

CHAPTER 11

WORLD TRADE ORGANISATION (WTO)



In this Chapter, I will learn

- FROM GATT to WTO
- WTO'S PRINCIPLES
- STRUCTURE OF WTO
- AGREEMENTS
- WTO ROUNDS
- RELATED TERMS

WTTO is an international organization established to promote multilateral trade. It is successor to erstwhile GATT (General Agreement on Tariffs and Trade). It came into force on January 1, 1995 and has played a pivotal role in facilitating international trade.

This chapter covers formation of WTO, principles and structure of WTO and agreements of WTO.

FROM GATT to WTO

GATT is a forum for international trade. Actually it was intended to be established as an organization (International Trade Organisation) but US parliament refused to accede to it. So it came into force, as an agreement short of an institution, in 1947.

It was established with an aim to ensure free trade among world countries by way of reduction of tariff and other barriers to trade. Under the aegis of GATT, eight rounds of negotiations were held between 1986 and 94 among members to ensure free trade. The last one was Uruguay round.

The Uruguay round included the service trade, intellectual property rights, textiles and agriculture in its negotiation. As a result of conclusion of Uruguay Round (8th round) WTO has been established. This brought many amendments to GATT. This amended version now forms the basis for WTO.

PRINCIPLES OF WTO

The two main principles of WTO are Most

Favoured Nation (MFN) and National Treatment (NT).

The principle of MFN calls the member countries to treat all nations on equal footing in the policies concerning import and export of goods and services. The principle of National Treatment calls to treat imported goods and services equal to domestic goods and services in domestic sale and consumption.

STRUCTURE OF WTO

Ministerial Conference, is the top level decision making body. It meets once in two years. The trade and commerce ministers, by whatever name called in member countries, form this council.

Next is the General Council. It is functioning under the Ministerial Conference. The ambassadors or other representatives appointed by member countries constitute this council. The general council also acts as **Dispute Settlement Body (DSB)** and **Trade Policy Review Body**. It meets many times in a year as and when required. As a DSB, it helps the member countries in solving their disputes arising out of trade. It also reviews the trade policies adopted by member countries to check if they are compatible with WTO's agreements and their impact on trade.

The Council for Trade in Goods is called Goods Council. It looks after the working of GATT agreement. The Council for Trade in Service is called Service Council. It looks after implementation of General

Agreement on Trade in Services (GATS). TRIPS Council looks after issues related with Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement implementation. Apart from this there are many working committees and working groups that enable smooth functioning of WTO and its agreements.

AGREEMENTS

As a result of Uruguay round 20 agreements were signed. Here we are going to have a look about few important agreements - the WTO agreement, Agreement on Agriculture (AoA), Trade Related Aspects of Intellectual Property Rights (TRIPS), Trade Related Aspects of Investment Measures (TRIMS), General Agreement on Trade in Services (GATS)

WTO Agreement

The WTO was established under this agreement. It is an Umbrella agreement. Other agreements are annex to this agreement.

Agreement on Agriculture (AoA)

Agreement on Agriculture calls for freeing agriculture trade. The commitments under this agreement are based on **Special and Differential treatment**. Special and Differential treatment means flexible and lesser commitment on the part of developing and less developed countries compared to developed countries in fulfilling the obligation under this agreement. This agreement also has special safeguard mechanism. **Special safeguard**

mechanism means the option available to countries to impose additional duties on imported products when there is surge in imports or products are imported at lower price. The main components of this agreement are Market access, Domestic support or Domestic subsidies and Export subsidies.

Market Access

Market access provision calls for provision of access to imported agricultural goods in the member countries. There are two provisions one is tariffication and tariff reduction and another one is minimum market access.

Tariffication means converting non tariff barriers into tariffs that ensures same level of protection. Tariff reduction calls for 36 % tariff reduction by developed countries over 6 years period and 24 % by developing countries over the period of 10 years. The least developed countries do not have any commitments.

Minimum access calls for at least minimum of 5 % of imported agriculture products in domestic consumption by the year 2000 in developed countries and 2004 in developing countries. The less developed countries are exempted from this obligation.

Domestic Support or Domestic Subsidies

This provision calls for reduction of domestic subsidies that result in lower price of exported products and distort free trade. These subsidies are called **Amber Box subsidies**.

Under this provision, the Aggregate Measurement of Support (AMS) is to be reduced by 20% over a period of 6 years by developed countries and 13 % over a period of 10 years by developing countries over the base period of 1986-88.

Aggregate Measurement of support means the total of product specific subsidies and non-product specific subsidies provided by a country in a year. Product specific subsidies mean the subsidies given to particular product. For example, cotton, rice etc. Non-product specific subsidies mean subsidies given in general and not specific to any product, say fertilizer subsidies that benefit all agricultural products.

In the calculation of AMS, the subsidies are not included when the support is within the de-minimis¹ level. De-minimis level means the minimum level prescribed by AoA. The de-minimis level for developed countries in case of product specific subsidies is 5% of total value of that particular product produced in a year, for developing countries it is 10%. For non-product specific subsidies, it is 5% of total value of all agricultural products produced in that country in a year for developed countries and 10% for developing countries.

Apart from de-minimis subsidies, following three categories of subsidies are

also not included in the calculation of AMS. They are: Green box subsidies, Special and Differential treatment box (S&D Box) subsidies and Blue box subsidies.

Green Box Subsidies

Green box subsidies are those subsidies which don't distort or distort the free trade or production very minimally. The Annex 2 to AoA observes "Domestic support measures for which exemption from the reduction commitments is claimed shall meet the fundamental requirement that they have no, or at most minimal, trade-distorting effects or effects on production."²

These supports shall be provided through publicly funded government programme and these supports shall not provide price support to the producer. The examples of these kinds of supports are expenditure on agricultural research, training and pest control etc.

Special and Differential Treatment Box (S&D Box) Subsidies

The assistances which are essential for rural development and upliftment of poor farmers are called S&D box subsidies. While Green box subsidies are available to all countries, Special and Differential treatment box subsidies are not available to developed countries. These subsidies are government assistance to encourage

¹ De-minimis means 'of little or small importance'

² http://www.wto.org/english/docs_e/legal_e/14-ag.pdf

agricultural and rural development which is in the nature of rural development programmes of developing countries, agricultural investments subsidies which are generally available to low-income or resource poor producers in developing countries.

Blue Box Subsidies

Blue box subsidies are direct payments under production limiting programmes.

Export Subsidies

The subsidies that subsidise export are called export subsidies. These are direct subsidies given by government or government agencies either in cash or in kind to producers of agriculture products against export performance and export of non-commercial agricultural product at lower price and transport subsidies etc.

The developed member countries have to reduce subsidised export in value terms by 36% and in terms of volume by 21% over a period of 6 years below the level of 1986-90. For developing countries, it is 24% and 14% respectively over a period of 10 years.

Agreement on the Application of Sanitary and Phytosanitary Measures

This agreement sets basic rule to ensure food safety and life/health of plant and animals in member countries. Under this agreement member countries are allowed to set health and hygienic standards of imported products. The standards set should be non discriminatory, scientifically

justifiable and to the extent required and not prohibitive in nature.

Trade Related Intellectual Property Rights (TRIPS)

Intellectual properties are knowledge oriented creations, inventions and innovations. The WIPO (World Intellectual Property Organisation) observes as: "Intellectual property (IP) refers to creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce".⁴⁰ The intellectual property rights refer to the recognised ownership of the intellectual property to creator, inventor and innovator. The ownership is ensured through copy rights, patents etc. TRIPS cover Copy right and related rights, trademarks including service marks, geographical indicators, industrial designs, patents, lay out designs (topographies) of integrated circuits, trade secrets.

Copy Right

Copy Rights is related with literary and artistic works like books, lectures, sermons, music etc. The copy right means the right conferred on creator, author and producer etc. The rights are protection rights and authorisation rights. The protection right means the right of the author to protect his work from being copied by others. The authorisation right means the right to

3 <http://www.wipo.int/about-ip/en/>

author to allow others to reproduce, copy etc., against which he can claim pecuniary benefit.

Trade Mark

Trade mark means the symbols that give unique identity to products of particular producer. The Trade Marks Act 1999 observes as follows "trade mark" means a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others and may include shape of goods, their packaging and combination of colours"⁴¹

If trade mark rights are conferred to any one, others are prevented from copying or using of that trade mark.

Geographical Indicator

Geographical indicator means the unique identity attached to a particular product for the reason that particular product is produced in a particular geographical location. It may be natural product or manmade product. For example, Banaras silk sarees, Coimbatore wet grinder etc.

The Geographical Indications of Goods (registration and protection) Act, 1999 observes "geographical indication", in relation to goods, means an indication which identifies such goods as agricultural goods, natural goods or manufactured

goods as originating, or manufactured in the territory of a country, or a region or locality in that territory, where a given quality, reputation or other characteristic of such goods is essentially attributable to its geographical origin and in case where such goods are manufactured goods one of the activities of either the production or of processing or preparation of the goods concerned takes place in such territory, region or locality, as the case may be".⁴²

If geographical indication is given to any product others cannot use that name. For example, if Banaras silk saree is conferred with Geographical indication, others can produce silk saree but cannot claim that their saree is Banaras silk saree.

Industrial Designs

Designs when recognised as it belongs to anybody, others cannot use that design. The Designs Act, 2000 observes "design" means only the features of shape, configuration, pattern, ornament or composition of lines or colours applied to any article whether in two dimensional or three dimensional or in both forms, by any industrial process or means, whether manual, mechanical or chemical, separate or combined, which in the finished article appeal to and are judged solely by the eye"⁴³

Patents

Patent means recognition of invention and

5 http://ipindia.nic.in/ipr/gi/gi_act.PDF

4 http://ipindia.nic.in/tmr_new/tmr_act_rules/tmr_act.pdf

6 http://ipindia.nic.in/ipr/design/design_act.PDF

conferment of certain exclusive rights to inventor. The **exclusive right** means the right for production and marketing only by inventor and, if he wishes, to authorise others to produce the product using the invention made by him.

The patents are of two types. One is product patent and the other one is process patent. The **product patent** means the right to produce the product and right to authorise others to produce that particular product is available only to inventor. Others cannot produce that product without authorisation. The **process patent** means the inventor has sole right regarding the processing method and not for the product. Others can produce the product using different processing method.

Topographical Design (Integrated Circuit Lay Out Design)

Layout design means design of integrated circuits, transistors and other circuits. If recognized and the right is conferred to designer, others cannot reproduce it, import it and distribute it.

Trade Secret

Trade secret means the information regarding process, formula etc. The WIPO observes "Broadly speaking, any confidential business information which provides an enterprise a competitive edge may be considered a trade secret. Trade secrets encompass manufacturing or industrial secrets and commercial secrets".⁷ For example, a company may

use an efficient method of production that leads to cost reduction. It is a trade secret.

Trade Related Aspects of Investment Measures (TRIMS)

TRIMS are essentially to promote investment and equality among countries in the sphere of foreign investments. It calls for countries to avoid unnecessary conditions attached with foreign investments like employment opportunities for local people, limit to imported contents of products produced etc.

General Agreement on Trade in Services (GATS)

GATS call for liberalisation of trade in service sector. This is counterpart of GATT which covers merchandise trade. This agreement covers only commercial service excluding air transport service and excludes government services which are not in the commercial nature. The services are classified into four modes.

Mode 1 (Cross border supply): Cross border supply means export of service across border from domestic country like BPO and Banking services through e-media etc.

Mode 2 (Consumption abroad): Consumption abroad means the services availed by citizens of one country in another country like foreign tour, medical

⁷ http://www.wipo.int/sme/en/ip_business/trade_secrets/trade_secrets.htm

treatment in foreign country, study abroad etc.

Mode 3 (Commercial presence): It means the commercial establishments that provide service in foreign country by establishing subsidiary or holding company in foreign country.

Mode 4 (Movement of Natural Persons): It means, the services provided by professionals like Doctors, Accountants, and Lawyers etc with their physical presence abroad.

This agreement calls for non-discriminatory non-prohibitory and transparent policies related to service trade. This also calls for minimum market access as agreed by member countries.

WTO ROUNDS

WTO was born out of Uruguay round of negotiation as said at the outset. Under WTO, a new round of negotiation was started and named as Doha Round. This fresh round actually started in the year 2001 but declaration and decisions were made in Doha ministerial conference and named after Doha as Doha development

round. This round is continuing. This round is concerned with implementation of agreements made in the Uruguay round of negotiation. It covers a whole range of issues from agriculture to e-commerce.

RELATED TERMS

Peace Clause

The Agreement on Agriculture (AoA) has a clause under Article 13 of AoA. This clause restrains other countries from taking counter measure against some of the subsidies given like Green Box Subsidies. This clause also calls for due restraint in taking action against export subsidies and product specific subsidies.

Swiss Formula

Swiss formula gives the rate of tariff reduction. It calls for higher rate of reduction for countries which has higher initial tariff and lower rate for countries which has lower initial tariff. For example, a country with 60 % tariff has to reduce its tariff at a higher rate than a country with 30 %. It means, the former has to reduce its tariff speedily.

FURTHER READINGS

Yes, this book is an "appetiser" to have 'Indian Economy'. It explains the very basic concepts related to Indian Economy. The intention is, to help beginners. Having said that, the question now arises, yes, I started off with this book, what to read further?. There are 'n' number of sources to read. The first and foremost which readily comes to the mind of everyone is 'internet', in this so called flat world. But, internet is loaded with umpteen number of materials, far and wide. While searching for information, finding the most relevant information, we need, is a bit tough task. So, I thought to give some ready reference for you, both from internet as well as printed material. Of course, the following are only suggestions with intent to increase your understanding of Indian economy better. These are starter for Indian economy. Therefore, if you are preparing for competitive exam, you can put on hold reading of these starters, for the time being, for you may run short of time. For that purpose, you can go for books which throw critical analysis and opinions (which are suggested in the last part of this suggestion) which are the main course of your meal.

Starter

For National income, read GROSS DOMESTIC PRODUCT (GDP)-AN OVERVIEW (chapter 8) of National Accounts Statistics Sources and Methods 2007, available at http://mospi.nic.in/rept%20_%20pubn/fstest.asp?rept_id=nad09_2007&type=NSSO (Navigation: <http://mospi.nic.in> >> Home >> Central Statistics Office >> Statistical Manuals). For chapter on Human Development read Human Development Report 2010 or any subsequent year. It is available at http://www.undp.org/content/undp/en/home/librarypage/hdr/human_developmentreport2010.html (Navigation: [UNDP.org](http://www.undp.org) >> Home >> Research & Publication >> Human Development Reports)

To know further about Poverty and Unemployment and some other socio economic concepts which are not covered in this book, read e-book Concepts and Definitions Used in NSS, available at http://mospi.nic.in/Mospi_New/upload/nssso/concepts_golden.pdf?status=1&menu_id=49 (Navigation: mospi.nic.in >> Home >> National Sample Survey Office >> Survey Design and Research div. >> Major

NSS concepts >> Concepts and Definitions used in NSS) and Report of The Expert Group to Review the Methodology for Estimation of Poverty available at http://planningcommission.nic.in/eg_poverty.htm (Navigation Planning commission. nic.in >> Home >> Reports >> General Reports). To enrich your knowledge on Indian Financial System, read e - books published on the occasion of Platinum Jubilee celebration of RBI named Reserve Bank of India – Brochure explaining RBI's Role and Functions in brief and Reserve Bank of India: Functions and working. Both the books flow on same line but the first one deals with the functions of RBI briefly and the later one deals elaborately. These are available at <http://www.rbi.org.in/scripts/AboutusDisplay.aspx> (Navigation rbi.org.in >> Home >> About us).

For Money Stock Measures in India, refer Report of Working group on 'Money Supply: Analytics and Methodology of Compilation' and an article named New monetary aggregation: An introduction, RBI Bulletin October 1999.

For Chapter on Inflation and Deflation, read manual on Compilation of Wholesale Prices in India available at http://eaindustry.nic.in/WPI_Manual.html and WPI compilation Manual available at http://eaindustry.nic.in/WPI_Manual.pdf (Navigation eaindustry. nic.in >> Home >> WPI compilation Manual) and Manual on Consumer Price Index available http://mospi.nic.in/mospi_new/upload/manual_cpi_2010.pdf (Navigation: mospi.nic.in Home >> Central Statistics

Office >> Statistical Manuals).

To know more about the concepts related to Balance of Payments read

Balance of Payments Manual For India <http://www.rbi.org.in/scripts/OccasionalPublications.aspx?head=Balance%20of%20Payments%20Manual%20for%20India> (Navigation: rbi.org.in >> Home >> Publications >> Occasional)

There are some sources on Indian economy which are not topic specific. ET in the class room, published in Economic Times which comes in question and answer format helps in better understanding of concepts especially new emerging concepts. Oxford companion to economics in India edited by Kaushik Basu is an encyclopedia on Indian economy. It is a collection of many articles written on various issues related to Indian economy. It gives factual as well as conceptual clarity.

Main course

For Main Course of your Indian Economy, read the following book or books. The book, Indian Economy Performance and Policies Authored by Deepashree published by Ane Books Pvt Ltd is a simple book. In fact, it is written for B.Com Final year students of Delhi University. A student of Indian Economy needs to have an overall view about Indian Economy, and must constantly update himself by reading current issues. From that angle, this book is enough.

Indian economy by Misra and Puri is still a higher level book. It has very good

readability. Indian Economy by Ruddar Datt and K.P.M Sundaram is for ultimate readers. It is a wonderful book, as it critically analyses Indian Economy threadbare with credible data. It is, of course, a socio

political and economy reader on India. Though it has biased opinion in some of the areas undoubtedly, it is comprehensive book on Indian Economy.



TEST YOUR COMPREHENSION



1. NNP at factor cost
 - a) GNP at market price – depreciation
 - b) NNP at market price – indirect taxes
 - c) NNP at market price + subsidies
 - d) NNP at market price – indirect taxes + subsidies
2. GNP is equal to
 - a) GDP-Depreciation
 - b) NNP + Net export of remittances
 - c) GDP + Net export of remittances
 - d) GDP + Subsidies - indirect taxes.
3. Disposable Personal Income is equal to?
 - a) Personal income-Direct taxes
 - b) Personal income-indirect taxes
 - c) Personal income+indirect taxes
 - d) Personal income-Subsidies
4. The National Income was first Calculated scientifically by
 - a) Findlay Shirras
 - b) P.C Mahalanobies
 - c) Dada Bhai Naoroji
 - d) V.K.R.V.Rao
5. The National Income is being estimated by
 - a) Planning Commission
 - b) National Sample Survey organisation (NSSO)
 - c) Central Statistical organisation (CSO)
 - d) National Statistical Institute.
6. The new base year for calculation of National Income is?
 - a) 1999 -2000
 - b) 2000-2001
 - c) 1993-1994
 - d) 2004-2005
7. Which of the following is not a newly introduced index by HDR 2010?
 - a) Physical Quality Life Index
 - b) Inequality Adjusted Human Development Index
 - c) Multi Dimensional Poverty Index
 - d) Gender Inequality Index
8. Which of the following organisation does bring out human development report ?
 - a) UNESCO
 - b) UNDP
 - c) WHO
 - d) All these three organisations bring it together
9. Which of the following is true about New HDR ?
 - a) It puts a cap on per capita income in

- measuring standard of living as increasing income has diminishing utility.
 - b) It put the life expectancy age at 20 years because below that age a society cannot survive
 - c) It takes the base for education as 10 years of schooling.
 - d) None of the above
10. Poverty line is fixed on the basis of
 - a) Per capita monthly income
 - b) Per capita monthly consumption expenditure
 - c) Per capita daily calorie intake
 - d) None of the above
11. Which of the following method is followed by the planning commission for estimation of poverty
 - a) Mixed recall period method
 - b) Uniform recall period
 - c) Engel curve method
 - d) Lorenz curve method
12. The total number of unemployed is equal to
 - a) Labour force + work force
 - b) Labour force – work force
 - c) Work force - labour force
 - d) Labour force
13. Read the following statements
 - i) A person working or being engaged in any economic activity
 - ii) A person not working but actively seeking employment
 - iii) A person neither work nor seek employment

Among the above who form labour force

 - a) i only
 - b) i and ii only
 - c) i, ii and iii
 - d) None of the above
14. Which among the following measures intensity of employment
 - a) Usual principal status
 - b) Current weekly status
 - c) Current daily status
 - d) All the above
15. Which of the following unemployment cannot be eliminated
 - a) cyclical unemployment
 - b) disguised unemployment
 - c) under employment
 - d) natural unemployment
16. Which one of the following is revenue receipt?
 - a) Compulsory deposits

- b) Recoveries of loans
c) Dividends and profits
d) Market loans
17. Fiscal deficit is equal to
a) Total Expenditure – total receipts
b) Budget deficit – interest payments
c) Total expenditure – total receipts other than borrowings and liabilities
d) Capital expenditure – Capital receipts
18. Among the following which one is direct tax?
a) Fringe benefit Tax
b) Sales Tax
c) Service tax
d) Excise duties
19. As per FRBM act in which year the revenue deficit should be zero?
a) 2006 – 2007
b) 2008 – 2009
c) 2009 – 2010
d) 2007 – 2008
20. In which year railway budget separated from general budget?
a) 1914
b) 1952
c) 1948

- d) 1924
21. Which committee recommended the introduction MODVAT?
a) L.K.Jha Committee
b) Raja Chellai Committee
c) Kelkar Committee
d) Chandrasekhar Committee
22. Tax on tax for specific purpose is called
a) Surcharge
b) Additional duties
c) Counter veiling duties
d) Cess
23. Among the following which come under the jurisdiction of state governments?
a) Corporation tax
b) Customs duties
c) Land revenue
d) Stamp duties on financial document
24. Match the following
- | | |
|--|---------|
| A) Service area approach | 1. 1995 |
| B) Regional rural banks | 2. 1972 |
| C) Differential interest rate scheme | 3. 1975 |
| D) Rural infrastructure development fund | 4. 1988 |

Codes

	A	B	C	D
a)	4	2	1	3
b)	3	2	1	4
c)	1	2	3	4
d)	4	3	2	1

25. First fully owned Indian Bank is

- a) Oudh Commercial Bank
b) Punjab national Bank
c) Bank of Punjab
d) State Bank of India

26. Commercial banks and financial institutions are raising additional funds by means of

- a) Commercial papers
b) Term deposits
c) Certificates of deposits
d) Treasury bills

27. Which one is selective credit control tool

- a) Liquidity adjustment facility
b) Bank rate
c) Variable reserve ratio
d) Regulation of margin

28. National housing bank is subsidiary of

- a) LIC housing
b) RBI
c) HDFC
d) HUDCO

29. Which of the following system is followed by India for issuing money?

- a) Mixed exchange system
b) Fixed fiduciary system
c) Proportional reserve system
d) Minimum reserve systems

30. Which of the following is not a Nationalised bank?

- a) Indian Overseas Bank
b) Dena Bank
c) Bharath overseas Bank
d) United Commercial Bank

31. Which of the following condition has to be satisfied by a scheduled Commercial Bank?

- a) It should be an Indian Bank
b) It should have reserve of more than ₹ 50 Crore.
c) It should have branches in backward areas
d) It should have paid up capital of not less than ₹ 5 lakhs

32. The Market where the overnight borrowing and lending takes place is called as?

- a) Short notice market
- b) Call money market
- c) Treasury bill market
- d) Ad hoc treasury bill market

33. Among the following which one is quantitative method of Credit control?

- a) Bank rate policy
- b) Variable portfolio ceiling
- c) Variable capital-asset ratio
- d) Regulation of margin requirements

34. What is the target for agriculture under priority sector lending?

- a) 13.5%
- b) 4.5 %
- c) 40%
- d) 18%

35. Which among the following is true about Non Banking Financial Companies (NBFCs)?

- a) NBFCs cannot accept fixed deposits
- b) They are part of clearing arrangement
- c) They cannot accept saving deposits
- d) NBFCs are regulated under Banking regulation Act.

36. Which of the following is a public issue?

- a) Private placement
- b) Sweat equity issues
- c) Rights issue
- d) None of the above

37. Which of the following is true about depositories?

- a) They accept deposits from stock brokers
- b) They keep the share documents of brokers and sub brokers in their custody
- c) They keep the securities in electronic format
- d) They buy undersold shares

38. Sensex is the index of

- a) Top thirty companies in NSE
- b) Top fifty companies in BSE
- c) Top thirty companies in BSE
- d) None of the above

39. Which of the following is not a RBI controlled NBFC?

- a) Asset finance company
- b) Loan company
- c) Investment company
- d) Merchant Banking company

40. Which of the following is not part of 'Other Deposits with RBI'?

- a) Deposits of quasi-government and other financial institutions including primary dealers
- b) Balances in the accounts of foreign central banks and governments
- c) Accounts of international agencies such as the IMF etc, and
- d) Provident, gratuity and guarantee funds of government employees

41. Which of the following is the formula of money multiplier

- a) M_3/M_1
- b) M_1/M_3
- c) M_3/M_0
- d) M_0/M_2

42. When inflation rise above 20% it is called as

- a) Galloping inflation
- b) Walking inflation
- c) Trotting inflation
- d) Running inflation

43. From October 2009 WPI inflation is being calculated

- a) Weakly
- b) Bimonthly
- c) Fortnightly
- d) Monthly

44. Price rise due to increase in the wage is called?

- a) Demand pull inflation
- b) Disinflation
- c) Cost push inflation
- d) Stagflation

45. In case of Deflation who among the following is the loser?

- a) Fixed income group
- b) Creditors
- c) Consumers
- d) Debtor

46. Balance of Payment is a systematic record of

- a) Money inflow and out flow of Government.
- b) Money inflow and outflow of private and Government Companies &, corporation, Enterprises.
- c) Money inflow and outflow of the country as a whole.
- d) Government's transaction with international financial bodies like IMF, world Bank etc.

47. Which among the following is / are true?

- a) Balance of Trade is always equal (Zero).
- b) Balance of Trade is always Positive (favourable).

c) Balance of Capital account is neither positive (favourable) nor negative (unfavorable).

d) Balance of Payment is always equal (Zero).

48. Which among the following come under capital Account?

a) Purchase of property in a foreign country.

b) Official sale of reserve.

c) Shipment charge for capital goods by a ship.

d) None of the above

49. What is the purpose of Purchasing Power Parity based exchange rate?

a) Merchandise Trade invoice.

b) International economic comparison.

c) To bring uniformity in the Balance of payment accounting system throughout the world.

d) To fulfill the IMF mandate.

50. Voluntary increase in the value of domestic currency against a foreign is called as?

a) Depreciation

b) Revaluation

c) Appreciation

d) Devaluation

51. Which of the following is top level organisational structure of WTO?

a) General council

b) Ministerial conference

c) Dispute settlement body

d) Goods council

52. Which of the following is not covered by TRIPs agreement?

a) Patent

b) Service mark

c) Trade secret

d) None of the above

53. The principle of Most Favoured Nation calls for

a) Equal treatment for foreign goods and domestic goods in internal sale and consumption

b) Equal treatment for import from all countries

c) Giving special treatment for goods imported from developing and least developed countries

d) Giving market access to agricultural product

ANSWERS

1.d	2.c	3.a	4.d	5.c	6.d	7.a	8.b
9.b	10.b	11.b	12.b	13.b	14.c	15.d	16.c
17.c	18.a	19.b	20.d	21.a	22.d	23.c	24.d
25.b	26.c	27.d	28.b	29.d	30.c	31.d	32.b
33.a	34.d	35.c	36.d	37.c	38.c	39.d	40.d
41.c	42.a	43.d	44.c	45.d	46.c	47.d	48.a
49.b	50.b	51.b	52.d	53.b			

BIBLIOGRAPHY

- Adam Smith, Wealth of Nations, Bantam Classic Edition, March 2003
- Bakshi, P.M. The constitution of India
- Balance of Payments Manual for India, RBI, September 2010
- Bhatia, H.L. Public Finance
- Bulletin, RBI, July 1998
- -----, October 1999
- Durga Das Basu, Introduction to the constitution of India
- Economic Survey, 2004-05
- -----, 2005-06
- -----, 2006-07
- -----, 2007-08
- -----, 2008-09
- -----, 2009-10
- -----, 2013-14
- Ganguly, S.P. Control over public finance in India
- Human Development Report, UNDP, 2010
- Jhinghan, M .L, Monetary Economics
- -----The Economics of Development and Planning
- Rajendra Kumar, P. Handbook on Service Tax
- Ruddar Datt, Sundharam K.P. M. Indian Economy
- Yojana, April 2007
- -----, May 2007

INDEX

Absolute Poverty 51
 Activity Status 55
 Ad hoc 106
 Administrative Measures 150
 Ad valorem 78
 Aggregate Measurement of support 179
 Agreement on Agriculture 178
 Alternate Minimum Tax 79
 Amber Box subsidies 178
 Anti-Dumping Duty 86
 Appreciation 165
 Art 252 85
 Art 268 85
 Art 268 (A) 85
 Art 269 85
 Art 270 85
 Article 85
 Asset Finance Company 126
 Authorised capital 120
 Balance of Payment 149, 157
 Banker's Bank 92
 Banking Capital 160
 Bank of Issue 92
 Bank rate Policy 93
 Barriers to trade 177
 Base 141, 143
 Base Effect 152
 Basel III 110
 Basel Norms 110
 Base Money 135
 Bilateral Loans 70
 Bill Market 106
 Blue Box Subsidies 180
 Bonus Issue 121
 Borrowings 68
 Broad Money 136
 Brokers 122
 Budget Deficit 74
 Bull and Bear Trading 127
 Buy Back 128
 Called up capital 120
 Call Market 106
 Call Money Market 105
 Call option 122

Calories 52
 Capital 111
 Capital Account 158
 Capital Account Balance 162
 Capital Account Convertibility 168
 Capital Account Convertibility Committee 168
 Capital Adequacy Ratio 97
 Capital Expenditure 73
 Capital investment 36
 Capital Market 91, 115
 Capital output ratio 36
 Capital Receipts 68
 Cash Reserve Ratio 94
 Cash trading 122
 Central Sales Tax 81
 Central Statistical Organisation 37
 Certificates of Deposits 107
 Cess 85, 86
 Ceteris paribus 24
 Chronic 56
 Clearing Banks 124
 Clearing Houses 124
 Coinage 67
 Commercial Bill Market 106
 Commercial Papers 107
 Committee on Fuller Capital Account Convertibility II 168
 Commodities Transaction Tax 79
 Common Market 171
 Comparative Advantage 171
 Compensation Bonds 70
 Consolidated Fund of India 65
 Construction of Price Index 141
 Consumer Price Index 141
 Consumer Price Index for Industrial Workers 143
 Consumer Price Indices 145
 Consumption Method 34, 35
 Contingency Fund of India 66
 Controller of Credit 92
 Convertibility 167
 Convertible- Non Convertible Securities 128
 Co-Operative Banks 103
 Copy Right 180
 Core Inflation 152
 Corporate Tax 67, 79
 Cost dumping 86
 Cost Push Inflation 146
 Council for Trade in Goods 177
 Council for Trade in Service 177
 Counter cyclical capital buffer 112
 Countervailing duty 86
 CPI-AL 52
 CPI for Industrial Worker 144
 CPI for Rural Labourers and Agricultural Labourers 145
 CPI for Urban Non-Manual Employees 145

CPI-IW 52	Direct Taxes 79
CPI-UNME 52	Discount Market 106
Credit Control 149	Discount Rate Policy 93
Creeping Inflation 146	Disguised Unemployment 59
Cumulative and Non-cumulative Shares 128	Disinflation 152
Currency 67	Disposable Personal Income 32
Current Account 157	Dispute Settlement Body 177
Current account balance 158	Dividends and Profits 67
Current Account Convertibility 168	Domestic Support 178
Current Daily Status 55, 57	Economic and Monetary Union 171
Current Weekly Status 55, 56	Economic Integration 170
Customs Duties 67, 80	Economic services 68
Cyclical Unemployment 59	Educated Unemployment 59
Dated Government Securities 107	Effects of Inflation 148
Debenture 118	Effects of Tax 78
Debt capital receipts 68	Engel's law 61
Debt Service Ratio 173	Equipment leasing company 125
Deficit 74	Equity shares 118
Deflation 139, 151	Excess Reserve 135
Demand Pull Inflation 146	Exchange Rate 164
Demat 123	Excise Duties 80
Demutualisation 123	Exclusive right 182
Depositories 123	Expenditure Method 34, 35
Depository Receipts 162	Expenditures 72
Depreciation 30, 165	Export 157, 178
Derivatives 122	Export Subsidies 180
Devaluation 165	External assistance 159
Differential Rate of Interest Scheme 108	External Borrowings 70

External Commercial Borrowings 159	General Sales 81
Financial Inclusion 109	Geographical Indicator 181
Fiscal consolidation 87	Gini coefficient 60
Fiscal Deficit 74, 82	GNI 42, 46
Fiscal Policy Strategy Statement 82	Goods and Service Tax 81
Fiscal Responsibility and Budget Management 65	Goods Council 177
Fiscal Services 67	Government Securities Market 118
Fiscal Slippage 87	Grants in Aid Contributions 68
Foreign Currency Assets 163	Green Box Subsidies 179
Foreign Direct Investment 161	Gross Domestic Product 29
Foreign Institutional Investment 162	Gross National Product 29
Foreign Investments 161	GST 81
Forward trading 122	Hedge Funds 129
FRBM ACT 81	High Net Worth Individual 128
Free Trade Agreement 170	Hire-Purchase Company 125
Frictional Unemployment 58	Human Development 39
Funded Securities 69	Human Development Index 41
Futures 122	Hybrid HDI 48
Galloping Inflation 146	Hyperinflation 146
GATT 177	Impact of Tax 78
GDP 42, 82	Import 157
GDP Deflator 33	Incidence of Tax 78
Gender Inequality Index 48	Income 158
General Agreement on Tariffs and Trade 177	Income Method 34, 35
General Agreement on Trade in Services 178, 182	Income Tax 67, 78
General Budget 65	Incremental Capital Output Ratio 36
General Council 177	Index 123
General Price Index 141	Index of Industrial Production 37

Indirect Tax 79	Marginal standing facility 96
Industrial Designs 181	Market Access 178
Industrial Securities Market 118	Market capitalisation 123
Inequality-Adjusted HDI 47	Market Loans 69
Inflation 139	Market Stabilisation Scheme 96
Input tax credit 80	Merchant banker 120
Interest Payments 72	Merchant Banking companies 126
Interest Receipts 67	Merchant Banks 126
Intermediate Money 136	Merchant cum Money Lenders 107
Internal Borrowings 68	Microeconomics 25
International Trade Organisation 177	Mid-Term Fiscal Policy Statement 82
Investment Company 126	Minimum access 178
Invisibles 158	Minimum Alternate Tax 79
Issue Process 120	Ministerial Conference 177
Kuznets Curve 60	Mint 67
Labour force 55	Mixed Recall Period 53
Laffer curve 86	Modified VAT 80
Law of diminishing capability of income 44	ModVAT 80
Lead Bank Scheme 108	Monetary Aggregates 135
Leverage Ratio 112	Monetary Functions 91
Liquidity 111, 112	Monetary Measures 149
Liquidity Adjustment Facility 94	Monetised Deficit 75
Liquidity Aggregates 137	Money 133
Liquidity Coverage Ratio 112	Money Lenders 107
Loan Company 126	Money Market 89, 91
Lorenz curve 60	Money Multiplier 137
Macroeconomic Frame Work 82	Most Favoured Nation 177
Macroeconomics 25	Multi-Dimensional Poverty Index 47

Multilateral Loans 70	Non-Resident Ordinary Rupee Account 161
Mutual Funds 129	Non Scheduled Banks 103
NABARD 103	Non-Tariff Barrier 169
Narrow Money 136	Non tax Receipts of Union Territories 68
National Income 27	Non Tax Revenues 67
National Income at Constant Price 32	NSSO 52, 53, 55
National Income at current price 32	Octroi 81
National Income Growth 33	Off-budget Liabilities 87
National small saving fund 70	Offer for Sale 129
National Stock Exchange 122	Offshore Funds 162
National Treatment 177	Old Banks 101
Natural Unemployment 60	Old Issue Market 122
NEER 173	Online Trading 125
Net Asset Value 128	Open Market Operations 94
Net National Product 30	Open Unemployment 59
Net Stable Funding Ratio 112	Options 122
New and old issue market 119	Other Accounts 70
New Banks 101	Other Fiscal Services 67
New issue Market 119	Other General Services 68
Nifty 123	Other Internal Debt 69
Nifty Junior 123	Other Liabilities 70
NNP at factor cost 30	Other Non-Tax Receipts 67
Non-debt capital receipts 71	Other Taxes and Duties 67
Non-Factor Services 158	Outcome Budget 75
Non-Performing Assets 113	Output Method 34, 35
Non Plan Expenditure 74	Overall balance 163
Non- resident deposits 160	Overnight Market 106
Non-Resident External Rupee Account 161	Over the Counter Exchange 122

Paid up capital 120	Proportional Taxation 77
Patents 181	Provident Funds 70, 71
Peace Clause 183	Public Accounts of India 66
Performance and Programme Budgeting 75	Public Finance 63
Personal Income 31	Public issues 119
Philips Curve 151	Publicity 98
Plan Expenditure 74	Purchasing Manager's Index 37
Portfolio (or) Rentier Investment 162	Purchasing Power Parity 166
Postal Deficit 73	Put option 122
Poverty 47, 51, 52, 53	Qualified Institutional Buyers 121
Poverty and Unemployment 49	Quantitative methods 93
PPP US \$ 42, 46	Quintile Income Ratio 51
Predatory Dumping 86	Quota 169
Preference shares 118	Rangarajan Committee 54
Preferential Trade Agreement 170	Rationing of Credit 97
Price dumping 86	Redemption at par 106
Price Earnings Ratio 128	REER 173
Price Index 141, 142, 144	Reflation 152
Primary dealers 135	Regional Rural Banks 103
Primary Deficit 75	Regressive tax 78
Priority Sector Lending 108	Regressive Taxation 77
Private Transfers 158	Regular Treasury Bills 107
Production Method 34, 35	Regulation of Consumer Credit 97
Production Subsidies 169	Regulation of Margin Requirements 96
Product Method 34, 35	Relative Poverty 51
Product patent 182	Rentier investment 162
Progressive Taxation 77	Repo Rate 95
Promotion of Micro Credit 110	Reserve Bank of India 91

Reserve capital 120	Short-term debt 160
Reserve Money 135	Short Term Structures 104
Reserves 163	Small Saving Scheme 70, 71
Reserve Tranche 164	Social services 68
Revaluation 166	Special and Differential treatment 178
Revenue Deficit 82	Special Floating 70
Revenue Expenditure 72	Special safeguard mechanism 178
Revenue Receipts 66	Specific duty 78
Reverse Repo Rate 95	Stagflation 152
Rights Issue 121	State Co-operative Bank 104
Risk management and supervision 112	Statutory Liquidity Ratio 94
Rolling Settlement 124	Stock Broking Company 127
Runaway 146	Stock Exchange 122, 123
Running Inflation 146	Structural Unemployment 58
Sales Tax 80	Sub-brokers 122
Scheduled Banks 102	Sub Markets 105
S&D box subsidies 179	Subscribed capital 120
SDR 164	subsidies 178
SDR Holdings 164	Supervisory Functions 98
Securities Market 117	Surcharge 85, 86
Securities Transaction Tax 79	Sweat Equity Issue 121
Securitisation 128	Swiss Formula 183
Selective Credit Controls 96	Tariff 178
Sensitive index 123	Tariff Barriers 169
Service Council 177	Tariffication 178
Service Tax 67, 81	Tariff reduction 178
Short Notice Market 106	Tax 76, 77, 78, 79, 80, 81, 82, 84
Short Selling 127	Tax Base 76

Tax Buoyancy 76	Unemployment 54
Tax Elasticity 76	Uniform Recall Period 53
Taxes of Union Territories 67	Union Excise Duties 67
Tax rate 77, 78	United Nations Development Programme 41
Tax Revenues 67	Unorganised Sector 107
Tax Sharing Mechanism 84	Uruguay round 177, 178
Tendulkar Committee 54	Usual Activity Status 55
Trade balance 158	Usual principal Status 56
Trade Mark 181	Value Added Tax 80
Trade Policy Review Body 177	Variable Portfolio Ceiling 97
Trade Related Aspects of Intellectual Property Rights 178	Variable Reserve Ratio 94
Trade Related Aspects of Investment Measures 178, 182	Venture Capital Companies 126
Trade Related Intellectual Property Rights 180	Venture Capital Fund 126
Trade Secret 182	Voluntary Unemployment 59
Treasury Bill 106	Walking or Trotting Inflation 146
TRIMS 182	Ways and Means Advance 69
TRIPS 180	Wealth tax 79
Trotting Inflation 146	Wholesale Price Index 143
Ultra-high net worth individuals 128	Work force 55
Under employment 59	WTO 177, 178
Underwriter 120	Zero based Budget 75