

PGDM
Globalisation and Business Growth : DM-603
Trimester – VI, End-Term Examination: February 2017

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**. All other instructions on the reverse of Admit Card should be followed meticulously.

Section A (Attempt any 3 question, 5 marks each)

1. Many organizations are coming up in aggregation model of business, what is this model and how is it becoming a global favorite?
2. Pakaj Ghemawat gave CAGE model considering world is not flat, what is this model.
3. If you are FMCG company from China and want to enter in eastern Africa. Your consultant advised to follow in-organic route. Which factors are responsible for such advice?
4. Discuss globalization in present era? How do you define it?

Section B (Attempt any 2 question, 10 marks each)

5. How is capitalism coming in terms with market globalization? Is there any shift in the pattern?
6. Is government a facilitator in globalization to companies? Discuss about one company which globalised on government initiatives.
7. Institutional Void is a concept of searching profits in bad conditions of a country? Do you agree with the statement, present your discussion points?

Section C: Case (15 marks)

Saving Globalisaiton

THERE MAY be few better advocates of the benefits to America of an open economy than Pin Ni, boss of Wanxiang America Corporation, part of a private firm based in Hangzhou that his father-in-law started as a bicycle-repair shop. Mr Ni launched the American subsidiary in 1994, suspending his studies at the University of Kentucky. He has been there ever since.

During the car-industry meltdown in 2007-09 the company began buying moribund car-part suppliers and restoring them to health. It pushed its acquisitions to concentrate on their strongest suits, usually the relationship with the car manufacturers and engineering. It helped them to source components more cheaply and to gain a foothold in the Chinese market. Mr Ni is effusive about the prospects for American exporters. America has firms with technology and brands that are coveted around the world, he says.

Such optimism about globalisation is all too rare these days. Neither candidate in America's presidential race is an advocate of free trade. "If Trump is elected, it's a mandate for isolationism," says a seasoned observer at a think-tank in Washington, DC. "If Clinton is elected, the best we can hope for is we don't go back very far." Britain's trading relationships with the rest of the world are up in the air, following the vote in June's referendum to leave the EU. France is hostile to TTIP, a proposed trade agreement between the EU and America. Even in Germany, the self-declared world export champion, politicians are turning against the deal in the face of public opposition. Globalisation is increasingly blamed for job losses, rising wage inequality and sluggish GDP growth.

How should politicians respond? Closing borders to trade, capital and people would cause great harm and do very little to tackle inequities in the economy. In some respects it would increase them. People on low pay spend a far greater proportion of their income on imports than the well-off. A growing body of research links economic maladies to more oligopolistic economies. Blocking imports would only entrench the market power of rent-seeking firms, further harming the prospects for higher productivity and pay.

Easing the pain

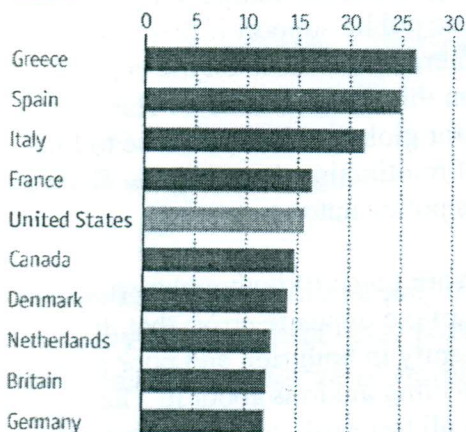
As borders have been steadily opened up, policies needed to complement globalisation have not kept pace, particularly in America. They need to catch up. A good place to start is demand management. The stability of the labour market depends on macroeconomic policies, not trade. In Europe the most effective policy would be to use public money to fix the banks. With monetary policy overstretched and bond yields low or negative, it is a shame that countries with room to borrow more, notably Germany, are seemingly addicted to thrift. The case for free trade is undermined when many countries in Europe are free to rack up persistent trade surpluses, which are a drag on global demand.

In America and Britain, a strong case can be made for locking in low-cost long-term funding to finance a programme to fix potholed roads and smarten up public spaces. Private pension funds with expertise in infrastructure have a role to play in such schemes. Rich-country central banks, notably the Federal Reserve, can afford to be more relaxed about the threat of inflation. An economy at full pelt begins to draw people into the workforce who were thought to have opted out for good. "Ex-felons were doing pretty well in 2000," notes Larry Mishel, of the Economic Policy Institute, a think-tank in Washington, DC. The risks of slamming the brakes on too quickly outweigh those of excessive policy stimulus.

Demand management is (or ought to be) the bread and butter of economic policy. Curing the ills that feed public opposition to globalisation requires efforts to address two other problems. The first is the job churn caused by shifts in trade and technology. Too little effort and money has been expended on taking care of those who have been hurt by the opening up of markets. America in particular makes little attempt to assist people find new jobs to replace lost ones. Extra help need not blunt the incentives to look for work. For instance, more generous jobless benefits could be made conditional on attending a back-to-work programme. A valid criticism of government training schemes is that they cannot keep up with the fast-changing demands of the jobs market. A better option would be a system of wage insurance. That would nudge workers to acquire new skills by taking a less well-paid job when they lose a good one.

Idle hands

Non-employment rates of males aged 25-54
2015, %



Source: OECD

Economist.com

Yet there is little point in helping people change careers if a lack of dynamism in the economy means that too few good jobs are being created. So a second prong of reform should be to spur greater competition so that startups can thrive and incumbent firms are kept on their toes. More competition is a hard sell when many people are already anxious about their jobs and income; but without it there is less chance of the dynamism that boosts productivity (and earnings) and creates new job opportunities. Europe has long been notorious for restrictive practices such as occupational licences, but state-level licences in America have proliferated almost unnoticed. Some are necessary, but most are simply a way of keeping prices higher and restricting entry.

Competition policy needs to become more vigorous. In America the startup rate (the share of new firms in the total number) has fallen steadily since 1980. Most industries have become more concentrated. The profits of the leading companies have pulled well ahead of the rest. America's courts have tended to view windfall profits as the rightful reward for innovation. There is much to be said for redrawing the boundaries of intellectual property so that incumbents can be more readily challenged. The growing habit of big tech firms to swallow startups that might become rivals is worrying. Such deals often suit both sides—the buyer gets the innovation and the startup makes a lucrative exit—but the practice saps dynamism from the economy. Trustbusters might be given more discretion when making judgments about how markets might evolve in future, though this is difficult to do well.

Make it a threesome

A three-pronged agenda of demand management, active labour-market policies and boosting competition would go a long way to tackling the problems that are unfairly laid at the door of globalisation. But a lot of the policies to make globalisation work better need international agreement to be fully effective. For instance, tackling troublesome capital flows requires co-ordination. A country might be able to head off capital inflows by taxing them, but it would only be diverting them to other countries that are more reluctant to impose capital controls. The best course would be to have a global standard on what sorts of controls are permissible and in what circumstances. The goal should be to ensure that individual countries retain control over their monetary policy.

One way to put a speed limit on short-term capital flows is to require asset managers globally to lock in investors in funds specialising in less liquid emerging or frontier markets. Long-term capital flows are generally more beneficial, but they will lose public support if they are seen primarily as a way of avoiding tax. There are few agreed international rules on the taxation of cross-border firms, though the OECD has started to work on this. Dani Rodrik, of Harvard University, argues that a good way to build public support for globalisation would be to link trade pacts with agreements on, for instance, the taxation of multinational companies. Such a deal would give national governments more rather than less policy autonomy.

Sceptics say that those who stand to lose from globalisation are given little thought when trade deals are signed. That is a fair point. But there is also a risk of the opposite error: that the enormous good that free trade has done for the bulk of humanity in both rich and poor countries over several decades is forgotten at times when people are feeling anxious about it. The benefits of globalisation are widely dispersed, often unseen and thus all too easily taken for granted.

There is a wrong-headed tendency to conflate support for liberal internationalism with pushing the interests of big companies to the detriment of the less well-off. The opposite is true. This newspaper started in 1843 to campaign for free trade in general, and in particular for the repeal of the Corns Laws, which increased the price of imported grain to the advantage of landowners. Richard Cobden, the manufacturer who led the campaign against the Corn Laws, remarked that the main barrier to repeal was the self-interest of the landowning classes, the "bread-taxing oligarchy, unprincipled, unfeeling, rapacious and plundering."

Cobden argued that free trade would have four benefits. It would underpin the success of British manufacturing by providing access to bigger markets. It would lower the price of imports, notably food, for the poorer classes. It would make English farming more efficient by creating more demand for its products in cities and manufacturing regions. And it would usher in a new era of international peace and amity by fostering trade that would be to the benefit of all countries that took part in it.

In contrast to popular caricature, free-traders are enemies of rent-seekers and those who are trying to protect their economic privileges. James Wilson, the founder of *The Economist*, said of the Corn Laws: "They are, in fact, laws passed by the seller to compel the buyer to give him more for his article than it is worth. They are laws enacted by the noble shopkeepers who rule us, to compel the nation to deal at their shop alone."

What Cobden and Wilson argued in the 19th century still holds. The free movement of goods, capital and people across borders is a source of greater choice and opportunity for those on both sides of the trade. What gives these arguments their force and staying power is that they happen to be true.

Review: Debate the paper and present your views on the future direction.