

USN

--	--	--	--	--	--	--	--	--	--

08MBA27

## Second Semester MBA Degree Examination, June 2012

### 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 is mercantilism? (03 Marks)  
b. What are the different types of dumping? Explain. (07 Marks)  
c. What are the drivers of globalization? Explain. (10 Marks)
- 2 a. Mention the kinds of legal systems in international business environment. (03 Marks)  
b. Explain product life-cycle theory. (07 Marks)  
c. Explain the functions of WTO. (10 Marks)
- 3 a. What is Trans-National corporation? (03 Marks)  
b. Explain the functions of Foreign exchange market. (07 Marks)  
c. Explain the organization structure of European union. (10 Marks)
- 4 a. Define exchange rate. (03 Marks)  
b. Explain the different kinds of economic integration. (07 Marks)  
c. Explain porter's national competitive advantage theory. (10 Marks)
- 5 a. What are the different stages of internationalization? (03 Marks)  
b. Explain the economic issues that affect the international business. (07 Marks)  
c. What is international business environment? Explain the different factors of international business environment. (10 Marks)
- 6 a. What are the various instruments of international trade policy? (03 Marks)  
b. Explain the difference between domestic and international business. (07 Marks)  
c. Explain the relationship between headquarters and subsidiaries. (10 Marks)
- 7 a. Name the member countries of SAARC. (03 Marks)  
b. Why domestic companies become multinational companies? (07 Marks)  
c. Explain international monetary systems funding facilities and strategies. (10 Marks)

## 8 CASE STUDY:

## MERRILL LYNCH IN JAPAN

Merrill Lynch is an U.S. based financial service institution. The company has a dominant presence in London and Tokyo. It started a private client business in Japan in the 1980's but met with limited success. The company found it extremely difficult to attract employee talent and customers away from Japan's big form stock brokerages, which traditionally had monopolized the Japanese market. In the mid 1990's Japan embarked on a wide-ranging deregulation of its financial service industry. This led to the removal of many restrictions that had made it so difficult for Merrill Lynch to do the business in Japan. In 1991 due to the crash of the country's stock market, Japan's four stock brokers continue to struggle with serious financial problems. Recognizing the country's financial problems, the Japanese government signaled that it would adopt a more relaxed attitude to foreign entry into its financial service industry Japan endorsed W.T.O's liberalize global financial services whole heartedly. This made it easier for the foreign firms to sell financial service products to Japanese investors. So Merrill Lynch started to consider re entering the Japanese private client market. It initially consider a joint venture with Sanwa Bank to sell its mutual fund products in Japan through Sanwa's 400 retail branches. This would enable Merrill Lynch to be a major player before other foreign players entered the market. The problem of how best to enter the Japanese market was solved by the bankruptcy of Yamaichi securities. Merrill Lynch announced it would hire 2000 of Yamaichi's employees and acquire 33 of Yamaichi's branch offices. This deal was enthusiastically endorsed by Japanese government, significantly lowered Merrill Lynch's cost of establishing a retail network in Japan. By mid 2002, it announced it had \$ 12.9 billion profit under their able management in Japan. The collapse of global stock market in 2001-02 hit Merrill Lynch's Japan unit hard. It lost 500\$ million and it fired 75% of its Japanese work force and closed except fight of its retail locations. Despite this costly down sizing, it continued to attract new accounts and by mid 2002 was reported by making a profit in Japan.

## Questions:

- a. Given the changes that have occurred in the international capital market during the past decade. Does Merrill Lynch's strategy of expanding internationally make sense? Why? (05 Marks)
- b. What factors make Japan a suitable market for Merrill Lynch to enter? (05 Marks)
- c. The collapse in stock market values in 2001-02 resulted in Merrill Lynch's Japanese unit incurring significant losses. In retrospect, was the Japanese expansion a costly blunder or did the company simply get hit by macro economic events that were difficult to predict and avoid? (05 Marks)
- d. Do you think Merrill Lynch should continue in Japan? Why? (05 Marks)

\* \* \* \* \*