

Con. 5273-08.

University Exam
International
Business

Common Paper

BB-8525

(FURTHER REVISED COURSE)

(3 Hours)

[Total Marks : 60**N.B. :** (1) Answer any **four** questions out of seven.(2) Question 8 (**Case**) is **compulsory**.(3) Candidates are **required** to give clear concepts, illustrations, examples and analysis.

1. What is globalization? How do global organizations emerge to enjoy global leadership in their business? Give relevant current illustrations from global organizations. 10
2. Why do companies and the countries enter into international business when the opportunities exist in the domestic business? 10
3. Write short notes on :— 10
 - (a) Foreign Exchange risks.
 - (b) Trade barriers.
 - (c) Intellectual Property Rights.
4. "Modern trade theories are essential for formulating business strategies at macro level in companies"—Discuss in detail only relevant three trade theories. 10
5. Discuss major objectives, agreements and achievements of WTO and the issues encountered by WTO at the end of Doha round. 10
6. "NAFTA is emerging as an effective trade partner for India despite of global slow down". If so, categorize major sectors and business opportunities for Indian business houses to prosper in future in the NAFTA bloc. 10
7. Enumerate all the challenges encountered by global human resource division operating in a cross border business environment. 10
8. **Case study :—**
FIPB (Foreign Investment Promotion Board) nod for 30 FDI – boosting proposals
 Foreign direct Investment destinations are changing. Investors are now opting for long term projects.
 The slow down is major challenge throughout the world. Despite all these facts India is offering a great holding companies have been cleared by the Foreign Investment Promotion Board (FIPB) in the past couple of months. The proposals involve conversion of an operating company into a operating cum-holding company (OHC) to facilitate downstream investments.

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The move is significant since it could boost FDI inflows at a time FII money worth \$12 billion has left the bourses. The clearance of such proposals increased at least 50% this year compared to last year.

The board is also providing clearances to companies that have made downstream investments without prior permission. Clearance with retrospective effect is being provided in such cases subject to investment policies of RBI.

Some holding company proposals approved by FIPB in the last two months cover projects such as Essar Global-Asia Motor-works, Adani Power, Mauritius-based private equity major TPG Holdings, Suzion Energy and Krishnapatnam Ports.

FIPB last week cleared Asia Motor- works proposal for induction of foreign capital worth Rs 590 crores from Essar Global through formation of a holding-cum-operating company. The Indian company would now issue convertible debentures and preference shares to Essar Global worth Rs 590 crores.

Similar approvals were given to TPG to make downstream investments worth Rs 800 crores through a holding company for carrying out investment operations in India. The board also approved Suzion proposal to setup a holding company to make downstream investment in wind turbine energy systems. With FIIs pulling out, officials feel FDI is the only route for boosting capital flows. Hence, approvals are being put on fast track.

To expedite clearance of FDI proposals, the board is also rejecting objections raised by the revenue department. Overruling objections from the department of revenue, the Essar Group's Cayman Island-based holding firm Essar Global received FIPB approval for its proposed investment in truck-making company, Asia Motor works. In many other cases, the board has given clearances with the observation that the department could continue with investigations. Once FIPB was cautious in approving every proposal. Now it has become so liberal. There are so many initiatives taken by both the central and state governments to attract

FDI. Still, the confidence level is low amongst American and European investors before deciding to invest in India as compared to other counterparts. Hence, holding companies of business houses of India are slowly becoming major investors and such an investment becomes a boon while major chunk of the capital is pulled out by FIIs.

Questions:

1. Enumerate various parameters the investors consider prior to investing in any country. 5
2. Discuss the differences between Foreign Institutional Investment (FII) and Foreign Direct Investment (FDI) and why FIIs are pulling out the investment from India. 5
3. Name few sectors in India and the reasons for attracting FDI as a fast track capital flow. 5
4. Categorize five major challenges still hampering FDI inflow. 5