

## SECOND IN-CLASS TEST

Please **write your name above**, and answer all the questions below. (Don't forget page 9.)  
Points total 71; your raw score will be multiplied by 0.225 to yield your points (out of 16)  
toward the quarter's total of 100 points. You have 120 minutes.

### BRIEF EXPLANATIONS [51 points]

**Strategic management**, as we've defined it this quarter, is the development and deployment of **assets** that are appropriate for the **environment** in which an organization finds or places itself.

1. [6 points] Define (a) corporate, (b) business, and (c) functional strategy. Give an example of each (not a detailed example, but mention a kind of decision that would fall under each type of strategy).

	<b>Brief definition</b> (or basic question to be answered by the strategy)	<b>Example decision</b>
Corporate strategy		
Business strategy		
Functional strategy		

2. [4 points] Describe the OLI framework:

a) What does it seek to explain?

b) What does each initial stand for? Give the appropriate phrase for each initial, and then go on to explain what each phrase means.

3. [6 points] Here are three key variables (things that have to be negotiated) in export payment, in addition to the sales price. Under each variable, name *three* key options and underline the option that is more favorable to the exporter.

CURRENCY OF PAYMENT

TIME OF PAYMENT

FORM OF PAYMENT

4. [4 points] A “letter of credit” *is* really a stylized letter. A *confirmed* letter of credit, used to pay for an import, is from whom to whom, saying what? [Note: four parties are involved.]

FROM:

TO:

SAYING:

5. [4 points] What is *exchange risk*? Suggest three ways in which a US company exporting to Mexico can avoid exchange risk.

6. [5 points] Costs of exporting

a. Identify three additional costs that an exporter faces (beyond the costs of design, procurement, production and its domestic marketing) -- i.e., the costs that need to be considered when it establishes its export price.

b. If adding these costs raise a company's export price beyond competitive levels in a foreign country, suggest two reasons why a company might decide to absorb some of these costs to win an export contract.

7. [5 points] Labor impacts of trade  
a. What were three main findings of Lori Kletzer's study of the impacts of trade on US labor?

b. What two policy measures did Kletzer suggest to help ameliorate the negative impacts?

8. [5 points] How do "core labor standards" differ from "cash labor standards"? What four "core labor standards" did Kimberly Elliott propose? Explain three ways in which core labor standards could be enforced internationally, even though national governments are sovereign.

9. [7 points] FDI motivations

a. Identify three reasons why a company might engage in FDI.

b. Identify three reasons why a government might make concessions to attract *inward* FDI.

c. How might *outward* FDI benefit a country (i.e., the country of the parent company)?

10. [3 points] Esty identifies three components of the relationship between economic growth and environmental degradation: technique, composition, and scale. Describe and give an example of each.

11. [2 points] What is the environmental Kuznets curve? What leads to that pattern (if the pattern does really exist)?

**ESSAY** [15 points]

Outline an international marketing strategy for a company based in the US and marketing to consumers, governments, or businesses (depending on the product) in “your country” – Canada, China, or Mexico.

Briefly describe your company’s size, degree of horizontal and vertical integration, key strategic asset(s). Which of the three countries are you focusing on as a potential market? For what sort of product or service? Why does that country provide a good target market?

Make sure to define each of the six components of marketing strategy, and suggest what your company should decide for each component – making use of the company’s main asset(s) and the relevant environments of the selected country.

Because your decisions about the six components are based on the same set of corporate assets and the same environmental characteristics, the decisions should be synergistic (should support one another).







**SELF ASSESSMENT** [5 points]

For **each** objective below, give yourself a

**1** (“I’m not very able to do this.”)

**2** (“I’m clearly better able to do this than I was in mid-September, but I’m not very confident.”) or

**3** (“No one’s perfect, but I can do a reasonably good job of this.”)

For at least **three** of these objectives, tell me which activity (lecture, in-class activity, small-group discussion, response paper, research paper) and/or reading (incl. online notes) was most helpful.

“By the end of the quarter, a highly successful student will:

<b>Objective</b>	<b>Self-Rating</b>	<b>What was most helpful?</b>
“Be able to articulate learning goals and assess progress toward them.		
“Learn the basic outlines of world trade patterns, and explain these outlines using international trade theory (ITT).		
“Use an understanding of ITT and its assumptions to understand and assess the critiques of liberalized trade policy.		
“Gain empirical grounding in the trade relationships of Canada, China, or Mexico, emphasizing the trade patterns and trends with the US.		
“Distinguish the varied forms of international business (IB), and the choice criteria among them.		
“Ask and begin to answer questions about the logistics of international trade.		
“Present a nuanced perspective on trade-policy recommendations for the United States and one other country, to benefit each side.”		

*Make sure you’ve written your name on the front of this test packet!*