

PGDM
Globalisation and Business Growth : DM-602
Trimester – VI, End-Term Examination: February 2016

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. Describe local responsiveness and explain how a multidomestic strategy allows an international firm to pursue local responsiveness
2. Explain the benefits of a multidomestic strategy to firm internationalization. What are some of the disadvantages to this approach?
3. Explain the evolution of globalization from Mercantilism, Absolute advantage and comparative advantage perspective.
4. How have International Economic Institutions like IMF, World Bank, WTO, UNCTAD etc. developed and supported the globalization.

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

5. Explain the two most common international entry strategies for MNEs and SMEs, and describe how franchising and licensing can contribute to those strategies.
6. Describe the three key types of focal firms, and explain how their value chain enables international business.
7. Discuss the advantages and implementation of a transnational strategy, and explain why this strategy is closely associated with a global matrix structure.

Section C: Case (15 marks)

The Case for Globalisation

THE anti-capitalist protesters who wrecked the Seattle trade talks last year, and who hope to make a great nuisance of themselves in Prague next week when the city hosts this year's annual meeting of the World Bank and the International Monetary Fund, are wrong about most things. However, they are right on two matters, and the importance of these points would be difficult to exaggerate. The protesters are right that the most pressing moral, political and economic issue of our time is third-world poverty. And they are right that the tide of "globalisation", powerful as the engines driving it may be, can be turned back. The fact that both these things are true is what makes the protesters—and, crucially, the strand of popular opinion that sympathises with them—so terribly dangerous.

International economic integration is not an ineluctable process, as many of its most enthusiastic advocates appear to believe. It is only one, the best, of many possible futures for the world economy; others may be chosen, and are even coming to seem more likely. Governments, and through them their electorates, will have a far bigger say in deciding this future than most people appear to think. The protesters are right that governments and companies—if only they can be moved by force of argument, or just by force—have it within their power to slow and even reverse the economic trends of the past 20 years.

Now this would not be, as the protesters and their tacit supporters must reckon, a victory for the poor or for the human spirit. It would be just the opposite: an unparalleled catastrophe for the planet's most desperate people, and something that could be achieved, by the way, only by trampling down individual liberty on a daunting scale. Yet none of this means it could never happen. The danger that it will come to pass deserves to be taken much more seriously than it has been so far.

In this section

Pandering as they go

The mighty forces driving globalisation are surely, you might think, impervious to the petty aggravation of street protesters wearing silly costumes. Certainly, one would have hoped so, but it is proving otherwise. Street protests did in fact succeed in shutting down the Seattle trade talks last year. More generally, governments and their international agencies—which means the IMF and the World Bank, among others—are these days mindful that public opinion is anything but squarely behind them. They are not merely listening to the activists but increasingly are pandering to them, adjusting both their policies and the way these policies are presented to the public at large (see article). Companies too are bending to the pressure, modest as it might seem, and are conceding to the anti-capitalists not just specific changes in corporate policy but also large parts of the dissenters' specious argument.

These outbreaks of anti-capitalist sentiment are meeting next to no intellectual resistance from official quarters. Governments are apologising for globalisation and promising to civilise it. Instead, if they had any regard for the plight of the poor, they would be accelerating it, celebrating it, exulting in it—and if all that were too much for the public they would at least be trying to explain it.

Lately, technology has been the main driver of globalisation. The advances achieved in computing and telecommunications in the West offer enormous, indeed unprecedented, scope for raising living standards in the third world (see our survey). New technologies promise not just big improvements in local efficiency, but also the further and potentially bigger gains that flow from an infinitely denser network of connections, electronic and otherwise, with the developed world.

The “gains” just referred to are not, or not only, the profits of western and third-world corporations but productive employment and higher incomes for the world's poor. That is what growth-through-integration has meant for all the developing countries that have achieved it so far. In terms of relieving want, “globalisation” is the difference between South Korea and North

Korea, between Malaysia and Myanmar, even (switching timespan) between Europe and Africa. It is in fact the difference between North and South. Globalisation is a moral issue, all right.

If technological progress were the only driver of global integration, the anti-capitalist threat would be less worrying. Technological progress, and (it should follow) increasing global integration, are in some ways natural and self-fuelling processes, depending chiefly on human ingenuity and ambition: it would be hard (though, as history shows, not impossible) to call a halt to innovation. But it is easier to block the effects of technological progress on economic integration, because integration also requires economic freedom.

The state of the developing countries is itself proof of this. The world is still very far from being a single economy. Even the rich industrialised economies, taken as a group, by no means function as an integrated whole. And this is chiefly because governments have arranged things that way. Economic opportunities in the third world would be far greater, and poverty therefore vastly reduced, right now except for barriers to trade—that is, restrictions on economic freedom—erected by rich- and poor-country governments alike. Again, the protesters are absolutely right: governments are not powerless. Raising new barriers is as easy as lowering existing ones. Trade ministers threaten to do so on an almost daily basis.

The likelihood of further restrictions has increased markedly of late. Rich-country governments have all but decided that rules ostensibly to protect labour and the environment will be added to the international trading regime. If this comes about, it will be over the objections of developing-country governments—because most such governments have come round to the idea that trade (read globalisation) is good. Europe and the United States are saying, in effect, that now that the poor countries have decided they would like to reduce poverty as quickly as possible, they can't be allowed to, because this will inconvenience the West.

If that reason were true, it would be a crime to act on it. But it isn't true, or even all that plausible. Rich-country governments know very well that the supposed "adjustment problems" of expanded trade are greatly exaggerated: how convincing is it to blame accelerating globalisation for the migration of jobs from North to South, when America has an unemployment rate of less than 4% and real wages are growing right across the spectrum? Yet even under these wonderful circumstances, politicians in Europe and America (leftists, conservatives, Democrats and Republicans alike) are wringing their hands about the perils of globalisation, abdicating their duty to explain the facts to voters, and equipping the anti-capitalists with weapons to use in the next fight.

It would be naive to think that governments could let integration proceed mainly under its own steam, trusting to technological progress and economic freedom, desirable as that would be. Politics could never be like that. But is defending globalisation boldly on its merits as a truly moral cause—against a mere rabble of exuberant irrationalists on the streets, and in the face of a mild public scepticism that is open to persuasion—entirely out of the question? If it is, as it seems to be, that is dismal news for the world's poor.

Question: What is the debate about and how is your reaction to the issue.