


Name: Enrolment No:			
UPES End Semester Examination, May 2023			
Course: Introduction to International Economics Program: BBA- LLB -H- TL/ SZ-CRL/SPZ-EL Course Code: CLIN 3001		Semester: VI Time : 03 hrs. Max. Marks: 100	
Instructions:			
SECTION A (5Qx2M=10Marks)			
S. No.		Marks	CO
Q 1	Attempt all the questions.		CO1
1	GATT stands for A. General Agreement on tariff and trade B. General Agreement on trade and tariff C. General Arrangements on tariff and trade D. General Arrangements on trade and tariff	2	CO1
2	The country similarity theory was given by A. Heckscher Ohlin B. Ramond Vernon C. Steffan Linder, D. None of the above	2	CO1
3	_____ is a non-tariff barrier A. Sanctions B. Embargoes C. Quotas D. Licenses	2	CO1
4	A _____ merger is a merger between firms that are involved in totally unrelated business activities.	2	CO1
5	Who is the managing director of the IMF A. Makhtar Diop Jack B. Kristalina Georgieva C. Christine Lagard	2	CO1

	D. Masatsugu Asakawa		
SECTION B (4Qx5M= 20 Marks)			
Q6.	What are the different types of exchange rates?	5	CO2
Q7	What are the components of Capital and Current account in the Balance of payment account?	5	CO1
Q8	Write the different roles of World bank and IMF.	5	CO2
Q9	Elucidate the trade theory given by Paul Krugman?	5	CO3
SECTION-C (2Qx10M=20 Marks)			
Q10	Explain how Trademark copyright and patent are different from each other. Support your answer with suitable examples? Or Examine the Heckscher -Ohlin model considering a world composed of two countries (home & foreign) producing two goods (cars and clothes) using two factors (capital and labor), assume that home is capital abundant and cars are capital intensive.	10	CO3
Q11.	Briefly explain the evolution of IMF from Bretton Woods era till the present. Or What are merger and acquisitions and what benefit do merger and acquisitions brings to the organizations involved?	10	CO2
SECTION-D (2Qx25M=50 Marks)			
Q12.	Critically evaluate the role of WTO in the developing economies with special reference of India. (15 marks) What are the principles of WTO in attaining the goal of free and fair trade? (10 Marks)	25	CO4
Q13.	CASE STUDY: Making the Apple iPhone In its early days, Apple usually didn't look beyond its own backyard to manufacture its devices. A few years after Apple started to make the Macintosh computer back in 1983, the late Steve Jobs bragged that it was "a machine that was made in America." As late as the early 2000s, Apple still manufactured many of its computers at the company's iMac plant in Elk Grove, California. Jobs often said that he was as proud of Apple's manufacturing plants as he was of the devices themselves. By 2004, however, Apple had largely turned to foreign manufacturing. The shift to manufacturing reached its peak with the iconic iPhone, which Apple first introduced in 2007. All iPhones contain hundreds of parts, an	25	CO4

estimated 90 percent of which are manufactured abroad. Advanced, semiconductors come from Germany and Taiwan, memory from Korea and Japan, display panels and circuitry from Korea and Taiwan, chip sets from Europe, and rare metals from Africa and Asia. Apple's major subcontractor, the Taiwanese multinational firm Foxconn, performs final assembly in China.

Apple still employs some 43,000 people in the United States, and it has kept important activities at home, including product design, software engineering, and marketing. Furthermore, Apple claims that its business supports another 254,000 jobs in the United States in engineering, manufacturing and transportation. For example, the glass for the iPhone is manufactured at Corning's U.S. plants in Kentucky and New York. But an additional 700,000 people are involved in the engineering, building, and assembly of its products outside the United States, and most of them work at subcontractors like Foxconn.

When explaining its decision to assemble the iPhone in China, Apple cites a number of factors. While it is true that labor costs are much lower in China, Apple executives point out that labor costs account for only a very small proportion of the total value of its products and are not the main driver of location decisions. Far more important, according to Apple, is the ability of its Chinese subcontractors, to respond very quickly to requests from Apple to scale production up and down. In a famous illustration of this capability, back in 2007 Jobs demanded that a glass screen replace the plastic screen on his prototype iPhone. He didn't like the look and feel of plastic screens, which at the time were standard in the industry, nor did he like the way they scratched easily. 'This last-minute change in the design of the iPhone put Apple's market introduction date at risk. Apple had selected Corning to manufacture large panes of strengthened glass, but finding a manufacturer that could cut those panes into millions of iPhone screens wasn't easy. Then a bid arrived from a Chinese factory. When the Apple team visited the factory, they found that the plant's owners were already constructing a new wing to cut the glass and installing equipment. "This is in case you give us the contract," the

manager said. The plant also had a warehouse full of glass samples for Apple, and a team of engineers available to work with Apple. It had built onsite dormitories so that the factory could run three shifts seven days a week in order to meet Apple's demanding production schedule. The Chinese company got the bid.

Another critical advantage of China for Apple was that it was much easier to hire engineers there. Apple calculated that about 8,700 industrial engineers were needed to oversee and guide the 200,000 assembly-line workers involved in manufacturing the Phone. The company had estimated that it would take as long as nine months to find that many engineers in the United States, In China it took 15 days.

Also important is the clustering together of factories in China, Many of the factories providing components for the iPhone are located close to Foxconn's assembly plant. As one executive noted. "The entire supply chain is in China, You need a thousand rubber gaskets? That's the factory next door. You need a millinery screws? That factory is a block away. You need a screw made a little bit differently? That will take three hours."

All this being said, there are drawbacks to outsourcing to China. Several of Apple's subcontractors have been targeted for their poor working conditions. Criticisms include low pay of line workers, long working hours, mandatory overtime for little or no additional pay, and poor safety records. Some former Apple executives say that there is an unresolved tension within the company; executives want to improve working conditions within the factories of sub-contractors such as Foxconn but that dedication falters when it conflicts with crucial supplier relationships or the fast delivery of new products.

Case taken from: International Business, Eleventh Edition (McGraw Hill 2019), by Charles W.L. Hill, G. tomas M. Hult, Rohit Mehtani

Case Discussion Questions

1. What are the benefits to Apple of outsourcing the assembly of the iPhone to foreign countries, particularly China? What are the potential costs and risks to Apple? (10 marks)
2. In addition to Apple, who else benefits from Apple's decision to outsource assembly to China? Who are the potential losers here? (8 marks)
3. What are the potential ethical problems associated with outsourcing assembly jobs to Foxconn in China? How might Apple deal with these? (7 Marks)