GALGOTIAS UNIVERSITY

ADMISSION NUMBER

School of Business

Integrated Bachelor of Business Administration - Master of Business Administration
Semester End Examination - Aug 2024

Duration : 180 Minutes
Max Marks : 100

Sem IX - MSB21T5010 - International Trade and Policy

<u>*General Instructions*</u>
Answer to the specific question asked
Draw neat, labelled diagrams wherever necessary
Approved data hand books are allowed subject to verification by the Invigilator

1)	Name two advantages of international trade.	K1(2)
2)	Explain the aim of Foreign Trade Policy in encouraging foreign investments.	K2(4)
3)	Imagine you are a farmer in a country that exports rice to other countries. Explain the role of Agreement on Agriculture in selling your rice to foreign markets?	K2(6)
4)	Identify the factors that contribute to labor migration and its impact on both the origin and destination countries	K3(9)
5)	Imagine you run an export house. Which products would you export to another country, and why?Identify the reasons with justification.	K3(9)
6)	Predict the future trends in export promotion incentives in the context of global economic shifts and technological advancements. Discuss how emerging technologies and market dynamics may influence the design and implementation of these incentives.	K5(10)
7)	Analyse a recent trade agreement signed between two or more countries as part of an economic integration initiative. Explain the key provisions of the agreement and discuss how it aims to eliminate trade barriers, promote investments, and foster economic growth among the participating nations?	K4(12)
8)	**Read the Case Study and answer the questions given below-** For years now, there has been intense debate in India about the wisdom of relaxing the country's restrictions on foreign direct investment into its retail sector. The Indian retailing sector is highly fragmented and dominated by small enterprises. Estimates suggest that barely 6 percent of India's almost $500 billion in retail sales take place in organized retail establishments. The rest take place in small shops, most of which are unincorporated businesses run by individuals or households. In contrast, organized retail establishments account for more than 20 percent of sales in China, 36 percent of sales in Brazil, and 85 percent of all retail sales in the United States. In total, retail establishments in India employ some 34 million people, accounting for more than 7 percent of the	K5(15)

workforce. Advocates of opening up retailing in India to large foreign enterprises such as Walmart, Carrefour, IKEA, and Tesco make a number of arguments. They believe that foreign retailers can be a positive force for improving the efficiency of India's distribution systems. Companies like Walmart and Tesco are experts in supply chain management. Applied to India, such know-how could take significant costs out of the economy. Logistics costs are around 14 percent of GDP in India, much higher than the 8 percent in the United States. While this is partly due to a poor road system, it is also the case that most distribution is done by small trucking enterprises, often with a single truck, that have few economies of scale or scope. Large foreign retailers tend to establish their own trucking operations and can reap significant gains from tight control of their distribution system. Foreign retailers will also probably make major investments in distribution infrastructure such as cold storage facilities and warehouses. Currently, there is a chronic lack of cold storage facilities in India. Estimates suggest that about 25 to 30 percent of all fruits and vegetables spoil before they reach the market due to inadequate cold storage. Similarly, there is a lack of warehousing capacity. A lot of wheat, for example, is simply stored under tarpaulins, where it is at risk of rotting. Such problems raise food costs to consumers and impose significant losses on farmers. Farmers have emerged as significant advocates of reform. This is not surprising, because they stand to benefit from working with foreign retailers. Similarly, reform-minded politicians argue that foreign retailers will help keep food processing in check, which benefits all. Positioned against them is a powerful coalition of small shop owners and left-wing politicians, who argue that the entry of large, well-capitalized foreign retailers will result in the significant job losses and force many small retailers out of businesses. In 1997, it looked as if the reformers had the upper hand when they succeeded in changing the rules to allow foreign enterprises to participate in wholesale trading. Taking advantage of this reform, in 2009 Walmart started to open up wholesale stores in India under the name Best Price. The stores are operated by a joint venture with Bharti, an Indian conglomerate. These stores are allowed to sell only to other businesses, such as hotels, restaurants, and small retailers. By 2012 the venture had 20 stores in India. Customers of these stores note that unlike many local competitors, they always have produce in stock, and they are not constantly changing their prices. Farmers, too, like the joint venture because it has worked closely with farmers to secure consistent supplies and has made investments in warehouses and cold storage. The joint venture also pays farmers better prices—something it can afford to do because far less produce goes to waste in its system. For its part, in 2011 the Indian government indicated that it would soon introduce legislation to allow foreign enterprises like Walmart entry into the retail sector. On the basis of this promise, Walmart and Bharti were planning to expand downstream from wholesale into retail establishments, but their plans were put on hold in late 2011 when the Indian government announced that the legislation had been shelved for the time being. Apparently, opposition to such reform had reached such a pitch that implementing it was not worth the political risk. Opponents argued that global experience showed that FDI leads to job losses, although they cited no data to support this claim. Whether India will further relax regulations limiting inward FDI into retail remains to be seen.

Case Discussion Questions

(1)Appraise the fragmentation of Indian retail sector.

(2)Explain the potential benefits and losses to India of entry by foreign retail establishments?

(3) Discuss the difficulty level of FDI regulations reforms in India.

9) Choose one economic integration organization, such as the European Union or the African Continental Free Trade Area, and develop a poster presentation highlighting its history, purpose, and achievements. Include visuals and captions that help explain the benefits of belonging to such an organization. K5(15)

10) Create a flowchart demonstrating the steps a country might take to implement a trade barrier on imported goods.Debate on the ethical implications of using trade barriers to protect domestic industries, considering both the benefits and potential negative consequences. K6(18)