



STRATHMORE INSTITUTE
DIPLOMA IN INTERNATIONAL RELATIONS
END OF SEMESTER EXAMINATION
DIR 1106: INTERNATIONAL BUSINESS AND DEVELOPMENT

DATE: January 17th 2022

TIME: 2 Hours

Instructions

1. This examination consists of **FIVE** questions
2. Answer **question ONE (COMPULSORY)** and any other **TWO** questions
3. Do not write on the question paper

QUESTION ONE (30 marks)

- (a) Define international business (IB) and evaluate **three** distinguishing features of IB vis-à-vis domestic business, with suitable examples. **(4 marks)**
- (b) Clearly explain the following controls on international trade. **(3 marks)**
 - i) Tariff
 - ii) Quota
 - iii) Export restraint agreements
- (c) Explain the concept of globalization, clearly explaining **two** driving forces to globalization. **(4 marks)**
- (d) Explain the legal environment, giving **two** reasons why it is important in international business. **(3 marks)**
- (e) Define balance of payment (BOP) and discuss **three** methods of correcting BOP disequilibrium. **(4 marks)**
- (f) Describe foreign direct investments (FDI) and outline **two** reasons why firms engage in FDI. **(3 marks)**

- (g) Explain the concept of a Multinational Enterprises (MNE), while clearly outlining the criteria that needs to be fulfilled for a firm to be a MNE. **(3 marks)**
- (h) Write short notes on the following international trade documents. **(4 marks)**
- i) Bill of Landing
 - ii) Letter of Credit
- (i) International HRM deals with issues related to expatriate managers (citizens of one country working abroad) including: when to use expatriates, who to send on expatriate postings, how expatriates should be compensated and how to handle the repatriation of expatriates,
Explain **two** ways firms should prepare expatriates for their foreign postings. **(2 marks)**

SECTION B: (15 marks per question. Choose any Two)

QUESTION TWO

To be effective across borders, organizations and employees at all levels need to broaden their collective understanding of other cultures and the needs of people from these cultures.

- (a) Following this statement, advice a global manager on the significance of culture in international business decisions. **(4 marks)**
- (b) Describe the following components of culture, giving suitable examples. **(4 marks)**
 - i) Religion
 - ii) Language
- (c) There are **three** broad types of economic systems: the market economy, the command economy, and the mixed economy. Discuss each of these economic systems. **(6 marks)**
- (d) Describe the political economy of a country. **(1 mark)**

QUESTION THREE

- (a) Clearly define international trade and give an example. **(2 marks)**
- (b) Explain **three** merits of international trade; clearly support your explanations with how international trade occurs among nations. **(3 marks)**
- (c) Although countries engage in international trade because they believe it is beneficial to do so, international trade comes along with challenges. Giving examples, explain any **four** disadvantages that your country may suffer because of international trade. **(4 marks)**

- (d) Discuss the theory of competitive advantage (Michael Porter's diamond), and explain its basis of international trade, clearly bringing out its implications for business as well. **(6 marks)**

QUESTION FOUR

- (a) Regional economic integration only makes sense when the amount of trade it creates exceeds the amount it diverts. In the context of regional integration:
- i) Define the term regional economic integration. **(2 marks)**
 - ii) Outline **two** impediments to such integrations. **(2 marks)**
- (b) There are **six** levels of economic integration. Explain each level of regional economic integration. **(5 marks)**
- (c) Identify an economic bloc of your choice and explain **five** ways in which member countries have benefitted from it. **(6 marks)**

QUESTION FIVE

You have been approached as a consultant by a firm that seeks to engage in international operations to advice on various aspects of foreign market expansion.

- (a) Discuss **three** basic decisions that firms contemplating foreign expansion must make. **(6 marks)**
- (b) Explain the advantages and disadvantages of the following entry strategies to foreign markets. **(6 marks)**
- i) Wholly owned subsidiaries.
 - ii) Franchising.
 - iii) Turnkey projects.
- (c) Elaborate on **three** factors that would enable the success of strategic alliances. **(3 marks)**