

INDIAN MARITIME UNIVERSITY
(A Central University, Government of India)

June 2017 End Semester Examinations
Master of Business Administration – Second Semester
International Transportation and Logistics Management/
Port and Shipping Management (2015 Batch onwards)

International Business (PG22T2205/PG21T2205)

Date : 13.06.2017
Time: 3 Hrs

Maximum Marks : 60
Pass Marks : 30

Section - A

Answer all Questions

(12X1 Mark=12 marks)

1. Trade between countries:
 - a. Determines prices of products in different countries
 - b. Decreases competition between countries
 - c. Makes a country dependent on the other
 - d. None of above
2. One major factor that has stimulated the Globalisation process is:
 - a. Effective utilisation of resources
 - b. Increase in income and wealth
 - c. Willingness to cooperate
 - d. Rapid improvement in technology
3. The country that attracts the largest FDI inflow as per 2016 is
 - a. India
 - b. China
 - c. USA
 - d. Brazil
4. Wiring of the globe refers to
 - a. All round electrification
 - b. Connecting globe by a single communication network
 - c. A broad platform for communication
 - d. None of the above
5. Economic sanctions takes place
 - a. When a treaty is in progress,
 - b. After declaration of War
 - c. Before signing a trade agreement
 - d. None of above

6. The theory of Absolute cost advantage is given by
 - a. David Ricardo
 - b. Adam Smith
 - c. Ohlin
 - d. FW Taylor
7. SAARC was incepted in:
 - a. India
 - b. Bangladesh
 - c. Bhutan
 - d. None of above
8. The headquarters of IMF and World Bank are located at
 - a. Geneva and Montreal
 - b. Geneva and Vienna
 - c. New York and Geneva
 - d. Washington
9. International Finance Corporation is an affiliate of
 - a. I.D.A.
 - b. I.B.R.D.
 - c. A.D.B.
 - d. I.M.F.
10. NAFTA does not include
 - a. Canada
 - b. Mexico
 - c. Brazil
 - d. None of the above
11. Companies that use HCNs in their subsidiaries and PCNs in corporate headquarters are following this HR policy
 - a. Polycentric
 - b. Ethnocentric
 - c. Geocentric
 - d. None of the above
12. The following is the most integral to our foreign trade policy
 - a. FEMA
 - b. MRTP
 - c. GST
 - d. Minimum wages Act

Section B

Answer any 5 out of 7 questions

(5X4 Marks = 20 Marks)

Each answer should not exceed 200 words

13. Is FDI a favoured means to improve a developing economy? Explain.
14. Explain NTB with examples
15. Comment on role of IHRM in international business
16. Write a short note on the formation of UNCTAD
17. Illustrate the role of WTO in International trade
18. Is IMF able to live up to its vision and mission? Comment
19. Enumerate the major issues faced by Indian exporters

Section C

Question No.20 is compulsory

(4X7 Marks = 28 Marks)

Answer any 3 out of 5

Answer should not exceed 500 words

20. Read the following case study and answer the questions at the end.

Outsourcing to China

It was not a difficult choice to make. Between 1998 and 2001, US imports of household cooking equipment from China more than doubled to \$640 million, forcing National Presto to decrease the price of its pans from \$49.99 to \$29.99 during that period. Cheap labor—Chinese labor is six times lower than Mexican labor—accounts for this price deflation. Continuing operations in the United States and remaining price competitive was simply not feasible. Competition on quality, which can shelter domestic manufacturing from outsourcing to developing countries, was not an alternative because Chinese products for export are just as good.

When high labor intensity is tied to quality, the Chinese can outdo industrialized countries. Another factor is that the Chinese have a combination of highly skilled management and low-skilled labor, ensuring that production is efficient and that quality standards are met. This ability to

produce high-quality goods is also what allows China to move from export manufacturing of Christmas decorations, toys, footwear, and clothing to household, consumer appliances, and, increasingly, the IT manufacturing sector.

National Presto, a US firm that makes high-quality pressure cookers and electric frying pans, had a difficult decision to make in the early 2000s. It could either outsource its production to China or see its market share continue to deteriorate. In 2002, the company closed plants in Mississippi and New Mexico, reducing its US workforce to less than half, and expanded its production in China. By 2003, all significant products marketed by the company were to be sourced from China. Proponents of free trade argue that political rhetoric against trade with China is meant to appease US fears of job losses. Yet, as seen in the following table, only 2.5 per cent of all job losses in the United States in the first quarter of 2004 were the result of overseas relocation. While some argue that this percentage is undervalued because it does not take into consideration potential job gains that never materialized, others argue that given economic conditions there was no assurance that firms that created new jobs in China would have chosen to create these jobs in the United States if outsourcing to China has not been a possibility.

Like many other US, European and Japanese companies, National Presto uses an agent in Hong Kong to subcontract production to manufacturing plants in mainland China. Larger companies like Motorola, Philips, IBM, Toshiba, and GE have more control over their manufacturing plants in China. Kyocera of Japan, for example, invested \$90 million in the early 2000s to construct a high-tech industrial park in Shilong Town of Dongguan City, Guangdong Province. Only 20 years ago Guangdong was dominated by paddy fields; today it is China's largest manufacturing cluster. China has become the world's fourth largest manufacturer, after the United States, Japan, and Germany. It has outpaced Japan to become the country having the largest trade surplus with the United States. US politicians and lobby groups blame Chinese protectionist practices for the growing trade deficit between the two nations, which in 2003 was estimated at \$124 billion.

Among the barriers the United States claims prevent a free flow of its goods to China are import barriers, unclear legal provisions applied in a discriminate manner against US imports, limitations on foreign direct investment, and an undervalued yuan. The last one has generated the most

controversy in the last few years. The Chinese yuan has been fixed at 8.28 to the dollar since 1994, a rate that critics argue to be up to 40 per cent undervalued. Yet economists do not all agree that the yuan is undervalued. Some fear that a sharp deterioration would hurt not only the Chinese economy but also those trading partners that are most heavily dependent on Chinese imports.

Reasons for job Losses	Losses	% of total
Overseas relocation	4,633	2.50
Domestic relocation	9,985	5.50
Other	167,838	92.00
Total, private non-farm sector:	182,456	100.00

CASE QUESTIONS FOR ANALYSIS:

- (i) Does the theory of comparative advantage apply to China's trade with industrialized countries? How?
 - (ii) How does the factor endowment theory apply to China's trade policy?
21. Define globalisation and explain how it has impacted international trade.
 22. Write an essay on porters national competitive advantage theory
 23. Describe multinational Strategy?
 24. Outline the major role played by ASEAN in global trade operations
 25. Write a critical note on India's Foreign Trade policy and Regulation
