PGDM, 2016-2017
GLOBAL BUSINESS ENVIRONMENT
Subject Code: DM 303
TRIMESTER –III, End Term Examination, 2017

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.

1. How are currency futures more flexible than OTC forwards for hedging transaction exposures?
2. Soon after the government announced a cut in the tariff rates, the importers complained that the effective rate of protection for the industry rose. Explain this situation.
3. Explain the relevance of GATS for India in current times. How does TRIMS facilitate foreign investment in service industry?
4. How does government ensure that MNCs do not indulge in transfer pricing?
5. Bollinger bands are more effective in measuring volatility than simple moving average. Discuss the statement.

SECTION B

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

1. How do you look at the BREXIT? Analyze its impact on overall global business environment.
2. What do you think about Indo-US business relations in the background of Donald Trump getting elected as the President of US?
3. What are the factors you would like to examine before exploring a business opportunity in some other country?

SECTION C

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

Farm subsidies: India stands its ground against US proposal

Recently US circulated a non-paper proposing reductions in market price support and input subsidy programmes

The Indian stand is that the US proposal is targeted at specific programmes offered by developing countries for their resource-poor farmers under what is called de minimis (negligible) subsidies.

Geneva: India is standing its ground against a proposal by the US seeking voluntary reduction commitments in market price support programmes and input subsidies provided to low-income and resource-poor farmers by governments, insisting it will amount to killing public stockholding programmes. Last week, the US circulated a non-paper at a meeting attended by trade officials. Those from the European Union (EU), China, India, Brazil, Australia, Japan and the US were in attendance. Washington proposed that all members of the World Trade Organization (WTO) undertake voluntary commitments to reduce their market price support and input subsidy programmes.

Although developing countries are exempted from commitments to reduce their market price support or input subsidies for "low-income and resource-poor farmers" under the existing WTO rules, the US proposed a gradual phase-out of these two schemes in its non-paper.A non-paper is a discussion paper that does not necessarily represent the official position of the institution or country that drafted it.

At the last ministerial conference meeting held in Nairobi, the US spoke about its proposal and what it intends to accomplish in reducing trade-distorting domestic farm subsidies. The proposal states that "each member shall, with respect to agricultural products undertake commitment(s)" not to increase either "the applied administrative price for any agricultural product receiving market price support" or "not increase its budgetary outlays for, or the scope of, product-specific input subsidies for agricultural products above the (existing) level".

The US provided a menu of options as to how members must undertake commitments to do away with market price support and input subsidies such as "a) fertilizer, b) seeds, c) electricity, or d) diesel fuel".

Deputy US trade envoy Christopher Wilson justified the proposal on the ground that "certain forms of domestic support (such as market price support and input subsidies) are more trade distorting than others", according to a participant in the meeting.

The US official maintained that Washington's idea to reduce market price support and input subsidies on a voluntary basis by all members will lead to less distortion in agriculture.

According to people familiar with the meeting, India's trade envoy Anjali Prasad responded by saying the US's proposal "kills many birds with one shot and among the birds one big bird is public stock-holding programmes".The Indian stand is that the US proposal is targeted at specific programmes offered by developing countries for their resource-poor farmers under what is called de minimis (negligible) subsidies. China flatly rejected Washington's proposal saying it is "politically and economically unacceptable". The landing zones for commitments in trade-distorting domestic support are clearly laid out in the 2008 revised draft modalities or the Rev. 4 and they remain the basis for undertaking commitments in the domestic support pillar, China's trade envoy, ambassador Yu Jianhua, said.

Many other countries such as Mexico, Canada, Australia, Norway, the EU, New Zealand, Brazil, Argentina, Colombia and Paraguay, among others, raised several questions and doubts about the US' proposal and whether it would tackle all trade-distorting domestic subsidies.

At issue is the US's refusal to accept the Rev. 4 commitments under which Washington is required to reduce its trade-distorting domestic subsidies below $14.5 billion. Washington had passed a new farm bill last year under which its overall trade-distorting subsidy programmes crossed all the limits that were negotiated in the Doha Round.Former US chief trade negotiator Joseph Glauber, along with Patrick Westhoff and Scott Gerit, have argued that the latest US farm bill, passed last year, goes beyond the proposed commitments in the 2008 modalities. "Because of the shift to a much more extensive reliance on amber box (most trade distorting) subsidies and other less direct forms of income transfers to farmers, the 2014 farm bill has complicated trade negotiations by making compliance issues more problematic, especially in the context of the 2008 Doha Development Agenda proposal for substantially lower limits on farm subsidies," Wethoff, Gerit, and Glauber wrote in their article published in Choicemagazine. Given the stark domestic realities in which the US's farm lobby plays a dominant role in American politics, the US is unwilling to undertake any commitments in terms of domestic support and is determined to bury the Doha Round at the Nairobi meeting, said a trade envoy who asked not to be quoted.

The US's proposal strikes a body blow to what was negotiated in the ongoing Doha agriculture talks, especially the July 2004 Framework Agreement, the 2005 Hong Kong Ministerial Declaration and the unsettled 2008 revised draft modalities. The developing countries are exempted from undertaking any commitments under these ministerial declarations as well as the 2008 revised draft modal.

Q. What is WTO's stand on use of price support and subsidy measures undertaken by governments of developing countries? What constitutes the aggregate measure of support as laid down in the Agreement on Agriculture? Analyze the economic impact of subsidies and tariffs on international prices.