

BBA in TM, 6th Sem.

Date: May 16, 2024 (Morning)

ISLAMIC UNIVERSITY OF TECHNOLOGY (IUT)
ORGANISATION OF ISLAMIC COOPERATION (OIC)

DEPARTMENT OF BUSINESS AND TECHNOLOGY MANAGEMENT

Semester Final Examination

Summer Semester, A. Y. 2022-2023

Course No: BTM 4605

Time : 3 hours

Course Title: International Business Environment

Full Marks : 150

Answer **all 6 (six)** questions. All questions carry equal marks. Marks of each question and corresponding CO and PO are written in the right margin within brackets.

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|-------|--|----|----------------|
| 1. a) | Describe global capital market? What are the reasons behind using global capital market from borrowers' and investors' perspective? Discuss. | 07 | (CO4)
(PO6) |
| b) | Define new trade theory of international business. What are the implications of new trade theory in terms of gaining economies of scale, scope and first-mover advantage? | 09 | (CO2)
(PO6) |
| c) | Explain currency swap and arbitrage in currency conversion. Are these two concepts similar? Justify with examples. | 09 | (CO4)
(PO6) |
| 2. a) | Explain the theory of purchasing power parity, relative purchasing power parity and international fisher effect. | 12 | (CO4)
(PO6) |
| b) | How can you measure the balance of payment of a country? Do you think the current account deficit matters? Give your opinion. | 08 | (CO4)
(PO6) |
| c) | Define merger and acquisition. Write down several successful incidents of merger and acquisition for both international and Bangladesh. | 05 | (CO4)
(PO6) |
| 3. a) | What is fixed exchange rate and floating exchange rate? Which exchange rate is more appropriate according to your opinion? What are the cases supporting floating exchange rate in terms of monetary policy autonomy and trade balance adjustment. Discuss | 13 | (CO4)
(PO6) |
| b) | Demonstrate strategic positioning in international business in terms of cost and responsiveness pressure? Explain the four main strategies firms mostly choose when competing in international market. | 12 | (CO4)
(PO6) |
| 4. a) | What is product life cycle theory of international trade? Describe the pattern of trade under product life cycle theory using graphical presentation. | 13 | (CO2)
(PO6) |
| b) | How trade disputes are solved among different countries having different predominant legal systems. Illustrate with examples. | 07 | (CO1)
(PO1) |
| c) | "International trade acts as job killers."- Do you agree with this? Analyze. | 05 | (CO1)
(PO1) |

5. Write short notes of the following:

- i. Trade creation and trade diversion effect of trade blocs.
- ii. Joint venture and wholly owned subsidiary.
- iii. Patent, trademark, copyright.
- iv. Economies of scale and scope.
- v. Monetary policy and fiscal policy.

6. The Rise of Bangladesh's Textile Trade has long depended heavily upon exports of textile products to generate income, employment, and economic growth. Most of these exports are low-cost finished garments sold to mass-market retailers in the West, such as Walmart. For decades, Bangladesh was able to take advantage of a quota system for textile exports that gave it, and other poor countries, preferential access to rich markets such as the United States and the European Union. On January 1, 2005, however, that system was scrapped in favor of one that was based on free trade principles. From then on, exporters in Bangladesh would have to compete for business against producers from other nations such as China and Indonesia. Many analysts predicted the quick collapse of Bangladesh's textile industry. They predicted a sharp jump in unemployment, a decline in the country's balance of payments accounts, and a negative impact on economic growth. The collapse didn't happen. Bangladesh's exports of textiles continued to grow, even as the rest of the world plunged into an economic crisis in 2008. Bangladesh's exports of garments rose to \$10.7 billion in 2008, up from \$9.3 billion in 2007 and \$8.9 billion in 2006.

25 (CO2)
(PO6)

As a deep economic recession took hold in developed nations during 2008-09, big importers such as Walmart increased their purchases of low-cost garments from Bangladesh to better serve their customers, who were looking for low prices. Li & Fung, a Hong Kong company that handles sourcing and apparel manufacturing, stated its production in Bangladesh jumped percent in 2009, while production in China, its biggest supplier, slid 5 percent.

Bangladesh's advantage is based on a number of factors. First, labor costs are low, in part due to low hourly wage rates and in part due to investments by textile manufacturers in productivity-boosting technology during the past decade. Today, wage rates in the textile industry in Bangladesh are about \$50 to \$60 a month, less than half the minimum wage in China. While this pay rate seems dismally low by Western standards, in a country where the gross national income per capita is only \$4 70 a year, it is a living wage and a source of employment for some 3 million people, 85 percent of whom are women with few alternative employment opportunities. Another source of advantage for Bangladesh is that it has a vibrant network of supporting industries that supply inputs to its garment manufacturers. Some three quarters of all inputs are made locally. This saves garment

manufacturers transport and storage costs, import duties, and the long lead times that come with the imported woven fabrics used to make shirts and trousers. In other words, the local supporting industries help to boost the productivity of Bangladesh's garment manufacturers, giving them a cost advantage that goes beyond low wage rates. Bangladesh also has the advantage of not being China! Many importers in the West have grown cautious about becoming too dependent upon China for imports of specific goods for fear that if there was disruption, economic or other, their supply chains would be decimated unless they had an alternative source of supply. Thus, Bangladesh has benefited from the trend by Western importers to diversify their supply sources.

Although China remains the world's largest exporter of garments, with exports of \$120 billion in 2008, wage rates are rising quite fast, suggesting the trend to shift textile production away from China may continue. In 2021-2022, Bangladesh RMG exports reached \$42.613 billion. RMG exports saw a 35.47% year-on-year growth in the fiscal year of 2021-22. Bangladesh's textile and garment industry employs around 4.4 million people, mostly women. BD garment manufacturers aim to hit \$100 billion in export earnings by 2030 (BGMEA). DTG is the largest garment machinery, home textile and accessories expo in Bangladesh. Bangladesh's textile and garment industry is forecasted to continue growing, and it is expected to account for more than 10% of the global market by 2025, according to BGMEA. The industry is also set to benefit from the ongoing shift in global sourcing patterns as more and more countries look to diversify their supply chains. As per Sri Lankan financial services firm CAL Bangladesh, Bangladesh's apparel sector will see a short-term dip in 2023 but a strong rebound is expected in 2024 which will help the sector's exports reach US \$56 billion by 2026.

Bangladesh, however, does have some negatives; most notable are the constant disruptions in electricity because the government has underinvested in power generation and distribution infrastructure. Roads and ports are also inferior to those found in China.

Discussion Questions:

- i. Why was the shift to a free trade regime in the textile industry good for Bangladesh?
- ii. Who benefits when retailers in the United States source textiles from low-wage countries such as Bangladesh? Who might lose?
- iii. Which international trade theory, or theories, best explain the rise of Bangladesh as a textile exporting powerhouse?
- iv. 4. How secure is Bangladesh's textile industry from foreign competition? What factors could ultimately lead to a decline?