

IB 06/eIB06
INTERNATIONAL BUSINESS

Time: Three Hours

Maximum Marks: 100

Note:

The paper is divided in three sections: Section A, Section B and Section C. There are 7 questions in Section-A, students are required to attempt ANY FOUR. Section-B has 5 questions, attempt ANY THREE. All the questions of Section-C (Case Study) are compulsory.

Section-A
(Each question is of 10 Marks. Attempt any four)

1. Explain various types of tariff and non-tariff barriers to trade. Discuss the role of WTO in removing the trade barriers.
(10)
2. How does international monetary system operate? Explain the objectives & functions of International Monetary System.
(10)
3. The maintenance of exchange rate value of the currency is said to depend on the monetary authorities. What might the monetary authorities do to a currency that would cause its value to drop?
(10)
4. Discuss the major functions and activities of WTO. Do you think WTO has been able to fulfill its objectives?
(10)
5. What is Regional Economic Integration? Do you feel Regional trading agreements are creating new obstacles in the evolutions of a fair and Just international trading system. Elaborate
(10)
6. Identify the competitive advantages that lead companies to prefer one mode of international expansion over another with suitable examples.
(10)
7. Explain the importance of international trade in world economy. What changes have taken place in the 'commodity composition of international trade in the last 20 years?
(10)

Section-B
(Each question is of 15 Marks. Attempt any three)

8. How does a country benefit from international trade? What is trade equilibrium? How can it be achieved?
(15)
9. What are the basic differences between free trade and protection? Which of two alternative should India have and why?
(15)
10. Explain the dispute settlement procedure under WTO.
(15)
11. Outline the static and dynamic effects of a customs union and explain why regional integration blocs composed of small economies are unlikely to be economically beneficial.
(15)
12. What is a distribution channel? List out and briefly explain the main types of distribution channels.
(15)

Section-C
Case Study (15 Marks)

Trade theories advocate optimum utilization of resources and reducing the cost of production globally. This leads to a new tendency, which we call outsourcing less important or back-office works to low wage countries like India and China. The growing demand for backup, is adding a dimension to the quickly proliferating outsourcing industry. Traditionally, conservative businesses such as insurance companies and mortgage brokers are contracting out back-office and customer service work, mirroring the way corporate titans such as IBM and General Electric moved such tasks away from the US several years ago. As new clients are handing over duties to third party companies rather than to their own subsidiaries, and in countries where they often have little experience, they feel more comfortable with suppliers who have good backup plans.

Clearly there are things that the educational institutions can do to help that. Some of the institutions have taken initiatives to get there and some are ~ waiting to see how these experiments shape up. There is also a lot of talk ‘: about the need for the industry and academia to come together so that it will ” eventually help the industry better. But not much seems to be happening in this area. The orientation (of the academic institutions) will have to be a little different than the existing one, view the industry as their customers and do what’s good for the industry and get rated by the industry.

Unless the academia has that kind of an alignment with customer interests, its difficult for them to devise the most appropriate curricula and syllabi. It is only when the academic institutions realize that they are serving "" a certain customer base and they need to fulfill the needs of that customer base and take proactive action internally, that the situation would improve. But, at this point of time, it appears as though the entire onus is on the industry to do it. Today, the academia seems to say if you want these people you come and do whatever it is to make these people suitable for companies.

The huge pool of human resources in India is much talked about and chunk of the human resources from the engineering colleges. The mistake companies commonly make is to underestimate the human potential that is available, and not providing them with the right type of opportunities. We must remember that the IT industry recruits the top 1 per cent of the brainpower that is available in this country. This number is small compared to the ones "that go to school, and the ones that graduate. So it means its the cream of the cream that gets into this industry. And so in terms of brainpower, its quite unmatched.

Unlikely, for the next several years, it's not going to be uncompetitive. The wage increase is only marginal, and the productivity improvement that happens year after year compensates for the bulk of the increase that happens. To that extent, it's not a factor worry about, at least for the next four to five years. Nasscom report (May 2004) predicts that within few years, there will be less supply of qualified human resource in India compared to the demand. Forrester (May 2004) says that by 2010, 3.3 million jobs will be created in IT and IT -related areas in India, That's a lot of people. This means many companies may not go after the top 1 per cent, and they would expand it to the top 5 per cent, for which, the educational institutions have to change and intensify the courses, and should be meritocracy-based. People who score good marks or are more intelligent do get into higher schools.

In order to get a comprehensive mix of capabilities and high talent, companies decided to look at outside universities as well. They went to Carnegie Mellon, Stanford, MIT, and Columbia for recruitment. These are all Ivy League schools that attract top talent. Earlier, people hesitated to come to India. A couple of years back, many Indian companies went to recruit but they .were not interested in coming to India and spending some time here.

The beginning of 2003 was a turning point when the media turned their attention to off shoring in a big way. The visibility was very high and everybody was suddenly talking about India. There is a lot more that gets outsourced to China in terms of manufacturing than to India, but India got far greater share of that visibility. That's when people realized that there is so much happening in India, and wanted to be a part of. it.

But when a company goes to these schools, ask for a GPA-based filtering of candidates, say a GPA of over 3.5 or 3.8, most of them are Indians. Indians somehow seem to have mastered the trade of how to get high GP A. So, companies had to do a different mix in order to make sure they have a good mix of people who have gone from India to study in the USA as well as the local people, and people from other countries.

Offshore projects accounted for over 70 per cent of the total software exports of Tamil Nadu during 2003-4, according to Software Technology Parks of India, Chennai. Tamil Nadu's total IT exports stood at Rs. 7,621.50 crores. (Rs.7621 billion) during the last fiscal, including exports from STPI, MEPZ, and other units.

Chennai and its suburbs continued to be the major software exporting locations in the state. Exports from these locations stood at Rs. 7,557.64 crore (Rs. 75.58 billion), followed by Coimbatore region at Rs. 45.76 crore (Rs. 457.6 million), and Tiruchi at Rs. 13.42 crore (Rs. 134.2 million). Application software and system software accounted for 60 per cent of total exports, followed by consultancy services at 28 per cent, and ITES at 8 per cent. Tata Consultancy Services was the top exporter from Tamil Nadu, followed by Infosys Technologies, HCL Technologies, Cognizant Technology Solutions, Wipro, and Polaris Software. Tamil Nadu's hardware exports crossed Rs. 100 crore (Rs. 1 billion), and stood at Rs. 118.88 crore (Rs. 1.19 billion) in 2003.

13. Case Questions:

- a. To what extent does the theory of Comparative Advantage explain the rise of the Indian BPO industry?
- b. To what extent does the Heckscher-Ohlin theory explain the rise of the Indian BPO industry?
- c. Use Michael Porter's diamond to analyze the rise of the Indian BPO industry. Does this analysis help explain the rise of this industry?

(15)