BIRLA INSTITUTE OF TECHNOLOGY, MESRA, RANCHI
(MID SEMESTER EXAMINATION MO/2023)

CLASS:	**IMSC**	**SEMESTER : V**
BRANCH:	**QEDS**	**SESSION : MO/2023**

SUBJECT: ED301 INTERNATIONAL TRADE

TIME:	**02 Hours**	**FULL MARKS: 25**

INSTRUCTIONS:
1. The question paper contains 5 questions each of 5 marks and total 25 marks.
2. Attempt all questions.
3. The missing data, if any, may be assumed suitably.
***4*. Tables/Data handbook/Graph paper etc., if applicable, will be supplied to the candidates**

			CO	BL
Q.1(a)	Suppose the demand functions for textiles and computers in Bangladesh (B) and United States (U) are as follows: $D_{Tj} = \frac{I_j}{p_j}, D_{Cj} = I_j p_j \, ; j = B, U$ where I_j = national income of country j, and p_j is the relative price of textiles. $I_B = 200, I_U = 300$ and relative supply of textiles in Bangladesh and United States are $s_B = 100, s_U = 64$, then which country will export textiles? What is the intuition behind your answer?	[3+2]	1	
Q.2	Consider the following PPF of a country: $X_1 = 500 \forall X_2 \leq 500; X_2 = 500 \forall X_1 \leq 500$ a. Diagrammatically represent the PPF. b. When can such a PPF occur. c. If the Community indifference curves (CICs) are L-shaped Leontief type, will there be any Gains from trade? Why?	[1.5+1.5+2]	2	
Q.3	(a.) Argue whether following statement is true, false or uncertain: If at the international equilibrium, Home offer curve is backward bending and foreign offer curve is as usual, then equilibrium is unstable. (b.) Derive the condition you used to explain the above.	[2.5+2.5]	1	
Q.4	Consider the following production functions in H and F countries for Tea (T) and Cars (C): $T = 2L_T, C = 3L_C, T^* = L_T^*, C^* = 1.5L_C^*$ (a) If W = W* = 5, what is the pattern of absolute advantages? Will there be any trade between H and F? (b) Suppose there is a technological innovation in car sector in F which improves productivity of workers there by 40%. How will your answers in (a) change?	[2.5+2.5]	3	
Q.5	Argue whether the following statement is true, false or uncertain: If Nigeria has inferior production technologies in all lines of production compared to Canada, and both countries produce the goods under constant costs and perfectly competitive conditions, then it cannot export any good to Canada.	[5]	1	

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