

IASbaba's Daily Prelims Test [Day 57]

TOPIC: Economics – International Economic Organizations

1. Consider the following statements regarding New Development Bank?

1. Agreement to establish new development bank was signed at Fortaleza, Brazil.
2. Bank supports Public projects and projects undertaken through PPP mode only.
3. Membership of the bank is open to developing countries only.

Which of the above statements is/are correct?

1. 1 only
2. 1 and 2 only
3. 2 and 3 only
4. All the above

Ans: (1)

Explanation:

Agreement on the New Development Bank was signed at Fortaleza, Brazil.

Bank shall support public or private projects through loans, guarantees, equity participation and other financial instruments.

The membership shall be open to members of the United Nations, in accordance with the provisions of the Articles of Agreement of the New Development Bank. It shall be open to borrowing and non-borrowing members.

For more details: <http://ndbbrics.org/agreement.html>

2. Consider the following statements regarding The International Monetary Fund (IMF).

1. Facilitating the expansion and balanced growth of international trade is one of the aims of IMF.
2. India is represented by the union finance minister as the governor and RBI governor as the alternate governor in the Board of Governors of IMF.
3. Decision making at the IMF reflects the relative positions of its member countries in the global economy.

Which of the above statements is/are correct?

1. 2 only
2. 2 and 3 only
3. 1 and 3 only
4. All the above

Ans: (4)

Explanation:

Aims of IMF:

- Promote international monetary cooperation;
- Facilitate the expansion and balanced growth of international trade;
- Promote exchange stability;
- Assist in the establishment of a multilateral system of payments; and
- Make resources available (with adequate safeguards) to members experiencing balance of payments difficulties.

The Board of Governors, the highest decision-making body of the IMF, consists of one governor and one alternate governor for each member country. The governor is appointed by the member country and is usually the minister of finance or the governor of the central bank.

Unlike the General Assembly of the United Nations, where each country has one vote, decision making at the IMF was designed to reflect the relative positions of its member countries in the global economy. The IMF continues to undertake reforms to ensure that its governance structure adequately reflects fundamental changes taking place in the world economy.

3. Consider the following statements regarding World Bank group.

1. To become a member of the International Bank for Reconstruction and Development (IBRD), a country must first join the International Monetary Fund (IMF).
2. Membership in International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) are also conditional on membership in IBRD.

Which of the above statements is/are correct?

1. 1 only
2. 2 only
3. Both 1 and 2
4. Neither 1 nor 2

Ans: (3)

Explanation:

To become a member of the Bank, under the IBRD Articles of Agreement, a country must first join the International Monetary Fund (IMF). Membership in IDA, IFC and MIGA are conditional on membership in IBRD.

4. Extended Fund Facility (EFF) is the most general of the special windows through which IMF offers credit to member countries. Consider the following statements regarding EFF.

1. The EFF was established to provide assistance to countries experiencing serious payments imbalances because of structural impediments.
2. Assistance under EFF features longer program and a longer repayment period.
3. Borrowing under the EFF has no upper limit.

Which of the above statements is/are correct?

1. 1 only
2. 1 and 2 only
3. 2 and 3 only
4. All the above

Ans: (2)

Explanation:

When a country faces serious medium-term balance of payments problems because of structural weaknesses that require time to address, the IMF can assist with the adjustment process under an Extended Fund Facility (EFF). Compared to assistance provided under the Stand-by Arrangement, assistance under an extended arrangement features longer program engagement—to help countries implement medium-term structural reforms—and a longer repayment period.

The EFF was established to provide assistance to countries: (i) experiencing serious payments imbalances because of structural impediments; or (ii) characterized by slow growth and an inherently weak balance of payments position.

Borrowing under the EFF is subject to the normal limit of up to 200 percent of a country's IMF quota annually and a cumulative limit over the life of the program of 600 percent of quota, net of scheduled repayments.

The lending rate is tied to the IMF's market-related interest rate, known as the basic rate of charge, which is itself linked to the Special Drawing Rights (SDR) interest rate.

<http://www.imf.org/external/np/exr/facts/pdf/eff.pdf>

5. The growing numbers of BIPAs made India vulnerable to investment claims initiated by private investors under the investor-to-state dispute settlement mechanism. With this background consider the following statements regarding Bilateral Investment Promotion and Protection Agreement (BIPA).

1. Under BIPA, the term 'Investment' also covers Intellectual Property Rights.
2. It provides for extending National Treatment and Most Favored Nation (MFN) treatment to foreign investments.

Which of the above statements is/are correct?

1. 1 only
2. 2 only
3. Both 1 and 2

4. Neither 1 nor 2

Ans: (3)

Explanation:

For salient features of BIPAs:

http://finmin.nic.in/the_ministry/dept_eco_affairs/icsection/Background_and_salient_features.asp

The government plans to replace bilateral investment protection treaties with a new pact that seeks to plug loopholes and enhance legal protection of foreign investors in India as well as Indian investments abroad.

New Model treaty:

https://mygov.in/sites/default/files/master_image/Model%20Text%20for%20the%20Indian%20Bilateral%20Investment%20Treaty.pdf

6. Consider the following statements regarding Asian Development Bank.

1. ADB is a multilateral development finance institution that engages only in public sector lending for development purposes.
2. Membership of ADB is open to countries in Asia and Pacific region only.
3. Finance minister is the governor for India in the board of governor at ADB and Secretary, Department of Economic Affairs is the alternate governor.

Which of the above statements is/are correct?

1. 1 and 2 only
2. 3 only
3. 1 and 3 only
4. All the above

Ans: (2)

Explanation:

ADB is a multilateral development finance institution that engages in public sector lending for development purposes. ADB also supports private sector development in various ways: It provides direct financial assistance by funding and supporting approved private enterprises, financial institutions, and private equity funds, as well as by mobilizing international capital for private companies.

Membership in ADB is open to members and associate members of the United Nations Economic and Social Commission for Asia and the Pacific; and other regional countries and non-regional developed countries that are members of the United Nations or of any of its specialized agencies.

Finance minister is the governor for India in the board of governor at ADB and Secretary, Department of Economic Affairs is the alternate governor.

7. Consider the following statements regarding World Trade Organization (WTO).

1. WTO established in 1995, by Uruguay rounds of negotiation.
2. The WTO agreements cover goods, services and intellectual property.
3. The World Intellectual Property Organization (WIPO) is a specialized agency of WTO.

Which of the above statements is/are correct?

1. 1 only
2. 1 and 2 only
3. 1 and 3 only
4. All the above

Ans: (2)

Explanation:

WTO established in 1st January 1995. It was created by Uruguay rounds of negotiation (1986-94).

The WTO agreements cover goods, services and intellectual property. They spell out the principles of liberalization, and the permitted exceptions.

The World Intellectual Property Organization (WIPO) was established by a convention of 14 July 1967, which entered into force in 1970. It has been a specialized agency of the United Nations since 1974, and administers a number of international unions or treaties in the area of intellectual property, such as the Paris and Berne Conventions.

8. Consider the following statements regarding the agricultural trade rules in the WTO's Agreement on Agriculture (AoA).

1. WTO's Agreement on Agriculture prohibits public procurement and stockholding for food security.
2. As per WTO rules support to farmers support has to be kept within a limit of 10 per cent of the value of production of the product in question.

Which of the above statements is/are correct?

1. 1 only
2. 2 only
3. Both 1 and 2
4. Neither 1 nor 2

Ans: (2)

Explanation:

The agricultural trade rules in the WTO's Agreement on Agriculture do not bar public procurement and stockholding for food security.

However, if food for such programmes is acquired at administered prices and not market prices, then this is deemed a support to farmers. As per WTO rules negotiated in the Uruguay

Round, all such support has to be kept within a limit of 10 per cent of the value of production of the product in question.

9. In WTO terminology, subsidies in general are identified by “boxes”. In this regard consider the following statements.

1. Amber box subsidies are considered to distort production and trade.
2. Green box subsidies do not distort trade, or at most cause minimal distortion.
3. Blue box includes subsidies that are linked to one product, but that do not increase production levels.

Which of the above statements is/are correct?

1. 1 and 2 only
2. 2 and 3 only
3. 1 and 3 only
4. All the above

Ans: (4)

Explanation:

https://www.wto.org/english/tratop_e/agric_e/agboxes_e.htm

10. Compulsory licensing is when a government allows someone else to produce the patented product or process without the consent of the patent owner. Consider the following statements regarding ‘compulsory licensing’.

1. Agreement on Trade-Related Aspects of Intellectual Property Rights does not allow compulsory licensing.
2. Compulsory license is given exclusively to licensees i.e. the patent-holder cannot produce the goods after granting compulsory license.

Which of the above statements is/are correct?

1. 1 only

2. 2 only
3. Both 1 and 2
4. Neither 1 nor 2

Ans: (4)

Explanation:

Article 31 of TRIPS allows compulsory licensing and government use of a patent without the authorization of its owner.

The authorization granted under compulsory licensing must also meet certain requirements. In particular, it cannot be exclusive, and it must as a general rule be granted predominantly to supply the domestic market.

The patent owner still has rights over the patent, including a right to be paid for the authorized copies of the products.

Compulsory licensing must meet certain additional requirements: it cannot be given exclusively to licensees (e.g. the patent-holder can continue to produce), and it should be subject to legal review in the country.