

PGDM (IB), 2015-2017
GLOBAL BUSINESS ENVIRONMENT
Subject Code: IB-201
TRIMESTER –II, End Term Examination, 2015

Time Allowed: 2 hours, 30 minutes

Max Marks: 50

Roll No:

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as Unfair Means. In case of rough work, please use answer sheet.

| Sections | No. of Questions to attempt | Marks | Marks |
|----------|------------------------------|--------------------|-----------|
| A | 3 out of 5(Short Questions) | 5 marks each | 3*5 = 15 |
| B | 2 out of 3 (Long Questions) | 10 marks each | 2*10= 20 |
| C | Compulsory Case Study | 15 marks | 15 |
| | | Total Marks | 50 |

SECTION A

Answer **any three** questions from this section.

Q.1. What does the nation's ranking released by the World Economic Forum in the Global Competitiveness Index reflect upon its trade potential?

Q.2. How does the effective rate of protection provide a better understanding of the protection policy followed by the Government?

Q.3. Discuss how forex volatility can be better understood using candlestick charts for managing the receivables and payables in foreign currency.

Q.4. Elaborate the role of government policies in shaping the business environment for foreign investment with the reference to the case on 'Vietnam: Market entry decisions'.

Q.5. Suggest a framework to assess the cultural aspects of environment of host nations for MNCs.

SECTION B

Answer **any two** questions from this Section. Each question carries 10 marks.

Q.1 a) Discuss the impact on consumer surplus and the fiscal effect in the importing nation due to the imposition of tariff on imports of a commodity.

b) Do you think there is reduction in consumer surplus in India due to imposition of anti dumping duties on certain steel products from China?

Q.2 a) What are the benefits of being a member nation in a monetary union?

b) Discuss the lessons learnt from the recent monetary crisis in Greece for the economic stability of the eurozone.

Q.3. a) Discuss the scenario of foreign portfolio investment in India in the last five years.

b) Elaborate on the macroeconomic risks in the Indian business environment which concerns the foreign investors.

SECTION C

Read the case and answer the questions given at the end.

The Tough Choices for U.S. Tech Firms Doing Business in China

March 6, 2015

U.S. technology companies looking to do business with China will have to choose between an increasingly restrictive business environment and the lure of a market they cannot afford to ignore. Last week, a Chinese parliamentary body discussed the draft of a sweeping counter-terrorism law, under which technology firms that operate in the country must hand over encryption keys and install security "backdoors." Firms would also have to keep their servers and user data within the country, censor terrorism-related web content and submit communications records to law enforcement authorities. The new legislation could take effect in weeks.

"The growth potential [in China] is huge and ultimately, it's a business calculation [for U.S. technology companies]," said Wharton management professor Minyuan Zhao. Firms would have to weigh their concerns over intellectual property rights and data security against the potential loss of business if they choose not to comply with the new regulations and exit the Chinese market, she added.

According to Jacques deLisle, a professor of law and political science at the University of Pennsylvania and director of its Center for East Asian Studies, China's top attractions include its huge market, its growing computer, Internet and cell phone penetration and a relatively well-educated population. "Companies of any significant scale will tell you they can't afford not to be in China," he said.

"Companies of any significant scale will tell you they can't afford not to be in China." –Jacques deLisle

Chinese officials have said the moves are a response to recent disclosures by former National Security Agency contractor Edward Snowden about a U.S. cyber-espionage program called PRISM. However, the U.S. technology industry sees in China's antiterrorism law protectionist intent to benefit domestic Chinese firms. President Barack Obama last week said he has warned Chinese President Xi Jinping "that this is something they are going to have to change if they are to do business with the United States." China's latest move comes on the back of new regulations last December requiring sellers of computer equipment to Chinese banks to disclose source codes, submit to audits and create security "backdoors" in their equipment. China also last month dropped several U.S. technology firms, including Cisco, Apple and Intel's McAfee,

from state procurement lists. Further, China has of late launched several cases against foreign firms under its anti-monopoly law.

"It is a question of how wide the wedge is going to get," said deLisle. "The front end is small. But the concern is that will expand into a broader range of disclosure requirements."

To Comply or Not...

Technology companies may have few choices in resisting China's newly restrictive environment. "Companies know very well that if they don't enter [China], it's not [as if] they are going to keep the technology," said Zhao. These days, sensitive technology information could leak out anyway over the Internet and copycat products could surface, she explained. "Even if you keep that [technology] close to yourself, two years later you are no longer the front-runner. You might as well take this opportunity and run."

Some may take a cue from San Diego, Calif.-based semiconductor company Qualcomm, which last month agreed to a \$975 million settlement with the Chinese government to end an investigation under the country's anti-monopoly law. "Qualcomm is collecting a lot of royalties every year from China ... [and it is] is very well aware that ... any change of the law will affect that," Zhao said.

"Even if you keep that [technology] close to yourself, two years later you are no longer the frontrunner.

You might as well take this opportunity and run." –Minyuan Zhao

U.S. companies may also have options in parting with "different layers of technologies" in dealing with China, said Zhao. She explained that she has noticed multinational companies setting up R&D centers in China, but retaining critical aspects of their technologies at their headquarters. "It is notorious that patented documents are useless unless the inventor has a true intention to tell you how to do it," she said. "Businesses have a lot of choices here.

They can choose whether or not to comply, and they can choose how to comply as there are so many layers to technology today."

Competence, Protectionism and Politics

China's moves are rooted in its desire to establish an "innovation economy" and its "dreams of self-confidence," said Zhao. The latest restrictions "[are] being used as part of the tools to establish that legitimacy," she added.

Zhao noted that over time, China has become more technologically independent. "Now, China can say no to the foreign companies. Previously, you had to have an IBM system [or] a Cisco system," she said. "The fact is, Chinese companies are getting competent." China's desire to protect its domestic economy is another factor. Even as it professes free competition, "the idea of keeping your money in your country is so appealing ... every country has been doing that," Zhao said. She cited politics between the U.S. and China as the third factor.

According to deLisle, China has "taken a page from the American political playbook" in citing security concerns as it seeks more disclosures from technology companies. He noted that the U.S. government, too, has drawn notoriety for gaining access to private electronic data. "China is now in the process of drafting an antiterrorism law, and it's going to be a very broad definition of terrorism and one that puts heavy obligations on companies to cooperate in investigations," he said.

Q.1. Discuss the political and legal aspects of the business environment in China for any global technology firm considering investment in the nation.

Q.2. Discuss the attractiveness of foreign investment in China especially with reference to US domiciled firms.