PGDM (IB) 2018-20
International Trade & Investment
IB -104
Trimester – I, End-Term Examination, September 2018

Time allowed: 2 Hrs 30 Min | 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.

SECTION A

Note: Attempt any 3 questions

1. Explain with the help of suitable example how international trade is beneficial even for those countries that do not have absolute advantage in producing any item.

2. Discuss the following schemes of Foreign Trade Policy (2015-20)
   a. Advance Authorization
   b. Merchandise Exports from India Scheme (MEIS)
   c. EPCG Scheme

3.
   a. Zurich Bank
      USD/CHF 1.4955/1.4962
      New York Bank
      CHF/USD 0.6695/0.6699
      Is there an Arbitrage opportunity? Show with help of calculation

   b. USD/INR 1 month forward:47.6955/47.6965
      USD/CHF 1 month forward: 1.4550/1.4555
      Calculate CHF/INR one month forward

4. Explain in brief transaction, translation and economic exposure while dealing in foreign exchange. How can an exporter minimize them?

5. Discuss in brief the challenges faced by Indian Gems & Jewelry sector and steps taken by Indian Government to promote export of Gems & Jewelry from India.

3X5 = 15 Marks

21

SECTION B

Note: Attempt any 2 questions

1.

a. Discuss the various components of duties levied on import under new GST regime. What is the rationale behind levying CVD and anti-dumping duty on imports?

b. Suppose Assessable Value (A.V.) including landing charges =Rs. 100. If following are the rates applicable, calculate the total import duty

(1) BCD- 10%
(2) CVD- 12%
(3) IGST-28 %
(4) Education cess – 2%
(5) Higher education cess -1%

2. There are several global and domestic factors due to which the export performance of India has not shown significant growth in recent past. Enumerate these factors and give suggestions for improving export performance
3. Discuss in detail the profile of Indian Leather Clusters, major export markets, and challenges faced by the sector. What are the government initiatives to support the sector? What suggestions would you like to give for future growth?

2X10=20 Marks

SECTION C

Note: Case study is compulsory

15 Marks

The Rises of Bangladesh's Textile Factory

Bangladesh, one of the world's poorest countries, has long depended heavily upon exports of textile products to generate income, employment, and economic growth. Most of these exports are low-cost finished garments sold to mass-market retailers in the West, such as Walmart. For decades, Bangladesh was able to take advantage of a quota system for textile exports that gave it, and other poor countries, preferential access to rich markets such as the United States and the European Union. On January 1, 2005, however, that system was scrapped in favor of one that was based on free trade principles. From then on, exporters in Bangladesh would have to compete for business against producers from other nations such as India, China and Indonesia. Many analysts predicted the quick collapse of Bangladesh's textile industry. They predicted a sharp jump in unemployment, a decline in the country's balance of payments accounts, and a negative impact on economic growth.

The collapse didn't happen. Bangladesh's exports of textiles continued to grow, even as the rest of the world plunged into an economic crisis in 2008. Bangladesh's exports of garments rose to $10.7 billion in 2008, up from $9.3 billion in 2007 and $8.9 billion in 2006. Apparently, Bangladesh has an advantage in the production of textiles-it is one of the world's low-cost producers-and this is allowing the country to grow its share of world markets. As a deep economic recession took hold in developed nations during 2008-2009, big importers such as Walmart increased their purchases of low-cost garments from Bangladesh to better serve their customers, who were looking for low prices. Li & Fung, a Hong Kong company that handles sourcing and apparel manufacturing, stated that its production in Bangladesh jumped 25 percent in 2009, while production in China, its biggest supplier, slid 5 percent.

Bangladesh's advantage is based on a number of factors. First, labor costs are low, in part due to low hourly wage rates and in part due to investments by textile manufacturers in productivity-boosting technology during the past decade. Today, wage rates in the textile industry in Bangladesh are about $50 to $60 a month, less than half the minimum wage in China. While this pay rate seems dismally low by Western standards, in a country where the gross national income per capita is only $470 a year, it is a living wage and a source of employment for some 3 million people, 85 percent of whom are women with few alternative employment opportunities.

Another source of advantage for Bangladesh is that it has a vibrant network of supporting industries that supply inputs to its garment manufacturers. Some three-quarters of all inputs are made locally. This saves garment manufacturers transport and storage costs, import duties, and the long lead times that come with the imported woven fabrics used to make shirts and trousers. In other words, the local supporting industries help to boost the productivity of Bangladesh's garment manufacturers, giving them a cost advantage that goes beyond low wage rates.

Bangladesh also has the advantage of not being China! Many importers in the West have grown cautious about becoming too dependent upon China for imports of specific goods for fear that if there was disruption, economic or other, their supply chains would be decimated unless they had an alternative source of supply. Thus, Bangladesh has benefited from the trend by Western importers to diversify their supply sources. Although China remains the world's largest exporter of garments, with exports of $120 billion in 2008, wage rates are rising quite fast, suggesting the trend to shift textile production away from China may continue. Bangladesh, however, does have some negatives; most notable are the constant disruptions in electricity because the government has underinvested in power generation and distribution infrastructure. Roads and ports are also inferior to those found in China.

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Case Discussion Questions

1. Why was the shift to a free trade regime in the textile industry good for Bangladesh?
2. Who benefits when retailers in the United States source textiles from low-wage countries such as Bangladesh? Who might lose? Do the gains outweigh the losses?
3. What international trade theory (or theories) best explains the rise of Bangladesh as a textile-exporting powerhouse?