

JAIPURIA INSTITUTE OF MANAGEMENT NOIDA
PGDM BATCH 2017 - 19
TRIMESTER-III
END - TERM, April 2018

Course Name	International Economics and Business	Course Code	ECO301
Max. Time	2 hour	Max. Marks	40

INSTRUCTIONS: Attempt all questions

Q:1 The many ways China can hit back at Donald Trump, from taxes to probes

Excerpts from Livemint: Thu, Mar 22 2018

Beijing: With US President Donald Trump ready to slap tariffs on \$50 billion worth of Chinese goods, the question now is how Beijing will respond. China said Thursday it would take "all necessary measures" to defend its interests, without mentioning anything specific. Expectations are growing that President Xi Jinping won't hold back. The reported \$50 billion of tariffs against China are weapons of mass destruction for trade. They will violate WTO (World Trade Organisation) rules and leave no way out for China. Xi's government "has an endless number of levers it can pull on foreign companies in China."

Delays, inspections, investigations

China can quickly throw up non-tariff obstacles to trade, stepping up safety inspections and delaying paperwork essential for goods to make it into the country. It's an under-the-radar approach China has often used to advance its geopolitical goals in Asia.

Export taxes

Another option is for China to impose special additional duties on locally made products exported to the US companies like Apple Inc. and other consumer goods and electronics giants would suffer if China imposes a duty on exported products. Such a move would hit US companies and consumers hard, though would also risk hurting Chinese industry in the crossfire.

Retaliatory tariffs

While China could hit Trump with retaliatory tariffs, it has long said it wants to follow World Trade Organization rules. The WTO's dispute settlement mechanism calls for the two sides to negotiate over a 60-day period, after which the case goes to a panel that can decide whether a retaliatory tariff is appropriate, according to Olga Boltenko, chairperson of the committee on commercial law and practice at the International Chamber of Commerce in Hong Kong.

Government procurement

China can also threaten US companies' access to its government procurement market, which China says is worth 3.1 trillion yuan (\$490 billion). Companies from Boeing Co. to Cisco Systems Inc. would be at risk of losing out. Since China isn't a signatory to the WTO's rules on government procurement, it would be relatively free to employ this weapon.

Squeezing US companies in China

Another quick way China can strike back would be to disrupt the operations of US multinationals in China. That could include anything from actions by customs officials, financial regulators, quality inspectors, anti-trust bodies, environmental authorities, consumer groups or economic planning bodies.

This allows Chinese officials to deny they are targeting foreign companies, citing the need to adhere to local laws and regulations.

- A. Highlight different tariff and non-tariff barriers that China can create against the move made by US in the article. Comment upon the benefits and disadvantages of free trade as well as protectionism for a country.
- B. Experts claim that these issues between US and China may lead to Global Trade War. Comment. Also, highlight what can be possible impact on India?

- C. How WTO should handle the issue if this dispute reaches the DSB of WTO? Does this dispute fall in lines with the principles laid by WTO? [4 + 3 + 3 = 10Marks]

Q: 2

- A. "The \$46 bn CPEC project (China-Pakistan Economic Corridor) connecting Xinjiang in China to Gwadar in Pakistan has raised concerns in India."
Discuss, what benefits China would have if it succeeds in constructing the CPEC Corridor. What geopolitical tensions would it create for India and how India is responding to this situation?
- B. Narrate the role played by OPEC and Non – OPEC countries in driving the crude oil supply and thereby prices in international markets in recent times.

[5 + 5 = 10 Marks]

- Q: 3 Following table shows bushels of Rice and the yards of Jute that India and Bangladesh can produce with one hour of labor time.

	India	Bangladesh
Rice (R) (bushels/man-hour)	6	1
Jute (J) (yards/man-hour)	3	2

- a. Indicate in which commodity India has an absolute advantage over Bangladesh?
b. Indicate which country has a comparative advantage in which commodity?
c. How much would each nation gain if they exchanged 6R for 9J?

[1 + 1 + 3 = 5 Marks]

- Q: 4 Discuss the mechanism of SDRs in International market. Highlights the reasons that led to addition of Chinese Yuan to IMF Reserve Basket. Evaluate how this addition of Chinese Yuan is going to impact world economy and how would it benefit China? [5 Marks]

- Q: 5 There are various long term, short term and interim factors that simultaneously impact the exchange rate of a country. Discuss these factors. [5 Marks]

- Q: 6 Brexit has evoked a spate of comments. These comments fall into broadly two categories. The first set of comments focusses on the short-term and medium-term impact of Brexit on the U.K., Europe and the rest of the world including India. The second goes into the reasons behind this decision of the British. Highlight what contributed as major reasons behind UK's decision to come out of EU. And what implications would it have for UK, EU and India? [5 Marks]
