

Enrollment No./Seat No.:

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

**Subject Code: N2519303**

**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.**
- 5. Give example wherever necessary**

	<b>Marks</b>
<b>Q.1</b> ALL 7 Questions must be Compulsory.	<b>14</b>
<b>(a)</b> GDP deflator	
<b>(b)</b> Factors of Production	
<b>(c)</b> Cross Elasticity of demand	
<b>(d)</b> Production Function	
<b>(e)</b> Perfect and imperfect market	
<b>(f)</b> Monopsony	
<b>(g)</b> Comparative advantage	
<b>Q.2 (a)</b> Discuss the determinants of demand and how they shift the demand curve.	<b>07</b>
<b>(b)</b> Apply the concept of opportunity cost with the help of the Production Possibility Frontier (PPF)	<b>07</b>
<b>OR</b>	
<b>(b)</b> Discuss the concept of elasticity of demand with suitable example.	<b>07</b>
<b>Q.3 (a)</b> Explain the applications of total, average and marginal revenue concepts in business decision making process	<b>07</b>
<b>(b)</b> Analyze the characteristics of monopolistic market with real life example	<b>07</b>
<b>OR</b>	
<b>(a)</b> Differentiate between perfect competitive market and monopoly competition.	<b>07</b>
<b>(b)</b> Analyze the relationship between interest rates and capital flows in open economies	<b>07</b>
<b>Q.4 (a)</b> Evaluate India's policy stance on import substitution vs export promotion	<b>07</b>
<b>(b)</b> Critically evaluate the impact of Brexit on the EU economy	<b>07</b>
<b>OR</b>	
<b>(a)</b> Evaluate the role of technology in improving trade efficiency	<b>07</b>

Q.5

Recently, the U.S. escalated its trade conflict with China, imposing tariffs up to 145% on Chinese goods such as electronics, solar panels, and electric vehicle batteries. China retaliated with 125% tariffs on U.S. products. The trade war, often referred to as the "trade war," disrupted global supply chains, economic strategies, and international trade relationships, especially impacting emerging economies.

#### Global Economic Implications

##### 1. Disruption of Global Supply Chains

The trade war disrupted global supply chains, especially in sectors reliant on China's low-cost manufacturing. As U.S. tariffs increased, many companies sought alternative suppliers in countries like Vietnam, India, and Malaysia. However, these countries struggled to cope with the influx of manufacturing and faced challenges in local labor markets. This shift in global manufacturing patterns highlighted the complexity of supply chains in the global economy.

##### 2. Impact on Emerging Economies

Emerging markets experienced both positive and negative impacts. Some, like Vietnam, benefited from an increase in foreign direct investment (FDI) as companies shifted production to avoid U.S. tariffs on Chinese goods. However, countries that depend on Chinese demand, such as those in Africa and Latin America, saw a decline in exports. Moreover, geopolitical tensions increased as countries were forced to align with either the U.S. or China, creating more economic uncertainty in these regions.

##### 3. Technological Decoupling

The trade war has accelerated technological decoupling between the U.S. and China. The U.S. government has imposed strict limitations on Chinese tech companies, such as Huawei, restricting access to advanced semiconductor technology. China has responded by increasing efforts to develop its own tech capabilities, reducing reliance on foreign technology. This decoupling is not only an economic issue but a strategic one, as it may affect global technological innovation and future trade dynamics.

##### 4. Global Economic Slowdown

The International Monetary Fund (IMF) warned that the trade war could reduce global GDP by up to 7% if the two countries decouple entirely. This would hurt developing nations most, as they are deeply embedded in global supply chains. The uncertainty surrounding the trade war has led to slower global investment, as companies hesitate to commit capital in an unpredictable environment, which could exacerbate issues like rising unemployment and income inequality.

#### Analysis and Policy Recommendations

##### Trade Diversification

Countries heavily reliant on U.S.-China trade should diversify their trade relationships. Engaging in regional agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or the Regional Comprehensive Economic Partnership (RCEP), can provide alternative market opportunities. This diversification helps reduce dependence on trade with the U.S. and China.

### Investment in Technology and Infrastructure

Emerging economies should invest in technological infrastructure and education to improve competitiveness. This would help reduce dependency on foreign technology and create sustainable long-term economic growth.

### Strengthening Multilateral Institutions

To mitigate the risks of unilateral actions like tariffs, countries should focus on strengthening multilateral institutions, such as the World Trade Organization (WTO), to resolve disputes and ensure fair global trade. These institutions are crucial in maintaining a stable and predictable global trade environment.

### Conclusion

The U.S.-China trade war has reshaped global trade, with significant impacts on supply chains, emerging economies, and technological decoupling. While some countries have adapted, others face risks that require strategic diversification and investment. Strengthening multilateral trade frameworks and investing in technology will be crucial for navigating these global economic challenges.

**(a)** How has the U.S.-China trade war affected global supply chains, particularly in manufacturing sectors? **07**

**(b)** In what ways have emerging markets benefited and suffered as a result of the trade war? **07**

**OR**

**(a)** What are the implications of the technological decoupling between the U.S. and China for global innovation and security? **07**

**(b)** How can countries mitigate the economic risks posed by the U.S.-China trade tensions? **07**

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