GL BAJAJ
Institute of Management & Research
Approved by A.I.C.T.E., Ministry of HRD, Govt. of India

Roll No…………

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.)–201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2017-18)
END TERM EXAMINATION (TERM-II)

Subject Name: **International Business Environment**	Time: **02.00 hrs**
Sub. Code: **PG 11**	Max Marks: **45**

Note:

1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.

2. All questions are compulsory in Section A, B & C. Section a carries 2 Case Studies, 10 marks each. Section B carries 2 questions of 10 marks each and Section C carries 5 questions 2 marks each.

SECTION A — 10×02 = 20 Marks

Q. 1: Case Study:

Economy: It's not thumbs up but a 'bottoms down', by- *SWAMINATHAN S ANKLESARIA AIYAR*

After falling for five successive quarters, GDP growth in July-September was 6.3%, up from 5.7% in the previous quarter. Many cheered this as an economic turnaround. I am amused that people now get excited about just 6.3%. How our standards have fallen!

The economy is probably bottoming out. But it is a very low bottom. The Great Recession of 2008-09 hammered the Indian economy, but it bottomed out at 6.9%. We are below that bottom today. Optimists may say "thumbs up", but a more accurate reaction may be "bottoms down".

The latest data are provisional, based mainly on coverage of large companies. Revisions next year will fully cover smaller companies hit by both demonetisation and GST paperwork. Hence the revised figures are likely to be even lower. However, 2018 should be much better than 2017, recovering from a low base and being free from the twin disruptions of 2017.

Look beyond short-term ups and downs. What are India's prospects in the next five to ten years? Blurred at best.

India averaged 8% growth in the 2000s. This was spurred by very buoyant global conditions, plus Indian creation of world-class sectors with rapid export growth. Neither factor can be relied on in the next decade.

China, the global locomotive of the 2000s, is now an upper-middle-income country whose growth rate has halved. It no longer pulls along the world economy at the same speed.

The big mega-trend, invisible to most readers, is a sharp fall in productivity across the world. Productivity guru Robert Gordon argues that the good old days of rising productivity in the 20th century are over. He argues that electricity and the internal combustion engine truly revolutionised productivity for 150 years, but became spent forces after 1970. Since then no new innovation, not even the internet, has raised productivity enough to compensate for the end of the 150-year bonanza.

Hence Western expectations of ever-rising wages in the 20th century have been replaced by wage stagnation and voter fears that the future will be ever bleaker. This explains the rise of Donald Trump and backlash against globalisation.

GDP growth is simply the sum of productivity growth and population growth. Population growth in the West is stagnating along with productivity growth. That makes for a bleak long-term global scenario. Do not get misled by the short-term spurt in world growth this year: it will not be sustained.

The impact of the productivity slowdown on developing countries like India will be less than in countries at the cutting edge of technology. Our working-age population is growing, and our productivity is still so abysmal in many sectors that we can reap large gains by simply catching up with the West. This is indeed what happened in the roaring 2000s. At least three sectors — information technology, autos and pharmaceuticals soared and became world class.

Alas, India created no new star sectors in the 2010s. IT exports that once grew by 30% per year barely manage single-digit growth. Stiff competition and pricing pressures have shaken pharma exports. Auto exports have slowed but are still doing well from a higher base. One sector that soared in the 2010s was buffalo meat, but has been dealt a blow by gau-rakshaks.

No other star is in sight. Startups are booming, and also attracting billions in foreign investment. But these are essentially in the domestic services sector. They will improve productivity there, but do not look like revolutionising exports.

That really matters. No country has ever become a miracle economy with 7-8% growth without export growth of 15-20%. Indian exports have not regained their 2013 level. India's cost of land, labour, capital and electricity are now higher than in competing countries like Bangladesh and Vietnam. Many popular initiatives (the land acquisition law, MNREGA, rural power subsidies) have increased these costs for industry, and no political party wants to reverse them.

Productivity will have to rise fast to compensate. The low-hanging fruit have been eaten in the 2000s. Increasing productivity will now require a hard slog. It means hugely improving the quality of all government services, from the police and courts to education and health. It means far better infrastructure and logistics; much cleaner politics and business; much greater ease of doing business; lower interest rates; abolishing high rail freight rates that subsidise passengers, a strategy that implicitly taxes exports; reducing electricity costs for industry by slashing crosssubsidies to farmers and urban households; and major reforms in the markets for land, labour and capital. These are not on the horizon.

Q-1 (A): What are the main resins for slow down of Indian Economy in the last six quarters?

Q-1 (B): How India can improve its exports sector?

Q.2: Case Study:

Tata Motors (Earlier TELCO) opened booking for different models of its proud small car Indica in late 1998.The consumer response was overwhelming. Most of the booking were for the AC model DLE and DLX. DLE model accounted for more than 70% of the bookings.

Tata Motors planned to commence delivery of the vehicles by early 1999. However, delivery schedules for the AC model were upset because of some problems on the roll out front. According to a report in the *Economic Times* dated 13 March 1999, Tata Motors officials attributed the delay to non-availability of air conditioning kits. Subros Ltd. Supplies AC kits for the DLE version and the Voltas is the vendor for DLX version. Incidentally, Subros is also the AC supplier to Maruti Udyog Ltd. Tata Motors officials alleged that Subros was being pressured by the competitor to delay the supply of kits. "If this continues, we will be forced to ask Voltas to supply kits for the DLE version too", a company official said.

Q-2 (A): If the allegation about the supplier is right, discuss its implication for the supplier.

Q-2 (B): Evaluate the ethical issues involved in the case. (Also consider the fact Maruti was 50% Government owned.)

SECTION B — 7.5×02 = 15 Marks

Q. 3: Critically examine the problems and prospects of Disinvestment of PSU in India.

Q-4: Explain the importance of Fiscal Deficit, Revenue Deficit and Primary Deficit.

SECTION C — 05×02 = 10 Marks

Q.5 (A): Discuss the rationale of encouraging FDI and FPI.

Q. 5 (B): What are the advantages of Human Development Index as an indicator of the 'development level' in different countries?

Q. 5 (C): Examine the recent development in Retail Sector.

Q. 5 (D): Discuss how monetary policy can be effectively formulated in India in the 21st Century.

Q. 5 (E): What is meant by Reserve requirements by Bank?