

K.J. Somaiya Institute of Management Research
Subject-International Business
End Term Examination)
PGDM(IB) I Year(Trim II)-2016-2017

Date:- 04/01/2017

Marks : 50

Time 3 Hours

NOTE:-

- a) Qn No 1-Part A- Case Study is compulsory
 - b) Answer any 4 questions from the rest
 - c) Each Question carries 10 marks
- Time :- 3 hours

PART A (Case Study)

1 .Read the following case study and answer the questions given below:-

Brexit and its implications

Britain joined the European Economic Community in 1973 which later became European union and wants to exit from EU now -Emigration problems from other countries and Cost of EU membership are the main points for the Brits to take the exit decision. British people had approved the withdrawal from EU membership thro a referendum in June 2016 with 52% voting for BREXIT. In terms of Article 50 of LISBON Treaty any member of the EU has a right to leave the Union. UK will have to follow the provisions of this article and time allowed for completing the process is 2 years from the date of official notice by UK. Theresa May who is the new PM of UK will now oversee the exit process and invoking article 50 will be the responsibility of the new PM. Many lawyers in London feel it should be done through an Act of the British Parliament.

EU is a development of The European Economic Community which was started in 1960 by European nations to bring trade & Investment among member countries. UK became a member of European Economic Community(EEC) in 1973 and the membership was approved by 67% of voters-Later European Union formation took place as a result of Maastricht treaty in November 1993 thereby converting the EEC into a political union.- Membership of EU was facilitated by the LISBON Treaty-If a member wants to leave EU then article 50 of the agreement has to be invoked-. Importance of renegotiation of trade and investment agreements numbering more than 50 is seen as a big challenge for BREXIT-Procedures for withdrawal and the Impact of negotiations with EU needs infrastructure in place-At present there is no infrastructure to begin the bargaining with EU which does not want a long period of Limbo. Besides there are also pressures from senior leaders in Britain like John Redwood for quick exit

Under the circumstances the two year window for negotiating the exit provided by LISBON agreement for BRITAIN may be a little short-Britain has just created two new departments to handle the issue. Brexit department (led by David Davis)and international Trade Department (led by Liam Fox)-These two are prominent "Leave" campaigners in May's cabinet-David requires about 250 people for the Brexit Department-About 125 persons (50%) have already been recruited-Fox requires 1000 trade negotiators for his department-about 100 have been recruited so far. -Elections in France (May 17) and Germany (Sept 17) could push the Brexit farther.Exit may be delayed because there are differences of opinion between Boris Johnson(Foreign Secretary) and Liam Fox on the remit of the new dept -Fox wants to have with him the Economic Diplomacy area i.e -Policies concerning trade and Britain's

economic ties which are with Boris Johnson. The decision to exit the EU is fraught with the following Consequences:-

- Britain's Membership of European Free Trade Association may be affected
- Moody's & Moody's downgraded UK from stable to negative while retaining overall rating as Aa1
- S&P is of the view that UK's GDP will fall and will also affect the role of BPD as a reserve currency.
- Pound has already depreciated by 12% against US\$ after the exit referendum.
- UK funds –AUM(Assets under mgt) have fallen by \$40 Bn
- Dun & Brad Street ratings for UK Corporates may change as lot of mergers and acquisitions are likely
- Similarly bankruptcies of corporate may also increase.
- Domestic exports and imports between UK and other countries may undergo changes in volume depending on the negotiations.
- IMF had predicted a fall in GDP for UK from 1.75% (2016) to 1.3% for next year (2017).
- Under G-7 countries UK will move to third position from 2nd. USA-Canada-UK
- Brexit will have its implications on global banking-London's importance as Euro Dollar market leader may diminish-
- Trade negotiations will have to be started afresh with other countries.
- SAARC Countries will renegotiate separately with UK in addition to EU-

Answer the following Questions:-

- a) Taking into account the consequences do you think BREXIT will affect the international Business of UK? Explain with your reasons
- b) What will be the fallout of BREXIT on the future of EU in your opinion?

Part-B(Answer any four)

2. Distinguish between :-

- i) FERA 73 & FEMA 99
- ii) FDI/FII

3. Explain the features of international marketing and bring out the importance of e-business

4. a) What are the different methods for transportation of goods in international trade?
b) What is the significance of each of these methods?

5. What are the entry modes used in international business ? Analyse their relative merits and demerits

6. Write short notes on the following :-

- a) Forex Markets
- b) International HR

7. Explain the concept of PESTEL Analysis and apply the same to any one of the BRICS

countries