

**Jagan Institute of Management Studies**  
**End-Term Examination, April, 2017**  
**Trimester III – PGDM 2016-18**

***Global Business Environment***  
***ET\_PG\_GBE\_1504***

Time: 3 Hrs.

M. Marks: 70

**INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.**

- Q 1** Attempt any **FIVE** questions briefly.
- a) Discuss any two drivers of globalization with specific examples.
  - b) Other than saving on cost, what are the attractions of moving operations in underdeveloped nations?
  - c) While licensing is more popular with manufacturing units, franchising finds favour largely with service providers. Discuss the relative benefits of these modes of entry into global business.
  - d) US Federal Reserve announced a 0.25% point increase in the interest rates on March 15, 2017. What will be the likely impact of this announcement on the direction of international lending and value of Indian rupee vis-a-vis US dollar?
  - e) MINT economies or Mexico, Indonesia, Nigeria and Turkey all have very favorable demographics for at least the next 20 years and their economic prospects are interesting. Elaborate on the implications of 'favourable demographics' for foreign businesses planning connections in these countries.
  - f) Most world cultures are more alert to symbolic meaning than Western European and North American cultures, which are more sensitive to visual impressions. For instance, certain colors may be chosen in a Western advertisement to give it the right kind of look, while in much of Asia, colors powerfully symbolize abstract qualities (e.g. red for happiness). Think beyond colours and discuss some cultural differences that should not be overlooked by American businesses, planning to operate in Asian territory.

**20**

- Q 2** Indian mango has been popular in the Middle East, the Far East, the United States and Europe. South Korea imported mangoes worth \$48 million in 2016 mainly from Thailand, the Philippines, Taiwan, Vietnam, Pakistan, Australia, Peru and the United States. Recently, the export authorities in India notified that South Korea has allowed import of the fruit from India after conducting the stringent pest risk analysis.

- In yet another communiqué the government of Australia has hinted at liberalizing norms for import of mango from India.
- a) In light of the above, explain the purpose served by trade barriers. **6**
- b) As a result of the changes in trade norms by South Korea and Australia, what would be the impact on India's balance of trade and national income? **4**
- Q 3** Democracy is a valued political ideology. It is believed to bring economic growth and make countries rich.
- a) What are the general traits in the political environment that may attract foreign capital and operations into a country? **6**
- b) According to the latest Democracy Index 2016, India ranks 32, much ahead of China at 136 which is categorized as an 'authoritarian' regime. Despite India's superior democratic stature, China is not only ahead of India in most of the comparable economic parameters, but is also ahead of India in 'ease of doing business.' How do you resolve this contradiction? **4**
- Q 4** In 2003, Government of India granted Afghanistan preferential tariffs on 38 items (a range of dry fruits, nuts, fresh fruits, herbs and seeds) and the government of Afghanistan granted to India preferential tariffs on a list of 8 items (including products like black tea, ayurvedic medicines, white cement).
- a) How would you classify this kind of economic integration? **2**
- b) What have been the likely benefits of this agreement to Afghanistan? **4**
- c) In light of the recent phenomenon of Brexit, discuss some problems likely to arise in case of higher order economic integration. **4**
- Q 5** a) For Hong Kong the trade deficit widened to HK\$23.3 billion in the December quarter from HK\$17.3 billion a year ago. However, the current account surplus grew. What could be the underlying reason? **3**
- b) Investors based in Hong Kong are putting more money in start-ups and are increasingly looking at India as an investment option due to its strengths in areas such as information technology. If this materializes, what would be the change in India's Balance of Payments? **4**
- c) India's imports from Hong Kong include pearls, precious and semi-precious stones, telecom equipment, silver & platinum parts, computers and electrical apparatus for electrical circuits. Assuming, 1HK dollar = 8 INR and a subsequent depreciation of the Indian currency, what would be the most likely impact on India's Balance of Trade? **4**
- Q 6** The product life cycle theory of international trade successfully explains the dominance of US in global trade and thus global economy.

- a) Describe the underpinnings of the theory. 6
- b) In recent times, the direction of trade is taking new routes. Do you agree? Explain. 4

**Q 7** The following is extracted from a research article in Journal of Studies and Research in Human Geography (2011) 5.1, 35-42. Read and answer the questions that follow.

During the mid-sixties, Green Revolution transformed not only Punjab's agriculture and economy but also contributed significantly to make India self-reliant in food. In 1950s to 1960s, India was importing food grains to feed its millions. Under drought conditions, during 1964-65, India imported 13 million tons of food grains. This put a heavy strain on the foreign reserves of the country.

Therefore, the country adopted the agricultural policies that promoted food grain production for the National Food Security. The Government of India, then, decided to explore areas where production of food grains could be increased at the maximum rate, at a minimum cost. As a result, 70 million rupees was spent on the development of agriculture in the states of Punjab, Andhra Pradesh, Tamil Nadu, Gujarat, etc., with Punjab emerging as the forerunner. Green Revolution led to bringing more cultivated area under irrigation particularly by huge investments in major irrigation structures and consolidation of land holdings to make agriculture amenable for mechanization. Thus, Punjab became the hub of agricultural activity and consequently economic development took place. To keep up with economic development and to increase the yield of crops, the use of pesticides and chemical fertilizers was also increased. Pesticide consumption in Punjab increased from 3300 Metric Tons (MT) in 1975 to 6900 MT in 2005.

Prior to Green Revolution there were 41 indigenous varieties of wheat, 37 varieties of rice, 4 varieties of maize, 3 varieties of millets, 16 varieties of sugarcane, 19 varieties of pulses, 10 varieties of cotton and 9 varieties of oil seeds but after Green Revolution most of these traditional varieties got lost and the cropping pattern changed from multiple cropping to mono cropping pattern consisting of wheat-paddy cycle.

Green Revolution led to increase in area under cultivation of wheat and rice. On the other hand, the area under other cereals, legumes and oilseeds decreased. It was further opined that the homogeneity was introduced in the crop cover with wheat-paddy rotation replacing the traditional subsistence oriented, ecology adjusted diversified cropping patterns. Such homogenization of the crop cover also increased the incidence of pests and led to decreased fertility of soil.

Several studies have explored the impact of environmental

changes on human health. For instance -

- Premature greying of hair in children as early as ten years old, ageing and predisposition to cancer in Jajjal village of Bathinda district of Punjab.
- Prevalence of various pesticides above the permissible limits in tap water and vegetable samples in Talwandi Sabo area in Bathinda district of Punjab.
- The Age Adjusted Prevalence Rate of confirmed cancer cases was found to be 125 in the same region which is higher than the national average of 70.
- Nitrate levels as high as 601.6 mg/l in village Doda of district Muktsar as against the prescribed level of 50 mg/l for safe drinking by World Health Organization. The study linked the higher incidence of blue-baby syndrome and cancer to the higher levels of nitrate in the district.
- Linkage between the rising instances of abortion, foetal abnormalities especially neural tube defects and early ageing to the higher pesticides levels in Punjab.

Source: [http://humangeographies.org.ro/articles/51/5\\_1\\_11\\_3\\_sinha.pdf](http://humangeographies.org.ro/articles/51/5_1_11_3_sinha.pdf)

### Questions:

- a) Globalization is believed to have a 'good,' 'bad' and 'ugly' side. Discuss the 'good' and 'bad' side of globalization with examples? **6**
- b) Is it possible for a country to stay isolated and yet survive and thrive in contemporary times? Why? **3**
- c) Many researchers link the above mentioned health problems as the long term 'ugly' side of globalization. Do you agree? **3**
- d) Some countries have had a glimpse of the 'ugly' side of globalization. Give examples from recent past. **5**
- e) Do you foresee a reversal of globalization due to the fear of the 'ugly' side of globalization? **3**

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