BIRLA INSTITUTE OF TECHNOLOGY & SCIENCE, PILANI
FIRST SEMESTER 2023-2024
Mid-semester Test (Closed Book)

Course No.	: ECON F311	Max. Marks	: 60.00
Course Title	: International Economics	Duration	: 90 mints
Date	: 13/10/2023 (FN-1)	Weightage	: 30%

Note:
- Answer all the questions sequentially and be specific in writing the answers.
- All parts of a particular questions should be answered together
- All the graphs have to be drawn in pen only.

Q1. Assume that the labor available in each country is 100. Further, assume that the labor is the only factor of production and is homogenous, answer the question that follows the table: **[16M]**

	Stonia	Venia
Wheat(bushel/labor-hour)	6	1
Cloth (yard/labor-hour)	3	2

a) Express the cost in terms of labor content of producing wheat and cloth in the Stonia and Venia?
b) Indicate the limits for mutually advantageous trade in terms of Pw/Pc and Pc/Pw
c) Which nation has comparative advantage in the production of wheat and cloth respectively?
d) Assuming that, the wage rate per labor hour in the Stonia is \$6 and that of Venia is £1.8, express Pw and Pc in the Stonia in terms of \$ and in the Venia in terms of £, in the absence of trade.
e) Which commodity will the Stonia import and export if the exchange rate is £ 1 = \$ 3. What if £ 1 = \$ 0.50?
f) Draw the consumption frontier for both the nations in autarky. (Note for Stonia, the commodity to be exported, and for Venia the commodity to be imported, is measured along the OX axis)
g) With the help of well-labeled graph (s), derive the combined supply curve of Wheat and Cloth.

Q2.
I. Differentiate between horizontal and vertical intra-industry trade. **[4M]**

II. The following table shows the N-1 export and import of 4 goods being traded in the international market. **[6M]**

Goods	Export	Import
Fish	356	245
Cars	906	1,370
Textiles	199	785
Grains	1,208	234

a) Based on the above information, calculate the intra industry trade index(es) for N-1.
b) Based on the calculated value (s) from above, indicate how the degree of intra-industry trade varies.

Q3. In each of the following situations, with the help of well labeled graph, represent the trade possibility between two nations: Nation1 and 2, with increasing opportunity costs existing in both the nations. **[4M + 4M]**
a) Two nations have identical tastes and demand preferences but supply conditions between the nations differ.
b) Two nations have identical supply conditions but tastes and demand preferences between the nations differ.

Q4. (I) Indicate the type of trade, impact on the volume of trade and the welfare of the nation-1(assuming N-1 is small L-surplus nation, Commodity X is L-intensive) **[3M+3M]**
a) Neutral Technical Progress in the production of the exportable commodity only
b) Neutral Technical Progress only in the production of commodity Y

(II) Comment on the validity of the statement " Immiserizing Growth occurs only for small nation". With the help of well-labelled graph, explain the statement in the context of neutral technical progress in the production of commodity X (i.e exportable commodity) for a L surplus nation. (Assume good X is L-Intensive commodity)**[10M]**

Q5. Write short notes on the following: **[4M+6M]**
a) Gravity model of trade
b) Difference between Pollution Halo and Pollution Haven Hypothesis.

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