

Enrollment No./Seat No.:

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA - SEMESTER - I EXAMINATION - WINTER 2025

Subject Code: MB01093021

Date: 17-01-2026

Subject Name: International Economic Environment

Time: 10:30 AM TO 01:30 PM

Total Marks: 70

Instructions

- 1. Attempt all questions.**
- 2. Make suitable assumptions wherever necessary.**
- 3. Figures to the right indicate full marks.**
- 4. USE of SIMPLE calculators AND non-programmable scientific calculators are permitted.**

	Marks
Q.1 ALL 7 Questions must be Compulsory.	14
(a) Non-Tariff Barriers	
(b) Green Trade	
(c) Oligopoly	
(d) Portfolio Investment	
(e) OMO	
(f) Exchange Rate Stabilization	
(g) Market Structure	
Q.2 (a) Differentiate between microeconomics and macroeconomics in the context of international business.	07
(b) Explain theory of demand with suitable example and graphical presentation	07
OR	
(b) Discuss the international economic environment in the context of India.	07
Q.3 (a) Differentiate between perfect competition and monopolistic competition.	07
(b) Describe the characteristics of monopoly market with suitable example.	07
OR	
(a) Compare and contrast market structures under Perfect Competition and Oligopoly with relevant examples.	07
(b) Discuss the economic and political rationale for implementing trade restrictions in emerging economies.	07
Q.4 (a) Evaluate the impact of a country's Balance of Payments (BOP) status on its national currency movements	07
(b) Explain the components of a Current Account and analyze its significance in assessing a country's economic health	07

OR

- (a) Describe the role of Portfolio Investments in international capital flows and their associated risks 07
- (b) Detail the tools of Monetary Policy used by central banks for inflation control and exchange rate stabilization 07

Q.5

The Government of India has outlined a strategic roadmap for fiscal consolidation while maintaining a focus on capital expenditure to drive sustainable growth. In the latest budgetary framework, the fiscal deficit target was set at 4.9 percent of the Gross Domestic Product (GDP) for the year 2024-25, with a commitment to reducing it further to below 4.5 percent by 2025-26. This move represents a contractionary fiscal stance aimed at stabilizing the debt-to-GDP ratio and reducing the government's reliance on market borrowing. By limiting the deficit, the government intends to lower the interest burden and free up resources for private sector investment, thereby improving the international investment climate.

However, the government faces the challenge of balancing this consolidation with high expenditure requirements for social welfare, subsidies, and infrastructure development. Historically, a high fiscal deficit has led to increased requirements for foreign borrowing and contributed to domestic inflationary pressures. To manage these open-economy macroeconomic variables, the government is exploring the use of AI in trade analytics to optimize revenue collection through better tax compliance and monitoring global economic trends. The success of this fiscal strategy is critical for exchange rate stabilization, as a disciplined fiscal path supports the strength of the Indian Rupee against major global currencies

- (a) Explain the difference between expansionary and contractionary fiscal policy as seen in the Indian context provided in the case. 07
- (b) Analyze the implications of a 4.9 percent fiscal deficit on India's requirements for foreign borrowing and its sovereign credit rating 07

OR

- (a) Discuss how the government's focus on capital expenditure and budget deficit reduction influences the international investment climate 07
- (b) Evaluate the role of fiscal policy in achieving exchange rate stabilization for the Indian Rupee in an open-economy macroeconomics framework 07
