

BUSA 4200-A Exam 2/4 International Business Essay Review D. Howard

1. What is a tariff? Describe the difference between specific tariffs and valorem tariffs.
2. Who gains and who loses from the imposition of a tariff on an imported good? How can it be determined whether the net gain from the tariff exceeds the net loss?
3. What is a subsidy? Provide some examples of the forms that subsidies take. How do subsidies help domestic producers?
4. What are administrative trade policies? Are these trade policies deliberately designed to restrict the flow of imports into a country, or do they simply reflect the complexity of the bureaucracies in many foreign countries? Provide at least one example of an “administrative trade policy.”
5. What are the principle political and economic arguments for government intervention into international trade? Please describe these arguments. In your opinion, which set of arguments are the most compelling?
6. The World Trade Organization (WTO) was created by the recently completed Uruguay Round of the GATT negotiations. According to the textbook, has the WTO gotten off to a good start or a poor start? Do you believe that the WTO will be effective in the long run? Why and why not?
7. What is meant by the term Foreign Direct Investment? Describe the difference between the flow of foreign direct investment and the stock of foreign direct investment.
8. Describe what is meant by the eclectic paradigm. Who is its principle champion? Does this paradigm make sense as a rationale for FDI?
9. How does a potential host government’s attitude toward FDI affect a company’s willingness to engage in FDI in that country? Should a host government’s attitude toward FDI be a major consideration when making a FDI decision? Why?
10. Name and discuss three reasons that licensing may not be an attractive option.
11. Describe the concept of regional economic integration. Do you believe that regional economic integration is a good thing? Explain your answer.
12. Please briefly explain the following forms of economic integration: free trade area, customs union, common market, economic union, and full political union. Provide an example of each form of economic integration.

13. From the standpoint of business and international trade, what are the advantages of a single currency within a trade block (like the EU)?

14. Describe the arguments for and against the North American Free Trade Agreement (NAFTA). In your opinion, is the ratification of NAFTA a positive development or a negative development for the citizens of the countries involved?

15. What is meant by the term “free trade?” Was Adam Smith an advocate or critic of free trade? Is free trade compatible with the concept of mercantilism? Explain your answer.

16. When does free trade occur?

17. Describe the Heckscher-Ohlin theory of international trade. Is the Heckscher-Ohlin theory consistent with the notion of free trade? Why and why not?

18. Describe the central tenant of the product life-cycle theory.

19. Describe what is meant by first-mover advantages.

20. In an extensive study that was published in a book entitled *The Competitive Advantage of Nations*, Michael Porter concluded that four broad attributes of a nation shape the environment in which local firms compete, and that these attributes promote or impede the creation of competitive advantage. Identify and describe the four attributes advanced by Porter. What did Porter conclude from his analysis?