International economics assignment

Economics

ASSIGN BUSTER

What is a NC? Discuss the impact of Foreign Direct Investments in at least two sectors of the Indian economy with examples. Answer-A NC is a corporation that is registered in more than one country or that has operations in more than one country. It is a large corporation which both produces and sells goods or services in various countries. Foreign Direct Investment (FAD) is fund flow between the countries in the form of inflow or outflow by which one can able to gain some benefit from their investment whereas another can exploit the opportunity to enhance the productivity and find out better position through reference.

Below mention impact in Indian economy i) it can cause structural changes in economic and industrial organization. The market can become either more competitive or a monopolistic one in which the TNT can exploit its market power to raise prices and make an adverse impact on the consumer ii) They enhance the productivity through introduction of new technology which in turn benefits the host economy only. The developing economies which are capital starved can take advantage of the available technological spill oversee to improve upon their competitiveness.

The foreign UAPITA can help us improve our technological efficiency within a short period of time without which it would have taken years to reach that level. According to the literature, these spill oversee could occur due to both the " competition effect" – when national companies, facing competition from foreign corporations, have to modernize their production and management activities – and the " demonstration effect" – when national companies emulate the more advanced techniques of their foreign competitors. Ii) They provide the host countries with the access to large foreign markets because they have an established brand name and well plopped distribution channel. This leads to creation of an export base for the developing nations. They add to the foreign exchange and investment resources in a host economy ‘ V) Some of the Tons engage in non-production functions like accounting, engineering, marketing, etc. These are high valued activities that promote manufacturing competitiveness and local capabilities.

They can either boost competition tendencies or drive out local firms to gain market power. Tons can help restructure and upgrade competitive capabilities in import substituting activities as well Question 2 – “ The technologies transferred by the NC to their production units in the underdeveloped countries are appropriate for the latter’s social and economic development needed”. Do you agree or disagree with this statement. Support your answer with relevant examples.

Answer- I agree that the technologies transferred by the NC to their production units in the underdeveloped countries are appropriate for the latter’s social and economic development needed below mention the points which satisfied these points i) Increase overall company profitability. Production may be cheaper broad and output does not have to be sent long distances to reach the end consumers. Ii) Gain a competitive edge in foreign markets through supplying technically a superior product. Ii)Obtain grants and subsidies from foreign governments. Certain less developed countries require Macs to bring with them the latest technology as a condition of being allowed to appropriate the local market. Iv) Overcome capacity limitations in the home country. V) Exploit superior capital markets, access to skilled labor and other inputs in foreign countries. Vi)lancer’s the competence and potential of foreign bestiaries. Successful technology transfer involves a learning process on the part of the recipient business.

This is obviously more difficult in the case of transnational transfers because of differences in language, technical standards, production methods, perspectives on quality management and national employee attitudes and behavior. Dealing with these matters may require the creation of extensive documentation, control manuals in the local language, training programmer and ongoing communication mechanisms. Question 3 – Briefly discuss the advantages and disadvantages of Macs. Answer-The multinational corporations have to their credit certain things that need to be emphasized in any assessment of their role in the world economy.

Advantage of Macs is below mention i) In Capital and Technology: One of the important advantages of the Macs has been in respect of the supply of capital. This has been of particular importance in the initial stages of Industrialization when the less developed countries had a few sources to get capital. As more and more capital became available from alternative sources, and even when Macs could draw upon these sources, transfer of technology became more important. Ii). In Research and Development: The advantage of multinational corporations is that they have facilitated research and development.

Quite a significant part of the Macs' expenditure on research and development is spent outside the country of origin, although it is not much in the less-developed countries. However, even then there are certain benefits that from this limited expenditure. Iii) Marketing: Another significant advantage of the multinationals relates to marketing. Apart from technology for production, no less important is the “ marketing services” that the Macs make available. The disadvantages of Macs are below mention-). Harmful for Producers and Consumers: Since the multinationals transcend national frontiers, they have loyalties to none.

And since they are in the nature of oligopolies, they have the power and do everything possible to eliminate any actual/potential competition. Their technique of imposing their will on producers and consumers are many a varied. They manipulate future markets, differentiate their products through deceptive and misleading advertising etc. Ii) Evil of transfer pricing: The multinationals have often been charged with predatory practices. These include many techniques such as reciprocity agreements mongo different firms to share markets etc. Manipulation of markets, product differentiation etc.

Quite many of these ingenious techniques are commonly referred to as ‘ transfer pricing’. It refers to the intra-company transactions that are valued at deceptive prices with a view to maximize group-profits. Iii) Currency Manipulations-The multinationals with worldwide operations involve financial dealings in several national currencies. They keep on accumulating funds in places that are safe, with strong currencies and high interest rates, in short a profitable place. As far as weak currencies are concerned, the Macs ask heir affiliates to go in for larger debts through raising fresh loans, premature repayment of old loans etc.

Question 4 – Write short notes on the following: (a) FEAR (b) Obstacles of foreign capital in developing economies. Answer-(a) FEAR The Foreign Exchange Regulation Act (FEAR) was legislation passed by the Indian Parliament in 1973 by the government of Nadir Gandhi and came into force with effect from January 1, 1974. FEAR imposed stringent regulations on certain kinds of payments, the dealings in foreign exchange and securities and the transactions which had an indirect impact on the foreign exchange and the import and export of currency.

The bill was formulated with the aim of regulating payments and foreign exchange. FEAR was repealed in 1999 by the government of India replaced by the Foreign Exchange Management Act, which liberalized foreign exchange controls and restrictions on foreign investment. FEAR was introduced at a time when foreign exchange (Fore) reserves of the country were low, Fore being a scarce commodity. FEAR therefore proceeded on the presumption that all foreign exchange earned by Indian residents rightfully belonged to the Government of India and had to be collected and surrendered to he Reserve bank of India (RIB).

FEAR primarily prohibited all transactions, except one’s permitted by RIB. (b) Obstacles of foreign capital in developing economies The activities of the multinational corporations are looked upon with suspicion and distrust in many of the developing countries. The following are the major point of criticisms of the operation of the multinational corporations in the developing countries: i) Transfer of Inappropriate Technology-Len Transfer of Inappropriate Technology by the multinational corporations to the developing countries is inappropriate.

Conditions in the developed countries are totally efferent from conditions in the developing economies. The first important differences are with regard to the relative factor prices. Ii) Inadequate Employment Creation-Because of the capital-intensive nature of their technology the employment effect of the operations of the multinationals in the host countries is negligible. Moreover, such technology transfer is likely to increase income and wealth inequalities. Iii) Industrial Concentration -According to S.

All, the penetration of the multinationals in the less developed countries leads to higher concentration the long run due to the competitive strength the Macs ay force the local firms out of business. A multinational corporation may buy out its local rivals through acquisition. The conduct of foreign firms may have an indirect effect on concentration by stimulating defensive amalgamation among local firms. Through skillful negotiations with the host government, the multinationals may bargain for themselves secure and influential positions in their industries. V) Problem of Capital Flows and Balance of Payments v) Restrictive Practices vi) Bias in Favor of Macs Question 5 – Write a brief note on international HARM strategy. Answer-Globalization has created the challenge of applying management approaches from company head quarters and at the same time adjusting them locally in subsidiaries Hence, Macs must design HRS-systems that balance the needs of both local responsiveness and global integration, which is a balance that has implications for performance.

Therefore many Macs have decided to grant considerable autonomy to their subsidiaries in relation to creating their own HRS-systems for strategic reasons. As such the purpose of this project is to examine how subsidiary autonomy in determining pay & performance policy, training & development policy, employee involvement & communication policy, ND policy towards trade unions can affect subsidiary performance- more specifically, labor productivity and performance in relation to customers and employees.

The study shows that subsidiary autonomy in determining pay & performance policy does not impact neither shareholder nor stakeholder performance significantly. In fact, the relationship with shareholder performance seems to be negative, which suggests that pay & performance-policies for managers determined by the parent company leads to better shareholder performance however the result is not significant. This is also the case in elation to autonomy in determining employee involvement & communication, which does not impact shareholder and stakeholder performance significantly.

Yet, autonomy in determining employee involvement policy seems to have an inverse relationship with shareholder performance. On the other hand, subsidiary autonomy over training & development policy has a significant and positive impact on both shareholder performance and stakeholder performance. Finally subsidiary autonomy in determining policy towards trade unions has the strongest significant impact on shareholder performance however, the impact on takeover performance is insignificant.
Question 6 – Discuss the organizational structures for multinational strategies.

Answer- When a company first goes international; it seldom changes its basic organizational structure. Most companies act first as passive exporters.

They simply fill orders using the same structures, procedures and people used in domestic sales. Even with greater involvement in exporting, companies often avoid fundamental organizational changes. Instead they use other companies to provide them with international expertise and to run their export operations. Export management companies and export trading companies manage exporting for companies without the resources or skills to run their own export operations.

Similarly the choice of licensing as a multinational participation strategy also has little impact on domestic organizational structures. The licenser need only negotiate a contract and collect the appropriate royalties. When international sales become more central to a firm’s success, more sophisticated multinational and participation strategies usually become a significant part of a company’s overall business strategy. As a result, companies must then build appropriate organizational structures to manage their multinational operations and implement their multinational strategies.

When exports become a significant percentage of company sales and a company wishes greater control over its export operations, managers often create a separate export department. A separate department shows that top management believes that the investment of human and financial resources in exporting is necessary to sustain and build international sales. The export department deals with all international customers for all products. As companies increase the size of their international Orca and set up manufacturing operations in other countries, the export department often grows into an international division.

The international division differs from the export department in several ways; it is usually larger and has great responsibilities. Besides managing exporting and an international sales force, the international division oversees foreign subsidiaries that perform a variety of functions. Most often these are sales units. However, units that procure raw materials and produce the company s products in other countries are common. The international division also has more extensive staff with international expertise.