

these taxes were actually imposed, they would exceed the total income that their investments would generate. To make matters worse, growing disillusionment with the reform process in Russia has led to calls from some quarters for the denationalisation of newly privatised assets and for limiting foreign direct investment in key industries, such as oil and gas. Although the current Russian government has worked hard to play down the importance of such calls, there is no doubt they have spooked several foreign investors.

- (a) What are the benefits to the Russian economy from Conoco's investment
- (b) What are the risks for Conoco in investing in Russia?
- (c) How can Conoco reduce these risks without significantly entailing its investment in Russia?

MBA 3817

M.B.A. DEGREE EXAMINATION, JUNE 2007

Fourth Semester

International Business

Paper XVII — FOREIGN TRADE POLICY

Time : Three hours

Maximum : 100 marks

SECTION A — (5 × 6 = 30 marks)

Answer any FIVE out of the following.

1. What are deemed exports? Explain its importance.
2. Bring out the importance of rupee convertibility on foreign trade?
3. Explain Hecksher – Ohilin theory on Foreign trade.
4. Discuss modern theory of trade.
5. Analyse the theory of International trade in services.
6. Analyse the importance of EPCG scheme.
7. Bring out the importance of trading houses.
8. Explain the duty exemption schemes and their importance.

SECTION B — (5 × 10 = 50 marks)

Answer any FIVE out of the following.

9. Explain the commercial policy instruments relating to international quotas.
10. Bring out the importance of international technical standards.
11. Describe the various non-tariff measures.
12. Explain India's joint ventures abroad with specific examples.
13. Discuss India's import policy.
14. What is balance of payment? Explain its adjustment mechanism in foreign trade.
15. Discuss fully the setting up and the importance of SEZs.
16. Explain the framework for FDI in India.

SECTION C — (1 × 20 = 20 marks)

Case study : Compulsory

17. Since the collapse of communism and the shift towards a market economy, senior officials of the Russian Government have gone out of their way to encourage foreign companies to invest in Russia. Their

rationale is fairly obvious – Russia is in desperate need of capital resources to upgrade its crumbling infrastructure which is suffering from years of neglect and mismanagement under communism. The Russian oil and gas industry is an example.

Conoco, a subsidiary of Du Pont, is one foreign company that has invested in the Russian oil and gas industry, through its first US – Russian joint venture to develop a new oil field. One of Conoco's motives was to use the joint venture as a test case to learn whether the company could successfully do business in Russia.

To its surprise, Conoco has found that the Russian worker's technical skills are excellent. In most instances, Conoco officials also found that the physical infrastructure was in better condition than they had been led to believe. But they have encountered serious logistical, efficiency and managerial shortcomings.

The major problem encountered by Conoco so far has been the generally adverse political and legal climate towards foreign investment. Although Russian law currently allows western joint ventures to export oil, in practice the ability to export has been significantly reduced as a result of the government's bureaucratic efforts to allocate export licenses. Conoco has not always been able to get export licenses or has been asked to pay. Unrealistically high prices for the right to export oil from Russia. Another problem is various taxes being invented by different government entities, which often seem to be working at cross purposes with each other. Conoco has calculated that if