Name: Enrolment No:	UPES UNIVERSITY WITH A PURPOSE

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, January, 2021 (ONLINE MODE)

Course: International Business — **Semester: First**
Program: MBA –IB — **Time : 3 hrs**
Course Code: INTB-7002 — **Max. Marks: 100**

Instructions:

1. The student must write his/her name and enrolment no. in the space designated above.
2. The questions have to be answered as per the instructions given in the respective sections.

SECTION –A

1. **Each Question will carry 5 Marks**
2. **Instruction: Select the correct answer(s)**

S. No.		**CO**
Q1	Which Theory says ""Trade is a positive-sum game 1. Theory of Absolute Advantage 2. Heckscher 1919 3. Theory of Comparative Advantage 4. Balassa Index	**CO1**
Q2	Leontief Paradox contradicted which theory 1. Theory of Comparative Advantages 2. Heckscher-Ohlin 3. Theory of Absolute Advantages 4. None of the above	**CO1**

<table>
<tr><td>Q3</td><td>Which option is applicable in the case of Utility terms of trade:
1. Physical exchange ratio at which goods are exchange for one another between the countries
2. It does not take into consideration the changes in composition of the foreign trade and quality of the goods
3. Import and export goods are compared according to their utility.
4. Utility terms of trade is the index of relative utility of import and domestic commodities foregone to produce exports.</td><td>CO1</td></tr>
<tr><td>Q4</td><td>BOP data is important because
1. Indicates pressure on exchange rate.
2. May signal imposition/ removal of controls over payments, dividends, interest.
3. Helps forecast country’s market potential
4. All of the above</td><td>CO1</td></tr>
<tr><td>Q5</td><td>The rate at which the bank is willing to buy is known as the ------- rate and the rate at which it is willing to sell is known as the---------rate. Choose the right option to fill in the blanks given in the question.
1. Offer and Bid
2. Offer and Offer
3. Bid and Bid
4. Bid and Offer</td><td>CO1</td></tr>
<tr><td>Q6</td><td>Pegged Exchange Rate System means
1. Pegging value of home currency to a foreign currency or a basket of currency.
2. Pegging value of a foreign currency to home currency or a basket of currency
3. Pegging value of a foreign basket of currency
4. Pegging value of a basket of home currency</td><td>CO1</td></tr>
<tr><td colspan="3">SECTION -B</td></tr>
<tr><td>S. No.</td><td>1. Each question will carry 10 marks
2. Instruction: Write short / brief notes</td><td>CO</td></tr>
<tr><td>Q1</td><td>“International Trade is a zero sum game”. Do you agree with this statement?</td><td>CO2</td></tr>
<tr><td>Q2</td><td>Explain and interpret the given Balassa Index value of India and US:
<table><tr><th>COMMODITY/COUNTRY</th><th>INDIA</th><th>AMERICA</th></tr><tr><td>BASIC MANUFACTURING</td><td>1.36</td><td>0.63</td></tr><tr><td>ELECTRONICS</td><td>0.23</td><td>1.33</td></tr></table></td><td>CO3</td></tr>
<tr><td>Q3</td><td>Bombay on London’s is quoted as under:
<table><tr><td>Spot</td><td>$ 4.1430</td><td>4.1475</td></tr><tr><td>1 month forward</td><td>2.0</td><td>1.5 pm</td></tr><tr><td>2 months forward</td><td>2.25</td><td>1.75 pm</td></tr><tr><td>3 month forward</td><td>2.75</td><td>2.25 pm</td></tr></table>Calculate 1 month, 2 months and 3 months forward rates.</td><td>CO3</td></tr>
<tr><td>Q4</td><td>Write a short note on Global Industry Services and existing business models.
Or
“The rate of exchange between two currencies is determined by their relative purchasing power.” Examine the validity of this statement.</td><td>CO3</td></tr>
<tr><td>Q5</td><td>Explain the Porter’s Five forces model with the help of an example.</td><td>CO2</td></tr>
</table>

	SECTION –C **1. Each question will carry 20 marks** **2. Instruction: Write Long Answer**	
	Trading Coffee After oil, coffee is the most traded commodity and the largest source of export earnings in the developing world. Yet coffee farmers are hurting. They are paid record-low prices, due both to a global market glut and to modest consumption growth. Some analysts say coffee, like any other commodity, is simply subject to the swings of a competitive market. This notion is cold comfort to countries such as Nicaragua and Burundi, which rely heavily on coffee exports. The coffee cartel of the 1980s failed. What now? Producing countries are urging coffee companies to help find ways to stabilize the market, including a fund to help small farmers. Because coffee bushes are perennials, production may keep rising for two to three years in the face of falling prices. In the last five years, production grew an average 3 percent annually, adding 9 million bags of excess supply to the unprecedented 27 million bags already in stock. Over the same period, total consumption grew at only 1.5 percent. Further, per capita consumption of coffee in importing countries—where young people are more inclined to soft drinks—actually decreased. An estimated 100 million people directly depend on coffee for their livelihoods, including farmers and their families, coffee pickers, market intermediaries, and industry employees. And almost 25 million people are coffee farmers, most of them cultivating less than 10 hectares apiece in about 80 countries in Africa, Asia, Latin America, and the Caribbean. These small landholders provide around 70 percent of the world's coffee supply. Unskilled labor accounts for more than 60 percent of the total production cost on coffee farms. This characteristic, plus coffee's ease of cultivation, makes coffee production very attractive for poorer countries such as Vietnam, whose government decided in the early 1990s to promote coffee production and export. In 2000, Vietnam became the world's second largest coffee producer, displacing Colombia. Five traders dominate 48 percent of the world market, five importers manage 46 percent of the total coffee exports, and five roasters control 55 percent of this volume. In Germany, Kraft Jacobs Suchard and Tchibo/Eduscho control 56 percent, and in Japan, Ueshimo Coffee and Key Coffee hold 43 percent of the market. US brands Maxwell House (Kraft Foods) and Folgers (Procter & Gamble) represent 56 percent of the US market. Most coffee is still consumed at breakfast in homes and restaurants; the ubiquitous Starbucks Coffee Company buys less than 1 percent of the world's coffee supply. One of the reasons Starbucks profits in its niche is because the price of coffee is a small component of the final product's price. Even if Starbucks adjusts its final price when coffee prices change, these changes are so small they do not affect demand. International prices have fallen by two thirds since 1997, and no significant recovery is expected any time soon. As a consequence of low price and low demand, farmers have become poorer. Nongovernmental organizations (NGOs) such as TransFair had led a "fair trade" campaign to increase the price paid to small growers. Under this initiative, small cooperatives themselves distribute the coffee they grow, and consumers are encouraged to patronize companies that buy this coffee. Certified importers pay the fair trade price ($1.26 per pound). Certified roasters pay TransFair a licensing fee of 10 cents per pound of green coffee to use its fair trade-certified label.	**CO4**

Yet a minuscule 0.2 percent of the coffee consumed in the United States and 0.9 percent of that consumed in the European Union is sold under the certification program. Other suggested remedies include persuading MNCs to set up a fund that helps small farmers improve quality and productivity and enter more lucrative specialty—coffee niches.

Sources: The Coffee Book: Anatomy of an Industry from Crop to Last Drop (New York: New Press, 1999) by Gregory Dicum and Nina Luttinger; International Coffee Organization; Food and Agriculture Organization of the United Nations; Starbucks Corporation, annual report; TransFair USA.
Reference: International Business: A Global Perspective by Marios I. Katsioloudes and Sypros Hadjidakis.

1. What issues of international trade are addressed in this case? What international trade theories are implied?