**MGMT338, International Business**, Test #1, September 3, 2013,

This test covers the first nine chapters of the book. It should take you 6-8 hours to complete. The essay questions will require complete and supportive answers so please make sure they are college level answers. **Please also do an answer sheet to submit to the drop box. GOOD LUCK!**

**I. (8 pts**)

Leslie Igles is being sent to Ireland as the new manager of a local subsidiary of a U.S. firm. She has a participatory management style and is known for her ability to relate to the workers by occasionally stepping in and working along side of them. Answer the following True and False questions using Hofstede’s Four Dimensions.

T F 1. This management style will not work well with Ireland’s Power Distance rating.

T F 2. Uncertainty Avoidance levels in Ireland will make it difficult for Leslie to make changes.

T F 3. The Individualism level in Ireland indicates that group decision making will not be successful there.

T F 4. Ireland has a higher level of masculinity than Canada.

**II. (66 pts) Select the best answer**.

**1. \_\_\_\_\_\_\_\_\_\_ was the world's leading manufacturing country for about 1,800 years, until it was replaced by Britain in about 1840**.  

|  |  |
| --- | --- |
| A. | The United States |

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| --- | --- |
| B. | Germany |

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| --- | --- |
| C. | India |

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| --- | --- |
| D. | France |

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| E. | none of the above. |

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| **2.** | **International business really began**:     |  |  | | --- | --- | | A. | with the East India Company, chartered in 1600. |  |  |  | | --- | --- | | B. | when Singer Sewing Machine put up a factory in Scotland in 1868. |  |  |  | | --- | --- | | C. | before the time of Christ. |  |  |  | | --- | --- | | D. | when Colt Fire Arms set up a plant in England. |  |  |  | | --- | --- | | E. | when the Ottoman Empire was established. | |

**3. The worldwide stock of outward FDI is estimated to have increased \_\_\_\_\_\_\_ between 1990 and 2010.**

|  |  |
| --- | --- |
| A. | 3-fold |

|  |  |
| --- | --- |
| B. | 5-fold |

|  |  |
| --- | --- |
| C. | 9-fold |

|  |  |
| --- | --- |
| D. | 12-fold |

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| --- | --- |
| E. | 17-fold |

**4. To sum up international trade theory, we can say that the primary reason for trade is:**

|  |  |
| --- | --- |
| A. | the increase in OPEC oil prices. |

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| --- | --- |
| B. | governments want to accumulate money. |

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| --- | --- |
| C. | the existence of price differentials among nations. |

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| D. | the creation of new nations from former colonies. |

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| E. | none of the above. |

**5. The Uruguay Round of GATT wrote new international rules for**:

A) agriculture.

B) services.

C) intellectual properties.

D) all the above

E) (B) and (C) above

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| --- | --- |
| **6. Regarding foreign** | **Investment it can be divided into three components:** |

A. international trade, portfolio investment, and direct investment.

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| --- | --- |
| B. | portfolio investment involves investors who participate in the management of the firm in addition to receiving a return on their money. |

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| --- | --- |
| C. | deals that result in the foreign investor's obtaining at least 10 percent of the shareholdings are classified as portfolio investments. |

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| --- | --- |
| D. | two of A, B, and C. |

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| --- | --- |
| E. | none of A, B, and C. |

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| **7.** | **In developing economies, informal institutions tend to play a greater role than in developed economies, possibly because**   |  |  | | --- | --- | | A. | the developing economies have more ambiguity and lack formal institutions by definition, so informal institutions step into the breach. |  |  |  | | --- | --- | | B. | developing economies show cultural preference for informality. |  |  |  | | --- | --- | | C. | informal institutions emerge to give order to the unstructured, chaotic environment. |  |  |  | | --- | --- | | D. | A and C. | |

**8. The Chinese concept of *guanxi* is an example of:**

|  |  |
| --- | --- |
| A. | an informal, cognitive institution. |

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| --- | --- |
| B. | a regulative, formal institution. |

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| --- | --- |
| C. | a favorite cooking method of Chairman Mao. |

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| --- | --- |
| D. | taken-for-granted approaches to friendship relations. |

**9. The Doha Development Agenda is:**

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| --- | --- |
| A. | a WTO conference on trade. |

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| --- | --- |
| B. | an agreement on climate control and greenhouse gases. |

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| --- | --- |
| C. | a decision-making approach to development. |

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| D. | a development rules list. |
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**10. Gift-giving in many cultures is marked by:**

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| A. | specific etiquette and meaning that may be markedly different from what the international manager knows in the home culture. |

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| --- | --- |
| B. | graft and corruption; for example, a way to launder money. |

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| --- | --- |
| C. | humility not fitting an international manager. |

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| D. | drinking and late parties. |
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**11. The presence of tattoos suggests social outcasts universally, based on:**

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| A. | their use in Japan by the Yakuza. |

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| --- | --- |
| B. | a primitive human desire to change and thus control the body. |

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| --- | --- |
| C. | a universal aesthetic. |

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| D. | nothing, because this statement is not accurate. |
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**12. The largest portion of the world's proven oil reserves is located in:**

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| --- | --- |
| A. | low-risk areas. |

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| --- | --- |
| B. | high-risk areas. |

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| --- | --- |
| C. | climate-challenging areas. |

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| D. | developed nations' oil fields. |

**13. Although it pollutes heavily, this energy source is on the rise everywhere, especially in China**:  

|  |  |
| --- | --- |
| A. | natural gas. |

|  |  |
| --- | --- |
| B. | coal. |

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| --- | --- |
| C. | nuclear. |

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| D. | diesel. |
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**14. The trend for firms in regard to country risk assessment (CRA) is to:**

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| --- | --- |
| A. | avoid it as an added cost in competitive markets. |

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| --- | --- |
| B. | concentrate much more on CRA in making decisions about foreign activities. |

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| --- | --- |
| C. | use CRA in obviously dangerous locations, but only in those situations. |

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| D. | all of the above. |

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| E. | two of A, B, and C. |
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**15. The national defense argument for trade restrictions has been used in the United States to argue for restriction on imports of:**

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| --- | --- |
| A. | munitions. |

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| --- | --- |
| B. | uniforms. |

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| --- | --- |
| C. | shoes. |

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| --- | --- |
| D. | all of the above. |

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| --- | --- |
| E. | two of A, B, and C. |
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**16. The main source(s) of international law is(are):**

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| A. | the UN International Court of Justice. |

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| --- | --- |
| B. | the U.S. Supreme Court and the EU Court of Justice. |

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| --- | --- |
| C. | bilateral and multilateral treaties, along with customary law. |

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| D. | nonexistent. |

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| E. | the WIPO. |

**17. Extraterritoriality is:**

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| A. | a nation's attempt to enforce its law beyond its borders. |

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| --- | --- |
| B. | added territory as a result of dispute settlements in wars, such as the Sakalin Islands. |

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| C. | a citizen's claim to government assistance in a foreign environment. |

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| D. | a taxable condition most international firms attempt to avoid. |

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| E. | two of the above. |

**18. If the Japanese yen is strengthening against the U.S. dollar, and the Japanese government wanted to boost exports, the central bank of Japan might well:**

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| --- | --- |
| A. | sell U.S. dollars in large amounts in the currency markets. |

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| --- | --- |
| B. | buy massive amounts of Japanese yen in the FX markets. |

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| --- | --- |
| C. | sell massive amounts of Japanese yen in the FX markets. |

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| --- | --- |
| D. | buy massive amounts of other hard currencies, such as the British pound sterling and the euro, to deflect the focus on dollars. |

**19. The present floating exchange rate system is not a totally free float because:**

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| A. | there is an exchange fee of 1.5 to 1.75 percent. |

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| --- | --- |
| B. | some governments refuse to allow foreign traders to trade their currency. |

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| C. | some central banks from time to time intervene in the market to buy or sell large amounts of currency to affect the supply and demand of a particular currency. |

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| D. | A and B. |

**20. Bretton Woods led to an exchange rate agreement known as the Bretton Woods System or:**

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| --- | --- |
| A. | the floating-rate system. |

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| --- | --- |
| B. | the India Accord system. |

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| --- | --- |
| C. | the gold exchange standard. |

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| --- | --- |
| D. | the French rate system. |
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**21. Frederick Gluck, management consultant, says that for firms to develop the flexibility to compete, managements must make the following change(s) in their planning methods:**

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| --- | --- |
| A. | top management must dedicate more time to deciding how things ought to be done. |

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| --- | --- |
| B. | the nature of planning must change from being an exercise in forecasting to being an exercise in creativity. |

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| C. | planning processes and tools that assume a future much like the past must be replaced. |

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| D. | strategic planning must be restored to strategic planning departments. |

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| E. | two of the above. |

**22. A strategic plan**:  

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| --- | --- |
| A. | will be prepared when the tactical plan is finalized. |

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| B. | describes how the firm's goals will be met. |

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| C. | contains sales forecasts and budgets. |

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| D. | all of the above. |

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| E. | two of A, B, and C. |

**III. (26 pts)**

T F 1. Globalization has produced uneven results across nations and people.

T F 2. Transnational corporations account for approximately 25 percent of total global output and nearly 5 percent of world trade.

T F 3. A firm's size may at times give it bargaining power with the government of a country even though it must comply with the country's laws.

T F 4. Both IBM ThinkPad and Chinet are brands owned by US firms.

T F 5. The US is not typical of other developed nations in the percent of its exports that go to developed nations.

T F 6. Small firms (those with fewer than 500 employees) account for 97% of the dollar value of US merchandise exports.

T F 7. The magnitude of international trade and how it has grown are reflected in that one-fourth of everything grown or made in the world is now exported.

T F 8. Since WWII, economic integration has failed, largely because of nationalism.

T F 9. Sustainable business is any business that potentially can operate at a profit in a particular country based upon the information acquired in a CRA.

T F 10. When you see that it costs 1.77 Swiss francs to buy one US dollar but only .70 of a British pound, it is clear that the British pound is a weaker

currency than the Swiss franc.

T F 11. Countries that levy value-added taxes are not permitted by WTO rules to rebate them to exporters.

T F 12. Britain's former Prime Minister, Thatcher, pioneered what has

become a worldwide movement to privatize government activities.

T F 13. A choice of forums provision is used in international contracts to indicate which court will hear the case.

**IV. (9 pts)**

You have been engaged as an advisor for a developing country. You are asked the following question:

Should the country have a strategy of import substitution or specialization? Explain each of these concepts and the theory of comparative advantage in your answer. Using the theory of comparative advantage come to a conclusion as to which strategy the country should use.

Answer:

**V. (21 pts)**

Select only three of the five choices below and explain what each is and what role each plays in international trade:

**a.** NAFTA and the EU

Answer:

**b.** Climate and the two components of culture

Answer:

**c**. According to the video for week four what is the impact on exports and imports of a weaker dollar? What countries does the video indicate may not want a weaker dollar and why?

Answer:

**d**. From the video from week one discuss Karma as it relates to international business AND from the video for week three, discuss why there are language issues even though English is the language of a potential foreign market.

Answer:

**e**. Country Risk Assessment and Traditional Hostilities in a country

Answer:

**VI. (8 pts)**

If the exchange rate of the dollar and the Euro goes from one Euro equals $1.22 cents in 2010 to one Euro equals $1.33 in 2011, has the dollar strengthened or weakened and why? If this happens, what is the impact on importers to the U.S. from the EU and on exporters from the U.S. to the EU?

Answer:

**VII. (12 pts)** Name and explain the concept of tariff barriers and name and explain one reason countries maintain trade barriers, such as tariffs, and state whether or not this reason is justified and why or why not. What is the impact of these barriers on the efficient allocation of a country’s resources? What is the impact on the consumers that purchase the items to which the barriers apply?

Answer: