


Name: Enrolment No:	
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UPES

End Semester Examination, December 2024

Course: Regional Economic Integration II

Program: BBA FT

Course Code: ECON3031P

Semester: 5

Time: 03 hrs.

Max. Marks: 100

Instructions:

- **This is a CLOSE BOOK exam.**
- **All questions are mandatory.**
- **The use of laptops, internet access, mobile phones, and other electronic devices is strictly prohibited during the exam**
- **Use of unfair means will result in immediate disciplinary action.**

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	(i) What is regional economic integration? a) Integration of economies within a single country b) Cooperation and unification of policies among countries in a specific region c) The elimination of tariffs worldwide d) Creating trade barriers to protect local industries	2	CO1
	(ii) Which of the following is the least integrated form of regional economic integration? a) Common Market b) Free Trade Area c) Economic Union d) Political Union	2	
	(iii) In a customs union, member countries agree to: a) Adopt a unified monetary policy b) Eliminate tariffs and have a common external trade policy c) Allow free movement of capital and labor d) Form a single government for the region	2	
	(iv) Which of the following is an example of a Free Trade Area?	2	

	<ul style="list-style-type: none"> a) European Union (EU) b) North American Free Trade Agreement (NAFTA) c) United Nations (UN) d) World Trade Organization (WTO) 		
	<p>(v) The ASEAN Economic Community aims to achieve:</p> <ul style="list-style-type: none"> a) Full economic union b) A single currency for Southeast Asia c) A highly integrated and cohesive economy among ASEAN nations d) Isolation from global trade 	2	
	<p>(vi) One of the main benefits of regional economic integration is:</p> <ul style="list-style-type: none"> a) Increased trade barriers b) Access to a larger market for member countries c) Higher costs of compliance with rules d) Decreased cooperation among member countries 	2	
	<p>(vii) A potential downside of regional economic integration is:</p> <ul style="list-style-type: none"> a) Encouraging competition among members b) Loss of policy autonomy for member countries c) Reduced trade within the region d) Higher GDP for member countries 	2	
	<p>(viii) The theory of comparative advantage suggests that regional integration will lead to:</p> <ul style="list-style-type: none"> a) Increased tariffs and quotas b) Specialization based on efficiency and cost-effectiveness c) Equal distribution of resources among countries d) Decreased trade between member countries 	2	
	<p>(ix) Which of the following is true about Brexit and the European Union?</p> <ul style="list-style-type: none"> a) The UK left the EU to become part of NAFTA b) Brexit marked the UK's withdrawal from a customs union c) The UK remains a member of the EU's political framework d) Brexit had no impact on regional trade policies 	2	
	<p>(x) The African Continental Free Trade Area (AfCFTA) aims to:</p> <ul style="list-style-type: none"> a) Promote free trade and remove tariffs across Africa b) Create a single African currency c) Eliminate all economic competition in Africa 	2	

	d) Separate Africa from global trade agreements		
SECTION B 4Qx5M= 20 Marks			
Q 2	What do you mean by regional economic integration? Discuss the relevance of it?	5	CO2
Q 3	Discuss the concept of trade creation and trade diversion with the help of examples?	5	
Q 4	What are the different levels of regional economic integration?	5	
Q 5	Highlight the difference between intra industry trade and inter industry trade?	5	
SECTION-C 3Qx10M=30 Marks			
Q 6	Discuss Paul Krugman's new trade theory?	10	CO3
Q 7	What do you mean by economic union? Present your arguments in favor and against of it.	10	
Q 8	Regional economic integration is a threat for globalization. Discuss.	10	
SECTION-D 2Qx15M= 30 Marks			
Q 9	Discuss the causes and consequences of Eurozone crisis?	15	CO4
Q 10	<p style="text-align: center;">Case Summary</p> <p>Country X and Country Y are two large economies in the Asia-Pacific region. Country X has a GDP of \$5 trillion, while Country Y has a GDP of \$3 trillion. The two countries are separated by a distance of 2,000 kilometers. Despite their significant economic size, their bilateral trade volume is relatively low compared to trade between Country X and its smaller neighboring Country Z, which has a GDP of \$1 trillion and is located 500 kilometers away.</p> <p>Trade analysts suggest that the following factors may explain the disparity:</p> <p>Historical trade partnerships between Country X and Country Z. High tariffs and non-tariff barriers between Country X and Country Y. Country Y's lack of robust transportation infrastructure. To address these issues, Country X and Country Y are considering signing a free trade agreement (FTA) and investing in advanced transportation links to facilitate trade.</p> <p>Answer the following:</p> <p>i. According to the Gravity Model of International Trade, which of the following factors primarily influence trade flows between two countries?</p>	15	

	<p>a) Historical alliances and common languages b) GDP of the countries and the geographic distance between them c) Political stability and population size d) Cultural similarities and labor laws</p> <p>ii. If Country X and Country Y sign an FTA and invest in transportation infrastructure, how would this align with the predictions of the Gravity Model?</p> <p>a) Trade would decrease due to increased competition between the countries. b) Trade would remain unchanged as FTAs have no impact on the model. c) Trade would likely increase as the effective "distance" decreases and barriers are reduced. d) Trade would likely decrease due to the reallocation of resources to other sectors.</p> <p>iii. Considering the Gravity Model, what additional measures could Country X and Country Y take to maximize their trade potential beyond the FTA and improved infrastructure?</p> <p>a) Promote cultural exchanges and tourism. b) Harmonize trade standards and reduce bureaucratic procedures. c) Focus on self-reliance and reduce imports. d) Increase tariffs on goods from other countries.</p>		
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