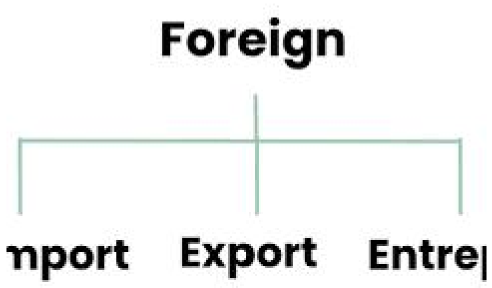
CMR INSTITUTE OF TECHNOLOGY			USN						
Internal Assesment Test - I									
Sub:	International Business							Code:	MBA302
Date:	**01-12-25**	Duration:	**1 hr 30**	Max Marks:	**50**	Sem:	**IV**	Branch:	**MBA**
SET- II									

		Marks	OBE CO
	Part A - Answer Any Two Full Questions (2* 20 = 40 marks)		
1 (a)	Explain the term "ENTREPOT".  Entrepot trade, or re-export trade, is when a country imports goods from one nation specifically to sell and export them to a third country, often without significant processing, using strategic ports or duty-free zones as transshipment hubs to benefit from price differences or act as intermediaries.	[03]	CO1
(b)	Explain different characteristics of International Business. International business involves large-scale, cross-border transactions, integrating diverse economies, cultures, and regulations, requiring significant capital and technology while managing currency risks, complex supply chains, intense global competition, and geopolitical sensitivities to achieve global market presence and resource optimization. Key Characteristics: Cross-Border Transactions: Deals with goods, services, capital, technology, and people moving between two or more countries, unlike domestic business's local focus. Large Scale Operations: Activities, including production and marketing, occur on a vast global scale, serving both local and international demands. Economic Integration: Combines resources (finance, labor, tech) from different nations, creating interconnected economies. Cultural Diversity: Requires navigating different languages, norms, customs, and	[07]	CO1

	consumer behaviors.			
(c)	Summarise the advantages and challenges of International business in today's global scenario. International business in today's global scenario presents a dual landscape of significant opportunities and complex challenges. Key advantages include market expansion and diversification, while primary challenges involve navigating complex regulatory environments and managing cultural differences [1]. Advantages of International Business Market Expansion and Revenue Growth: The primary advantage is accessing new and larger customer bases, which can significantly increase sales and overall revenue beyond domestic market limits [1]. Diversification and Risk Mitigation: Operating in multiple countries helps spread business risk. Economic downturns in one market can be offset by stability or growth in others, leading to more resilient operations [1]. Access to New Resources and Talent: Businesses can source raw materials, components, and specialized talent more cost-effectively from different parts of the world, leading to improved supply chains and innovation [1]. Cost Efficiency (Economies of Scale): Global operations often allow companies to achieve economies of scale in production and procurement, reducing per-unit costs and improving profitability [1]. Innovation and Learning: Exposure to new ideas, technologies, and market practices in foreign countries fosters innovation and helps businesses stay competitive globally [1]. Challenges of International Business Political and Economic Risks: International businesses face volatility from geopolitical tensions, changes in government policies, trade wars, and fluctuating economic conditions (e.g., inflation, recessions) in host countries [1]. Regulatory and Legal Complexity: Navigating a patchwork of international laws, trade regulations, tariffs, and tax systems is complex and can be costly to ensure compliance [1]. Cultural and Social Differences: Misunderstanding local customs, languages, and business etiquette can lead to marketing failures, poor employee relations, and damaged brand reputation.	[10]	CO4	

2 (a)	Define Exports & Imports Imports are goods/services bought from other countries, causing money to flow out, while exports are goods/services sold to other countries, bringing money in; both are vital for economic health, impacting a nation's trade balance (surplus if exports > imports, deficit if imports > exports) and contributing to GDP, showing a country's global economic engagement and demand for foreign products. Imports Definition: Products or services a country purchases from another country. Effect: Outflow of funds; meets domestic demand for unavailable goods, or for cheaper/better quality alternatives. Example: The U.S. buying cars made in Japan. Exports Definition: Products or services produced domestically and sold to foreign buyers. Effect: Inflow of funds; expands market, boosts revenue, increases global presence. Example: Japan selling cars to the U.S.	[03]	CO2
(b)	Explain any two theories of IB in detailed Two key International Business (IB) theories are the Heckscher-Ohlin (Factor Proportions) Theory, explaining trade through different resource endowments (labor, capital, land) leading countries to export what they have in abundance; and the Product Life Cycle Theory, focusing on how products move through stages (introduction, growth, maturity, decline) impacting production location and trade patterns, often starting in developed nations and shifting to developing ones as costs rise. 1. Heckscher-Ohlin (Factor Proportions) Theory Core Idea: Developed by Eli Heckscher and Bertil Ohlin, this theory posits that countries trade because they have different amounts (endowments) of factors of production (labor, land, capital). How it Works: A country will specialize in and export goods that intensively use its abundant, cheaper factors, and import goods that require its scarce, more expensive factors. Example: A labor-rich country (like India) exports labor-intensive goods (textiles), while a capital-rich country exports capital-intensive goods (machinery). Significance: Explains trade patterns based on resource distribution, offering a "why" and "what" for international trade. 2. Product Life Cycle (PLC) Theory Core Idea: Proposed by Raymond Vernon, this theory suggests that the location of production for a product shifts as it moves through its life cycle (introduction, growth, maturity, decline). Stages:	[07]	CO1

	Introduction: New products are made in the innovating country (e.g., USA) where demand is high and technology is new. Growth/Maturity: Production spreads as demand rises globally, with cost advantages becoming crucial, shifting to other developed nations. Decline/Standardization: Production moves to developing countries with lower labor costs as the product becomes standardized.			
(c)	Explain the role of CSR initiatives of MNCS with suitable examples Corporate Social Responsibility (CSR) initiatives by multinational corporations (MNCs) play a crucial role in balancing economic objectives with social and environmental responsibilities. These initiatives aim to contribute to sustainable development by addressing a wide range of social, environmental, and ethical issues related to their operations [2]. Key Roles of CSR Initiatives The primary roles of CSR initiatives for MNCs include: Enhancing Brand Reputation and Trust: Strong CSR programs build a positive public image, which attracts consumers, investors, and talent [2]. A reputation for ethical behavior helps MNCs differentiate themselves in competitive markets. Managing Risks and Ensuring Compliance: Proactive engagement in CSR helps MNCs mitigate operational, legal, and reputational risks. Adhering to international labor standards, environmental regulations, and ethical sourcing guidelines helps avoid costly legal penalties and public boycotts [2]. Attracting and Retaining Talent: Employees, especially younger generations, prefer to work for companies whose values align with their own [2]. Robust CSR programs boost employee morale, engagement, and loyalty. Improving Stakeholder Relationships: CSR initiatives foster better relationships with local communities, non-governmental organizations (NGOs), and government bodies, which can facilitate smoother operations and expansion into new markets [2]. Driving Innovation and Efficiency: Developing sustainable products or processes often leads to innovation, such as more efficient use of resources, which can result in long-term cost savings and new market opportunities	[10]	CO5	
3 (a)	Define the term Mercantilism the economic theory that trade generates wealth and is stimulated by the accumulation of profitable balances, which a government should encourage by means of protectionism.	[03]	CO1	
(b)	Explain varoius factors whichever affection on IB in this current global market. Various interconnected factors affect international business in the current dynamic global market, including geopolitical tensions, economic volatility (inflation and exchange rates), rapid technological advancement, and increasing emphasis on sustainability and corporate responsibility (ESG).	[07]	CO2	

	Key Factors Affecting International Business Political and Legal Environment This includes the type and stability of a government, its foreign trade policies, and the legal frameworks in which businesses must operate. Geopolitical Tensions: Conflicts, trade wars, sanctions, and political instability create significant risk and uncertainty, disrupting supply chains and market access. Trade Barriers: While globalization generally promotes free trade, protectionist policies and changes in trade agreements (tariffs, quotas) still influence business operations and market viability. Regulatory Compliance: Businesses must navigate complex and differing laws across nations, including labor laws, intellectual property rights, and tax policies. Economic Environment The economic health of host and home countries is a crucial factor. Economic Volatility: Factors like fluctuating exchange rates, high inflation, and changing interest rates directly impact profitability, pricing strategies, and investment decisions. Market Growth and Size: Businesses often expand into emerging markets with high GDP growth and large populations to access new customers and revenue streams. Infrastructure: The quality of a country's physical and financial infrastructure (transportation, communication, banking systems) significantly affects operational efficiency and costs. Technological Environment Technology acts as a major driver and disruptor in the global market. Digital Transformation: E-commerce, artificial intelligence (AI), and automation have revolutionized supply chain management, communication, and market reach, allowing even small businesses to operate globally.			
(c)	Discuss the role of four ethics in determining the value of the MNC. Four core ethics significantly influence and determine the value of a Multinational Corporation (MNC) by building trust with stakeholders, mitigating risks, and ensuring long-term sustainability and profitability. These key ethical areas are: 1. Transparency and Accountability Transparency involves honest and open communication about financial performance, supply chain conditions, and operational impacts to all stakeholders, including investors, employees, and the public. Accountability means holding individuals and the organization responsible for their actions and decisions.	[10]	CO3	

	Impact on Value: Transparent and accountable MNCs build strong trust, which is crucial for attracting and retaining investors and customers. Conversely, a lack of transparency and accountability can lead to scandals (e.g., Enron, Volkswagen emissions), resulting in severe financial penalties, lawsuits, and irreversible reputational damage that diminish value. 2. Fairness and Respect for Human Rights This ethic requires MNCs to treat all employees, partners, and community members with dignity, equality, and compassion, regardless of their location. This includes ensuring fair wages, safe working conditions, non-discrimination, and the prohibition of child or forced labor across all global operations and supply chains. Impact on Value: Adhering to fair labor practices and human rights builds employee loyalty and morale, leading to increased productivity and retention rates. It also enhances the brand's image among socially conscious consumers, providing a competitive advantage and reducing the risk of boycotts and legal issues associated with exploitation. 3. Environmental Stewardship MNCs have a moral and increasing regulatory obligation to minimize their environmental impact, conserve natural resources, and promote sustainable development. This involves responsible waste disposal, reducing carbon footprints, and using environmentally friendly technologies and sourcing methods. Impact on Value: Strong environmental ethics help MNCs meet rising consumer and investor expectations for sustainability (ESG principles). This attracts capital from socially responsible investors, reduces operational costs through efficiency, and positions the company as a leader in sustainability, which is vital for long-term growth and resilience. 4. Respect for the Rule of Law and Anti-Corruption Ethical leadership requires an MNC to respect and comply with both the letter and spirit of local, national, and international laws and regulations. This principle specifically prohibits bribery, corruption, and any form of illicit activity in business dealings. Impact on Value: Strict adherence to laws and anti-corruption measures mitigates significant legal and financial risks, such as heavy fines and operational shutdowns. It creates an investor-friendly atmosphere by ensuring stable and predictable business operations, which is essential for business continuity and survival in competitive markets.			
	Part B - Compulsory (01*10=10 marks) – CASE STUDY			
4	This case is about General Motors (GM) and its decision to exit the European market. GM made a deal with France-based automobile company PSA in a few years ago to sell its Opel brand for a hefty sum. The deal would also see PSA become Europe's second largest carmaker behind Volkswagen AG. For GM, this deal would free it from continuous losses in Europe and help to improve its overall profit margins and increase returns to shareholders. GM was facing tough times since 2000 in Europe with the failure of the Chevrolet and Opel brands.			

	Added to that, the changing European market conditions and excess and idle production capacities forced GM to consider the strategy of divestment from Europe. Brexit too led to GM incurring extra tariffs for exports from the UK. GM's CEO Mary Barra said GM's decision was aimed at reshaping the company through disciplined capital allocation to its higher-return investments. While some analysts said this was a good move, others felt that exiting a market like Europe would leave GM less diversified and more dependent on its performance in the US and China markets, and expose it to potential risks.			
(a)	Understand the nature of problems faced by foreign companies like GM in saturated markets like Europe Foreign companies like GM face saturation in markets like Europe due to intense competition, catering to diverse local tastes (e.g., smaller cars, different features), high compliance costs (EU regs), complex logistics, cultural misalignment in marketing, currency swings, and legacy inefficiencies, leading to low profits, overcapacity, and eventual exit strategies to focus on more lucrative regions like US/China, as seen with GM selling Opel/Vauxhall. Key Problems for Foreign Automakers in Saturated Markets Intense Competition & Local Preferences: Europe is crowded with strong local players (VW, Renault, Fiat) and demands for specific vehicles (small, fuel-efficient, luxury) that GM struggled to meet with its U.S.-centric models. Failure to localize products effectively means selling cars customers don't want. Economic & Cost Pressures: High fixed costs, idle production capacity, and rising labor costs. Currency fluctuations (e.g., Euro vs. Dollar) impact profitability and pricing. Regulatory Hurdles: Navigating strict, varied EU environmental, safety, and data privacy (GDPR) rules adds significant cost and complexity. Cultural & Marketing Missteps: Marketing campaigns and brand image (like Chevrolet failing in Europe) don't resonate with local consumers.	[5]	CO2	
(b)	Highlight ssues and challenges in Corporate-level and international strategy Both corporate-level strategy (managing a portfolio of businesses within one country) and international strategy (operating across borders) face significant challenges related to resource allocation, risk management, and communication. International strategy, in particular, must navigate increased complexities due to diverse external environments. Issues and Challenges in Corporate-Level Strategy Corporate strategy deals with the overall scope and direction of a multi-	[5]	CO4	

	business corporation. Key challenges include: Resource Allocation: Deciding how to distribute financial and human resources among various business units to maximize overall corporate performance can be complex and lead to internal conflicts. Establishing a Unified Vision: Ensuring all business units, with their different goals and cultures, work towards a cohesive corporate mission is a major leadership challenge. Managing Diversity of Business Units: Different units may have different operating models, market dynamics, and performance metrics, making a one-size-fits-all management approach ineffective. Strategy Implementation and Follow-Through: A well-designed strategy often fails due to poor execution, lack of communication, ineffective training, or resistance to change among employees and middle management.			