rates.		
5	15.a.	Discuss the agreements of GATT.	K6	CO5
		(OR)		
	15.b.	Estimate the functions of TRIPS and TRIMS.		

**SECTION -C (30 Marks)**

Answer ANY THREE questions

ALL questions carry EQUAL Marks

(3 × 10 = 30)

Module No.	Question No.	Question	K Level	CO
1	16	Explain the Heckscher–Ohlin theory of international trade and its major criticisms.	K4	CO1
2	17	Analyze the measurement of gains from international trade and the factors determining such gains.	K4	CO2
3	18	Evaluate the effects of a tariff on a large country's welfare and explain the concept of optimum tariff.	K5	CO3
4	19	Explain the structure of the Balance of Payments and explain the elasticity and absorption approaches to BOP adjustment under fixed exchange rates.	K5	CO4
5	20	Discuss the functions and agreements of the WTO.	K6	CO5

Z-Z-Z

END