Solved Scanner Appendix

CS Prof. Prog. M - III (New Syllabus)

(**Solution of June - 2014 and Question of Dec-2014)**

Paper - 9.5 : International Business Laws and Practices

Solution of June - 2014

Chapter - 1 : Introduction to International Business
2014 - June [2] (b) (i), (ii)

(i) **Global Strategy:** In global strategy, assumptions are made that customer needs are similar worldwide. It is argued that markets are converging and increasingly people's needs and desires have homogenized. Therefore, firms can sell standardized products in the same way everywhere, for example, steel, pharmaceuticals, cement, petroleum, etc.

International Strategy: In the initial stages of globalisation, a firm may not be in a position to opt for either global strategy or multidomestic strategy for its overseas business. They adopt international strategy which involves creating an international division and exporting the products through that division to those countries where the products are needed. At this stage of globalisation, a company is really focused on the domestic market and just exporting what is demanded abroad.

(ii) **Indirect Exporting:** Indirect Exporting is exporting the products either in their original form or in the modified form to a foreign country through another domestic company. It is the market entry technique which offers lowest risk & least market control. The firm is not engaged in international marketing and no special activity is carried on within the firm. The sale is handled just like domestic sales. Various publishers in India including Himalaya Publishing House sell their products i.e. books to UBS publishers of India, which in turn exports these books to various foreign countries.

Direct Exporting: Direct Exporting is selling the products to a country directly through its distribution arrangement or through a host country's company. Baskin Robins initially exported its ice-cream to Russia in 1990 and later opened 74 outlets with Russian partners. Finally in 1995 it established its ice cream plant in Moscow.

Chapter - 2 : International Business Environment
2014 - June [4]

Technological environment refers to the sum total of knowledge providing ways to do things. It may include inventions and techniques, which affect the ways of doing things, i.e. designing, producing and distributing products. Technological environment is important for business as it affects the type of conversion process that it may adopt for its purpose. A given technology affects an organisation in the way it is organised and faces competition. From the strategic management point of view, technology has following implications:

(i) Technology is a major source of increasing the productivity. Though human beings are primarily responsible for handling technology, their efficiency is determined by the type of technology used.
(ii) Various jobs in an organisation performed by individuals are determined by the technology used. If there is a change in technology, the nature of jobs are changed because technology determines the level of skills required.
(iii) Technology influences the social situation. The size of groups, membership of groups, patterns of interpersonal interactions, opportunity to control the activities etc. are influenced by technology in a variety of ways.
(iv) Organisations become secured by developing efficiency through the adoption of latest and efficient technology. Since the technology has become more complex, it is difficult for new organisations to enter the field.
(v) Technology influences the cost of production and quality of the product/ service.
(vi) There is a time gap in employing new technologies both within an organisation and among organisations in a field. Time gap within the organisation means that adjustment to technological innovation will be spread over a number of years. Within the industry, if a new technology is adopted by an organisation, others in the same industry will follow the same, but because of time gap, the first organisation will have some edge over others.

The major strategic implications of technological environment are as follows:

(i) It can change relative competitive cost position within an organisation;
(ii) It can create new markets with new business segments; and
(iii) It can merge with independent businesses by reducing or eliminating their segment cost barriers.

The technological environment of the country is subject to change because of import of technology and research and development within the country. Indian Government is quite liberal in regard to the import of appropriate technology from foreign countries to enhance efficiency and to make the industry competitive internationally. It is also encouraging the development of internal technology by providing various incentives to the business organisations concerned as well as through other technical institutions.

Chapter - 3 : Multinational Enterprises (MNEs) and Foreign Direct Investments (FDI)

2014 - June [1] (a), (b), (c), (d), (e)

(a) In the given case, the licenses were cancelled by the Government of India. Telenor had also approached the government for resolving the disputes related to licenses. The company had already revoked its contract with the Indian partner had brought a claim against it seeking indemnity and compensation for the investment made. Since, the Telenor has made investment in the Uninor and the attempt to winning back the licenses will increases its cost very high, it is wise of the company to exit the business and some of ideal options that could be adopted by the company are:

(i) Sales to a Local Company
(ii) Sale to an MNC
(iii) Management Buyout

(b) Government intervenes in trade and investment to achieve political, economic or social objectives. Commercial diplomacy plays a significant role in global trade. It is frequently used to cover different types of activities.

(i) Activities relating to trade policy/make-up (multi trade negotiations, trade consultations and dispute settlement)

(ii) Business support activities

The spectrum of actions in commercial diplomacy ranges from :

- The high policy level (head of state, prime minister or a member of parliament) like in the famous takeover Arcelor steel plant by Lakshmi Navas Mittal
- Ambassador and the lower level of specialized diplomatic envoy known as trade representative commercial attache or commercial diplomat.

The USA, Germany, UK, Finland, Japan and Singapore all maintained modern and well performing commercial diplomacy centers and business support services to assist business development. In the case of, hostile takeover bid of Arcelor, Lakshmi Mittal became a diplomatic offensive in Paris and Defence Minister had said that he doubted that the two cultures could function and live together. The politicians in France, Belgium and Luxemburg had expressed concerns over the del, though ultimately the deal was finalized. In the Telenor Case, it may be argued that intervention by Norwegian government may not be an advisable step because of the following reasons:

- The 2G spectrum licenses were cancelled not at the instance of the Indian Government but in the wake of the Supreme Court judgment which had passed structures against the Indian Government action because of procedural irregularities. Telenor was not an exceptional case and there was no discrimination against it by the government.

- The Supreme Court judgment was not cherished by the government because it had highlighted the government's utter disregard of laid down policies. It had also highlighted the need for fair sense of play.

(c) International business, along with its financial decision-making process, calls for a detailed understanding and deliberation of the various risk factors that may be involved in entering new markets. As a matter of fact, the domestic market involves various levels of uncertainty as well, but there are certain unique risks that may accompany any international business. These may not only affect a company but may also have a great impact on the relationship between the two countries involved.

When a foreign player enters a market, one aspect usually overlooked is the strategy of how to exit when necessary. In a few instances, firms are forced to exit from the market due to actions of host governments, including confiscation, nationalization and expropriation. Through there are many risks involved when investing in emerging economies, little organized inquiry exists into the relative importance of individual risks when investors apportion FDI.

Country risk analysis presents the potentially adverse impact of a national environment on the cash flow of MNCs due to exposure to political, economic and social upheavals. These have a greater scope of risk than the risk from government action as they also include credit risk and other economic performances.

For any firm investing in foreign markets, understanding risk is not enough - they also should know how to mitigate those risks. The various risks that may be involved may include the following:

(i) Political Risk
(ii) Commercial Risk
(iii) Risk of Sources of Funds
(iv) Risk Due to Tax System
(v) Risk Due to Exchange Rate Fluctuations

(d) Political risks are perceived as those events, processes or actions that have a potential to - directly or indirectly - significantly and negatively affect the goals of foreign investments made in the host country. MNCs have to be aware of the political risks as these could make operations and the environment in the industry more complex. Managing government policy risks are harder to hedge. Firms that are engaged in international business often use a combination of insurance, legal contracts are trade in financial instruments to shield their income from investments in foreign countries against currency or price fluctuations. As this offers very little protection against risks related to government policies, there is a need to systematically review the political risks and take necessary steps accordingly.

Influencers of politicial risk mainly include a focus on government action the extent of political stability, actions by legal bodies like the Supreme Court and High Courts, actions by a broader group of political leaders, probability of change of government and threat of war. Stability of the government is considered to be one of the most important factors influencing the conduct of business. Next comes the extent to which the government is able to implement policies as well as control corruption as this is one of the biggest threats to the investments. Policies framed by the government should be transparent and stable. This is a must for foreign investors as they are the major supporters of corporate governance practices and might not be willing to operate in an environment where they do not have clear and holistic pictures.

(e) It is very undesirable for any MNC to be forced to withdraw its operations from a country as this affects the company image. In Such cases, MNCs have to take some drastic measures and important strategic decisions to ensure that the withdrawal does not have a big impact on operations outside the country of withdrawal. Depending upon the level of withdrawal threat and the level of potential futurity of the market, the company can have various exit alternatives.

- If there is a very high level of threat and good futurity of the market, then the company can think of options such as management buyout, sale to a trust or temporary suspension of activities.
- In case of low levels of threat and low scope of market, then the firm can decide to sell to a local company or even close down operations.
- In case of a high level of threat and low scope of market responsiveness, the options that could be taken are management buyout, sale to a local company, sale to another MNC or closing down operations.
- Where there is a low level of threat and high market opportunity, then the ideal solution is to continue operations in the market.

2014 - June [3]

There is no denying the fact their India has a vast pool of skilled and professional workforce. But the foreign investors have been shying away to make huge investments in India due to a plethora of reasons or issues.

(i) The multi-national corporation has to operate under political risk in India as compared to their domestic counterparts.

(ii) In many cases, there are charges against multi-national corporations on the usage of transfer pricing system for dubious activities. Hence, it becomes a source of conflict between the MNCs and the host government.

(iii) The reach of corruption is global. Fifteen percent of all companies in industrialized nations have to pay bribe to win or retain business. Ethical issues in business have become complicated because of the global and diversified nature of many large corporations.

(iv) Multi-national companies face a number of different cultural problems. One of the main cultural challenges faced by multi-national companies is the diversity of cultural perspectives which causes problems of management and policy development and makes it difficult for the organizations to make company-wide policy decisions.

(v) MNCs face the difficult task of developing a unified organizational culture. Concepts of team work and unity may have different meaning across national boundaries.

(vi) When it comes to recruiting, HR manager find themselves having to overcome cultural barriers to find qualified candidates for positions abroad.

(vii) MNCs run the risk of developing products and strategies that run contrary to cultural norms of the people to which they attempt to market the products.

(viii) Differences in communications make it difficult to comprehend norms in countries in which MNCs operate.

Indian economy is capable of absorbing US $50 billion in FDI per year. Though the Govt. has relaxed FDI regime in various sectors, there is a lot of politics and uncertainty over FDI is multi-brand retail. These are FDI restrictions to international players like Wal-Mart, Gap, Ikea and Tesco. However, favorable demographics and growth opportunities keep India an 'attractive' destination for merger and acquisitions (M&A) activities across diverse sectors including consumes goods and pharmaceuticals. The FDI cap was raised from 49% to 74% in broadcasting and ARCs. Foreign investment has also been allowed in power exchanges while foreign institutional investors (FIIs) have also been allowed to invest up to 23% in commodity exchanges without seeking prior approval from the Govt. In short, it may be said that Indian landscape officers a plethora of opportunities to foreign investors as the economy is booming and vibrant as compared to its global peers. The right political moves and favorable macro-economic data coupled with pro-active policies to attract foreign investment would augur well to make India a sought after destinations for foreign investment.

Chapter - 4 : Foreign Trade Policy and Procedures Part-I Export Promotion

2014 - June [2] (b) (iii), (v)

(iii) Focus Market Scheme (FMS)

Objective of focus market scheme is to offset high freight cost and other externalities to select international markets with a view to enhance India's export competitiveness in these countries. Exporters of all products to notified countries (as in shall be entitled for Duty Credit Scrip equivalent to 3 % of FOB value of exports (in free foreign exchange) for exports made from 27.8.2009 onwards.

Focus Product Scheme (FPS)

Objective of focus product scheme is to incentivise export of such products which have high export intensity/employment potential, so as to offset infrastructure inefficiencies and other associated costs involved in marketing of these products. Exports of notified products to all countries (including SEZ units) shall be entitled for Duty Credit scrip equivalent to 2 % of FOB value of exports (in free foreign exchange) for exports made from 27.8.2009 onwards.

(v) **Market Access Scheme:** For companies that lack a basic understanding of customers and the relationship/infrastructure to distribute their products to customers, forming a JV with the right partner can provide instant access to established, efficient and effective distribution channels and receptive customer bases. This is important to a company because creating new distribution channels and identifying new customer bases can be extremely difficult, time consuming and expensive activities.

Market development Assistance: Companies can enter into alliances to be able to develop new markets, whether it be geographic extensions or new market segments. In 1994 Pepsi and Starbucks entered into an alliance to bring bottled cold coffee drinks to the market. For both of them a complete new market was created that was difficult for either of them to enter without the knowledge and capabilities of the other.

Chapter - 5 : Foreign Trade Policy and Procedures Part-II Export Management
2014 - June [2] (b) (iv)

Revocable Letter of Credit L/c: A revocable letter of credit may be revoked or modified without the consent of the exporter by the issuing bank. It is rarely used in international trade as it is not beneficial for the exporters. There is no provision for confirming revocable credits as per terms of UCPDC, hence they cannot be confirmed. It should be indicated in LC that the credit is revocable. If there is no such indication the credit will be deemed as irrevocable.

Irrevocable Letter of Credit L/c: An irrevocable L/C cannot be revoked or changed without the consent of the issuing bank the confirming bank, and the beneficiary/ exporter. Form an exporter point of view it is believed to be more beneficial. An irrevocable letter of credit from the issuing bank insures the beneficiary that if the required documents are presented and the terms and conditions are complied with, payment will be made.

Chapter - 7 : Institutional Environment
2014 - June [5]

The UNCTAD Evaluation and Monitoring Unit coordinates the oversight activities within the organization that serve to both ensure and enhance the quality and resonance of its programmes and projects. The main activities of the unit to cover this mandate include:

1. Managing, conducting and supporting the evaluation activities of UNCTAD.
2. Participating and contributing to inter-agency initiatives on evaluation, such as setting up evaluation standards or evaluation guidance materials.
3. Providing guidance and assistance to programme managers in using results-based management methodologies, in particular providing input into the definition of results frameworks and in the preparation of programme performance reports.

4. Participating in the review of new project proposals with a view to ensuring the evaluability of each project's logical framework, as a member of the Project Review Committee and through the clearance of project documents.
5. Contributing to developing capacity for self-evaluations.
6. Acting as the focal point for UNCTAD on all evaluation matters, in particular, external evaluations conducted by OIOS.

Chapter - 9 : Subsidies and Countervailing Duties
2014 - June [2] (c)
Subsidies may play an important role in developing countries and in the transformation of centrally-planned economies to market economies. A subsidy is a grant or other financial assistance given by one party for the support or development of another. Subsidy has been used by economists with different meanings and connotations in different contexts. According to one OECD definition, "A subsidy is a measure that keeps prices for consumers below market levels, or keeps prices for producers above market levels or that reduces costs for both producers and consumers by giving direct or indirect support". This form of support can be legal, illegal, ethical or unethical. Subsidies are used for a variety of purposes, including employment, production and exports.

In common parlance, the term subsidy means money granted by the State or a Public Body to keep the prices of commodities under control. Subsidy may take the form of direct or indirect government grants on production or exportation of goods including any special subsidy on transportation of any product. The subsidy is usually given to remove some type of burden and is often considered to be in the interest of the public. There are many forms of subsidies given out by the government, including welfare payments, housing loans, student loans and farm subsidies. For example, if a domestic industry, like farming is struggling to survive in a highly competitive international industry with low prices, a government may give cash subsidies to farms so that they can sell at the low market price but still achieve financial gain. If a subsidy is given out, the government is said to subsidize that group/industry.

Subsidies are often regarded as a form of protectionism or trade barrier by making domestic goods and services artificially competitive against imports. Subsidies may distort markets and can impose large economic costs. Financial assistance in the form of a subsidy may come from one's government, but the term subsidy may also refer to assistance granted by others, such as individuals or non-governmental institutions.

Chapter - 10 : Foreign Collaborations and Joint Ventures
2014 - June [2] (a)
THIS AGREEMENT made toady of 15/07/2014 BETWEEN Futuristic Technology Limited, a company registered in India under the Companies Act, 2013 or 1956 having its registered office in India (hereinafter referred to as the India company) which expression shall, unless repugnant to the context or meaning thereof, is deemed to

include its successors and assigns of the ONE PART AND IT Company, a USA corporation, with place of registry in and having an office in USA (hereinafter referred to as the Foreign Company) which expression shall, unless repugnant to the context or meaning thereof, be deemed to include its successors and assigns of the OTHER PART.

WHEREAS -

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NOW THIS AGREEMENT WITNESSETH and is hereby agreed by and between the parties as follows:

(i) **Arbitration:** In case of any dispute or difference arising between the parties hereto or any claim or thing herein contained or the construction thereof as to any matter in any way connected with or arising out of these presents or the operations thereof the rights, duties liabilities of either party thereof, then and in every such case, the matter, differences and dispute shall be referred to an arbitrator in India in case parties agree upon one, otherwise two arbitrators in India, one being nominated by each party to this agreement in accordance with and subject to the provisions of the Arbitration and Conciliation Act, 1996 or any other enactment or statutory modifications thereof for the time being in force.

(ii) **Consideration:** In consideration thereof, investment in foreign security by way of swap or exchange of shares, amount of investment shall not exceed US $100 million or 10 times of export earning of Futuristic Technology Limited in preceding financial year including all investment in same financial year. ADR/GDR issue of Futuristic Technology Limited shall be listed outside India and 80% of average turnover of Futuristic Technology Limited in three previous financial years is from activity included in schedule or Futuristic Technology Limited has an annual average export earning of at least ₹ 100 crores in previous three financial years from its activities. ADR/GDR issue shall be backed by fresh equity shares by Futuristic Technology Limited.

Chapter - 12 : Logistics Management

2014 - June [6]

Some of the large Indian corporates such as Reliance, Tata, Mahindra and Mahindra, TVS Group and Essar Shipping have already forayed into the logistics business. Initially these corporates formed divisions to handle internal logistics, but sensing the potential of the market, they have started offering logistics solutions to other Indian corporates and have already turned these logistics divisions into profit centres. Some large express cargo and courier companies such as Transport Corporation of India Ltd. (TCIL), Gati, Safexpress and Blue Dart have also started offering 3PL services. Transport Corporation of India is one of the India’s largest private deemed integrated supply chain and logistics solutions provider and a pioneer in the sphere of cargo transportation in India. Leveraging on its extensive infrastructure, strong foundation and skilled manpower, TCI offers seamless multimodal transportation solutions.

Question Paper of December 2014

Chapter - 2: International Business Environment

2014 - Dec [1] Global Competitiveness Report 2014-15

Year 2014-15 marks the time when the global economy seems to be finally leaving behind the worst and longest-lasting financial and economic crisis of the last 80 years. However, this resurgence is moving at a less decisive pace than it has after previous downturns, and heightened risks looming on the horizon could derail the global recovery. Much of the growth in recent years has taken place because of the extraordinary and bold monetary policies in countries such as the United States, Japan, and the United Kingdom. As the economy improves in these countries, a normalisation of monetary policy with tightening financial conditions could have an impact on both advanced and emerging economies.

Overall, growth prospects in advanced economies are better than they have been in recent years, albeit very unevenly distributed. The recovery in the United States seems to be comfortably grounded with strong output and employment figures. Japan's economy, while still needing to translate Abenomics into stronger private demand, seems to be waking-up after two decades of stagnation. In Europe, the picture is more mixed; though many countries now recording stronger growth and returning to trend growth rates, some others continue to suffer from weak growth driven by protracted internal demand, high unemployment, and financial fragmentation. Emerging economies are forecasted to grow more modestly than they did in the past. After several years of doing very well and leading global growth, their performance may be affected by a changing environment characterised by greater difficulty accessing capital as well as lower prices for the commodities that fueled past growth - a trend that is also likely to affect many developing economies.

To a large extent, the improvement of the global economic outlook has been the result of bold monetary policies carried out by the Federal Reserve and Central Banks in countries such as the United Kingdom and Japan to substantially expand the amount of money available in the economy. As the economic situation improves, a normalisation of the monetary policy with a tightening of the financial conditions for both advanced and, most notably, emerging economies could jeopardise the rather positive forecast, especially if productivity-enhancing investment levels do not manage to pick-up. Investment and the recovery more broadly will also be influenced by the fact that low inflation, or even deflation, in key advanced economies remains a tangible risk that could derail recovery because real interest rates may rise, increasing the burden of public debt and leading to a stagnation of consumption and investment rates. In addition, in recent months, a strained geo-political situation has emerged. Tensions in Ukraine with implications for the relationship between Russia and much of the Western world, as well as between China and Japan, have become more evident. Although the implications of these tensions have not yet fully materialised, they could cause a great deal of disruption in the highly interdependent, global macroeconomic outlook.

Finally, one of the legacies of the economic crisis is the acceleration of income inequality in many countries, which can cause important economic and social tensions if not properly addressed. The country's new government faces the challenge of improving competitiveness and reviving the economy, which is growing at half the rate of 2010. India's performance is given below:

India's competitiveness crisis

Despite its immense potential and promise, by many accounts India continues to suffer from poverty. A third of its population still lives in extreme poverty - possibly the highest incidence outside sub-Saharan Africa; and many people still lack access to basic services and opportunities, such as sanitation, healthcare, and quality schooling. Improving the standards of living of the Indian population will require the country to accelerate its growth. Yet, since 2011, India has experienced a slowdown. In 2013, its economy grew by a modest 4.4% (see Figure 1). Improving competitiveness in order to put growth on a more stable footing should therefore be a priority for the new government.

Dropping for the sixth consecutive edition, India ranks 71st (down 11) out of 144 economies in the Global Competitiveness Index (GCI) 2014-15 (see Figure 2). It is the lowest ranked among the BRICS economies. The rank differential with China (28th) has grown from 14 places in 2007 to 43 today; while India's GDP per capita was higher than China's in 1991, today China is four times richer (see Figure 1). This competitiveness divide helps to explain the different trajectories of these two economies.

India's slide in the competitiveness rankings began in 2009, when its economy was still growing at 8.5% (it even grew by 10.3% in 2010). Back then, however, India's showing in the GCI was already casting doubt about the sustainability of this growth. Since then, the country has been struggling to achieve growth of 5%. The country has declined in most areas assessed by the GCI since 2007, most strikingly in institutions, business sophistication, financial market development, and goods market efficiency.

Figure 3 sheds light on the main strengths and weaknesses of India's competitiveness and presents the country's performance along the 12 dimensions of the GCI. Overall, India does best in the more complex areas of the GCI : innovation (49th) and business sophistication (57th). In contrast, it obtains low marks in the more basic and fundamental drivers of competitiveness. For instance, India ranks 98th on the health and primary education pillar. The health situation is indeed alarming: infant mortality and malnutrition incidences are among the highest in the world; only 36% of the population have access to improved sanitation and life expectancy is Asia's second shortest, after Myanmar. On a more positive note, India is on track to achieve universal primary education, although the quality of primary education remains poor (88^{th}) and it ranks a low 93^{rd} in the higher education and training pillar of the GCI. Transport and electricity infrastructure need upgradation (87^{th}). In 2012, a working group appointed by the Planning Commission of India had recommended that a trillion US dollars or almost 10% of India's GDP be spent on infrastructure by 2017. Given the country's strained public finances, addressing the infrastructure gap will require very strong participation on the part of private and foreign investors through public-private partnerships.

But for these types of investments to materialise, the institutional framework needs to improve. There are encouraging signs though. India has achieved spectacular progress in various measures of corruption and now ranks 65^{th}. Red tape seems to be less of an issue than it had been, and government efficiency is equally improving. However, the overall business environment and market efficiency (95^{th}, down 10 places) are undermined by protectionism, monopolies and various distortionary measures, including subsidies and administrative barriers to entry and operation. The World Bank estimated that it takes 12 procedures (130^{th}) and almost a month to register a business (106^{th}). In addition, it calculated that taxes for a typical registered firm amount, on average, to 63% of its profits (130^{th}). Furthermore, the labour market is inefficient and rigid (112^{th}). These factors contribute to the high cost of integrating more businesses into the formal economy. Some estimates find that the informal sector accounts for half of India's economic output and 90% of its employment. It is, therefore, urgent that the government create the right incentives for businesses to register and contribute their fair share to the provision of public services.

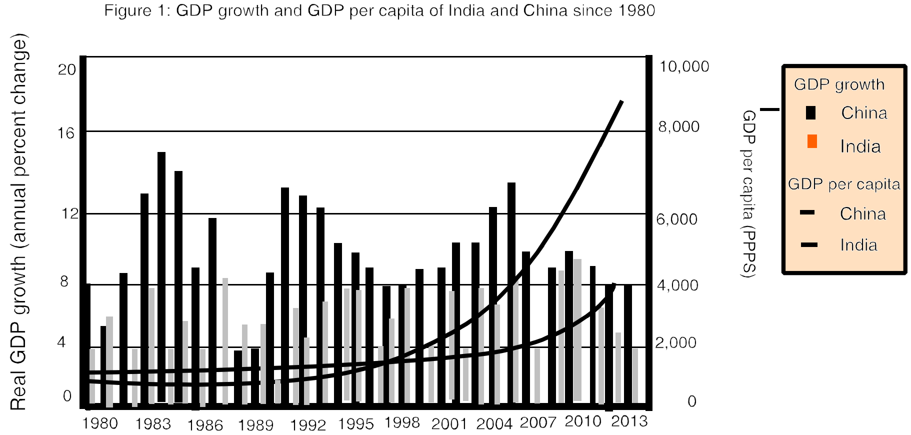
India achieves its lowest rank among the 12 pillars in technological readiness (121^{st}). Despite mobile telephony being almost ubiquitous, India is one of the world's least digitally connected countries. Only 15% of Indians access the internet on a regular basis. Broadband internet, if available at all, remains the privilege of a very few. India's knack for frugal innovation should contribute to providing cheap solutions for bridging this digital divide.

The financial resources required for delivering basic services, including sanitation and healthcare as well as for improving India's physical and digital connectivity are considerable. But India's fiscal situation remains in disarray, as evidenced by the country's 101^{st} rank in the macroeconomic environment pillar of the GCI. With the exception of 2007, the Central Government has consistently run deficits since 2000. Due to high degree of informality, its tax base is relatively narrow, representing less than 10% of GDP. In addition, over the past several years, India has experienced persistently high, in some years near double-digit inflation, which reached 9.5% in 2013. The Reserve Bank of India is torn between keeping interest rates low to stimulate the faltering economy and tightening monetary policy to stem inflation.

Improving competitiveness will yield India huge benefits. In particular, it will help rebalance the economy and move the country up the value chain so as to ensure more solid and stable growth; this in turn could result in more employment opportunities for the country's rapidly growing population. Despite the abundance of low-cost labour. India has a very narrow manufacturing base. Manufacturing accounts for less than 15% of India's GDP. Agriculture represents 18% of output and employs 47% of the workforce. Low productivity in the sector means very low wages and a life of mere subsistence for many. The services sector accounts for just 28% of employment but for 56% of the economy. Most services jobs are low-skilled and poorly paid ones, though, white collar jobs remain rare. For example, the vibrant business-process outsourcing sector employs 3.1 million workers, or 0.6% of India's 482 million strong labour force (but accounts for 6% of GDP). India needs to create jobs in the 'missing middle' for the 610 million youth under 25 - half of India's population - who have recently entered or will soon enter the workforce.

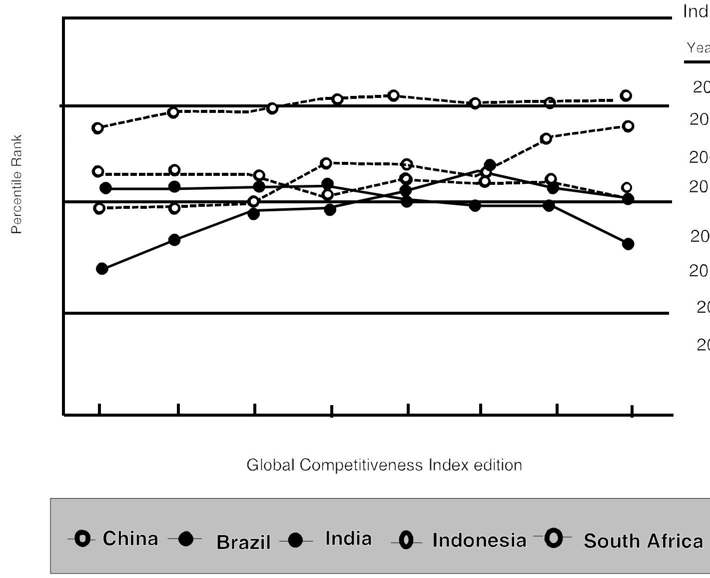
In a parliamentary address in June 2014, President of India, Shri Pranab Mukherjee outlined the government's economic agenda. It envisages building smart cities, establishing world-class industrial zones and transforming the country into a manufacturing hub. It remains to be seen whether the new administration will succeed in convincing the public opinion, mobilising resources and passing reforms necessary to achieve this vision.

Figure 1: GDP growth and GDP per capita of India and China since 1980



Sector BF 2014c

Figure 2: Historical Performance of selacted countries in the Global Competitiveness index

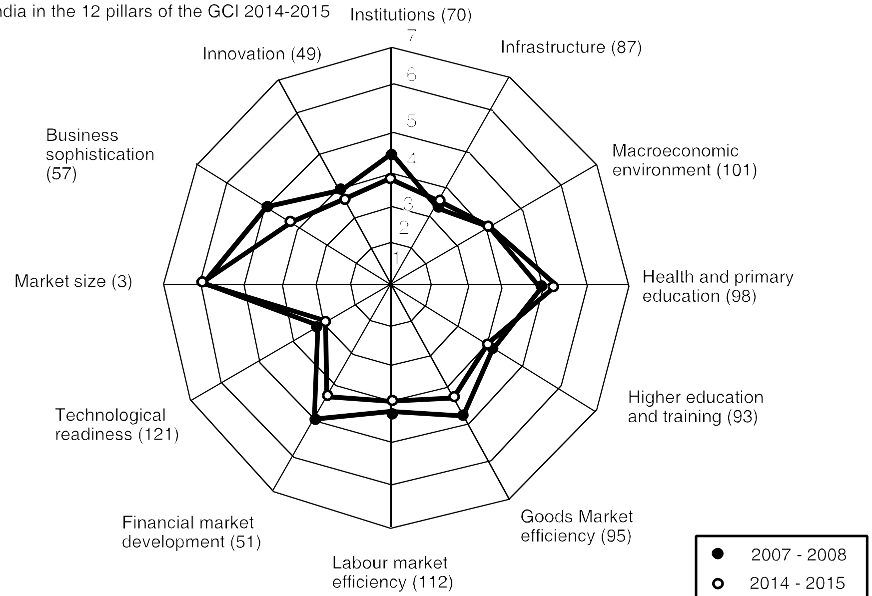


India's overall GCI rank

Year	Rank
2007-08	48th/131
2008-09	50th/134
2009-10	49th/133
2010-11	51st/139
2011-12	56th/142
2012-13	59th/144
2013-14	60th/148
2014-15	71st/144

Note: Higher value means better rank

Figure 3: India in the 12 pillars of the GCI 2014-2015



Note: India's rank (out of 144 economies) in the pillar is indicated in parenthesis.

Based on the above, answer the following:

(a) What are the main pillars of competitiveness ? How are they related with each other and also with the stages of economic development of countries ? (10 marks)

(b) What are the major improvements in global competitiveness of developed economies according to Global Economic Outlook 2014-15 ? (10 marks)

(c) Explain India's competitiveness crisis of 2014 -15. (15 marks)

(d) What is Global Competitiveness Index (GCI) ? Name the pillars acting as keys for factor driven, efficiency driven and innovation driven sub-index. Also, highlight India's main strengths and weaknesses with the help of Figure 3. (15 marks)

Chapter - 4: Foreign Trade Policy and Procedures Part-I Export Promotion

2014 - Dec [2] As the Company Secretary of Samarth Ltd., answer the following:

(f) Samarth Ltd. wants to start a gems and jewellery unit in Gandhi Nagar. As a SEZ developer, elaborate the incentives and facilities which shall be available to the company. (5 marks)

2014 - Dec [3] Government of India has set-up many institutions for export promotion. Explain the role of these institutional frameworks for promotion of exports in India. (5 marks)

2014 - Dec [5] Critically analyse India's foreign trade policy 2009-14. Why do you think that the current foreign trade policy will enhance the India's export in future ? (5 marks)

Chapter - 5: Foreign Trade Policy and Procedures Part-II Export Management

2014 - Dec [2] As the Company Secretary of Samarth Ltd., answer the following:

(d) Samarth Ltd. is unable to decide whether to enter in export market. Explain, why it should get into exports and advise on the matters to be looked into while entering into export market. (5 marks)

Chapter - 8: Anti Dumping Duties

2014 - Dec [4] Why countries impose anti-dumping duty and what are the WTO provisions on anti-dumping duty ? (5 marks)

Chapter - 11: Strategic Alliances

2014 - Dec [2] As the Company Secretary of Samarth Ltd., answer the following:

(e) If Samarth Ltd. wants to enter into foreign market, what will be your advice regarding partner selection for strategic alliance ? (5 marks)

Chapter - 12: Logistics Management

2014 - Dec [2] As the Company Secretary of Samarth Ltd., answer the following:

(a) Explain the concept and role of logistics management to Samarth Ltd. (5 marks)

(b) Samarth Ltd. wants to transport cement. Which modes of transport can be considered by the company ? State their disadvantages, if any. (5 marks)

(c) How will you advise on inventory management of basmati rice to Samarth Ltd. ? (5 marks)

2014 - Dec [6] What are the areas in logistics that can be improved by application of Information Technology (IT) ? (5 marks)

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