

Total No. of Questions—5]

[Total No. of Printed Pages—4

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**[4967]-4004**

**B.B.A. (Fourth Semester) EXAMINATION, 2016**

**404 : INTERNATIONAL BUSINESS**

**(2013 PATTERN)**

**Time : Three Hours**

**Maximum Marks : 80**

**N.B. :—** (i) All questions are compulsory.

(ii) Figures to the right indicate full marks.

(iii) Draw diagrams wherever necessary.

1. Define 'International business ? Explain the categories and approaches of international business. [15]

*Or*

Describe the organisation models of international business. [15]

2. What is foreign exchange risk management ? Discuss the internal hedging tools for foreign exchange risk management. [15]

*Or*

“IMF and world bank serve interests of industrialized nations rather than those of developed nations.” Elucidate. [15]

3. Discuss the reasons for formulation of regional grouping and its impact. [15]

*Or*

Evaluate the role and performance of world trade organisations with particular reference to developing countries. [15]

P.T.O.

4. Write a detailed note on the magnitude and direction of India's foreign trade. [15]

*Or*

**Case Study :**

India is the world's largest producer, processor and exporter of cashew nut. In 2000, India accounted for 65 percent of the \$ 208 million in total global exports. India maintained a virtual monopoly on cashew nut processing until the mid 1970s, due to three factors viz.

- (1) India was the largest producer of cashews.
- (2) Early demand occurred largely in India, meaning that any other country would have to incur added transport charges to reach the Indian market.
- (3) Most important, the Indian workers were particularly adapt at the process technology.

Through the years, various factors threatened India's producer as a cashew producer. First, a shortage developed when demand for the nuts grew in the United States and the United Kingdom. Second, because the nuts were ill suited for plantation growth. India could not produce enough and thus turned to East Africa for supplies. Soon these countries began to realize they could bypass India by processing the raw nuts themselves. However, because the Indian labor force worked on making handicrafts at home, as children by the time they were employed in cashew processing they could perform dedicate hard operations efficiently. Without such training, the East Africans were at a fatal disadvantage. Further, the government their neglected re-investments in the state owned processing plants and many of the trees became diseased and too old to be productive.

Although the Africans inability to compete grawed a reprieve to the Indian industry, it put on notice that it was vulnerable to supply cut-offs. Three factors have kept India's hand processing industry afloat.

- (a) The machinery breaks many cashew nuts, so Indian processors have had an advantage in the sale of higher grade nuts.
- (b) Indian processors hare been able to obtain increased supplies of raw nuts, partially as a result of increase production. Pesticide technology, Indian experimentation in hybridisation vegetative propagation and grafting and budding techniques promises to increase the output per trees to five times what it was in the wild. Further, India has been increasing its imports of row nuts substantially.
- (c) India uses fewer fertilizers than Brazil, the biggest export competitor and the lack of fertilizer apparently gives Indian nuts a better flavour.

Because its exports consist of a higher portion of higher grade nuts and because of flavour differences, Indian exports sell for a premium in comparison with those of competitors for example about 15 percent more than nuts from Brazil. During the 1990s India depended heavily on imported raw nuts from Vietnam, however, Vietnam has since become a competitor by processing its own nuts and by improving nuts to process from other countries.

There is potential for an excess supply of cashew nuts which might result from plantation techniques and improved technology in India and else where. All India coordinated spices and cashews nut improvement project has poured its efforts on increasing nut sales in small markets and no finding new markets for products from the cashew tree.

For example, experimentation is going on to harvest both the fruit and the nut. The fruit is also being studied. Commercial use in candy, jams, chutney, juice and vinegar. Another area of research is in the use of cashew nutshell liquid (oil) which was once discarded as a waste product. It is now used extensively in industrial production of friction, dusts for formulators in brake linings and clutch facings. This far, however, the extraction of cashew nutshell liquid has been too costly to make the product fully competitive with some other types of oils. There is also a potential for short-term cashew shortages, such as occurred in 1999 because of unfavourable climatic conditions. This has led India to try to increase its production and its foreign supplier.

*Questions :*

- (a) How trade theories help to explain where cashew tree products have produced historically ?
- (b) What factors threaten India's future competitive position in cashew nut production ?
- (c) If you were an Indian cashew processor, what alternatives might you consider to maintain future competitiveness ?

**5.** Write short notes on (any *four*) : [20]

- (a) Functions of European Union
- (b) Spot and forward exchange rate
- (c) Difference between BOT and BOP
- (d) Demerits of MNCs in international business
- (e) Challenges of international business
- (f) Transnational Corporation.