

<PGDM IB, 2019-21>
< Global Business Environment >
<IB- 208>

Trimester – II End-Term Examination: December 2019

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.

| Sections | No. of Questions to attempt | Marks | Total Marks |
|----------|--|-------|-------------|
| A | Minimum 3 question with internal choices and CILO (Course Intended Learning Outcome) covered | 3*10 | 30 |
| B | Compulsory Case Study with minimum of 2 questions | 2*10 | 20 |
| | | | 50 |

Section A

QA1a (CILO1) Just after declaration of Lok Sabha elections 2019 results, the Bombay Exchange 's price index rose by 1000 points in a day. Identify the environmental factor which led to this rise giving reason and explain the same. Also explain it's various forms of risk to global business .

Or

QA1b (CILO1) Atul has got tremendous feedback from public for his newly started Gym plus gym related goods store which is a one stop solution for health conscious people. When asked about his success story then Atul said that the health and fitness trend has become popular among large number of urban dwellers. This has created a demand for products like organic food, diet soft drinks, gyms, bottled water and food supplements. That is why he thought of starting this business. Identify the dimension of business environment whose understanding has helped Atul in garnering the success and explain the same .Also throw light on various external & internal factors which influence global business

QA2a (CILO2) Economic integration can be classified in five additive levels, each present in the global landscape. Explain the different levels of Economic Integration giving example of each type of Integration

Or

QA2b (CILO2) Elucidate the following citing examples.

- a) Why do Businesses go Multinational?
- b) How do governments intervene in international trade (Instruments of barriers)?

Turn Over

QA3a (CILO3) Distinguish between the following citing examples.

- a) Greenfield Investment & Brownfield Investment
- b) Currency Depreciation and Appreciation

Or

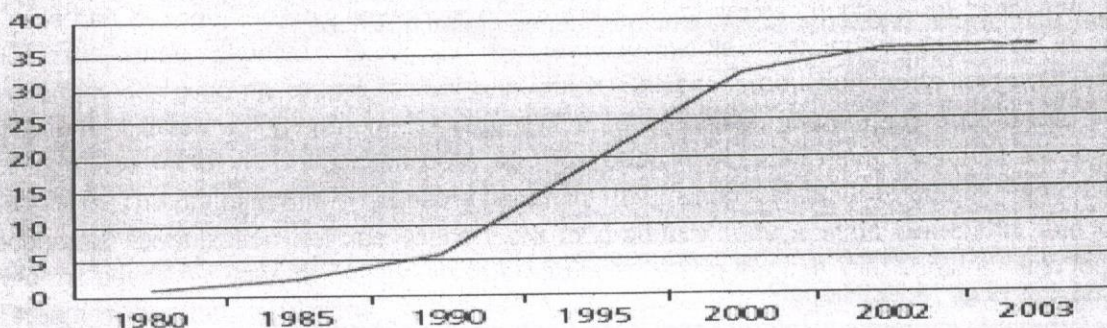
QA3b(CILO3) . Explain any two of the following

- a) The North American Free Trade Agreement (NAFTA) is a regional agreement between the Government of Canada, the Government of the United Mexican States and the Government of the United States of America to implement a free trade area. Throw light on Cost & benefits of NAFTA.
- b).The WTO Agreement on Agriculture contains provisions in 3 broad areas of agriculture and trade policy. Explain the same.
- c)Trade-Related Aspects of Intellectual Property Rights (TRIPS) is arguably the most important and comprehensive international agreement on intellectual property rights.Explain its importance in Global environment.

Section B

FDI Bonanza in China

China has become the new workshop of the world, its factories churning out consumer goods for both domestic consumption and export. Its own growing middle class is a huge market in itself, but more important are growing export markets, in which Chinese production costs undercut virtually all rival locations. Inflows of FDI reached a record \$52.7bn. in 2002, followed by \$53.5bn. in 2003. This has been a key factor in China's success and low-cost labour has been the chief attraction for foreign investors. The opening of the economy began in 1979, when China's Communist Party rulers introduced economic liberalization policies which were to gradually reduce state ownership and control. These reforms paved the way for outside investors to enter China through joint ventures with local companies. Foreign ownership restrictions have been further relaxed in recent years, and, combined with WTO membership in 2002, China's attraction for foreign investors has continued to rise. As the figure shows, inward FDI stock has rapidly risen from virtually nil in 1980 to 35.6 per cent of GDP in 2003. Labour costs have risen in other Southeast Asian economies, including Taiwan and South Korea, and these economies have consequently lost out to China as a manufacturing location, where the cost of unskilled labour undercuts all but Indonesia, Vietnam and Cambodia.



Inward FDI in China as a percentage of GDP

Source of data: United Nations, *World Investment Report 2004* (Geneva: UN), Annex table B.6.

FDI has concentrated in the southern coastal area of the Pearl River delta, which has seen booming industrialization, made possible by seemingly endless supplies of workers. In this area, approximately the size of Belgium, 30 million people work in manufacturing, producing a vast range of products from shoes to computers. The area is home to 800 shoe manufacturers.

Turn Over

One of the largest, the Taiwanese company Pou Chen, employs a total of 110,000 workers, 80,000 in one factory, producing 100 million pairs of shoes a year for brands including Nike, Adidas, Timberland and Reebok.

It is estimated that 80 per cent of the stock of FDI in China is held by overseas Chinese investors, mainly from Hong Kong, Taiwan and Singapore (Story, 2003). These investors have seized the opportunities presented by liberalization, and their Chinese cultural heritage gives them an advantage over other foreign investors.

Dr Martens, the British shoe manufacturer, concluded in 2003 that it could not compete unless it, too, shifted production to China. Dr Martens was paying workers \$490 per week in its factory in the UK, where assembly of whole shoes was carried out by small groups of workers. By contrast, mass production techniques are used in the massive Pou Chen factories, where workers earn about \$96 (£59; a89) a month for a 69-hour week.

High-tech industries are also flourishing. Flextronics, a Singapore-based electronics manufacturer, is a contract producer for Microsoft, Motorola, Dell and Sony Ericsson.

The output of its factory near Zhuhai rose 500 per cent from 2001 to 2002. Ricoh, the Japanese electronics company, makes most of its photocopiers in the Shenzhen special economic zone, which claims to make 70 per cent of the world's photocopiers. While it used to make all its newer models in Japan, Ricoh now uses the Chinese factory to manufacture models only months after they begin production in Japan.

Whether FDI flows will continue to rise is a question which concerns both Chinese policymakers and foreign investors. Labour costs are inevitably rising. More highly skilled work in technology-based industries lures workers away from the likes of the shoe factories, which find it hard to retain workers. A solution adopted by Pou Chen is to build factories further inland, where labour is in abundant supply. One manufacturer explains: 'If we run out of people, we just go deeper into China' (Roberts and Kyngé, 2003). It is estimated that there is a pool of some 200 million rural inhabitants who are underemployed: while they are a source of labour for manufacturing expansion, they are also a potential source of social unrest, should economic growth falter.

Jobs provided by the continued manufacturing boom would bring economic development to these poorer areas. On the other hand, China's economic liberalization has not been paralleled by political liberalization. The long-term economic prosperity of its people will require its political and social institutions to adapt to the rapidly changing environment.

Case questions

Q1(CILO2) What are the factors in China's FDI boom? How likely is it to continue?

Q2(CILO3) FDI is key to the growth and Development of a developing country. Do you agree? Give reasons .