

QB365 Question Bank Software Study Materials

Facilitators of International Business Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

11th Standard

Commerce

Total Marks : 75

2 Marks

10 x 2 = 20

1) What is WTO?

Answer : WTO is World Trade Organisation.

2) What do you mean by World Bank?

Answer : International Bank for Reconstruction and Development is commonly known as World Bank. It has its offices all over the world.

3) What is Special Drawing Rights?

Answer : SPECIAL DRAWING RIGHT (SDR) was created by the IMF in the year 1969 as supplementary international reserve asset.

4) What is SAARC?

Answer : South Asian Association for Regional Co-operation (SAARC) is the regional inter governmental organization and geo-political union of nations in South Asia.

5) What are the main principles of GATT.

Answer : (i) Trade without discrimination
(ii) Protection only through Tariff
(iii) Prohibition of Quantitative Restriction
(iv) Consultations

6) Write short notes on IMF?

Answer : International Monetary Fund (IMF) is an international organization headquartered in Washington DC. It has a membership of 189 countries.

7) What is expert advice?

Answer : 1. India used to get expert advice from IMF for solving the economic problems.
2. It has given valuable advice to India with regard to financing its 5 year plan.

8) Write short notes on : Timely Help.

Answer : 1. India has received timely help from IMF many a time to eliminate the deficit in its balance of payments.
2. India got help from IMF during 1966 in the aftermath of war with Pakistan.

9) Write any 2 objectives of WTO.

Answer : (i) Improving the standard of living of people in member countries..
(ii) Making optimum utilisation of Worlds resources for sustainable development of member countries.

10) What is International Development Association IDA?

Answer : 1. IDA was set up in 1960.
2. It provides term loans to member countries at concessional terms and conditions for their economic development.

3 Marks

10 x 3 = 30

11) Mention the functions of SAARC?(any 3)

Answer : Functions of SAARC are highlighted:

- (i) Monitoring and co-ordinating the development programmes.
- (ii) Determining inter-sectoral priorities.
- (iii) Mobilizing co-operation within and outside the region.
- (iv) Dealing with modalities of financing.

12) Write any three objectives of IMF.

Answer : Objectives of IMF:

- i. To promote international monetary co-operation.
- ii. To ensure balanced international trade
- iii. To ensure exchange rate stability

13) Write any three benefits of WTO.

- Answer :**
- 1. Participation in the development of new rules and principles of international trade.
 - 2. Export diversification
 - 3. Transparent, predictable and attractive investment regime
 - 4. Increase of sovereign credit ratings
 - 5. Strengthening positions in trade disputes.

14) What are objectives of SAARC?

Answer : The following are the objectives of SAARC:

- (i) Promoting the welfare of people of Asia.
- (ii) Achieving economic growth, social programme and cultural development in member countries.
- (iii) Strengthening self-reliance among the members.
- (iv) Strengthening co-operation among the members as well as with other developing countries and international and regional organisation.
- (v) Maintaining peace among the member of nations in the region.

15) Write a short note on MIGA?

Answer : This is one of International Financial Institutions offering political risk insurance and credit enhancement guarantees. The guarantee provided by this institution protects foreign direct investments against the political and non-commercial risks in developing countries. It is head quartered at Washington. It promotes flow of foreign direct investment (FDI) into developing countries.

16) What are the principles of WTO?

- Answer :**
- (i) Trade without Discrimination-Most Favoured Nation-Treating other people Equally.
 - (ii) Free Trade-Gradually through Negotiation.
 - (iii) Predictability through binding and Transparency.
 - (iv) Promoting Fair Competition.

17) Mention the functions of SAARC.

- Answer :**
- 1. Monitoring and co – ordinating the development programme
 - 2. Determining inter – sectoral priorities
 - 3. Mobilizing cooperation within and outside the region.
 - 4. Dealing with modalities of financing

18) Give the full form of the abbreviations: GATT, BRD and SAARC.

- Answer :**
- 1. GATT- General Agreement on Tariff and Trade.
 - 2. IBRD - International Bank for Reconstruction and Development.
 - 3. SAARC - South Asian Association for Regional Co-operation.

19) What are the agreements of WTO?

- Answer :** 1. Agreement forming part of GATT.
2. Agreement on Textile and Clothing.
3. Agreement of Agricultural (AOA)
4. General Agreement on Trade in Services.
5. Agreement on Trade Related aspects of Intellectual Property Rights (TRIPS)

20) What are the criticism of WTO?

Answer : Criticism against WTO:

The following criticisms are leveled against WTO:

Free Trade Benefits Developed Countries more than Developing Countries :

1. Developing countries need some sort of trade protection to develop their new industries.
2. Many developed countries had once used this protection to nurture their infant industries in their development stage.
3. In this context prevention of developing countries from defending their infant industries altogether through restriction is unfair.
4. It is suspected to be a conspiracy to indirectly favour MNC's.

Most Favoured Nation Principles:

1. This is the core of WTO rules. Under this rule member countries are advised not to discriminate among the home enterprises multi-nationals and foreign enterprises.
2. In other words WTO prevents developing countries from favouring their emerging companies.
3. This move is supposed to give. unfair advantage to multinational companies.

Failure to Reduce Tariffs on Agriculture:

1. WTO failed to convince the USA and European Unions to eliminate high tariff on agriculture.
2. In other words it defends high tariff on agriculture in USA and EU. This would undoubtedly hurt the farmers in developing countries.

Neglect of Farmers Interest in Developing Countries:

1. Developing Countries specialize in producing primary products. i.e. agricultural products.
2. They need some sort of protection to diversify into other sectors of the economy at least in the short term. Many developed nations used this tariff protection in the process of their development.
3. In this context WTO is criticised for being unfair and neglecting the interest of farmers in developing countries.

Neglect Environmental Considerations:

1. WTO encourages import from certain countries which produce the product on a larger scale at the cost of environment.
2. WTO pushes for achieving increase in GDP without any regard for environment.
3. In the current environment of global warming and ever increasing environmental. disaster, utmost priority given by WTO on maximizing GDP at the cost of environment is misplaced.

Neglect of Cultural and Social Factors:

1. WTO is criticized for promoting the domination of multinational companies which are feared to eliminate local enterprises from business world altogether.
2. The growth of MNC's is feared to ruin cultural diversity of many developing countries.

Inability of People in Developing Countries to Buy Life Saving Drugs:

1. WTO defends trade related intellectual property rights which allow the firm to protect the patent and copy right.
2. This protection particularly in the area of manufacturing of drugs is supposed to escalate the price of essential and life saving drugs.
3. As a result people of developing countries may not be able to buy costly drugs at affordable price.

5 Marks

5 x 5 = 25

21) Point out the objectives of WTO(any 5).

Answer : Objectives of WTO:

The objectives of WTO include the following:

- (i) Improving the standard of living of people in member countries.
- (ii) Making optimum utilisation of world's resources for sustainable development of member countries.
- (iii) Promoting an integrated more viable and durable trading system in the sphere of international business.
- (iv) Expansion of trade in goods and services.
- (v) Ensuring full employment and large steady growing volume of real income and effective demand.
- (vi) Protecting the environment.

22) Write down the functions of IMF.

Answer : Functions of IMF :

The functions of IMF are enumerated below:

- (i) It acts as a short-term credit institution at the international level.
- (ii) It provides machinery for ordinary adjustments of exchange rates.
- (iii) It has a reservoir of currencies of the member countries from which a borrower can borrow currencies of other nations.
- (iv) It promotes economic stability and global growth by encouraging countries adopt sound economic and financial policies.
- (v) It offers technical assistance and training to help member countries strengthen and implement effective policies.
- (vi) Technical assistance is offered in formulating banking, fiscal, monetary and exchange policies.
- (vii) It helps member countries correct their imbalance in balance of payment.

23) Explain how far India has benefited from IMF.

Answer : IMF and India:

Free Convertibility of Indian Rupee:

Indian rupee has become independent after the establishment of IM, Earlier it was linked with pound sterling. Its value is now determined in terms of Gold. Hence it is freely convertible.

(i) Loan for developmental activities :

India has got several loan facilities from IMF for its several development projects.

(ii) Ability to purchase Foreign currencies :

Government of India is able to purchase foreign currencies from time to time to meet the ever-growing requirement of development activities.

(iii) Expert Advice:

- (1) India used to get expert advice from IMF for solving the economic problems.
- (2) It has given valuable advice to India with regards to financing its 5 year plan.

(iv) Timely help:

India has received timely help from IMF many a time to eliminate the deficit in its balance of payments. India got help from IMF during 1966 in the aftermath of war with Pakistan. It received assistance from IMF during for combating oil shock. Between 1980 and 1983 India got assistance from IMF to manage global economic recession.

(v) Financial assistance during natural calamities :

India has got a lot of financial assistance from IMF to solve the economic crisis arising from natural calamities like floods, famine, earthquake, aggressions of Chinese and Pakistan, etc. It gets technical assistance from IMF.

(vi) Membership in world bank:

By virtue of its membership in IMF, India could become member in the World Bank.

(vii) Help during 1991 Economic Crisis:

- (1) During 1990, India faced series economic eris is Indian government was almost nearing bankruptcy.
- (2) It has got assistance from IMF by pledging its gold reserve with it to solve its balance of payments crisis.

24) Discuss the WTO Agreements.

Answer : The major WTO agreements are follows:

(i) Agreement Forming Part of GATT:

GATT is an important part of WTO agreement. In addition to general principles of trade liberalisation, GATt also includes, certain special agreements evolved to deal with specific non-tariff barriers.

(ii) Agreement on Textile and Clothing (ATC):

This agreement was evolved to remove quota restrictions imposed by the developed countries on exports of textiles and clothing from the developing countries.

(iii) Agreement on Agriculture (AOA):

- (1) This agreement was made to ensure free and fair trade in agriculture.
- 2) With this agreement, the developed countries have agreed to reduce customs duties on their imports and subsidies on export of agricultural products.

(iv) General Agreements on Trade in services (GATS):

Under this agreement, all member countries are required to remove restrictions on trade in service in a phased manner.

(v) Agreement on Trade-Related Aspects of Intellectual property rights (TRIPS):

Intellectual property means information with commercial values such as ideas, inventions, creative expression and others.

25) Write any five criticisms on WTO:

Answer : The following are the criticisms on world Trade Organisation:

Free Trade Benefits Developed Countries more than Developing Countries :

Developing countries need some sort of trade protection to develop their new industries. Many developed countries had once used this protection to nurture their infant industries in their development stage. In this context prevention of developing countries from defending their infant industries altogether through restriction is unfair. It is suspected to be a conspiracy to indirectly favour MNC's.

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