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**Second Semester MBA Degree Examination, December 2011**  
**International Business Management**

Time: 3 hrs.

Max. Marks:100

**Note: 1. Answer any FOUR full questions from Q.No.1 to Q.No.7**  
**2. Question No. 8 is compulsory.**

- 1
  - a. What are the drivers of globalization? (03 Marks)
  - b. Discuss the nature and functions of foreign exchange market. (07 Marks)
  - c. Discuss the determinants of culture, affecting international business and its implications. (10 Marks)
- 2
  - a. Briefly mention the characteristics of market economy, command economy and mixed economy. (03 Marks)
  - b. What are international trade blocks? Explain the objectives and achievements of NAFTA. (07 Marks)
  - c. Explain the theory of absolute advantage, with a suitable example. (10 Marks)
- 3
  - a. What is "cross-cultural literacy"? Why is it important in international business? (03 Marks)
  - b. What are the advantages and disadvantages of globalization? (07 Marks)
  - c. How do MNCs affect the economies of home countries and host countries? Ultimately do MNCs benefit the world trade? (10 Marks)
- 4
  - a. Why do companies engage in international business? (03 Marks)
  - b. What are the implications for international business due to legal differences among different countries? (07 Marks)
  - c. What is WTO? What is the role of WTO in reduction of trade barriers among member countries? (10 Marks)
- 5
  - a. What is currency convertibility? (03 Marks)
  - b. What do you mean by business ethics? List and briefly explain atleast three ethical practices in the international business. (07 Marks)
  - c. What is IMF? Explain the functions of IMF. (10 Marks)
- 6
  - a. Why US Dollar (\$) is considered as number one "vehicle currency" of foreign exchange market? (03 Marks)
  - b. What are the factors to be considered for a company to locate its manufacturing activity so as to minimize the costs and improve the product quality, so that the company can be globally competitive? (07 Marks)
  - c. Suggest the strategies for improving the headquarters and subsidiary relationship for smooth functioning of a MNC. (10 Marks)
- 7
  - a. Differentiate collectivism from individualism. (03 Marks)
  - b. What are the measures by which a country tries to protect its industries from competition from others? Are they always fair? How are unfair measures checked? (07 Marks)
  - c. What do you mean by 'fixed exchange rate' and 'floating exchange rate'? What are the causes for decline of the Bretton Wood system (Fixed rate system)? (10 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.  
 2. Any revealing of identification, appeal to evaluator and /or equations written eg. 42+8 = 50, will be treated as malpractice.

## 8 Case Study:

## THE POLITICS OF TRADE IN STEEL

In March 2002, US President George W. Bush imposed sweeping tariffs ranging from 8 percent to 30 percent on a range of steel imports from foreign producers. The move was an attempt to rescue the US steel industry that has been shrinking for years. When the tariffs were announced, 16 American steelmakers were operating under the protection of the bankruptcy court. The managers of steel companies said, they needed the trade protection to give them time to upgrade their mills, so that, they could better compete with foreign producers. The steel industry has been receiving periodic protection of one sort or another for the past 30 years. Despite this, many producers have continued to suffer, because of more efficient foreign producers.

The main losers of the Bush tariffs appear to have been foreign producers and US consumers. Producers in the European union were particularly angered by the tariffs, since more than one-third of their \$4 billion worth of steel exports was to be hit by a 30 percent tariff. The EU immediately stated, it would seek compensation from the United States, as allowed for, by World Trade Organization (WTO) rules. If granted, this would raise the costs to the United States.

In the aftermath of the Bush tariffs, US consumers saw the price of steel jump, which raised their costs and made US products more uncompetitive in the global market place. The price of steel products in the US rose between 30 percent and 50 percent. Cold rolled steel was averaging \$525 a ton in the US versus \$280 in Japan and \$304 in Germany. According to the institute for international economics (IIE), in total, since the 1970s, the efforts to protect US steel have cost US consumers some \$120 billion in the form of higher prices.

In November 2003, the WTO declared the steel tariffs illegal under WTO rules and told the EU that it would impose some \$2.3 billion in retaliatory tariffs on imports from the US. Initially the Bush administration was defiant, but some economists were quick to point out that the tariffs were counterproductive.

On December 4, 2003, the Bush administration announced it would lift the 20 month old tariffs on steel imports. In doing so, President Bush stated the tariffs had served their purpose by giving the US steel industry time to modernize. Within minutes of the US announcement, the EU announced it was lifting its threat to impose retaliatory tariffs on US imports. To soften the blow on American steel producers, however, the US government stated it would require importers to obtain license from the US commerce department. EU officials noted that although not as bad as tariffs, the mandatory requirement to obtain import license was another illegal restriction on trade.

## Questions:

- a. Do you believe the Bush administration was correct in imposing tariffs on a wide range of steel imports? (05 Marks)
- b. Who are the main beneficiaries of protective tariffs such as those imposed on steel imports? Who are the losers? (05 Marks)
- c. Does the action of the World Trade Organization in this case represent a loss of US national sovereignty? Why do you think the WTO sided with the European Union? (05 Marks)
- d. If all tariffs on international trade in steel were removed and subsidies to steel exporters around the world were banned, who would benefit? Who would lose from such action. (05 Marks)

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