

BIRLA INSTITUTE OF TECHNOLOGY, MESRA, RANCHI  
(MID SEMESTER EXAMINATION MO/2025)

CLASS: IMSC  
BRANCH: QEDS

SEMESTER : V/ADD  
SESSION : MO/2025

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

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| Q.1 | In international exchange, why do countries exchange goods for goods?<br>Can the country consume a different commodity bundle other than its production bundle in autarchy? Why? How does this change post trade?   | [2+3] | 1  |
| Q.2 | Suppose India is observed to export a dirty good and import a clean good from the United States. Can you conclude <i>from this observed pattern of trade</i> that environmental standards are lenient in India and strict in the United States? Explain your answer.  | [5]   | 2  |
| Q.3 | Illustrate (with proper diagram) and justify the decomposition of gains from trade for India who produces only software and footwear, each of which requires <i>specific types of skilled labour</i> ; when it exports software in which it has a comparative advantage.  | [5]   | 2  |
| Q.4 | Given the following home import demand function and foreign export supply function, determine the equilibrium <b>terms of trade (TOT)</b> and check whether the equilibrium is stable or not:<br>$M = 120 - 3pw$ , $X^* = 40 + pw$<br>where $M$ is the home country's import demand, $X^*$ is the foreign country's export supply, and $pw$ is the relative world price (terms of trade).   | [5]   | 2  |
| Q.5 | Two countries, USA and Bangladesh, produce Smartphones (S) and Wheat (W) using labor only. Their production functions are:<br>For USA: $S = 4L_S$ , $W = 2L_W$ ; For Bangladesh: $S^* = 2L^*_S$ , $W^* = 3L^*_W$<br>Each country has a total of 10 workers available. Will there be any scope for trade between them? Suppose a technological improvement in Bangladesh increases labor productivity in Smartphones by 50%. How does this affect the pattern of advantages and the possibility of trade? Explain. | [5]   | 3  |

:::::16/09/2025:::::E