



Lecture International Management II (ST 2009) - Final Exam

Examiner: Prof. Dr. Birgitta Wolff

Course Nr.: 1189

In this exam, you have one hour to solve the problems with a maximum of 60 points. There are a few pieces of general advice we can offer at this stage:

1. Use the theoretical tools and terminology you have learned in class and from the assigned readings.
2. Make sure there is a clear structure in your argument. (Use some time to sort your ideas before you start writing the version you want to submit, esp. if you answer B).
3. Use the time you have! If you are ready much earlier than we planned you should wonder if you forgot something.
4. Remember: people have to be able to decipher what you write.
5. Leave a margin for our comments, so we can give you a more detailed feedback than just the number of points.

Here is the set of problems:

Please solve either part A or part B.

Part A (max. 60 points)

Answer only 4 of the following 5 questions! (max. 15 points for each question)

(You are welcome to use a dictionary.)

1. a) Outline the difference between "Free Trade" and "Fair Trade". Name one supranational organization or agreement for each of these concepts. What are the main objectives of these organizations/agreements?
b) Considering the increase of the shares of intra-regional exports in total exports of regional trading arrangements it is obvious that there is almost no increase within African trade areas. What are the reasons for the slow growth of intra-regional trade in Africa?
2. International Joint Ventures are a suboptimal mode of entry into a foreign market (according to publications such as Grossman/Hart 1986, and Heubel 1994). Comment this statement critically considering the motives and potential problems of collaborative ventures.
3. Explain the categories, which Hofstede uses to characterize different cultures. Compare two countries' cultures of your choice using Hofstede's scheme. Name two other researchers and the dimensions they found in the field of culture dimensions research.
4. What are sources to recruit potential managers for multinational enterprises? Explain why multinational corporations send expatriates to their subsidiaries abroad instead of hiring local employees from the host country. What are the advantages and disadvantages of such an international staffing policy compared to alternative strategies?

5. What is the principle of Cost-Utility-Arbitrage? Explain the different types of incentives and give an example for each type. You are welcome to illustrate your explanation graphically.

Part B (max. 60 points)

Magna to buy Opel

By THE ASSOCIATED PRESS

BERLIN — General Motors Corp. will sell most of its Opel unit and other European assets to Canada's Magna International Inc. in a deal German Chancellor Angela Merkel said today would protect the assets from GM's likely bankruptcy.

The German government, GM and Magna International agreed early today to a plan for the Canadian auto parts maker to acquire Opel with euro1.5 billion (\$2.1 billion) in bridge loans from Germany, while contributing euro300 million to keep Opel running in the short term, Finance Minister Peer Steinbrück told reporters. "Opel has been given prospects for the future," Merkel said after overnight talks between the two companies and the German government. "Now the work for Opel and for Magna ... really begins."

Under the deal, Magna will take a 20% stake in Opel and Russian-owned Sberbank will take a 35% stake, giving their consortium a majority. GM will retain 35%, and the remaining 10% will go to Opel employees. The consortium plans to work with Russian carmaker Gaz to produce more than a million vehicles in Russia and Eastern Europe. Sberbank's chairman German Gref praised the deal in an interview broadcast today on Russia's state-run Vesti TV.

"We think that this is a very good chance for Russia to receive at an unprecedentedly low price one of the most progressive — from a technological standpoint — European automakers," Gref said. The deal calls for Opel to be put under the care of a trustee later today, designed to shield it from GM's likely bankruptcy filing next week. Other GM Europe assets, including British brand Vauxhall and its plants, were consolidated under the Adam Opel GmbH earlier in the week and will also enter the trusteeship. Sweden's Saab is not included in the deal.

Germany had stressed the need for a trustee to ensure taxpayer assistance does not flow to GM stake holders in the U.S. "The fault here is ... a major mismanagement in the United States of America by GM," Merkel said today. She said she spoke with President Barack Obama by telephone Friday as the deal with Magna was being negotiated.

In an interview earlier this week, GM Vice Chairman Bob Lutz, said GM and Opel would likely continue to share product development and engineering. "It's a symbiotic relationship, and it saves a lot of cost, and I can't see a new partner saying, 'no, no, we're not going to do any of that anymore,'" Lutz said.

German officials, speaking on condition of anonymity because the particulars of the deal had not been announced, said Saturday that GM's minority stake would include continued cooperation on technology and development, though GM would exclude prized engineering properties such as the Corvette brand. The Magna consortium and GM would also negotiate individual arrangements for markets including China, Canada and the U.S. to avoid competition between vehicles built with similar technology, the officials said.

Magna's co-CEO Siegfried Wolf said he expected the agreements with GM to be signed within five weeks. Parliamentary committees in two states, Hesse and North Rhine-Westphalia, must still approve the financing. That is expected on Sunday. While several governors and workers' representatives greeted the plan, Germany Economy Minister Karl-Theodor zu Guttenberg said he thought the plan was risky enough that an "orderly insolvency" could still be the best bet to save Opel.

"I have a different risk assessment than my colleagues participating in the Opel negotiations," Guttenberg said in a statement. "Certainly an insolvency would also not currently be without risks." As part of the deal, all four factories in Germany would stay open though Magna, based in Aurora, has said previously it would need to shed some 2,600 jobs.

Opel employs 25,000 people in Germany, nearly half of GM Europe's work force. German government officials said Magna's plan anticipated between 7,500 and 8,500 job cuts across Europe. Opel and Vauxhall have operations in Belgium, Spain and Poland among other countries. Merkel said Germany wanted to work closely with other European countries with GM Europe facilities as the plan developed. "We are in close contact with Opel's European partners and the European division of GM," Merkel said.

<http://www.torontosun.com/news/2009/05/30/9624826.html>, 01.07.2009.

- a) What are the motives for the Candian company to acquire Opel? Discuss opportunities, risks, as well as appropriate strategies and organizational forms, using economic terminology.
- b) Why are governments different from non-government partners in international business? Use the example of the Magna-Opel case to explain.