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FOURTH SEMESTER M.B.A. DEGREE EXAMINATION, JUNE 2018

Syllabus Year 2016

M.B.A.

BUS 4C 23—INTERNATIONAL BUSINESS

Time : Three Hours Maximum : 36 Weightage

Part A

Answer **all** *questions.*
Each question carries 1 *weightage.*

1. Distinguish between Domestics and International business.
2. What do you mean by geocentric orientation ?
3. Briefly explain the term "Quotas".
4. Write any *three* objectives of IMF.
5. What do you mean by greenfield investment ?
6. Briefly explain the decentralized organizational structure.

(6 × 1 = 6 weightage)

Part B

Answer any **four** *of the following questions.*
Each question carries 3 *weightage.*

7. What are the advantages of global business operation ? Explain.
8. Write a short note on Millers theory of reciprocal demand.
9. Differentiate between tariff and non-tariff trade barriers.
10. Discuss the role of WTO in international trade.
11. Briefly explain the cost benefit analysis in international business.
12. What are the steps in global business planning ? Explain.

(4 × 3 = 12 weightage)

Part C

Answer any **three** *of the following questions.*
Each question carries 4 *weightage.*

13. Discuss about Haberler's theory of opportunity cost.
14. What are the various social factors which influences the global business operations ? Explain.

Turn over

15. Explain the various international entry strategies with suitable examples.

16. Discuss the impact of bilateral trade agreements in international business.

17. Explain the different control mechanisms adopted in global business.

(3 × 4 = 12 weightage)

Part D (Compulsory Question)

18. Case :

In March 2002, President George W. Bush imposed sweeping tariffs ranging from 8 percent to 30 percent on a range of steel imports from foreign producers. The tariffs were scheduled to remain in place until March 2005. The move was an attempt to rescue an industry that has been shrinking for years, but : still provides 160,000 jobs in the United States. When the tariffs were announced, 16 American steelmakers were operating under the protection of the bankruptcy court. Leo Gerard, president of the United Steel Workers of America, the industry's main labor union, said the tariffs would protect American jobs by offering the industry a chance for survival. Echoing this, the managers of steel companies said they needed trade protection to give them time to upgrade their mills so that they could better compete with foreign producers.

This wasn't the first time the U.S. steel industry sought, and got, government protection from foreign producers. In fact, the steel industry has been receiving periodic protection of one sort or another for the past 30 years. Despite this, many producers have continued to suffer as more efficient foreign producers and, perhaps just as importantly, efficient non-unionized U.S. mini-mills such as Nucor Steel have taken market share from old-line unionized steel companies. Mini-mills, which utilize electric arc furnaces to smelt scrap steel, now hold 40 percent of the U.S. steel market, up from nothing in the 1960s, and unlike many older steelmakers, most of the mini-mills are profitable.

The main losers of the Bush tariffs appear to have been foreign producers and U.S. consumers. Producers in the European Union were particularly incensed by the tariffs, since more than one-third of their $4 billion worth of steel exports were to be hit by a 30 percent tariff, and they feared that the EU market would now be flooded with steel that other foreign producers diverted from the United States. The EU immediately stated it would seek compensation from the United States, as allowed for by World Trade Organization (WTO) rules. If granted, this would raise the costs to the United States of the Bush tariffs.

In the aftermath of the Bush tariffs, U.S. consumers saw the price of steel jump, which raised their costs and made U.S. products more uncompetitive in the global marketplace. In the months following the imposition of tariffs, the price of steel products in the United States rose between 30 percent and 50 percent. Cold rolled steel, which is used by automobile manufacturers among others, was averaging : $ 525 a ton in the United States versus $ 280 in Japan and $ 304 in Germany. According to the Institute for International Economics (IIE), this round of price increases was just the latest in a long line of costs that steel tariffs have imposed on U.S. consumers over the last three decades. In total, since the 1970s the IIE estimates that efforts to protect U.S. steel have cost U.S. consumers some $ 120 billion in the form of higher prices.

In November 2003, the WTO declared the steel tariffs illegal under WTO rules and told the European Union that it could impose some $ 2.3 billion in retaliatory tariffs on imports from the United States. Initially the Bush administration was defiant, but some economists were quick to point out that the tariffs were counterproductive. By November 2003, the IIE estimated that the costs to steel users of the tariffs, due to higher steel prices, amounted to $ 600 million in lost profits and 26,000 in lost jobs. According to the IIE, the benefit to U.S. steel producers was only $ 240 million, with some 5,000 jobs saved.

On December 4, 2003, the Bush administration announced it would lift the 20-month-old tariffs on steel imports. In doing so, President Bush stated the tariffs had served their purpose by giving the U.S. steel industry time to modernize. Democratic Congressman Ted Strickland of Ohio, a large steelmakingi state, stated, "The president gave his word that we would have three years of relief from illegal imports. But in the face of pressure from the WTO and the European Union, he walked away from that pledge.

Within minutes of the U.S. announcement, the EU announced it was lifting its threat to impose retaliatory tariffs on U.S. imports. To soften the blow on American steel producers, however, the U.S. government stated it would require importers to obtain licenses from the U.S. Commerce Department. The implication was that the Commerce Department would manage the issuing of licenses to moderate any surge in foreign steel imports following the lifting of tariffs. EU officials noted that although not as bad as tariffs, the mandatory requirement to obtain import licenses was another illegal restriction on trade. As for U.S. steel producers, some indicated they would file antidumping actions against foreign steel producers if they found evidence that steel was being sold below market prices in the United States.

Questions :

(a) Do you believe the Bush administration was correct in imposing tariffs in March 2002 on a wide range of steel imports ?

(b) Who are the main beneficiaries of protective tariffs such as those imposed on steel imports ? Who are the losers ?

(c) Does the action of the World Trade Organization in this case represent a loss of U.S. national.

(1 × 6 = 6 weightage)