



JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM G
III TRIMESTER (Batch 2017-19)
MID TERM EXAMINATION

Course Name	International Economics and Business	Course Code	ECO 301
Max. Time	1 hour	Max. Marks	20

INSTRUCTION: Attempt all questions

Q.1. in the provisions of the GATT/WTO-agreement, explain briefly what is meant by:

(i) The "Most-favored-nation-clause" (MFN). (2marks)

(ii) The Domestic Support Subsidies (Three Types) (2marks)

Q2 What are the disadvantages associated with fixed exchange rate system? Write your answer by comparing the disadvantages with advantages associated with the system. (2marks)

Q3 Explain the following concepts in 50 words maximum for each concept

a) voluntary export restraint (2marks)

b) effective rate of protection (2marks)

c) inter-industry trade (2 marks)

Q4 The number of Preferential Trade Agreements (PTAs) has increased rapidly in recent decades. A PTA refers to an agreement when a set of countries removes all import tariffs between each other.

a) Explain the difference between a free-trade area and a customs union. (2 marks)

b) It would seem that PTAs violate the most favored nation principle. How can it be that many WTO countries implement them despite this? (2marks)

Q5 Consider Japan in the early 19th century before opening up to trade with the rest of the world. Japan uses labor to produce two goods, silk and cannons, with the following technologies: one worker can produce either 10 units of silk or 2 cannons.

Use the Ricardian model to answer the following questions.

a) Describe the relative price of silk in terms of cannons under autarky. (2 marks)

b) Assume now that Japan opens up to trade with a world that is trading silk and cannons at a relative price of 2 units of silk for each cannon. How will Japan trade in this economy? Will it trade at all? Assume that Japan is a small economy. Explain your answer. (2 marks)