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Set 3

QP Code 51367

Q.1 –

- a) Equation of gravity model – Importance of economic size of countries and distance between countries in determining bilateral trade – Use of gravity model in looking for anomalies.
- b) Impact of political forces and technology on world trade – Increasing share of manufactures in world trade – Service offshoring.
- c) Increasing share of developing countries in attracting MNCs – Significance of MNCs in increasing international trade – Benefits and problems associated with MNCs.

Q.2 –

- a) Introduction, Assumptions, Explanation of how free and unrestricted trade among countries encourages specialisation on larger scale, Evaluation of theory.
- b) Introduction, Assumptions, Explanation of how free trade would raise returns to abundant factor and reduce returns to scarce factor.
- c) Introduction, Definition of factor abundance (physical and price terms), Pattern of trade under H-O model, Merits and demerits of theory.

Q.3 –

- a) Explanation with example (hypothetical) how product differentiation and internal economies of scale lead to trade between similar countries, Welfare benefits from trade in the form of greater variety at lower price.
- b) Increasing share of intra-industry trade in all world trade flows, Export-import ratio as a measure of importance of intra-industry trade, Empirical evidence on increasing intra-industry trade after trade agreements among countries.
- c) Presence of MNCs in the world by way of different types of FDI, Proximity-concentration trade-off for FDI, Concept of Offshoring/global supply chains, Consequences of foreign outsourcing.

Q.4 –

- a) Explanation of impact of some of the instruments of trade policy such as: tariffs, non-tariff barriers, voluntary export restraints, administered protection, safeguards, health and product standards, environmental protection laws, foreign exchange regulations, etc. on trade.

- b) **Introduction, Objectives (economic and non-economic benefits), Rules/Principles: Non-discrimination, Prohibition of quantitative restrictions, Consultation, Evaluation of GATT, Conversion to WTO.**
- c) **- Environmental standards related issues**  
Self-defeating instead of self-sustaining economic growth, Disadvantaged developing countries, Problems due to ill-defined property rights, externalities and low environmental standards.
- IPR related issues**  
Trade-off between protecting private rights and public interest, Issues of inappropriate patents and bio-piracy, IPRs and enforcement related issues.

Q.5 –

- a) **Impact of distance, border, size of the Economy, common colonial past, common language/currency, etc. on trade between countries.**
- b) **Superiority of opportunity cost over labour theory of value (Introduction), Assumptions, Graphical representation of equilibrium under trade for countries, Evaluation of theory.**
- c) **Explanation of how trade increases the variety of goods available in market and allows surviving firms to produce on larger scale, Graphical representation of changes in/ determination of price and number of firms in country due to trade.**
- d) **Forms of integration (FTA, custom union, common market, economic union, economic integration).**