

International Islamic University Chittagong
Department of Economics & Banking
Mid-Term Examination
Program: BSS(Hons.) in E&B
Semester: Spring-2024

Time: 1.5 Hours
Full Marks: 30

Course Title: International Economics
Course Code: ECON-3603

[NB: Answer the following questions. All parts of a question must be answered serially. Figures in the right margin indicate full marks.]

Q/N	Description of Question	Marks	CLOs & PLOs	Cognitive Learning
1(a)	Explain the Gravity Model of international trade and its relevance to Bangladesh's trade dynamics. How does the model help in understanding Bangladesh's trade patterns and interactions with other countries? Provide key insights.	3	CLO-1 PLO-1	Understanding
1(b)	What is the focus of international trade theory and why are its principles often referred to as the microeconomic facets of international economics?	3		
1(c)	What is globalization and how can we trace its evolution through the three distinct phases of accelerated global integration?	4		
2(a)	Consider the following information	5	CLO-2 PLO-2	Evaluate

Production details	Bangladesh	India
Wheat (bushels/hour)	6	1
Onion (ton/hour)	4	2

Assuming the wage rate in Bangladesh is $\text{₳}6$ per hour and simultaneously, the wage rate in India is $\text{₹}1$ per hour. With the exchange rate between Indian Rupee and Bangladeshi Taka set at $\text{₹}1 = \text{₳}2$, evaluate the comparative advantage of each country in monetary terms. Furthermore, determine the financial gains realized by both countries through this exchange.

- 2(b) What is constant opportunity cost, and when does a nation encounter it? Illustrate with an example. 2.5
- 2(c) If a nation experiences constant opportunity cost, how does it affect the shape of its production possibility frontier (PPF)? Discuss the nature of specialization in production for a nation with constant opportunity cost engaged in trade. 2.5

OR

- 2(a) What factors contribute to the phenomenon of increasing opportunity costs? 2
- 2(b) Utilizing visual representation, illustrate the foundation and benefits of trade under the condition of increasing opportunity costs. 5
- 2(c) Explore the graphical explanation for the persistence of mutually beneficial trade between two nations, even when their Production Possibility Frontiers (PPFs) are identical, due to differences in tastes. 3
- 3(a) Explain the fundamental assumptions of the Heckscher-Ohlin theory of international trade and how it differs from Ricardo's theory of comparative advantage. 5
- 3(b) What are the underlying principles of trade and the benefits derived from it according to the Heckscher-Ohlin theory? Provide a graphical representation to illustrate these concepts. 5