SHETH NKTT COLLEGE OF COMERCE AND SHETH JTT COLLEGE OF ARTS, THANE

**DEPARTMENT OF ECONOMICS**

**QUESTION BANK & MODEL ANSWER**

FOR

**TYBCOM (2019-20)**

SEMESTER – VI

*NOTE: These are brief answers, students will have to explain the points in detail for the examination. Manan prakashan’s TYBCOM book is referred to prepare the answers.*

**MODULE – II: COMMERCIAL POLICY**

1. Discuss free trade policy.

Ans: Free trade policy is used to describe a liberal trade policy that promotes free movement of goods and services between nations. Following are the **arguments in favor of free trade**.

1. It promotes efficiency
2. It promotes economic growth
3. It encourages competitiveness
4. It allows free trade of import goods, so prices are reduced
5. It promotes economic welfare
6. Greater international cooperation
7. Less government intervention in trade

**Arguments against Free Trade:**

1. Disadvantageous for less developed countries
2. Destruction of domestic industries
3. Unbalanced economic growth
4. Dangers of overdependence
5. Dumping of foreign goods
6. **Explain the theory of protection.**

Ans: protectionism is the policy of protecting domestic industries against foreign competition by using tariffs, import duties, subsidiaries and any other measure to restrict imports or make them more expensive.

1. **Arguments in favor of Protectionism:**
2. Infant Industry argument
3. Diversification argument
4. Employment argument
5. Balance of Payments argument
6. Pauper labour argument
7. Anti-dumping argument
8. Source of government revenue
9. Strategic arguments
10. Self-sufficiency
11. **Arguments against Protectionism;**
12. Inefficiency of resources allocation
13. Protection to undeserving industries
14. Unemployment in the export sector
15. Diversification not always possible
16. Labour not the only factor of production
17. Disadvantage to domestic consumers
18. Retaliation by other nations
19. **Explain the tariff and non-tariff barriers.**

Ans: Tariff is a tax imposed on commodities that are traded across the national border of a country. It can be imposed on both imports and exports.

**Objectives of Tariffs:**

1. To raise government revenue
2. To protect and support domestic industries
3. To conserve foreign exchange reserves
4. To make domestic prices competitive with import prices
5. To reduce the dependence on other countries and become self-sufficient
6. To generate employment within country
7. To prevent shortages un the domestic market by imposing export tariffs.

Non-tariff barriers are means of restricting imports through measures other than tariffs. They include measures like, import quota, import licenses, voluntary export restrictions, product standards and testing requirements etc.

1. **Discuss the types of tariff barriers**

Ans: Tariffs can be classified on following basis.

1. Based on Imposition:
2. Specific tariffs
3. Ad valorem tariffs
4. Mixed tariffs
5. Compound tariffs
6. Tariff rate quotas
7. Based on Purpose:
8. Revenue tariffs
9. Protective tariffs
10. Based on source of imports:
11. Non-discriminatory tariffs
12. Discriminatory tariffs
13. Maximum and minimum tariffs
14. Preferential tariffs
15. Based on Retaliation:
16. Retaliatory tariffs
17. Countervailing tariffs
18. Anti-dumping tariff
19. **Examine the types of international economic integration.**

**Ans:** International economic integration is a term used to describe the process which involves the coming together of different countries into larger regional group for achieving some common economic objectives**.**

1. **Stages/types of International Economic Integration:**
2. Preferential Trade Area (PTA)
3. Free Trade Area (FTA)
4. Customs Union
5. Common Market
6. Full Economic Union
7. Monetary Union
8. Fiscal Union
9. Economic and Monetary Union (EMU)
10. **Complete Economic Integration**
11. **Objectives of Economic Integration:**
12. Increase economic welfare of the region
13. Expansion of Market size and Economies of scale
14. Reduction in Trade Costs
15. Employment generation
16. Increase in competitiveness
17. Efficiency
18. Wider choice of goods and services
19. Cross-border Investment flows
20. Technology sharing
21. Development of Infrastructure
22. Political cooperation and conflict resolution
23. **Disadvantages of Economic Integration:**
24. Regionalism v/s Multinationalism
25. Loss of sovereignty
26. Foreign investment and local concerns
27. Increasing independence
28. Trade diversion
29. **Write note on: Effects of tariff and non-tariff barriers.**

**Ans: Explain the answer with appropriate diagrams.**

1. **Effects of tariffs:**
2. Protective effect
3. Revenue effect
4. Consumption effect
5. Distribution effect
6. Terms of Trade effect
7. Income effect competitive effect
8. Balance of Payments effect
9. **Effects of non-tariff barriers**
10. Price effect
11. Production effect
12. Consumption and welfare effect
13. Redistribution effect
14. Terms of Trade effect
15. **Write note on: EU and Brexit**

**Ans**:

1. **Composition:** The European Union (EU) is a group of 28 countries that operate as an economic and political union. It covers a population of about 513 million and 7.3% of the world population. The member countries are- Austria, Belgium, Bulgeria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece Hungary, Ireland, Italy, Latvia, Lithunia, Luxumberg, Malta, Netherlands, Poland, Portugal, Tomania, Slovakia, Apain, Sweden and United Kingdom.
2. **Functions:** scheme of internal single market through standardized system. It is a common market which guarantees free movement of goods, capital and services. The market is expected to encourage competitiveness, specialization, larger economies of scale, highest value to the factors of production, efficient allocation of resources and improve bargaining power in world trade.
3. **Four Freedoms:**
4. Free movement of goods
5. Free movement of capital
6. Free movement of services
7. Free movement of people
8. **Euro zone crisis:** Sovereign debt crisis began in 2008. Eu experienced the collapse of their financial institutions, high government debt and rising bonds yield spreads in government securities. EU nations were unable to repay the debt. The reasons for this was recession in the USA in 2008 to 2012. In 2009 Greece revealed that its previous government had grossly underreported its deficit. This led to fall of euro. There was complete loss of faith in the political leadership of Greece.
9. **Brexit:** it is the short name given to Britain’s exit from EU. In June 2016, the United Kingdom carried out a referendum to decide whether the UK should remain with the EU or should leave it. The main reasons for BREXIT were—
10. Loss of Sovereignty
11. Immigration
12. Economic opportunity
13. EU contribution
14. **Write note on: ASEAN**

Ans: The ASEAN is the regional group of 10 Southeast Asian nations that promotes economic, political and security cooperation among its members. Its members are- Brunei, Cambodia, Indonesia, Laos, Malaysia, Mynamar, Philippines, Singapore, Thailand and Vietnam.

1. **Aims and Purposes of ASEAN:**
2. To accelerate economic growth
3. To promote peace and stability
4. Adherence to the principles of the United Nations’ Charter
5. To promote collaboration and mutual assistance in economic, social, cultural fields
6. To provide assistance to each other in the form of research facilities, educational, professional, technical and administrative spheres
7. To promote Southeast Asian Studies
8. To maintain close beneficial cooperation with international and regional organisations with similar aims and purposes.
9. **Principles:**
10. Mutual respect for the independence, sovereignty, equality, territorial integrity and national identity
11. Freedom from external interference
12. Settlement of differences or disputes
13. Non-interference in the internal affairs on one another
14. Renunciation of threat or use of force
15. Effective cooperation among themselves
16. **Initiatives:**
17. The ASEAN Economic Community (AEC)
18. ASEAN financial integration
19. Free trade agreements
20. ASEAB banking integration framework
21. Food security