



# UNIVERSITY OF THE PUNJAB

Seventh Semester – 2019

Examination: B.S. 4 Years Program

Roll No. in Fig. ....

Roll No. in Words. ....

**PAPER: International Trade Theory**  
**Course Code: ECON-401 Part-I (Compulsory)**

**MAX. TIME: 15 Min.**

**MAX. MARKS: 10**

.....  
Signature of Supdt.:

**Attempt this Paper on this Question Sheet only.**

**Please encircle the correct option. Division of marks is given in front of each question.**

**This Paper will be collected back after expiry of time limit mentioned above.**

**Q.1. Encircle the right answer, cutting and overwriting is not allowed. (1x10=10)**

1. The Stolper-Samuelson theorem predicts
  - a) which factors are abundant
  - b) the level of productivity of exports
  - c) which goods will be exported
  - d) income distribution effects of trade
2. Tariffs re-allocate income from
  - a) Consumers to producers
  - b) Producers to consumers
  - c) Govt. to producers
  - d) Consumers to foreigners
3. A nation engaging in international trade according to the Ricardian model will find its consumption bundle
  - a) inside its production possibilities frontier
  - b) on its production possibilities frontier
  - c) outside its production possibilities frontier
  - d) on its trade partner's production possibilities frontier
4. Using the HO model, assume that the United States is capital abundant and Mexico is labor abundant. If soybeans are capital intensive and avocados are labor intensive, it would be reasonable to expect the United States to
  - a) specialize completely in soybean production
  - b) specialize completely in avocado production
  - c) increase soybean production, but still produce some avocados
  - d) increase avocados production, but still produce some soybean
5. Intra-industry trade depends on what two characteristics of the industry and market
  - a) Diseconomies of scale and homogenous products
  - b) Non-tariff barriers and large scale foreign investment
  - c) Govt. subsidies and industrial policy
  - d) Economies of scale and differentiated products

**P.T.O.**



# UNIVERSITY OF THE PUNJAB

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**PAPER: International Trade Theory**  
**Course Code: ECON-401 Part – II**

**MAX. TIME: 2 Hrs. 45 Min.**  
**MAX. MARKS: 50**

**ATTEMPT THIS (SUBJECTIVE) ON THE SEPARATE ANSWER SHEET PROVIDED**

**Q.2. Give short answers to the following questions.**

**(5 x 4 = 20)**

1. Briefly explain the absolute advantage theory.
  2. Explain the concept of optimal tariff.
  3. Explain the benefits of Multinational firms for host country.
  4. Discuss about dumping and anti-dumping duties.
  5. What are voluntary export restrictions?
- Q.3 How does international trade affect factor prices? Discuss in the light of factor price equalization theorem. (10)
- Q.4 According to product cycle model dynamic changes in technology among nations provide basis for international trade? Explain. (10)
- Q.5 Explain the trade creation and trade diversion effects of forming a custom union. (10)