PREVIOUS YEARS' EXAMINATION QUESTIONS

1 Mark Questions

1. Examine the functioning of World Trade Organisation (WTO). **Delhi 2016**

or

State any two functions of 'World Trade Organisation.' **Delhi 2013**

Ans. The two functions of World Trade Organisation (WTO) are:

(*i*) It sets the rules for global trading system.

(*ii*) It promotes free and fair trade amongst different countries of the world.

2. How is 'barter system' practised among various tribal communities in the world? **Delhi 2016**

Ans. In tribal communities, the barter system is practised by direct exchange of goods; money is not used.

3. Assess the positive aspect of 'trade liberalisation'. **HOTS; All India 2016**

Ans. Trade liberalisation refers to opening up of economies for trading. It allows goods and services from everywhere to compete with domestic goods and services thereby giving greater choices.

4. How is the favourable balance of trade an indicator of economic development of a country? **All India 2016**

Ans. A favourable balance of trade means that the value of exports is more than the value of imports. This means that the country is earning money by selling its goods which is an indicator of economic development of a country.

5. What are naval ports? Give one example of naval port. **All India 2013**

Ans. Naval ports are those ports which are strategically important as they serve warships and have repair centres for them. Examples of naval ports are Kochi and Karwar.

6. Name the regional trade bloc of which India is a member. **Delhi 2010**

Ans. India is a member of SAFTA (South Asian Free Trade Agreement).

7. Which city is the headquarters of the Organisation of Petroleum Exporting Countries (OPEC)? **Delhi 2010**

Ans. The headquarters of OPEC is in Vienna.

8. Name the type of most of the great ports of the world. **All India 2010**

Ans. Most of the great ports of the world are comprehensive ports.

9. Categorise the international trade into two types. **All India 2010**

Ans. Two types of international trade are:

(*i*) Bilateral trade

(*ii*) Multilateral trade

10. What was the initial form of trade in the primitive society? **All India 2009**

Ans. The initial form of trade in the primitive society was barter system.

11. Name the international organisation dealing with the global rules of trade between nations. **All India 2008**

Ans. The international organisation dealing with global rules of trade is World Trade Organisation (WTO).

3 Marks Questions

12. Explain with example how 'stage of economic development' and 'foreign investment' become the basis of international trade. **Delhi 2013**

Ans. In modern times, trade is the basis of the world's economic organisation and is related to the foreign policy of nations. The stage of economic development and foreign investment have become the basis of international trade due to following reasons:

Size of Economic Development The nature of trade changes with the change in stage of economic development of countries. In developed economies, manufactured goods, machinery are traded for raw materials but in less developed economies, agro products are traded for industrial goods.

Foreign Investment Developing countries lack in capital which is required for the development of mining, oil drilling, heavy engineering, lumbering and plantation agriculture. Foreign investment can boost trade in these countries. Like in India, foreign investment in service sectors has made India one of the leading service provider countries in the world.

13. What is free trade? Give two advantages of free trade. **All India 2013**

Ans. The act of opening up economies for trading is known as free trade or trade liberalisation.

Two advantages of free trade are as follows:

(*i*) It makes the economy more open and trading easier by bringing down trade barriers.

(*ii*) Trade liberalisation or free trade creates the environment of competition between the goods produced globally and the domestic goods.

14. Why are ports called 'gateways of international trade'? Explain any three reasons. **Delhi 2011**

Ans. The chief gateways of the world of international trade are the harbours and ports.

Ports are called gateways of international trade due to the following reasons:

(*i*) These ports facilitate the passage like cargos and travellers.

(*ii*) These ports provide facilities like docking, loading, unloading and storage facilities for cargo.

(*iii*) Large ports offer particularly attractive locations for lead industries and distribution-intensive enterprises.

15. Study the table given below carefully and answer the following questions. **Delhi 2011**

World Imports and Exports (in US$)

	1955	1965	1975	1985	1995	2005
Exports Total Merchandise	95,000	19,0000	877,000	1,954,000	5,162,000	10,393,000
Imports Total Merchandise	99,000	199,000	912,000	2,015,000	5,292,000	10,753,000

(*i*) Which decade shows the highest increase of total value of imports and exports of goods and services?

(*ii*) How much is the increase in total value of exports during 1955 to 2005?

Ans. (*i*) 1965-1975 shows the highest increase of total value of imports and exports of goods and services.

(*ii*) The total value of exports was increased by 10.2 million of US $ during 1955 to 2005.

16. Classify ports of the world into two types on the basis of their location. Explain any two features of each type of ports. **Delhi 2010**

Ans. Ports are classified into following two types on the basis of their location:

(*i*) Inland ports (*ii*) Out ports

Two features of each of these ports are as follows:

Inland Ports

(a) These ports are connected to sea through a river or a canal.

(b) They are located away from the sea coast, e.g. Manchester, Memphis, Mannheim and Duisburg; and Kolkata.

Out Ports

(a) These ports serve the parent ports by receiving their large ships.

(b) These are built away from the actual ports in deep water.

17. Explain the three aspects of international trade. **All India 2010**

or

Analyse the three important aspects of international trade. **Delhi 2009**

Ans. International trade has three very important aspects. These are:

Volume of Trade Volume refers to the actual tonnage of goods traded. But services traded cannot be measured in tonnage. Hence, volume of trade is measured simply as the total value of goods and services traded.

Composition of Trade The nature of goods and services traded by countries has been changed during the last century as the percentage of primary products in the total traded goods was maximum in the beginning of the last century. Later manufactured goods dominated and presently service sector is showing a rising trend.

Direction of Trade The world trade pattern underwent drastic changes during the second half of the 20th century. The developing countries like India and China have started competing with developed countries. The nature of the goods traded has also changed.

18. How is the difference in national resources a basis of international trade? Explain with three examples. **All India 2010**

or

Explain how the difference in natural resources becomes one of the bases of international trade. **Delhi 2009**

Ans. The distribution of world's national resources is uneven due to different physical make ups like:

Geological Structure Distinct geological structure and topographical differences ensure diversity of crops and animals raised. Like agricultural activity is more in lowland areas, mountains are good for tourism, etc.

Mineral Resources Different regions of the world have different proportion of mineral resources and these mineral resources provide the basis for the development of industries.

Climate It influences flora and fauna of a particular region. It ensures the diversity in the range of various products, e.g. wool production in colder regions, certain cash crops like cocoa, coffee in tropical regions.

5 Marks Questions

19. "In modern times international trade is the basis of the world economy." Support the statement with example. **HOTS; All India 2017**

Ans. International trade is the base of the world economy in the modern times. The exchange of surplus goods between different countries is called International trade. It is basis of the world economy because:

(*i*) The resources are unevenly distributed. International trade help in removing these differences.

(ii) International trade lead to foreign investment in developing countries which lack in capital required for the development.

(iii) Export and import help countries to gain foreign exchanges.

(iv) Trade also help to raise the standard of living of the people of the developing countries.

(v) International trade is the index of economic development of a country.

20. Differentiate between bilateral trade and multilateral trade. Explain how ports are helpful in trade. **Delhi 2014**

Ans.

Basis	Bilateral Trade	Multilateral Trade
Involvement of countries	It is the trade between two countries.	It is the trade among different trading partners.
Complementary or Supplementary	In this type of trade, commodities of two countries are complementary.	The trade is not complementary but supplementary.
Variation in Commodities	This type of trade is limited to certain commodities.	This type of trade includes exchange of various types of goods and services.

Ports are helpful in trade because:

(i) Ports are gateways of international trade.

(ii) They promote international trade.

(iii) Ports provide facilities of docking, loading, unloading and storage facilities for cargo.

(iv) Large amount of goods can be taken in by ships.

(v) The quantity of cargo handled by a port is an indicator of the level of development of its hinterland.

21. Why are ports known as 'gateways of international trade'? Explain any three characteristics of inland ports. **All India 2014**

Ans. Ports are the chief gateways of the world of international trade. They are called so due to the following reasons:

(i) These ports facilitate the passage of cargos and travellers from one country to another.

(ii) These ports provide facilities of docking, loading, unloading and storage facilities for cargo, which are meant to export or import. In order to provide these facilities, the port authorities make arrangements for maintaining navigable channels, arranging tugs and barges and providing labour and managerial services.

(iii) Large ports offer particularly attractive locations for lead industries and distribution-intensive enterprises.

Important characteristics of the inland ports are as follows:

(i) Inland ports are located away from the sea coast.

(ii) They are linked to the sea through a river or a canal, e.g. Manchester is linked with a canal.

(iii) Such ports are accessible to flat bottom ships or barges.

22. What is the role of 'World Trade Organisation' as an international organisation? Why has the World Trade Organisation been criticised by some countries? Explain the role of World Trade Organisation. **Delhi 2014**

or

Explain any two functions of WTO. Why has this organisation been criticised? Give three arguments in this regard. **All India 2011**

Ans. World Trade Organisation was set-up on 1st January, 1995 after transformation of GATT (General Agreement for Tariffs and Trade).

The two functions of WTO are as follows:

(*i*) It sets the rules for the global trading system.

(*ii*) It promotes free and fair trade amongst different countries of the world.

WTO or World Trade Organisation has always been critisised by those who are worried about the effects of free trade and economic globalisation. The critique of WTO is based on an argument that free trade is not beneficial to the ordinary people as it is widening the gulf between rich and poor by making rich countries more rich. This is because the influential nations try to satisfy their commercial interests through WTO.

In addition, these countries have not fully opened their markets to developing countries. Critics also argue that important issues like health, workers' rights, child labour and environment have been ignored by WTO.

On 1st January, 1995, the GATT was transformed into the World Trade Organisation to set-up an institution for the promotion of free and fair trade amongst different countries of the world. The WTO sets the rules for the global trading system. This system also covers trade in services, such as telecommunication and banking and other issues including intellectual rights.

23. Explain the two types of international trade. Examine any three possible negative impacts of globalisation alongwith free trade in the world. Delhi 2013

Ans. International trade is the exchange of capital, goods and services across international borders or territories.

There are two types of international trade:

Bilateral Trade It refers to the trade between two countries. The two countries are specialised in certain commodities and hence, they enter into an agreement to trade specified commodities between them.

Multilateral Trade It is conducted with many trading countries. The same country can trade with a large number of other countries. The status of the Most Favoured Nation (MFN) can be granted by such country to some of the trading partners.

Three possible negative impacts of globalisation alongwith free trade in the world are as follows:

(*i*) It does not provide level playing field by imposing unfavourable conditions hence, retard the growth of trade for developing countries.

(*ii*) Cheaper goods from foreign countries may harm the sell of domestic goods.

(*iii*) The phenomena of dumping may be visible in the markets of developing countries.

24. Explain any five bases of international trade. Delhi 2012, 08, All India 2012

or

Examine the five bases of international trade which are responsible for promoting international trade. All India 2011

Ans. Five bases of international trade are as follows:

Difference in National Resources The distribution of world's national resources is uneven due to different physical make ups like geology, relief, soil and climate.

Population Factors Type and volume of goods traded between different regions of world are affected by the size, distribution and diversity of people. It includes cultural factors and size of population.

Stage of Economic Development The nature of commodities traded changes with the change in stage of economic development of countries. In less developed countries, agriculture is the most important sector. These countries export agro products to the industrialised nations and import machinery and finished products from them.

Extent of Foreign Investment Developing countries lack in capital which is required for the development of mining, oil drilling, heavy engineering, lumbering and plantation agriculture.

Transport With the development of modern means of transport and the expansion of rail, ocean and air transport, trade has expanded spatially. In early time, only high value items, e.g. gems, silk and spices were traded over long distances because of the lack of efficient means of transport.

25. Why are ports called gateways of international trade? Explain any three facilities provided by them.

All India 2008

Ans. The word 'port' is derived from the Latin word 'porta' which means door or gateway. It play an important role in international trade. Therefore they are called gateways of International trade. cargos and travellers pass from one port of the world to another through there ports.

They act as collection centres of commodities from their hinter land for further shipment to foreign destinations on one hand. On the other hand, they act as receiving centres of foreign consignment. International trade on large scale is possible only through these ports.

Ports are helpful in trade by:

(*i*) Promoting international trade.
(*ii*) Provide facilities of docking.
(*iii*) Storage facilities of cargo.
(*iv*) Maintain Navigable channels.
(*v*) Arrange tugs and barges.

Value Based Questions

26. "Fifteenth century onwards, the European colonialism began and along with trade of exotic commodities, a new form of trade emerged which was called slave trade. The Portuguese, Dutch, Spaniards, and British captured African natives and forcefully transported them to the newly discovered Americas for their labour in the plantations. Slave trade was a lucrative business for more than two hundred years till it was abolished in Denmark in 1792, Great Britain in 1807 and United States in 1808."

Which value leads to abolition of slave trade?

Ans. Slave trade was abolished due to following values:

(*i*) Racism towards Black people.
(*ii*) Freedom
(*iii*) Dignity of Black people.

27. "International trade is the result of specialisation in production. It benefits the world economy if different countries practice specialisation and division of labour in the production of commodities or provision of services. Each kind of specialisation can give rise to trade. Thus, international trade is based on the principle of comparative advantage, complementarity and transferability of goods and services and in principle, should be mutually beneficial to the trading partners."

Which value is benefitted by international trade?

Ans. International trade benefits following values:

(*i*) Globalisation
(*ii*) Liberalisation
(*iii*) National Pride