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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. 1 to Q. 7
2. Q. 8 is compulsory

- 1
 - a. What is meant by globalization? (03 Marks)
 - b. Discuss the reasons for differences between management of domestic business and international business. (07 Marks)
 - c. Explain the role of "technological changes" in globalization. (10 Marks)

- 2
 - a. State the difference between "collectivism" and "individualism". (03 Marks)
 - b. State different types of "economic systems" and explain any three of them, with reference to international business. (07 Marks)
 - c. "Ethics do matter in international business". Comment on such ethical issues. (10 Marks)

- 3
 - a. State different entry modes that a firm can employ to enter foreign market. (03 Marks)
 - b. Discuss the salient features of MNCs. (07 Marks)
 - c. Explain "product life cycle theory" with reference to stages of development, production and consumption gaps in developing, developed and most advanced countries. (10 Marks)

- 4
 - a. What is meant by regional economic integration? (03 Marks)
 - b. Explain the five levels of economic integration. (07 Marks)
 - c. Discuss the challenges before WTO. (10 Marks)

- 5
 - a. State the law of one price. (03 Marks)
 - b. Discuss "Mercantilism". What are the drawbacks of this theory? (07 Marks)
 - c. What does a firm become MNC? Discuss the reasons. (10 Marks)

- 6
 - a. Explain briefly the schemes under which the World Bank lends money. (03 Marks)
 - b. Discuss the role of IMF in maintaining the order in international monetary system. (07 Marks)
 - c. As an opponent of globalization what are your concerns? Discuss any four of them. (10 Marks)

- 7
 - a. What is meant by currency swap and translational exposure? (03 Marks)
 - b. Discuss briefly the instruments of trade policy. (07 Marks)
 - c. What is meant by foreign exchange? Discuss in detail, the factors which determine the exchange rate. (10 Marks)

8 Case study (Compulsory)

Peru is the 3rd largest nation in South American continent. It has desert, snowcapped Andes mountain, grass covered plateau and thick rain forest. It has a population of 27 million (approx), with about 20% of is living in its capital city Lima. The economy mainly depends on agriculture, fishing, meaning and services. GDP is app. \$115 billion and per capita income of about \$4300. Now many on NCS are investing in Peru.

One of these potential investors is a New York based bank, which is considering \$25million loan to the owner of Peruvian fishing fleet. The owner of the fleet wants to modernize his fleer and add some more ships.

During 1970s Peruvian Government nationalized many industries. However many of these nationalized industries failed miserably. In late 1970s the government gave back, the above owner, his ships (which it had nationalized earlier). The owner operated it profitably. Now according to him, fishing is not just an art but involvers a lot of technology so that, costs are low and thereby is competitive in the world market. He also says that latest equipments are needed for locating, catching, loading and unloading of the fish.

The bank at New York thought that the fish fleet owner's requirement of a loan is justified. However the bank was concerted about the Peruvian Government's policy, i.e, if it again nationalizes this industry, then the recovering of the loan amount would take atleast 10 years, which otherwise would be 4 – 5 years, maximum.

Right now the bank is deciding on some specific terms of agreement. Either a representative from the bank goes to Peru or the above owner comes to New York; the bank knows that final adjustments in the agreement have to be made on the spot. Thus if the bank representative goes to Peru, he should have authority to decide on those specific terms. The whole matter needs to be closed in the next 10 days.

Questions:

- a. Discuss the business climate in Peru, and argue, if it is favorable or unfavorable.
- b. Identify the political risks involved for the fishing company and describe the same.
- c. What types of integrative and protective techniques can the bank use?
- d. Would the bank be better off negotiating the loan in New York of Peru? Why? (20 Marks)

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