Total No. of Questions : 6]

SEAT No. :

P1743

[Total No. of Pages : 4

[4770] - 402

M.B.A.

(402) INTERNATIONAL BUSINESS MANAGEMENT

(Semester - IV) (2008 Pattern)

Time : 3 Hours] *[Max. Marks : 70*

Instructions to the candidates:

1) *Both Section I and II are compulsory.*
2) *Figures to the right side indicate full marks.*
3) *Attempt any Three Questions from Section I.*

SECTION - I

Q1) "Trade blocks have been crucial in deciding the economic and social development of the given area". Explain the above statement with reference to any of the trade blocks prevelant in the world. **[15]**

Q2) Analyze the trade relations between India and UAE in respect of trade of rice and date. Through the Comparative cost advantage theory. **[15]**

Q3) "India's capital account deficit is increasing every year". Critically analyse this statement and provide the meaning of the term Balance of Payment and Balance of Trade. **[15]**

Q4) ABC Ltd is an international garment manufacturing firm which is planning to invest in India and introduce its product line in Indian market. As a student of International Business, guide the management of ABC Ltd regarding their decision through Hofsteade Model. **[15]**

Q5) What is globalization? Explain the term in context of forces which drive it, with an example of India as one of the beneficiaries. **[15]**

P.T.O.

SECTION - II

Q6) Case Study **[25]**

Retail Sector

Look East to find out what happens when foreign retailers setup shop. Asia's recent economic history is one of the epic battles between big international retailers and small traders. Across the region, Governments that opened the door to big stores as they restructured their economies or sought better ties with the West, had to eventually step in to prevent their own small trade from being swallowed up.

Japan, which registered retail sales of more than $1,500 billion, has legislation to protect small and medium stores from the impact of large stores. Small traders comprise a large portion of the Liberal Democratic Party's support base. In 1973, Yasuhiro Nakasone, then the Trade Minister assured them that the Government would "nature" small and medium sized companies and "increase resistance" to foreign capital. He introduced a new large stores law that gave powers to local authorities to regulate retail outlets sized between 500 and 1050 sqmtrs. The authorities could insist on the changing the size of the store working hours and even the no. of holidays in deference to small stores.

Tough Regulations

American companies such as Kodak and Toys "R" US, which were trying to enter the Japanese market found these regulation stifling. The US govt. through the US, Japan Structural Impediments Initiative, put pressure on their behalf and even took the matter to the WTO in 1995. Buckling under pressure, the Japanese Govt. repealed the large stores laws.

The gates open, upwards of $1 billion of American Investments flowed in but not without consequences. Between 1997 and 2004, the no. of large stores grew at the rate of about 3% on average. In the same period, the no. of small stores declined at the rate of 2% on an average (Research Institute of Economy, Trade and Industry, Tokyo, 2009). The loss of livelihood became an important political issue. In 2007, the Govt. revised three pieces of legislation-the City Planning Law, the Large scale Retail location Law and the City Centre Revitalization Act-to control the expansion of large scale stores. The country had come full circle in about 10 years. In today's Japan, small stores exist alongside big stores, not because of benign large store culture due to Govt. Regulations.

Lessons from Indonesia

Indonesia which registered retail sales of more than $290 billion also learnt the lessons the hard way. As part of IMF's $ 43 BILLION RESCUE PACKAGE FOR HE COUNTRY AFTER its 1997 financial crisis the government agreed to implement a series of reforms including opening of the retail market lifting restrictions that had until then prevented foreign retailers from operating in provincial capitals and other large cities. Biggies such as Carefour arrived an large scale stores spread through the country. A study conducted in 2007 found that the sales in supermarkets grew an average of 15 percent while sales in small stores declined by 2% a year between 1999 and 2004 (SMERU 2007). The negative impact continued in 2009, Jkarta Post quoting the Indonesian Market Traders Association reported that the turnover and occupancy rates of traditional markets dropped by 60 percent and 40 percent respectively between 2005 and 2009.

This compelled the government to pass two major regulations one in 2007 and the other in 2008- to protect small traders. The new rules established categories of stores based on sizes stipulated a minimum distance between large and small stores, permitted hypermarkets only on arterial roads, prevented supermarkets in local neighbourhoods and regaled their working hours. Another important rule prevented large stores from selling select goods at prices lower than in the nearest traditional market. Reports of poor implementation of rules abound, but the fact is that Indonesian learnt that larges stores had to be overseen.

Rules on size:

The question to ask is why these Asian countries which invited foreign retail under duress or otherwise have regulations on size location working hours pricing and other aspects of large retailers. Evidently that is because they poach on the clientele of the small and medium stores. Their deeper pockets gave them an unfair advantage to mobilize resources and acquire prime space for their high-volume, low-margins business model. Forced by political circumstances, Asian government tried to provide a level playing field, framing regulations to balance everyone's interests. Even though the results have been mixed the fact remains that foreign or even local investment in large retails is a real issue for those who are disadvantaged by it.

Questions:

a) What are Tariff and Non Tariff barriers explained through the above case?

b) State various problems and potential that various multinational enterprises face while entering a new international market by referring the above case.

c) What do you understand by EXIM policy. Elaborate EXIM policy of nation mentioned above.

d) Explain the country risk analysis a firm has to do while entering the retail market.

☛ ☛ ☛