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(Pages : 3)

Name.....

Reg. No.....

FOURTH SEMESTER M.B.A. DEGREE EXAMINATION, MAY/JUNE 2019

(CUCSS)

M.B.A.

BUS 4C 23—INTERNATIONAL BUSINESS

(2016 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A

Answer all questions.

Each question carries 1 weightage.

1. What do you mean by International Business ?
2. Briefly explain the poly centric orientation.
3. What is the impact of trade deficit in an economy ?
4. List out the objectives of WTO.
5. What are the advantages of joint venture ?
6. Briefly explain the matrix organizational structure.

(6 × 1 = 6 weightage)

Part B

Answer any four questions.

Each question carries 3 weightage.

7. What are the reasons for internationalization of business ? Explain.
8. Distinguish between domestic and international business.
9. Briefly explain the factor endowment theory.
10. What are the cultural factors which influence international business ? Explain.
11. Write a short note on risk analysis in international business.
12. Briefly explain the advantages of centralized organizational structure.

(4 × 3 = 12 weightage)

Turn over

Part C

*Answer any three questions.
Each question carries 4 weightage.*

13. What are the different types of tariff barriers ? Explain.
14. Discuss the advantages and disadvantages of Customs Union.
15. Why India is an attractive economy for multinational IT firms ? Explain.
16. Explain the various international production strategies with suitable examples.
17. What are the factors consider for international business planning ? Discuss.

(3 × 4 = 12 weightage)

Part D

Compulsory question.

18. Case :

Dixon Ticonderoga's flagship product is the ubiquitous No. 2 yellow pencil, introduced in 1913, which is known to almost anyone who went to school or took standardized tests in the United States. With annual revenues of a little more than \$100 million, Dixon is the second largest pencil manufacturer in the country. For most of its history, Dixon has been a prosperous company, but the 1990s proved to be a very difficult decade. It's not that people are no longer buying pencils—in fact, demand for pencils in the United States has soared. Americans bought an estimated 4.2 billion pencils in 1999, a 53 percent jump from 1991. But an increasing proportion of these pencils have been from China.

The problem began in the early 1990s when Chinese manufacturers entered the market with low-priced pencils. The pencil industry fought back, arguing that the Chinese were dumping pencils on the U.S. market at below cost and lobbying Washington for protection. In 1994, when foreign pencil imports accounted for 16 percent of the market, the United States enacted heavy antidumping duties on Chinese pencils, effectively raising their price. Imports fell dramatically, but the Chinese kept making better, cheaper pencils, and after a couple of years imports returned to the levels attained before the imposition of duties. Nor did it stop there. In 1999, U.S. manufacturers shipped some 2.2 billion pencils domestically, down from 2.4 billion in 1991. During that time, imports jumped from 16 percent to more than 50 percent of the market, with China leading the importers. The pencil industry continued to lobby for protection, and in mid-2000, the United States renewed duties on pencil imports from China, imposing import tariffs as high as 53 percent on some brands.

In the meantime, Dixon was not standing still. To try to meet the foreign competition on price, Dixon experimented with cheaper ways to make pencils. The company tried to make pencils out of recycled paper cases, but quickly backed away after the product jammed pencil sharpeners. Then the company looked at the wood used to make pencils—traditionally California incense cedar—and decided it was too expensive for all but the company's premium brand. Now the company uses lower-priced Indonesian jelutong wood. In another measure instituted in the late 1990s to cut costs, Dixon started to buy the erasers for its pencils from a Korean supplier, rather than its traditional U.S. supplier.

Despite these steps, the company continued to lose share to imports, and by 1999 it was beginning to lose money, too. Realizing that it could bring in finished pencils cheaper than it could manufacture them in the United States, Dixon established a manufacturing operation in Mexico. The original idea behind the Mexican operation was to supplement its U.S. manufacturing, but in late 2000 the company realized it needed to be more aggressive and switched many of its processes from the United States to Mexico, cutting some 40 jobs at its U.S. facility. In another strategic move, in 2000 Dixon created a wholly owned subsidiary in China. This subsidiary manufactures wooden slats for pencil manufacturing. The slats are then sent to Mexico, where they are turned into pencils. The lead for the pencils (carbon) is still made in the United States by Dixon, while the erasers are shipped from Korea. The Chinese subsidiary is also responsible for the production and distribution of certain products that are sold internationally. As a result of these moves, by 2002 Dixon's performance was improving, but the company still needed to cut its cost structure. Accordingly, it decided to shut down its U.S. manufacturing operation at Sandusky, Ohio, in 2003 and move production to either Mexico or China. The company was rewarded in 2004 with its best financial performance in a decade and the company made money after five years of losses. In early 2005 Dixon was acquired by Fabbrica Italiana of Italy, a worldwide manufacturer of writing implements. Fabbrica has stated that it will let Dixon operate as an autonomous division within its organization.

Questions :

- 1 Why do you think that the Chinese apparently have a cost advantage in the production of pencils ?
- 2 Do you think that lobbying the U.S. Government to impose antidumping duties on imports of pencils from China is a good way to protect American jobs ? Who benefits most from such duties and who loses ? What alternative policy stance might the government take ?

(1 × 6 = 6 weightage)