

## Strategic Management, Alliances & International Trade (SMAIT)

Objective, Fill in the blanks and True / False Questions for Practice

June 2009

2.(a) State, with reasons in brief, whether the following statements are correct or incorrect:

- (i) Leadership is not confined just to the CEO or the top level of the organisation.
- (ii) Environmental analysis consists of external analysis.
- (iii) Strategies for global business do not differ from domestic business.
- (iv) Mission is a statement which distinguishes the organisation from others.
- (v) Defensive types of strategies do not include retrenchment.
- (vi) Vision is not a mental perception of the environment an organisation wants to create.

Answer - 2.(a)

- (i) **Correct** : Leadership is not confined just to the CEO or the top level of the organization as leadership is a performing art, a collection of practices and behaviors and not a position. For strategic management to be successful, everyone should be encouraged to think strategically and thus encouraged to be a leader.
- (ii) **Correct** : Environmental analysis consists of external analysis. However, it includes internal analysis too. It is the process by which organizations comprehends various environmental factors and determines the opportunities and threats that are provided by these factors.
- (iii) **Incorrect** : Strategies for global business differ from those of domestic business because of difference in the nature of competitive forces. A firm's decision to adopt strategies for global business depends on two factors:
  - (a) extent of cost pressures to denote the demand on a firm to minimize its per unit costs; and
  - (b) extent of pressures for local responsiveness to denote to make a firm to tailor its strategies to respond to national-level differences in terms of variables like customer preferences and tastes, government policies, and business practices.
- (iv) **Correct** : An organization's mission is a fundamental statement of the purpose and direction which defines the place of the organization within its environment. Thus, mission statements of every organization differs from others of its type, thereby separating it from competitors as well as non-competitors.
- (v) **Incorrect** : Generally not all strategies have expansion orientation. Very often the strategist is forced to control the firm's operations. There are three basic types of defensive strategies i.e., retrenchment, divestment and liquidation. Thus, defensive types of strategies include retrenchment.
- (vi) **Incorrect** : Vision of a company is the mental perception of the kind of environment that an organization aspires to create with a broad time frame. A vision relates to an organization's



broadest and most desirable goal. A company forms its vision in the light of the information and insight gained from studying its internal and external environments.

December 2009

3.(b) In the context of *Management Information Systems (MIS)*, state, with reasons in brief, whether the following statements are correct or incorrect :

- (i) Study of MIS is about the use of computers.
- (ii) More data in reports means more information for managers.
- (iii) Accuracy in reporting is of vital importance.
- (iv) Strategic information meets information requirements of the top management.

Answer - 3.(b)

In the context of *Management information system (MIS)* correctness or incorrectness of the following statements are clarified below:

- (i) **Incorrect** : MIS may or may not be computer based on use of computer. Computerization is just a tool for installation of required MIS, depending on several factors like how critical is the response time required for getting the information, how big is the organization and how complex are the needs of information processing.
- (ii) **Incorrect** : Because what is important is the quality of data and information in reports rather than the quantity of data and information. In fact, the data provided in reports should meet information requirements of management. Unorganized mass of data may create confusion than bringing clarity to the issues.
- (iii) **Correct** at the operating level because the degree of accuracy is closely related to the decision problem. For example, accuracy is really important in medicine, control of aircrafts, design of dams, bridges, flyovers and railway tracks.
- (iv) **Correct** because the top level management requires strategic internal and external information for formulating long-term objectives, strategies and major policies and programmes of the company. It is the top management, who is concerned with the determining, maintaining and supplying of required information.



June 2010

7.(a) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

- (i) Quota is an important non-tariff barrier affecting the quantum of \_\_\_\_\_.
- (ii) Tariff is a source of \_\_\_\_\_ to the government exchequer.
- (iii) When duty is assessed as a percentage of the value of the imported commodity, it is called \_\_\_\_\_.
- (iv) When the political relations between two countries are strained, a country imposes \_\_\_\_\_ on the imports from that particular country.

Answer - 7.(a)

- (i) Import
- (ii) Revenue
- (iii) Ad valorem duty
- (iv) Embargo

December 2010

7. (a) State, with reasons in brief, whether the following statements are true or false :

- (i) The Harmonised Code for custom classification, custom valuation and rules of origin are the three basic custom laws.
- (ii) Safeguard measures and anti-dumping actions and countervailing duties are one and the same.
- (iii) Regional trade agreements are entered into only between neighbouring countries.
- (iv) Trade policy mechanism has no utility.

Answer - 7.(a)

- (i) True : Three basic custom laws are:
  - a. Harmonised Code of custom classification.
  - b. Custom valuation.
  - c. Rules of origin
- (ii) False : Safeguard measures are applied to all imports of the product in question irrespective of the countries in which it originates or from which it is exported. This aspect distinguishes Safeguards from anti dumping and anti subsidy measures which are always country specific and exporter specific. Safeguards are applied in the form of either safeguard duty or in the form of safeguard Quantities Restrictions (import licenses). These measures are administered in India by an Authority called Director General (Safeguards) who functions under the jurisdiction of the Department of Revenue, Ministry of Finance.

Anti dumping and anti subsidies & countervailing measures in India are administered by the Directorate General of Anti dumping and Allied Duties (DGAD) functioning under the Dept. of Commerce in the Ministry of Commerce and Industry.

- (iii) False : In the WTO context, regional trade agreements (RTAs) have both a more general and a more specific meaning: more general, because RTAs may be agreements concluded between countries not necessarily belonging to the same geographical region; more specific, because the WTO provisions relates specifically to conditions of preferential trade liberalization with RTAs.
- (iv) False : Individuals and companies involved in trade have to know as much as possible about the conditions of trade. It is therefore fundamentally important that regulations and policies are transparent. In the WTO, this is achieved in two ways: governments have to inform the WTO and fellow- members of specific measures, policies or laws through regular "notifications"; and the WTO conducts regular reviews of individual countries' trade policies — the trade policy reviews. Therefore, trade policy mechanism has utility as it provide trading partners a predictable environment.

June 2011

7.(a) Under the Madrid and Hague Systems dealing with the international registration of marks and industrial designs, match the following :



- |                          |  |
|--------------------------|--|
| (i) Strasbourg Agreement | (a) Concerns with establishing an international classification for industrial designs.                               |
| (ii) Nice Agreement      | (b) Establishing an international classification of the figurative elements of marks.                                |
| (iii) Vienna Agreement   | (c) Concerning the international classification of goods and services for the purposes of the registration of marks. |
| (iv) Locarno Agreement   | (d) Concerning the international patent classification.  |

**Answer - 1.(b)**

- |                          |   |   |
|--------------------------|---|---|
| (i) Strasbourg Agreement | - | (d) Concerning the International Patent Classification  |
| (ii) Nice Agreement      | - | (c) Concerning the International Classification of Goods and services for the Purposes of the Registration of Marks |
| (iii) Vienna Agreement   | - | (b) Establishing an International Classification of the figurative elements of Marks                                |
| (iv) Locarno Agreement   | - | (a) Concerns with establishing an International classification for Industrial designs                               |

**7.(b) State, with reasons in brief, whether the following statements are true or false :**

- (i) Anti-dumping cases initiated by WTO have increased significantly since mid 1990s.
- (ii) Trade creation describes the situation where the removal of tariff barriers between members of the trading bloc now enable various products to be purchased at lower prices, thereby stimulating intra-regional trade.

**Answer - 7.(b)**

- (i) True : WTO Annual Reports show, the use of anti-dumping measures has increased dramatically in recent years, considerably greater than the numbers of such measures in force in the 1990's and Anti dumping cases initiated by WTO have increased significantly since mid 1990s.
- (ii) True : The static effect of Regional economic integration is that it may result in either trade creation or trade diversion .Trade creation describes the situation where the removal tariff barriers between members of the trading block now enable various products to be purchased at lower price, there by stimulating intra regional trade.

**7.(c) Attempt the following :**

- (i) Which two of the following are the most likely effects of the imposition of a tariff on an imported good —
  - (a) The domestic price of the imported good will fall
  - (b) Overseas production of the good may be stimulated
  - (c) Overseas unemployment will come down
  - (d) The domestic price of the imported good will rise
  - (e) Gain of tax revenue by the Government

**Ans. (i)**

- (d) The domestic price of the imported goods will rise
- (e) Gain of tax revenue by the Government

- (ii) Which two of the following arguments are used by critics of free trade —
- Free trade does not take into consideration the productivity differences between countries
  - Free trade may lead to unemployment
  - Free trade often ignores the effects of monopoly elements on consumer welfare
  - Free trade can only work within trading blocs
  - Free trade reduces international specialization

Ans. (ii)

- Free trade may lead to unemployment
- Free trade often ignores the effect of monopoly elements on consumer welfare

- (iii) Which two of the following are the most integrated forms of regional trading arrangement —
- Customs Union
  - Economic Union
  - Free trade area
  - Multilateral trading area
  - Common markets.

Ans. (iii)

- Economic Union
- Common Market

8.(a) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

- The \_\_\_\_\_ of goods imported into India is the price paid or payable for the goods by the first independent buyer.
- \_\_\_\_\_ is the first ever set of multilateral, legally enforceable rules covering international trade in services.
- The Third WTO Ministerial Conference, 1999 was held in \_\_\_\_\_ between 30th November, 1999 and 3rd December, 1999.
- \_\_\_\_\_ increases the price of imported goods.
- The \_\_\_\_\_ introduced the term 'European Union' in November, 1993.



**Answer – Ques.8**

- Export Price
- General Agreement on Trade in Services (GATS)
- Seattle, Washington USA
- Tariff
- Maastricht Treaty

December 2011

7. (a) Match the following :

- |                                    |               |
|------------------------------------|---------------|
| (i) First ministerial conference   | (a) Doha      |
| (ii) Second ministerial conference | (b) Seattle   |
| (iii) Third ministerial conference | (c) Singapore |
| (iv) Fourth ministerial conference | (d) Geneva    |
| (v) Fifth ministerial conference   | (e) Cancun    |

**Answer - 7.(a)**

- |                                    |               |
|------------------------------------|---------------|
| (i) First ministerial conference   | (c) Singapore |
| (ii) Second ministerial conference | (d) Geneva    |
| (iii) Third ministerial conference | (b) Seattle   |
| (iv) Fourth ministerial conference | (a) Doha      |
| (v) Fifth ministerial conference   | (e) Cancun    |

**7.(b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :**

- (i) UNCTAD stands for \_\_\_\_\_ .
- (ii) Theory of comparative advantage was given by \_\_\_\_\_.
- (iii) When value of merchandised export equals the value of merchandised import, it is known as \_\_\_\_\_.
- (iv) \_\_\_\_\_ argument deals with the ratio (i.e., the prices) at which countries exchange export for import.
- (v) The first reasonably systematic body of thought devoted to international trade is called \_\_\_\_\_ and it emerged in seventeenth and eighteenth century in Europe.

**Answer - 7.(b)**

- (i) United Nation Conferences on Trade and Development
- (ii) David Ricardo
- (iii) Balance of Trade
- (iv) Terms of Trade
- (v) Mercantilism

**7.(c) State, with reasons in brief, whether the following statements are true or false :**

- (i) World Trade Organisation (WTO) is the only international body dealing with the rules of trade between the nations.
- (ii) National treatment principle says that goods produced in a nation should be treated equally throughout the country.
- (iii) The dispute settlement understanding is often seen as one of the most important achievements in the WTO agreement.
- (iv) Regional trade agreements are entered into only between neighbouring countries.
- (v) The ministerial conference — the highest decision making body of WTO has to meet at least once in a year.

**Answer - 7.(c)**

- (i) True : The World Trade Organization (WTO) is the only international body dealing with the rules of trade between nations. AT its heart are the WTO agreements, negotiated and signed by the

bulk of the world's trading nations. These documents provide the legal ground-rules for international commerce.

- (ii) **False** : Principle of national treatment says imported and locally produced goods should be traded equally, at least after the foreign goods have entered the local market. The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents.
- (iii) **True** : The Dispute Settlement Understanding (DSU) is often seen as one of the most important achievements in the World Trade Organization (WTO) Agreement. While the GATT also contained provisions for conflict resolution, the DSU contains a number of innovations. In particular, it is generally seen as being superior to its predecessors in terms of the clarity of the provisions concerning procedural matters, and its provisions establishing a monitoring scheme to oversee implementation. Recently, however, criticism has been voiced concerning the possibilities for poorer countries to take full advantage of the system.
- (iv) **False** : In the WTO context, Regional Trade Agreements (RTAs) have both a more general and a more specific meaning. More generally because RTAs may be agreements concluding between countries not necessarily belonging to the same geographical region; more specific, because the WTO provisions relate specifically to conditions of preferential trade liberalization with Regional Trade Agreements (RTAs).
- (v) **False** : The WTO is a member-driven, consensus-based organization. The major decisions are taken by members as a whole, either by ministers or by their ambassadors or delegates. The Ministerial Conference – the highest decision-making body of WTO has to meet at least every two years. The Ministerial Conference can take decisions on all matters under any of the multilateral trade agreements.



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