Міністерство освіти і науки України
НАЦІОНАЛЬНИЙ УНІВЕРСИТЕТ
«ОДЕСЬКА ПОЛІТЕХНІКА»
Кафедра іноземних мов

МЕТОДИЧНІ ВКАЗІВКИ ДО ПРАКТИЧНИХ ЗАНЯТЬ З АНГЛІЙСЬКОЇ МОВИ (ЗА ПРОФЕСІЙНИМ СПРЯМУВАННЯМ)

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Одеса
Одеська політехніка
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Затверджено
на засіданні кафедри
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Одеса
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Методичні вказівки до практичних занять з англійської мови (за професійним спрямуванням) за спеціальністю 292 Міжнародні економічні відносини для здобувачів III курсу / *Укл.: І.Б. Андрейкова, О.В. Лебедєва, Д.С. Лисун,* – О. Одеська політехніка, 2025.- 63 с.

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ПЕРЕДМОВА

Метою “Методичних вказівок” є формування занять у студентів вмінь та навичок читання за тематикою спеціальності «Міжнародні економічні відносини» на III курсі навчання IEM (вихідний рівень володіння мовою – B2). За рахунок тренування і виконання читання текстів і комунікативних завдань студенти зможуть досягти практичного володіння англійською мовою за фахом.

Практичне володіння іноземною мовою в рамках даного курсу припускає наявність таких умінь, які дають можливість:

- вільно читати оригінальну літературу іноземною мовою у відповідній галузі знань;
- оформляти витягнуту з іноземних джерел інформацію у вигляді перекладу або резюме;
- робити повідомлення і доповіді іноземною мовою на теми, пов'язані з науковою роботою майбутнього фахівця;
- вести бесіду за фахом.

Кожний урок складається з тексту й комплексу мовних вправ, які розраховані на удосконалення навичок активізації словарного і граматичного мінімуму професійного спрямування.

“Методичні вказівки” забезпечують підготовку до міжнародного усного спілкування англійською мовою для спеціальних цілей, а саме - оволодіння лексичними, граматичними і стилістичними навичками, а також умінням читати, перекладати, згортати і розгортати усну англомовну інформацію наукового функціонального стилю, що передбачено вимогами Програми вивчення іноземних мов у нефілологічному ВНЗ.

Зміст

LESSON 1
WHAT IS INTERNATIONAL ECONOMICS?

Economics is a social science which purpose is to understand the workings of the real-world economy. An economy is something that no one person can observe in its entirety. We are all a part of the economy, we all buy and sell things daily, but we cannot observe all parts and aspects of an economy at any one time.

For this reason, economists build mathematical models, or theories, meant to describe different aspects of the real world. For some students, economics seems to be all about these models and theories, these abstract equations and diagrams. However, in actuality, economics is about the real world, the world we all live in.

For this reason, it is important in any economics course to describe the conditions in the real world before diving into the theory equationed to explain them. In this case, in the course about international economics, it is very useful for a student to know some of the policy issues, the controversies, the laws, and the history of international economics.

International economics is a field of study that controversies the implications of international trade, international investment, and international borrowing and lending. There are two broad subfields within the discipline: international trade and international finance.

International trade is a field in economics that applies microeconomic models to help understand the international economy. Its content includes basic supply-and-demand analysis of international markets; firm and consumer behavior; perfectly competitive, oligopolistic, and monopolistic market structures; and the effects of market distortions. The typical course describes economic relationships among consumers, firms, factory owners, and the government.

The objective of an international economics science is to understand the effects of international trade on individuals and businesses and the effects of changes in trade policies and other economic conditions. The course develops arguments that support a free trade policy as well as arguments that support various types of protectionist policies. Students should better understand the centuries-old controversy between free trade and protectionism.

International finance applies macroeconomic models to help understand the international economy. Its focus is on the interrelationships among aggregate economic variables such as GDP, unemployment rates, inflation rates, trade balances, exchange rates, interest rates, and so on. This field expands basic macroeconomics to include international exchanges. Its focus is on the significance of trade imbalances, the determinants of exchange rates, and the aggregate effects of government monetary and fiscal policies. The pros and cons of fixed versus floating exchange rate systems are among the important issues addressed.

1. Look up new words given below in your dictionary and memorise them.

purpose, entirety, observe, equation, equation, policy issues, controversy, implication, competitive, oligopolistic, distortion, arguments, apply, interrelationship, aggregate economic variables, interest rate, significance, pros and cons, floating, fiscal policy

2. Answer the questions:

1. What is the main goal of economics as a social science?
2. Why do economists use mathematical models and theories?
3. What misunderstanding do some students have about economics?
4. What should an economics course describe before introducing theory?
5. What are the two major subfields of international economics?
6. What does international trade focus on?
7. What kinds of market structures are studied in international trade?
8. What is the aim of studying international trade in economics?
9. What does international finance analyze?
10. What issue does international finance help evaluate in terms of currency systems?

3. Match the basic terms and their definitions:

1. Trade	**a.** Goods or services bought by one country from another.
2. Export	**b.** A limit on the quantity of a specific product that can be imported.
3. Import	**c.** has increased access to international markets and foreign investments.
4. Tariff	**d.** The exchange of goods and services between countries.
5. Quota	**e.** Policies that protect domestic industries from foreign competition.
6. Protectionism	**f.** tax imposed on imported goods to protect domestic industries
7. Globalization	**g.** Goods or services sold by one country to another.

4. Part A. Make collocations by matching the left part with the right.

1. World Trade	a. Trade
2. Trade	b. Investment
3. Foreign Direct	c. Deficit
4. Exchange	d. Surplus
5. Free	e. Organization
6. Trade	f. Rate
7. Balance	g. Agreement
8. Trade	h. of Trade

Part B. Match the collocations from part B with the definitions:

1. The difference between a country's exports and imports.
2. When a country exports more than it imports.
3. When a country imports more than it exports.
4. International trade without restrictions such as tariffs or quotas.
5. The price of one country's currency in terms of another's.
6. Investment made by a company or individual in one country in business interests in another country.
7. A treaty between two or more countries to establish trade rules.
8. An international body that promotes and regulates global trade.

5. Fill in the gaps with the words given below. There are three words that you do not need to use:

Protectionism, Trade, objective, World Trade Organization, trade deficit, exchange rate, foreign direct investment, export(s), arguments tariff, free trade, import(s), trade surplus, tariff, agreement, balance of trade, quota, models, globalization

1. ______between countries allows for greater specialization and economic growth.
2. Germany's _______ include cars, machinery, and chemical products.
3. The United States electronics and clothing from various Asian countries.
4. A positive ______ indicates that a country sells more abroad than it buys.
5. China had a ______ due to high demand for its manufactured goods.
6. The UK faced a _______ after importing more goods than it exported.
7. The government imposed a ______ on steel to protect local manufacturers.
8. A ______ was introduced to limit the import of foreign dairy products.
9. ______ agreements reduce barriers and increase competition.
10. _______ may help local industries, but it can also raise consumer prices.
11. ________has increased access to international markets and foreign investments.
12. The_______ between the euro and the dollar affects tourism and exports.
13. Japan received billions in ________ from American tech companies.

14. The EU signed a new trade **_______**with Canada to simplify regulations.
15. The _____ helps settle disputes and encourages fair global trading practices.

6. Compose the story and be ready to speak on one of the following topics (about 100 words):

- The objectives of an international economics science.
- The pros and cons of free trade policy.

LESSON 2
HISTORY OF INTERNATIONAL TRADE

The barter of goods or services among different peoples is an age-old practice, probably as old as human history. International trade, however, refers specifically to an exchange between members of different countries, and accounts and explanations of such trade begin only with the rise of the modern nation-state at the close of the European Middle Ages. As political thinkers and philosophers began to examine the nature and function of the nation, trade with other countries became a particular topic of their inquiry. It is, accordingly, no surprise to find one of the earliest attempts to describe the function of international trade within the body of thought now known as mercantilism.

By the 17th century mercantilism was widely accepted by European nations. Basic to mercantilism was the acceptance of the state as supreme. Wealth was produced for the state, and it was the wealth of a nation, gained through trade, that made it great. The form of wealth most admired was gold, and gold was obtained through a favorable balance of trade. The notion of increasing wealth through productivity did not occur for many decades.

This theory had many consequences. It meant that one nation could increase its wealth only at the expense of another. Since the amount of gold is limited, a balance of trade that increases one nation's gold supply must necessarily reduce that of some other nation. This resulted in fierce trade competition.

Mercantilist principles, however, did not go unchallenged. In the 18th century an influential group of French thinkers called the physiocrats urged governments not to interfere with trade and other matters. They thought that trade would effectively regulate itself to best advantage if simply left alone. Laissez-faire (French for "let [people] do [as they choose]") became the watchword for this movement.

In 1776 the British economist Adam Smith published his landmark book, *The Wealth of Nations*. Smith approved the laissez-faire principles of the physiocrats, arguing that government intervention only protects inefficient industries that otherwise would give way to more productive ones. Although Smith's ideas were not immediately accepted, they provided an argument against mercantilism and influenced the long-term development of economics. Oddly, mercantilism underwent a powerful revival in the 20th century, through the influence of John Maynard Keynes and his followers.

Toward the middle of the 19th century, the free-trade theories of Adam Smith began to win favor over the protectionist policies of the mercantilists. In 1846, for instance, Great Britain repealed the Corn Laws that had restricted grain imports for several centuries. The resulting flood of inexpensive American grain hurt British farmers but encouraged England to develop more competitive industries. As a result, the repeal of these laws helped to place England on a firmer economic foundation.

In 1914 World War I disrupted trade around the world. In the years after the war, the European nations struggled to rebuild their economies and once again adopted protective tariffs like those of the mercantilist era. The United States, which had replaced Great Britain as the world's leading trading country, also took this course. The Smoot-Hawley Tariff Act of 1930 created the highest protective tariffs in United States history. Weakened by the Great Depression that started in 1929, and strangled by the widespread use of prohibitive tariffs, world commerce seriously declined.

After World War II the United States used its position of leadership to urge cooperation. It invited other countries to consider lowering tariffs and other trade barriers. In 1947 more than 20 countries met in Geneva, Switzerland, to discuss the need to reduce barriers to international trade on a multilateral, or many-party, basis. Their negotiations resulted in the General Agreement on Tariffs and Trade (GATT), the most comprehensive action taken to date to break down barriers to world trade.

Another measure designed to facilitate trade in the 20th century was the adoption of most-favored-nation treatment. Based on treaty arrangements made between France and Great Britain in 1860, the most-favored-nation policy attempts to guarantee equality of treatment among nations. The policy was designed to apply mainly to tariffs, but it has been extended to other matters as well: setting up businesses in foreign countries; navigation in territorial waters; taxation of foreign nationals; and guaranteeing property rights such as copyrights, trademarks, patents, and real and personal property rights.

1. Look up new words given below in your dictionary and memorise them.

Refer to, exchange, inquiry, attempt, mercantilism, acceptance, supreme, wealth, consequences, interfere with, watchword, landmark, provided an argument against, revival, repeal, foundation, disrupt, protective tariff, prohibitive tariff, decline, comprehensive, measure, facilitate

2. Answer the questions:

1. What is the main difference between barter and international trade?
2. What economic theory was dominant in Europe during the 17th century?
3. According to mercantilism, how did nations increase their wealth?
4. Who were the physiocrats, and what did they believe about trade?
5. What was Adam Smith's major contribution to economic thought?
6. What was the impact of repealing the Corn Laws in Britain in 1846?
7. What effect did the Smoot-Hawley Tariff Act of 1930 have on world trade?
8. What was the purpose of the 1947 GATT agreement?
9. What does "most-favored-nation treatment" mean in trade policy?
10. Why did mercantilism experience a revival in the 20th century?

3. Put a tick (✓) if the sentence is right and a cross (×) if it is wrong. Correct the mistakes.

1. Mercantilism encouraged cooperation and equal benefit in trade.	
2. Physiocrats believed that free trade could regulate itself.	
3. The Smoot-Hawley Tariff Act helped increase international trade.	
4. GATT was signed after World War II to reduce trade restrictions.	
5. The most-favored-nation policy applies only to agriculture.	

4. Match the columns to give the definition for the following words.

A. Mercantilism	1. A theory promoting non-interference of government in economic matters.
B. Laissez-faire	2. A trade agreement promoting fair treatment in tariffs and rights.
C. Physiocrats	3. French thinkers who supported free trade and minimal government control.
D. GATT	4. Economic theory focusing on gold, state wealth, and trade surplus.
E. Most-favored-nation	5. A 1947 agreement to reduce trade barriers between countries.

5. Complete the sentences using these words. There are three words that you do not need to use:

tariffs, war, barter, balance of trade, issue, Adam Smith, Corn Laws, reveal

1. The __________ of goods is one of the oldest forms of exchange in human history.
2. A favorable __________ meant a country exported more than it imported, increasing gold reserves.
3. __________ wrote *The Wealth of Nations* and supported free-market economics.
4. The __________ were repealed in 1846, allowing cheaper foreign grain into Britain.
5. High __________ in the 1930s, like those in the Smoot-Hawley Act, worsened the global depression.
6. **Compose the story and be ready to speak on one of the following topics (about 100 words):**
    - Do you think protectionism (like mercantilism) is good or bad for modern economies? Why?
    - How has Adam Smith's idea of free trade influenced global trade today?
    - What are the pros and cons of lowering tariffs in international trade?

LESSON 3
GLOBAL PRODUCTION AND SUPPLY-CHAIN MANAGEMENT

When deciding where and how to produce products for international markets, companies typically have a choice of three strategies.

Manufacture in the country and then export

The lowest-investment production strategy is to make the product at the company's existing manufacturing locations and then export them to the new market. Companies use this solution in situations where the total opportunity in the new market doesn't justify opening a plant. This strategy does have several downsides: higher shipping costs, importation delays, local import duties, risks due to exchange-rate fluctuations, and isolation from local knowledge.

Global components with local assembly

The next level of strategy uses out-of-country suppliers but local assembly. It allows companies to be closer to the market and improves sales, service, and customer knowledge. Along with these advantages come increased supplier-coordination issues and concerns about supplier quality.

Local production

Companies that decide to build a local plant have to decide in which country to locate the plant. The criteria to consider are

- political stability,
- statutory/legal environments,
- infrastructure quality,
- foreign-investment incentives,
- local telecommunications and utility infrastructure,
- workforce quality,
- security and privacy,
- compensation costs,
- tax and regulatory costs, and
- communication costs.

Government incentives

Countries sometimes offer special incentives to attract companies to their area. Malaysia, for example, set up the Multimedia Super Corridor that offers tax breaks, desirable facilities, and excellent infrastructure to foreign companies. Similarly, China has special economic zones (SEZs) that promote international high-quality standards. Even though the economic or political picture of a country may appear appealing, companies also need to understand public policy and the regulatory environment of the specific state or municipality in which they plan to set up operations.

Infrastructure issues

Emerging-market countries are investing in new infrastructure to varying degrees. China is working hard to grow rail, road, and port infrastructure. In some cases, companies have been caught in the middle of governmental problems involving corruption.

Locating a plant in China means having to ship products from China. The company may save on labor, but there are other added costs—extra shipping costs as well as hidden costs of uncertainty. If the company's products are en route and experience delays, for example, customers might experience a stock-out. To avoid stock-out situations, a company may decide to hold inventory close to its customers. Called safety stock, this inventory helps ensure that the company won't run out of products if there's a delay or crisis in a distant manufacturing region. The downsides of safety stock, however, include the increased costs of carrying that inventory, such as the investment in the products, taxes and insurance, and storage space. In addition, companies risk obsolescence of the products before they're sold.

It’s important to note that China is far away only if the company’s primary markets are outside Asia. Companies that sell their products around the world may want to have production facilities around the world as well.

Real-World Example of Intel’s Approach to Managing Risk in Global Production

To ensure high quality, Intel uses a strategy called Copy Exact! All fabs are built to the same specifications, creating interchangeable processes. Once a process is debugged, it is copied exactly to other facilities. This also provides flexibility. Intel can transfer capacity between facilities to eliminate bottlenecks. During SARS, Intel transferred wafers between plants.
The Copy Exact! strategy includes assembly and test factories and contractors for electronic boards. “If something happens to that facility, we roll over to a subcontractor at another site... to get the same product and shipping amounts,” said Intel’s Steve Lund.

1. Look up the following words in your dictionary and memorise them.

export, shipping costs, import duties, exchange-rate fluctuations, supplier, coordination, infrastructure, statutory, incentives, corruption, stock-out, safety stock, obsolescence, regulatory, assembly, compensation, utility, subcontractor, bottleneck, capacity

2. Answer the questions.

1. What are the three main strategies companies use when producing for international markets?
2. Why might a company prefer exporting over local production?
3. What are the downsides of exporting products to international markets?
4. How does local assembly improve business operations in a new market?
5. List at least four criteria companies consider when choosing a country for local production.
6. What is the Copy Exact! approach?
7. Why is having global production facilities beneficial for companies that sell worldwide?

3. Put a tick (✓) if the sentence is right and a cross (×) if it is wrong. Correct the mistakes.

1. Exporting products always eliminates the need for local infrastructure.	
2. Local assembly allows companies to be more responsive to customers.	
3. Safety stock reduces inventory costs significantly.	
4. Intel uses different production processes in each country to adapt to local conditions.	
5. Corruption in infrastructure development can affect business operations.	

4. Match the terms in Column A with their correct definitions in Column B.

Column A	**Column B**
1. Safety stock	a. The state of a product becoming outdated before being sold
2. Special Economic Zone	b. Coordinated building of identical facilities
3. Infrastructure	c. Economic areas that promote high international standards

4. Copy Exact!	d. Backup inventory kept to avoid stock-outs
5. Obsolescence	e. Roads, ports, and utilities needed for economic activities

5. Complete the sentences using these words.
exchange-rate, bottlenecks, infrastructure, local, safety stock

1. Companies must evaluate the __________ quality before setting up production in a country.
2. Holding __________ can prevent losses during delays in delivery.
3. Products exported may be subject to __________ fluctuations that affect pricing.
4. Intel eliminates production __________ by using flexible processes.
5. Assembling products at a __________ facility can improve customer service.

6. Compose the story and be ready to speak on it (about 100 words):

- The advantages and disadvantages of local production versus exporting for international companies (cost, speed, customer service, and risk management)
- Different stratagies of global production.

LESSON 4
SUPPLY-CHAIN MANAGEMENT

Supply-chain management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and logistics. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. In essence, supply-chain management integrates supply-and-demand management within and across companies.

Activities in the supply chain include

- demand management,
- procurement,
- inventory management,
- warehousing and material handling,
- production planning and control,
- packaging,
- transportation management,
- order management,
- distribution network design, and
- product-return management.

Spotlight on International Strategy and Entrepreneurship

In 2002, Procter & Gamble (P&G) created a test factory, called the Garage, in Vietnam to experiment with low-cost diaper manufacturing for emerging markets. P&G wanted a low-cost, low-tech solution. The factory helped P&G devise a new, low-cost approach to manufacturing in emerging-market countries. The strategy required finding local suppliers, some of whom wouldn't have been acceptable for other P&G products but were suitable for this one. P&G formed a network of 150 low-cost machine builders who could supply manufacturing equipment to P&G's Vietnam factory. This manufacturing equipment was appropriate for emerging-market sites and emerging-market prices. P&G could use it in other countries and in other product lines. P&G took the lessons and machine-building know-how it had learned from making low-cost diapers in Asia and applied it to reducing the costs of making feminine pads in Mexico. In transferring this know-how from one country to the next, P&G reduced the costs of its feminine pads in Mexico by 20 percent.

P&G has gone a step further and brought its results back home to the United States in two ways. First, thanks to the North American Free Trade Agreement (NAFTA), P&G can import its low-cost feminine pads from Mexico back into the United States. Second, P&G now sees an opportunity to give a second life to obsolete plants in the United States. P&G's experience with its Vietnamese factory has given it a scalable approach, which has enabled P&G to make diapers and other similar personal-care products in many different emerging-market countries using widely available, low-cost manufacturing equipment.

Key Takeaways:

- There are several strategic choices available to companies when they decide how to produce their products for international markets. First, companies can manufacture their products in their home countries and export them. This strategy involves the least amount of change but has the downsides of higher supply-chain costs, potential delays, exchange-rate risks, and isolation from local knowledge.
- Second, a company can build components in one country and do local assembly in another. This strategy offers advantages of tax or tariff incentives but increases coordination costs and may bring unfavorable country-of-origin effects.
- Finally, a company can opt for local production. This decision requires a careful evaluation of the risks and rewards of production operations in that country, including assessing political risks, the skills of the local workforce, and the quality of the infrastructure.

- Some companies also choose to outsource or offshore their processes, either giving control to the outsource vendor for the process and paying for the results (i.e., outsourcing) or retaining control of the process while taking advantage of lower labor rates (i.e., offshoring).
- Supply-chain management is the coordination of a host of activities that can give a company a distinct competitive advantage. Cross-organizational teams are the best way to take advantage of the perspectives of each supply-chain function for the benefit of all.

1. Look up the following words in your dictionary and memorise them.

sourcing, procurement, conversion, logistics, coordination, collaboration, intermediaries, warehousing, material handling, packaging, distribution, product-return, entrepreneurial, obsolete, scalable, widely available, emerging-market, cost reduction

2. Answer the questions.

1. What does supply-chain management include, apart from logistics and procurement?
2. Who are considered channel partners in a supply chain?
3. What kind of factory did P&G create in Vietnam and for what purpose?
4. Why did P&G use local suppliers who might not be acceptable for other products?
5. What kind of manufacturing equipment did P&G develop in Vietnam?
6. How did P&G use this experience to cut production costs in Mexico?
7. How did P&G apply its Vietnam experience in the US market?
8. What are the key supply-chain activities listed in the text?
9. What are some strategic options for companies to manage production internationally?
10. What are the advantages and risks of outsourcing and offshoring?

3. Put a tick (✓) if the sentence is right and a cross (×) if it is wrong. Correct the mistakes.

1. Supply-chain management only includes transportation and packaging.	
2. P&G built a factory in Vietnam to test high-tech diaper production.	
3. Local suppliers used in Vietnam were suitable for all P&G products.	
4. P&G's Vietnam strategy helped reduce the cost of feminine pads in Mexico.	
5.Outsourcing and offshoring mean the same thing.	

4. Match the terms in Column A with their correct definitions in Column B.

Column A	**Column B**
1. Sourcing	a. Handling returned goods from customers
2. Offshoring	b. Setting up operations abroad while retaining control
3. Logistics	c. Coordinating transport and deliveries
4. Scalable approach	d. Strategy that can be expanded across different countries or products stock-outs
5. Product-return management	e. Finding suppliers for goods or services

5. Complete the sentences using these words.
sourcing, procurement, logistics, intermediaries, Vietnam, scalable, Mexico, cost reduction, obsolete, coordination

1. Supply-chain management involves planning and managing activities such as ________, procurement, and logistics.
2. Companies often rely on ________ to connect them with suppliers and customers.
3. P&G developed a ________ manufacturing approach that could be used in many different countries.
4. One of the key benefits of the strategy used by P&G in ________ was the use of local low-cost suppliers.
5. After implementing its new production system in Asia, P&G achieved a 20% ________ in ________.
6. Effective supply-chain management requires close ________ between departments and partners.
7. Some manufacturing plants in the US were considered ________, but P&G found a way to reuse them.
8. In emerging markets, both ________ and conversion processes must be adapted to local conditions.
9. ________ ensures the movement of goods from suppliers to customers runs efficiently.
10. In international production, companies must carefully manage both ________ and transportation costs.

6. Compose the story and be ready to speak on one of the following topics (about 100 words):

- How supply-chain management can provide a competitive advantage in global markets.
- The role of entrepreneurial innovation in adapting products for emerging markets.
- The impact of regional trade agreements (e.g., NAFTA) on international supply strategies

LESSON 5
ECONOMIC INTEGRATION

Economic integration is an arrangement among nations that typically includes the reduction or elimination of trade barriers and the coordination of monetary and fiscal policies. Economic integration aims to reduce costs for both consumers and producers and to increase trade between the countries involved in the agreement.

Economic integration is sometimes referred to as regional integration, as it often occurs among neighboring nations. When regional economies agree on integration, trade barriers fall and economic and political coordination increases.

Specialists in this area define seven stages of economic integration: a preferential trading area, a free trade area, a customs union, a common market, an economic union, an economic and monetary union, and complete economic integration. The final stage represents a total harmonization of fiscal policy and a complete monetary union.

The advantages of economic integration fall into three categories: trade creation, employment opportunities, and consensus and cooperation. More specifically, economic integration typically leads to a reduction in the cost of trade, improved availability of goods and services, a wider selection of them, and gains in efficiency that lead to greater purchasing power.

Despite the benefits, economic integration has costs. These fall into three categories:

- **Diversion of trade:** Trade can be diverted from non-members to members, even if it is economically detrimental for the member state.
- **Erosion of national sovereignty:** Members of economic unions typically are required to adhere to rules on trade, monetary policy, and fiscal policies established by an unelected external policymaking body.
- **Employment shifts and reductions:** Economic integration can cause companies to move their production operations to areas within the economic union that have cheaper labor prices. Conversely, employees may move to areas with better wages and employment opportunities.

Because economists and policymakers believe economic integration leads to significant benefits, many institutions attempt to measure the degree of economic integration across countries and regions. The methodology for measuring economic integration typically involves multiple economic indicators including trade in goods and services, cross-border capital flows, labor migration, and others. Assessing economic integration also includes measures of institutional conformity, such as membership in trade unions and the strength of institutions that protect consumer and investor rights.

What Are Risks of Economic Integration?

Economic integration can come with downsides and risks. Primarily, countries participating in regional integration may have divergent priorities when it comes to fiscal and monetary policy. Resolving such conflicts can be challenging and costly in terms of time and resources. In addition, economic integration can create a system in which a select group of stakeholders reap the economic benefits, such as more revenue from trade, while others bear the costs, such as job market shifts. These are important considerations to weigh when assessing the value of economic integration.

What Are Benefits of Economic Integration?

Economic integration can increase trade, benefiting both producers, consumers, and involved countries. For instance, with the elimination of trade barriers, a firm may be able to produce and sell more products, earning more revenue, and increasing their home country's gross domestic product (GDP). For customers in other countries, they can count on having more product selection and potentially lower costs, as well.

Real-World Example of Economic Integration

The European Union (EU) was created in 1993 and included 27 member states in 2024. Since 1999, 20 of those nations have adopted the euro as a shared currency. According to data from the World Bank, the EU accounted for roughly 16.6% of the world's gross domestic product in 2022. The United Kingdom voted in 2016 to leave the EU. In January 2020, British lawmakers and the European Parliament voted to accept the United Kingdom's withdrawal. The UK officially split from the EU on January 1, 2021.

1. Look up new words given below in your dictionary and memorise them.

Arrangement, reduce costs, occur, trade barriers, preferential trading area, lead to, purchasing power, detrimental, diversion, adhere to rules, capital flows, measures, gross domestic product (GDP), count on, shared currency, vote

2. Answer the questions:

1. What is economic integration?
2. What is another term for economic integration, and why?
3. What are the seven stages of economic integration?
4. Name three benefits of economic integration.
5. How does economic integration improve consumer experience?
6. What is trade diversion?
7. How can national sovereignty be affected by integration?
8. What is one potential negative effect on employment due to integration?
9. How is economic integration measured?
10. Give an example of economic integration from the real world.

3. Match each term to its definition. Make up sentences with the terms.

Term	Definition
A. Trade barrier	1. A restriction that limits international commerce
B. Fiscal policy	2. Government decisions on taxation and spending
C. Economic union	3. A stage of integration with shared trade and monetary policies
D. Labor migration	4. Movement of workers across borders for better employment
E. Monetary policy	5. Central bank actions affecting interest rates and money supply

4. Complete the sentences using these words. There are three words that you do not need to use:

integration, create, sovereignty, indicators, customers, barriers, integrate, consensus

1. Economic __________ helps countries trade more freely and efficiently.
2. Reducing trade __________ can lower costs and increase product availability.
3. Economic __________ like GDP and labor mobility are used to assess cooperation.
4. Member states may sacrifice a portion of their national __________ when joining unions.
5. Regional coordination encourages political __________ among member nations.

5. Use the words on the right to form new words that fit into the gaps

Economic integration is a form of 1. _______ between different states, in which barriers to trade are 2. _______and fiscal and monetary policies are harmonized. These 3. _______ can lead to	1. coordinate 2. eliminate

increased economic activity, job 4. _______, and stronger political ties. They may also come with drawbacks, such as trade 5. ______ and loss of national sovereignty. The EU is a well-known example of 6. _______economic integration, as it is comprised of 27 member states, 20 of which use the same currency. There are 7. ______examples of economic integration around the world. In North America, the United States–Mexico–Canada Agreement (USCMA) is an example of a free trade 8. _______between the three countries. The Asia-Pacific Economic Cooperation is a forum of 21 Pacific Rim countries aimed at 9. _____free trade across the region. As mentioned above, the EU is another such example of economic 10. _____, as is the Eurasian Economic Union (EAEU).	3. arrange 4. create 5. diversity 6. region 7. number 8. disagree 9. foster 10. integrate

6. Compose the story and be ready to speak on one of the following topics (about 100 words):

- Does Economic Integration Benefit All Member Countries Equally?
- Is the Loss of National Sovereignty a Fair Trade-off for Economic Gains?
- How Should Countries Balance Economic Integration with Protecting Domestic Employment?

LESSON 6
COMPANY STRUCTURE

In these days of globalized business, organizations are faced with international competitors in their domestic markets, as well as competitive forces when operating abroad.

The way a company organizes itself can have dramatic effects on its overall performance, and getting this issue right when going international is critically important.

Sadly, it is not usually done well. In a recent McKinsey survey of more than 300 executives, only 44% said they felt their organizational structure created clear accountabilities.
"Global companies find structure difficult because there are no simple solutions," said the McKinsey report, "Most global structural options create challenges as well as benefits."

For example, many international organizations have strong, set rules laid down for how their products and services should be branded, sold and distributed across the world. Let's study an example.

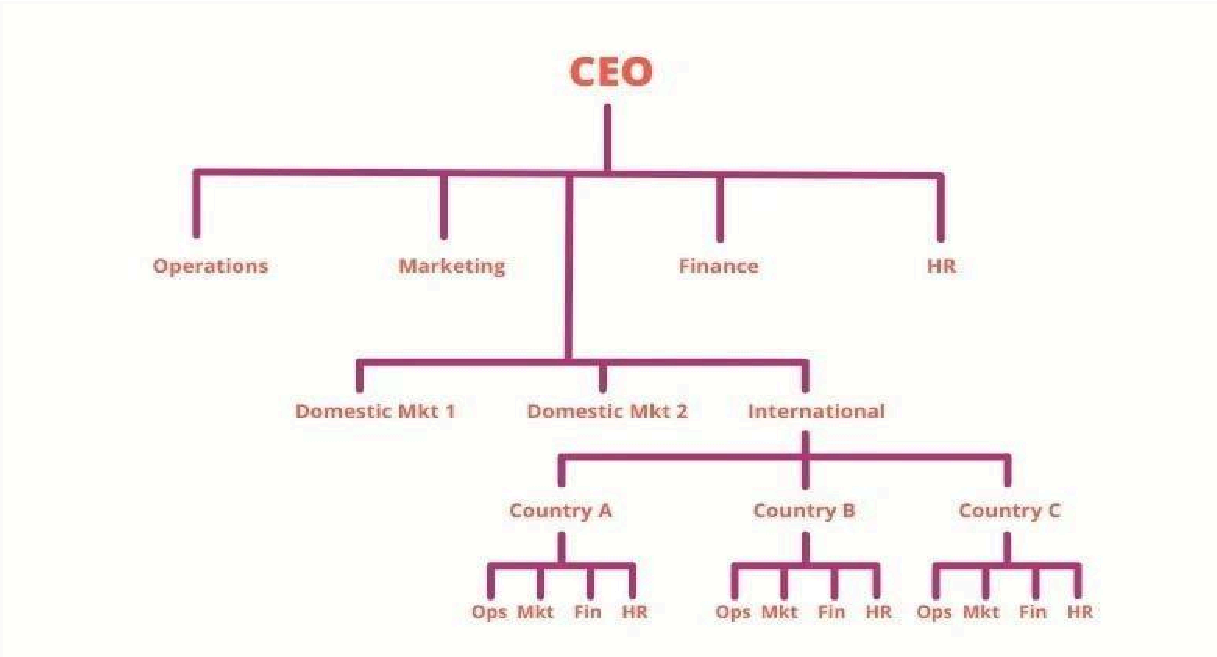
A McDonald's Big Mac is the same Big Mac wherever it is bought, the world over. However, some global companies are finding problems with this approach, with the standardization producing limitations on certain markets, reducing the ability to respond to local customer needs.

Despite being a global franchise brand, McDonald's has not gone down well in the Caribbean. Despite opening 11 outlets in Jamaica in the mid-1990's, the last store closed in 2005. Reasons included a sluggish economy and the relatively high-cost price of the franchise and its training requirements. Fundamentally though, it was the product itself. The locals felt the burgers and meals were not big enough to quench the appetite, and tasted bland. Even an attempt to introduce a local Jamaican 'jerk chicken burger' with spicy sauce fell flat.

When a company commences international operations, it might start by exporting to those markets from a home base. However, companies choose different structural models based on their strategy:

- **Global Functional Structure**: Organized by departments (e.g., finance, marketing), with centralized decision-making.
- **Global Product Structure**: Divided by product lines, allowing focus on specific markets.
- **Geographic Structure**: Organized by regions, giving flexibility to meet local needs.
- **Matrix Structure**: Combines product and geographic structures; complex but allows more balance.

Assuming the company organizes itself in a traditional functional sense, then these exports may be covered by the sales department, possibly with an additional department to the domestic market sales: **International Divisional Structure**



The final stage of internationalization will be when the organization is operating across the world, on several continents (America, Europe and Asia, for example), and moves to a global divisional structure, also by function.

Here, the company may best be described as a Multinational Corporation (MNC), with the independence of decision-making driven down to the country-specific level, albeit across the top of an overall organizational mission for the entire company.

Advantages of Global Functional Organization

- Specialization of functional expertise at country level
- Centralized control at global headquarters
- International focus at top management level
- Plenty of opportunity for progression within company
- Strong breeding ground for future CEOs, from among country Heads

Disadvantages of Global Functional Organization

- Difficulties in managing cross-country coordination of mission
- Complexities of various product lines
- Cultural differences between countries
- Separates domestic and international managers
- Other International Organization Structures

1.Look up new words given below in your dictionary and memorise them.

Face with, executives, accountability, challenge, benefit, distribute, approach, outlet, sluggish economy, training requirements, commence, product line, focus on, flexibility, meet one's needs, assume, albeit, entire, headquarter, breed

2. Answer the questions.

1. Why is organizational structure important in international business?
2. What percentage of executives felt their structure created clear accountabilities, according to McKinsey?

3. What challenge does McDonald’s example in Jamaica illustrate?
4. What is a “Global Functional Structure”?
5. What is a “Global Product Structure”?
6. Why did McDonald’s fail in Jamaica?
7. What is a “Matrix Structure”?
8. What is a “Multinational Corporation (MNC)”?
9. Name one advantage of a Global Functional Organization.
10. Name one disadvantage of a Global Functional Organization.

3. Match the term with the definition.

A	Functional Structure	**1.**	Combines regional and product-based approaches
B	Matrix Structure	**2.**	Structured by business areas like sales or finance
C	Multinational Corporation	**3.**	Operates across continents with localized authority
D	Geographic Structure	**4.**	Organized by regions for local responsiveness
E	Product Structure	**5.**	Structured based on different product lines

4. Fill in the gaps with the necessary words:

standardization, coordination, franchise, structure, specialization

1. McDonald's failure in Jamaica highlights the limitations of __________.
2. Global companies often struggle with cross-border __________.
3. A business __________ determines roles, responsibilities, and reporting.
4. A __________ model allows expertise to grow in specific business functions.
5. The high cost of owning a __________ discouraged entrepreneurs in Jamaica.

5. Part A. Match the prepositions with the verbs below.

From in (x3) to (x4) for of on (x2)

1. apply … somebody … something	6. report … somebody… something
2. benefit	7. succeed
3. approve	8. belong
4. result	9. depend
5. believe	10. refer

Part B. Complete the sentences using verbs and prepositions from part A in the correct form.

1. In the purchasing department there is a manager, and five employees who ……her.
2. In this company, we firmly …… the value of creativity and Innovation.
3. The development of computer technology has …… enormous changes in the way that people work.

4. Whether or not we succeed in creating and selling new products, …… a number of factors.
5. Most of our staff ……. at least one of the company's sports or leisure clubs.
6. The Personal Manager thinks that we would all …… further training in how to use the office software.

Part C. Write five more sentences using the verb and preposition combinations above.

6. Compose the story and be ready to speak on one of the following topics (about 100 words):

- Should global companies always adapt their products to local cultures? Why or why not?
- Which organizational structure is most effective for a global business: functional, geographic, product, or matrix?
- How do cultural differences influence the success or failure of multinational corporations?

LESSON 7
OUTSOURCING AND OFFSHORING

Offshoring means setting up operations in a low-cost country for the purpose of hiring local workers at lower labor rates. Offshoring differs from outsourcing in that the firm retains control of the operations and directly hires the employees. In outsourcing, by contrast, the company delegates an entire process (such as accounts payable) to the outsource vendor. The vendor takes control of the operations and runs the operations as they see fit. The company pays the outsource vendor for the end result; how the vendor achieves those end results is up to the vendor.

Companies that choose to offshore face the same location-criteria factors as companies that make production-operation decisions.

The advantages of outsourcing include the following:

- Efficient processes (the outsourcer typically specializes in a particular process or set of processes, giving them high levels of expertise with that process)
- Access to specialized equipment that may be too expensive for a company to invest in unless that process is their chief business

India has long been a favorite location for outsourcing services, such as call centers and software testing, because of its English-speaking, highly educated workforce. The labor-rate ratio has been five to one, meaning that a company based in the United Kingdom, for example, could hire five Indian college graduates for the price of hiring one UK college graduate. Given the high demand for their labor, however, Indian employees' wages have begun to rise. Offshoring companies are now faced with a new challenge. The firms hire and train Indian employees only to see them leave in a year for a higher salary elsewhere. This wage inflation and high turnover in India has led some companies, like ABN AMRO Bank, to consider whether they should move offshoring operations to China, where wages are still low. The downside is that graduates in China aren't as knowledgeable about the financial industry, and language problems may be greater.

Diageo analyzed nineteen locations in fourteen countries, ultimately choosing Budapest, Hungary, as the location of its offshore shared-services operations. The primary criteria Diageo used were:

- a low-cost base, both in terms of start-up and ongoing running costs;
- a favorable general business environment;
- the availability of suitable staff—particularly with regard to language skills;
- a high level of local and international accessibility with good transport links;
- the attractiveness for international staff;
- a robust regulatory framework.

Companies save on labor costs when offshoring, but the "hidden costs" can be significant. These hidden costs include the costs of additional facilities, telecommunications, and technological infrastructure. Delays or problems with internal project coordination and the need for redundancy can add even more costs.

Did You Know?

Standard Chartered Bank Mitigated Risk by Duplicating Operations in Chennai and Kuala Lumpur. .As you can imagine, banks are very concerned about security because of the highly confidential customer information they possess. Some banks try to mitigate the risks by setting up mirror sites. Standard Chartered Bank, for instance, chose Chennai in South India as the hub for its Scope International operations, but some of the tasks are also done in Kuala Lumpur in Malaysia: "Because we run the operations of 52 countries, we have to satisfy information security and business continuity issues in all locations," says Sreeram Iyer, Group Head, Global Shared Services Centers, Standard Chartered Scope International at the time of the decision. "Kuala Lumpur backs up the Chennai center and vice versa.

1. Look up the following words in your dictionary and memorise them.

offshoring, outsourcing, vendor, delegate (a process), retain (control), efficiency, expertise, wage inflation, turnover, regulatory framework, accessibility, telecommunications, redundancy, mitigate (risk), confidential (information), labor-rate ratio, shared services, hidden costs, favorable environment, infrastructure

2. Answer the questions.

1. What is the main difference between offshoring and outsourcing?
2. Why do companies choose to outsource certain processes?
3. What challenges have companies recently faced when offshoring to India?
4. Why might a company consider moving operations from India to China?
5. What criteria did Diageo use to select Budapest for its shared-services center?
6. What are some of the hidden costs associated with offshoring?
7. Why is Standard Chartered Bank especially concerned about risk management?
8. In what way does duplicating operations contribute to business continuity?

3. Match the terms in Column A with their correct definitions in Column B.

Column A	**Column B**
1. Offshoring	a. Backup systems to ensure continuity
2. Outsourcing	b. Rise in employee compensation over time
3. Shared-services center	c. Sensitive data requiring high security
4. Wage inflation	d. Company hires employees directly in another country
5. Redundancy	e. Process is handed over to an external vendor
6. Confidential information	f. Centralized unit handling services for multiple locations

4. Complete the sentences using these words.

outsourcing, infrastructure, vendor, inflation, continuity, expertise, risk, turnover

1. Companies often engage in __________ to focus on their core competencies.
2. High employee __________ in India has caused challenges for retention.
3. A reliable telecommunications __________ is vital for offshoring operations.
4. The outsourcing __________ is responsible for delivering the agreed results.
5. Wage __________ has reduced India's cost advantage.
6. Standard Chartered Bank invested in mirrored operations to ensure business __________.
7. Specialized __________ allows vendors to perform tasks efficiently.
8. Offshoring requires careful planning to manage potential __________.

5. Compose the story and be ready to speak on one of the following topics (about 100 words):

- The advantages and disadvantages of outsourcing for international companies;
- What factors should companies consider when selecting a location for offshoring?

LESSON 8
ORGANIZATIONAL STRATEGIES

Strategy is a plan of action or policy designed to achieve a particular goal or set of goals. It is the means by which an organization hopes to improve its competitive position and achieve long-term success. Strategy can be formulated at any level in an organization, from the top management team down to individual business units or product lines. However, it is most effective when it is developed and implemented as a coordinated effort across all levels of the company.

A big element of organizational strategy includes organizational design. This is the process of creating or modifying an organization's structure to align it with its business goals. Organizational design can involve changes to an organization's hierarchy, job descriptions, reporting relationships, or even its physical footprint.

Nowadays forms of remote organizations are becoming more and more popular. The definition of a remote organization has shifted somewhat in recent years. In the past, a remote organization was typically one where employees were spread out across different geographical office locations. Typically, a company with a remote organizational strategy may have had a large head office in one city, then remote (or branch) offices in many other cities, states or (if the company had decided to go international, see further below) even countries.

These days, however, a remote organization can just as easily refer to a company where some employees work in an office, some from home, and others may even have the flexibility to do both at their convenience.

Many emerging companies, particularly in the technology space, tend to classify themselves either as a "remote-first" or a "remote-friendly" company. What's the difference?

- **Remote-first**: Organizations often refer to themselves as "remote-first" when working from home is the default option for all employees. Remote-first companies still often have a head-office and sometimes even remote offices, but the expectation of employees going into the office is only considered necessary in specific circumstances (e.g., team meetings, customer presentations, etc.) Therefore, these companies often have small offices that rarely have permanent workspaces dedicated to all employees.
- **Remote-friendly:** Organizations often refer to themselves as "remote-friendly" when working from home is an option for all employees, but there is still a preference or expectation to come to the office frequently, especially for employees who live within a reasonable commute time. Most of the time, employees will have a dedicated workspace at the office but have the flexibility to work from home as required.

Over the last decade, there has been a notable shift in the number of companies adopting either a remote-first or remote-friendly organizational strategy. A big reason for this is the rise of collaborative technology tools, such as Slack, Zoom, and Google Drive, which have made it easier for employees to stay connected and productive when working from different locations. It's also often those very tech companies who outwardly promote their remote-friendly or remote-first workplaces.

When a company realises that country-specific market and cultural differences make a "one size fits all" approach to organizational strategy unworkable, they may start to explore the idea of an international organization.

An international organization is one that has a presence in multiple countries, with each country office being tasked with localizing the company's products or services to fit the needs of that market.

Many multinational companies, such as Coca Cola, IBM, and Nestle, have organizational structures that can be classified as international. These companies have a centralized head office, but also many smaller country offices that operate with a great deal of autonomy.

Organizing an international company requires careful consideration of the best way to structure the business in order to manage these challenges effectively. There are a few different ways to do this, and each has its own advantages and disadvantages.

Setting up a local country office doesn't always mean being successful, as the global fast-food chain McDonald's has discovered. McDonald's found difficulty in some countries adapting its standardized menu to local tastes. In one country, it ended up closing all 11 outlets it had opened only a decade or so earlier.

So, what's the conclusion? Should you be a virtual organization, remote organization or international company? It depends. You need to take into account your specific goals and needs in order to make the best decision for your business.

1.Look up new words given below in your dictionary and memorise them.

competitive position, implement, align, organization's hierarchy, remote organization, to shift, have the flexibility, at one’s convenience, emerge, default option, specific circumstances, dedicate to, permanent workspace, notable shift, technology tools, make a decision

2. Answer the questions.

1. What is strategy in the context of an organization?
2. What is organizational design?
3. How did the concept of a remote organization evolve?
4. What does “remote-first” mean?
5. What does “remote-friendly” mean?
6. What tools support remote-first and remote-friendly organizations?
7. Why might a company become an international organization?
8. Name one challenge international organizations face.
9. What type of organizational structure do companies like Coca-Cola and IBM use?
10. What lesson can be learned from McDonald’s failure in some countries?

3. Put a tick (✓) if the sentence is right and a cross (×) if it is wrong. Correct the mistakes.

Strategy can only be set at the top level of a company	
McDonald’s success is universal in all countries.	
Remote-first companies always have no physical offices.	
Google Drive is a common tool in remote work environments.	
An international organization can adapt products to local markets.	

4. Part A: Match the Term to Its Definition

Term	Definition
A. Strategy	1. Making structural changes in an organization to meet goals
B. Organizational Design	2. A company model where working remotely is the standard
C. Remote-First	3. Business plan for achieving long-term goals
D. International Organization	4. Has offices in multiple countries with local adaptation
E. Remote-Friendly	5. Remote work is an option, but office work is still encouraged

Part B: Fill in the gaps with the words given below. There are three words that you don’t need to use:

hierarchy, option, flexibility, autonomy, remote, tools, design, differences

1. Remote organizations often require collaborative __________ to stay connected.
2. Organizational __________ is key to aligning company structure with strategy.
3. A flatter __________ is often used in modern startups.
4. Local offices in international companies may have considerable __________.
5. Remote-friendly companies promote __________ in work location.

5. Read the text. Use the word in capitals at the end of the sentence to form a new word that fits into the gaps.

Types of business strategies

Measurable Measurable organizational strategies help businesses 1. ____ whether they reached their goal. By setting a specific amount to work toward, companies can track their progress along the way. Organizational strategies often use 2. _____to show the amount of increase or decrease they desire, rather than simply saying they want to increase or decrease their metrics. **Realistic** In order to have 3. _____ goals, make sure your organizational strategy is realistic. Consider what past achievements your organization accomplished when 4. _____the potential to strive for. For example, if your company previously raised its profits from $400,000 to $600,000 last year, 5. ________ striving to raise the profits to $800,000, rather than $1,000,000, which may be beyond your current trends. **Limited** Organizational 6. _____are limited, or time-bound, meaning they have a deadline. Businesses 7. _____ an amount of time, such as three years, to dedicate to achieving a particular goal. This gives them a way to 8. ______ when they meet their target and helps make sure tasks get done.	1. Determine 2. per cent 3. achieve 4. determine onsideration 6. strategy 7. choice 8. measurement

6. Compose the story and be ready to speak on one of the following topics (about 100 words):

- What type of organizational structure best fits the future: remote-first, remote-friendly, or international? Why?
- How can companies adapt global products to local markets without losing brand identity?
- What challenges do employees face in remote-first organizations, and how can they be managed?

LESSON 9
FISCAL POLICY

Meaning *Fiscal policy* is one of the key tools that governments attempt to regulate and influence the economy to achieve Macroeconomics Goal. In simple words, fiscal policy refers the use of government spending and tax policy to influence the path of the economy over time. It means the use of taxation and public expenditure by the government for stabilization or growth of the economy. In other words, fiscal policy refers to the budgetary policy of the government, which involves the government controlling its level of spending and taxation within the economy. It is the sister strategy to monetary policy.

Types of Fiscal policy

There are two main types of fiscal policy. They are:

1. Neutral Fiscal policy: Fiscal policy is said to be neutral when the level of government spending in relation to tax revenue is stable over time. This type of policy is usually undertaken when an economy is in equilibrium- neither rapidly expanding nor contracting. In this instance, government spending is fully funded by tax revenue, which has a neutral effect on the level of economic activity.

2. Discretionary fiscal policy: Discretionary fiscal policy refers to government fiscal policy that alters government spending or taxes. Its purpose is to expand or shrink the economy as needed. It has two sub-types as:

(a) Expansionary Fiscal Policy: Discretionary fiscal policy is said to be Expansionary when the government spends more money than its revenue collected through taxes. This type of fiscal policy is usually undertaken during recessions to increase the level of economic activity.

(b) Contractionary Fiscal Policy: Discretionary fiscal policy is said to be Contractionary when government spending is lower than tax revenue. This type of Fiscal policy is undertaken to pay down government debt and to curb inflation.

Objectives of Fiscal policy

The objective of fiscal policy is to maintain the condition of full employment, economic stability and to stabilize the rate of growth. General objectives of Fiscal Policy are given below:

1. Full employment: The first and foremost objective of fiscal policy in a developing economy is to achieve and maintain full employment in an economy. In such countries, even if full employment is not achieved, the main motto is to avoid unemployment and to achieve a state of near full employment. Therefore, to reduce unemployment and under-employment, the state should spend sufficiently on social and economic overheads. These expenditures would help to create more employment opportunities and increase the productive efficiency of the economy

2. Price stability: Various classes of society such as consumers, laborers and employees, agriculturists, producers, traders, etc. are affecting by fluctuation in prices. The general public is adversely affected by increasing prices. The fiscal policy endeavors to bring stability in prices by removing demerits of increase/decrease in prices. The impact of the price increase can be reduced by providing subsidy or decreasing taxes

3. Accelerating the rate of economic development: Primarily, fiscal policy in a developing economy, should aim at achieving an accelerated rate of economic growth. Therefore, fiscal measures such as taxation, public borrowing and deficit financing etc. should be used properly so that production, consumption and distribution may not adversely affect. It should promote the economy as a whole which in turn helps to raise national income and per capita income.

4. Optimum allocation of resources: Fiscal measures like taxation and public expenditure can greatly affect the allocation of resources in various occupations and sectors. Public expenditure in the form of subsidies and incentives can favorably influence the allocation of resources in the desired channels. For example, tax exemptions and tax concessions may help a lot in attracting resources towards the favored industries. On the contrary, high taxation may draw away resources in a specific sector.

5. Equitable distribution of income and wealth: A welfare state should provide social justice by giving equitable distribution of income and wealth. Fiscal policy can serve as an effective means of achieving this much desired goal of socialism in developed as well as developing countries. Progressive tax system can be of much use in realizing this objective. Moreover, public expenditure helps in redistributing income from the rich to the poor section of the society

6. Economic stability: Economic stability is another prime aim of a sound fiscal policy. This goal implies maintenance of full employment with relative price stabilization. Inflation should be curbed and deflation should be avoided. In short, economic growth and stability are the twin objectives jointly pursued by a developing country's fiscal policy. The forces stimulating growth process should be given a boost at a time while inflationary pressures are to be curbed. Fiscal measures promote economic stability in the face of short-run international cyclical fluctuations. These fluctuations cause variations in terms of trade, making the most favorable to the developed and unfavorable to the developing economies. Therefore, fiscal policy plays a leading role in maintaining economic stability in the face of internal and external forces.

7. Capital formation: The fiscal policy also aims at increasing the rate of investment in the private and public sector. The rate of capital formation in developing countries is very low due to unemployment and low per capita income. The vicious circle of poverty is main the problem of these countries. Therefore, fiscal policy is adopted in such a way that it reduces consumption and encourages savings is used to reduce undesirable consumption in developed countries

From the above discussion, it follows that the objectives of fiscal policy are not conflicting but complementary to each other.

1. Look up new words given below in your dictionary and memorise them

fiscal policy, attempt, to influence, public expenditure, tax revenue, to fund, discretionary fiscal policy, shrink, expansionary fiscal policy, contractionary fiscal policy, curb inflation, maintain, sufficiently, fluctuation, endeavor, provide subsidy, consumption, distribution, tax concession, per capita income, sound fiscal policy, vicious circle, encourage

2.Answer the questions:

1. What is fiscal policy?
2. What are the two main types of fiscal policy?
3. When is neutral fiscal policy used?
4. What is expansionary fiscal policy, and when is it applied?
5. What is the aim of contractionary fiscal policy?
6. Name two objectives of fiscal policy.
7. How does fiscal policy help achieve full employment?
8. What fiscal tools can promote equitable distribution of income?
9. What is meant by economic stability in the context of fiscal policy?
10. Why is capital formation important in fiscal policy for developing countries?

3. Match the term with the definition:

Term	Definition
A. Expansionary policy	1. Aimed at reducing inflation and public debt
B. Fiscal policy	2. Use of government spending and taxation to influence the economy
C. Contractionary policy	3. Increases spending to stimulate economic activity
D. Full employment	4. A state with little or no involuntary unemployment
E. Tax exemption	5. Governmental relief from paying certain taxes

4.Complete the sentences using these words.

Taxes, influence, contrasted, subsidies, inflation, tax, conditions, recession, unemployment, inflation, stability, raise

1. Fiscal policy refers to the use of government spending and tax policies to1. _____ economic conditions, especially macroeconomic 2. _______.
2. These include aggregate demand for goods and services, employment, 3. ______, and economic growth.
3. During a 4. _____, the government may lower 5. _____ rates or increase spending to encourage demand and spur economic activity.
4. Conversely, to combat inflation, it may 6. _____ rates or cut spending to cool down the economy.
5. Fiscal policy is often 7. _____ with monetary policy, which is enacted by central bankers and not elected government officials.
6. Fiscal policy can create more jobs and reduce 8. __________.
7. Governments may offer 9. __________ to support industries and guide resources.
8. __________ are collected by the government to fund public services.
9. Controlling 11. _____________ is an essential part of economic 12. ____________.

5. Read the following terms. Define them in your own words. Use them in the sentences of your own.

Tax concession__________________________________,
Capital formation_______________________________,
Price stability__________________________________,
Disinvestment__________________________________,
Regional imbalance______________________________.

6. Compose the story and be ready to speak on one of the following topics (about 100 words):

- Should governments prioritize full employment or inflation control when designing fiscal policy?
- How effective is fiscal policy in achieving equitable income distribution in developing countries?
- Is expansionary fiscal policy a sustainable solution for economic crises like recessions?

LESSON 10
COMPONENTS OF FISCAL POLICY

All the decisions taken by government in terms of taxation, resource mobilization and expenditure comprise the fiscal policy. There are four key components of fiscal policy are as follows:

1.Taxation Policy: The government tries to keep the taxes in nature and with the help of direct and indirect taxes controls, The government generates its revenue by imposing both indirect taxes and direct taxes at the same time maintain price stability. Thus, it is important for the government to follow a judicial system for taxation and impose correct tax rates such as progressive tax. This is because of two reasons: (a)The higher the tax, lower the purchasing power of the people. This will lead to a decrease in investment and production. (a) The lower tax will leave more money with people that lead to high spending and thus higher inflation

2. Expenditure Policy: Expenditure policy of the government deals with revenue and capital expenditures. Capital expenditures of the government include acquisition of long-term assets, such as facilities or manufacturing equipment etc, which will generate business or additional profits to government. Revenue expenditures are those expenditures which don't create any productive assets such as interest paid by the Government of India on all the internal and external loans or pension and salaries of government employees.

3. Investment and Disinvestment Policy: Investment and disinvestment policy refers to investment in the form of FDI or FII in an economy from outside the country or disinvestment of government holding to public or private shares.

4. Debt / Surplus Management: If the government received more than it spends, it is called surplus.

If government spends more than income, then it is called deficit. To fund the deficit, the government has to borrow from domestic or foreign sources. It can also print money for deficit financing role of fiscal policy in developing economy.

The main goal of fiscal policy in a newly developing economy is the promotion of the highest possible rate of capital formation. The fiscal policy in developing economy should apparently be conducive to rapid economic development. Developing economy, fiscal policy can no longer remain a compensatory fiscal policy. It has a tough role to play in a developing economy and has to face the problem of growth-cum-stability.

The Roles of Fiscal Policy in Developing Economy:

1. Resource Mobilization: Owing to acute poverty, the marginal propensity to consume is very high in developing economies. As a result, the level of saving is very low in these economies. Therefore, fiscal policy has an important role to play in mobilizing saving for capital formation through taxation and public borrowing. It can also influence capital formation and savings in the private sector through granting of various tax concessions and subsidies.

2. Development of Private Sector: In a developing economy private sector forms an important constituent of the economy. The production and productivity of private sector can be influenced by fiscal policy. Tax relief, rebates, subsides may be granted to boost up the productive activity in the private sector. Fiscal tools and measures can be used to activate capital market to ensure availability of adequate resources for the private sector.

3. Optimization of Resources Allocation: In developing economies, fiscal tools can be utilized to effect optimum allocation of resources. Very often resources in private sector are directed towards the production of goods which cater to the requirement of richer section of society. Fiscal tools can be employed to allocate the mobilized resources in desirable channels of investment. Thus, process of reallocation can be done by various tax incentive measures and subsidy programmes.

4. Creation of Social and Economic Overheads: In developing economics, there is the lack of proper development of basic infrastructures which are vital requirements for economic development. Provision of social overheads like education and health service will directly enhance the productive capacity of the people. Expenditure incurred for the provision of economic overheads like transport facilities, power generation and telecommunication facilities which will speed up the process of industrialization. Hence, government has to provide investments on Building of social and economic overheads through fiscal measures of taxation and expenditure programmes.
5. Balanced Regional Development: Developing economies face the problem of regional imbalance in the matter of economic development. Fiscal tools like tax concession, tax holiday, subsidies, concessions in infrastructure utilization etc., can be given to private investors to attract private investment in these backward geographical areas as part of the strategies for balanced growth.
6. Economic Stability: Fiscal tools such as taxation and expenditure programmes can be utilized as an effective tool to control cyclical fluctuations arising during the process of economic development. Taxation is an effective instrument to deal with inflationary and deflationary situations.
7. Reduction of Inequality: Provision of equality in income wealth and opportunities form an integral part of economic development in developing economics. Fiscal policy has an important role to play in reducing inequality. Instruments of taxation must be used as a means to bring about redistribution of income. The various fiscal measures directed towards reduction of inequality in income, wealth and opportunity are: progressive taxation of income and property, imposition of heavy taxation on luxury goods, tax exemption or concession to commodities of mass consumption, government expenditure on relief programmes, and provision of essential commodities at subsidized price through fair price shops to the poor etc.

1. Look up new words given below in your dictionary and memorise them.

Expenditure, generate, revenue, impose, judicial system, expenditure policy, acquisition, long-term assets, public/private shares, surplus, source, promotion, growth-cum-stability, concession, subsidies, boost up the productive activity, enhance, fluctuation, inflationary/deflationary situation, income wealth, commodity.

2. Answer the questions.

1. What are the four main components of fiscal policy?
2. Why is taxation policy important in fiscal policy?
3. What is the difference between capital and revenue expenditure?
4. What is meant by disinvestment in fiscal policy?
5. What is a fiscal surplus?
6. Why is resource mobilization essential in developing economies?
7. How does fiscal policy support the private sector in a developing economy?
8. How can fiscal policy promote balanced regional development?
9. What fiscal measures can reduce income inequality?
10. How does fiscal policy help in creating social and economic overheads?

3. Match the terms with their definitions.

A.	Progressive Tax	1.	Spending on recurring items like salaries or pensions
B	Revenue Expenditure	2.	Tax rate that increases with income
C	Subsidy	3.	Financial aid to reduce the cost of essential goods

D	Capital Expenditure	4.	Investment in assets with long-term returns
E	Fiscal Deficit	5.	Government spending exceeds its revenue

4. Fill in the gaps with the necessary words:

surplus, inequality, mobilization, overheads, inflation
1.Fiscal policy aims to reduce __________ in income and wealth.
2.Government __________ of resources is vital in low-income countries.
3.A fiscal __________ occurs when income exceeds expenditure.
4.Investment in infrastructure creates social and economic __________.
5.Fiscal tools help control both deflation and __________.

5. Read the text. Use the word on the right to form a new word that fits into the gaps

Differences between Fiscal Policy and Monetary Policy 1. While fiscal policy is 1. _____ with how money is spent and collected by the government; 2. _____policy is concerned with the overall supply of money within the economy. 2. Fiscal policy is usually set by the executive and 3. _____ functions. Monetary policy is generally 4. _____by central banks. 3. Governments adjust fiscal policy by 5. _____levels of taxation and spending in order to stimulate (or discourage) consumer spending and 6. _____ healthy levels of employment and inflation. The key metric here is aggregate demand. 4. Central banks adjust monetary policy by buying and selling 7. _____ bonds to expand or contract the amount of currency in circulation, and by raising or lowering the interest rate and reserve ratio (i.e. the amount of money banks are 8. ____ to hold onto at any given time) in order to stimulate (or discourage) lending by banks	1. concern 2. money 3. legal 4. determination 5. changing 6. maintenance 7. treasure 8. requirement

6. Compose the story and be ready to speak on one of the following topics (about 100 words):

- Should the government focus more on revenue expenditure or capital expenditure in developing countries?
- How can fiscal policy be used to reduce income inequality effectively?
- Is it justifiable for the government to borrow or print money during fiscal deficits?

LESSON 11
CULTURAL DIFFERENCES IN INTERNATIONAL BUSINESS

An international business operates facilities and creates products in its own home country, but sells those products or services in other countries. Any company that conducts business across borders knows how important it is to be aware and respectful of the cultural differences that are sure to arise.

Culture is a broad term with many facets, but it's commonly thought of as the customary beliefs, social forms, and material traits of a racial, religious, or social group. Since business is such a large part of our lives, it's normal that much of our culture bleeds into our work as well. From bringing your own lunch to whether or not you approve of a new supplier's work conditions, your culture affects a lot of your working self.

Cultural Dimensions Theory

According to Dutch management researcher Geert Hofstede, there are six dimensions to understanding the differences in culture across countries.

1. Power-Distance Index: how much or how little do lesser members of a society accept their inequality, or their distribution of power.
2. Collectivism vs. Individualism: how individuals are viewed when part of a group.
3. Uncertainty Avoidance Index: a culture's tolerance for and reaction to change.
4. Femininity vs. Masculinity: how a society views gender roles and which traits are "important" for each gender.
5. Short-Term vs. Long-Term Orientation: i.e. short-term success vs. long-term success.
6. Restraint vs. Indulgence**:** the extent and tendency of a society to fulfill its desires.

Types of Cultural Differences:

1. Communication

Perhaps the most obvious difference in cultures is between those who speak different languages. Language barriers can be difficult to overcome, but working with interpreters or translators can greatly alleviate the issue.

Read the room to see how people are reacting to you. More often than not, people don't like to hear someone belabor the point; sometimes it's better to get to the point and communicate only the essentials.

Communication includes verbal and non-verbal styles, like eye contact, hugging, shaking hands, speaking closely, or bowing.

2. Business Etiquette

Sometimes people might begin a meeting by introducing themselves, shaking hands, and exchanging pleasantries. Other times, you will likely be expected to bring and offer a gift to your business partners. Or people can start by greeting each other with three air kisses.

Be considerate of the time and date of your meetings as well. Different parts of the world have different work weeks.

3. Negotiation

When you start to get into the nitty-gritty of your business, you will have to negotiate with people of different cultures. Negotiation can be a delicate thing. However, you must be able to navigate disagreements across borders and across cultural divides to accomplish your goals.

You can be direct and resolve issues quickly which some people might find aggressive and want to talk it out. Some other people tend to avoid confrontation and deflect with humor.

Examples of Cultural Differences in International Business

When McDonald’s looked to expand into India, they knew to eliminate pork and beef from their menu for Hindus and instead focused on expanding their vegetarian options. While Google’s focus on positive feedback has thrown some foreign workers for a loop, it ultimately has given them a strong company culture and friendly relationships between managers and subordinates.

Other companies have not always fared so well. In 1997, Nike featured a flame-shaped logo on the back of one of its Nike Air shoes that resembled the Arabic word for “Allah.” Many were offended by the casual use of this reference, especially on footwear.

Aside from the cultural pitfalls that can occur, there are legal considerations as well. Different laws, policies, business customs, and currencies can create roadblocks that even the most traveled business people can’t overcome.

1. Look up new words given below in your dictionary and memorise them.

facility, arise, belief, trait, inequality, indulgence, alleviate, pleasantry, confrontation, feedback, resemble, footwear, pitfall, currency, custom, subordinate, nitty-gritty, avoid, expand, handshake

2. Answer the questions.

1. What is an international business?
2. Why is it important to be aware of cultural differences?
3. How does Hofstede’s theory help understand culture?
4. What are some examples of cultural communication styles?
5. How can business etiquette vary around the world?
6. What happened with Nike’s product in 1997?
7. How did McDonald’s adapt its menu in India?
8. What are some challenges of negotiation in international business?
9. Why might Google’s culture surprise foreign workers?
10. What legal issues can international businesses face?

3. Match the terms with their definitions.

1. Power-Distance	a. Reaction to change
2. Individualism	b. Helps with language barriers
3. Masculinity/Femininity	c. Fulfillment of desires
4. Uncertainty Avoidance	d. Accepting inequality
5. Indulgence	e. Emphasis in traditional gender roles
6. Interpreter	f. Sometimes required in business etiquette
7. Gift	g. Acting as an independent person

4. Complete the sentences with the given words.

delicate, laws, borders, pitfalls, custom, interpreter, material, barriers, confrontation, dimensions, manager’s, fulfillment, inequality, respectful, gift, success, bowing, feedback

1. An international business may sell products across ______.
2. Culture includes beliefs, social forms, and ______ traits.
3. Hofstede identified six ______ of cultural difference.
4. The Power-Distance Index measures acceptance of ______.
5. Negotiation can be a ______ process in international settings.

6. Google focuses on positive ______ within its culture.
7. Different countries may have different businesses ______ and currencies.
8. Language ______ can be overcome with interpreters.
9. A business person should always be ______ of local customs.
10. Some people prefer directness, while others avoid ______.
11. Bringing a ______ may be expected in some business cultures.
12. Communication styles include eye contact and ______.
13. Cultural ______ may lead to serious misunderstandings.
14. Short-term orientation focuses on quick ______.
15. Restraint refers to limited ______ of desires.
16. A ______ helps translate spoken language.
17. One cultural ______ in greetings is three air kisses.
18. Subordinates may react differently to ______ feedback.

5. Compose the story and be ready to speak on one of the following topics (about 100 words):

- Should International Businesses Always Adapt to Local Cultures?
- Cultural Sensitivity vs. Business Efficiency: Where Should Companies Draw the Line?
-

LESSON 12
HOW TO OVERCOME CULTURAL BARRIERS DURING GLOBAL EXPANSION

When entering a new market, accepting local customs, consumer preferences, and business practices is essential for tailoring products, services, and marketing strategies to resonate with target audiences. Businesses can enter new markets more effectively by conducting thorough cultural research which goes beyond surface-level observations.

How a company approaches cultural diversity is not just a matter of policy; it's a primary factor that can shape its reputation and value.

Adopting local customs, celebrating cultural differences, and respecting diverse perspectives cultivates trust and credibility with international partners, customers, and investors.

Let's study examples of cultural differences in international business:

Communication styles

Communication styles can range from direct to indirect, depending on the culture. For example, Americans tend to be more direct and explicit, while Japanese culture often values indirect and implicit communication.

Negotiation tactics

Negotiation approaches can differ greatly across cultures. In some countries, like the U.S., negotiations are often a problem-solving process to reach a mutually beneficial agreement. Negotiators from countries like Russia or Spain view negotiations more competitively.

Leadership styles

Cultural norms can heavily influence leadership styles. Some cultures value charismatic, visionary leaders, while others prefer consensus-building approaches.

Workplace etiquette

Workplace etiquette can vary significantly across cultures. For example, Germans value punctuality, and being late is considered disrespectful. In contrast, countries like Brazil or Spain tend to take a more relaxed attitude towards punctuality. Dress codes, greetings, and the use of personal space in the workplace can also differ greatly between cultures.

Work ethic

Attitudes towards work and work-life balance can vary widely. For instance, Japanese culture is known for its strong work ethic and long working hours, while many European countries highly value work-life balance and leisure time.

Conflict resolution

Approaches to conflict resolution can be deeply rooted in cultural values. In some cultures, conflicts may be addressed indirectly through intermediaries to save face. Other cultures have a more direct approach to addressing conflicts.

Local values and customs

Respecting local values and customs is crucial in international business. This can include religious practices, holiday observances, dietary restrictions, and social norms.

Here are 8 tips for overcoming cultural challenges in international business:

Provide cultural awareness training

Implement cultural awareness training that goes beyond surface-level stereotypes. This training should explore various cultural nuances, including communication styles, business etiquette, and societal norms.

Develop cross-cultural communication skills

Frictionless communication is the cornerstone of successful international business. Invest in developing cross-cultural communication skills, including language proficiency and non-verbal communication awareness.

Invest in local relationships

Take the time to nurture connections with local partners, clients, and stakeholders. Show genuine interest in their culture by participating in local customs and traditions.

Assemble diverse, cross-cultural teams

Fostering an inclusive environment where professionals feel comfortable sharing their unique viewpoints leads to more innovative and culturally sensitive solutions.

Conduct thorough cultural due diligence

To conduct effective cultural due diligence, consider the following tips:

- Engage local cultural experts or consultants.
- Analyze industry-specific publications and reports.
- Attend or participate in local business events.
- Conduct focus groups or surveys with local consumers.

Seek local expertise. Engage local experts, consultants, and advisors who deeply understand a target market's cultural and business landscape.

Remain adaptable. Adaptability in the workplace is essential to thrive in an ever-changing international business landscape. Your team must be prepared to adjust its strategies, processes, and communications to accommodate cultural sensitivities and preferences.

1. Look up the following words in your dictionary and memorise them.

customs, nuances, credibility, implicit, due diligence, punctuality, intermediary, adaptability, cultural awareness, stakeholders, non-verbal communication, cross-cultural, market entry, consumer preferences

2. Answer the questions.

1. Why is cultural research important when entering a new market?
2. How can a company build trust with international partners and investors?
3. What are some differences in communication styles across cultures?
4. Why is conflict resolution approached differently in different countries?
5. How can building diverse teams benefit international companies?

3. Put a tick (✓) if the sentence is right and a cross (×) if it is wrong. Correct the mistakes.

1. Cultural awareness training should only cover basic facts and customs	
2. American culture typically prefers direct communication	
3. European countries tend to promote strong work-life balance	
4. All countries treat punctuality in the same way	
5. Cultural differences do not affect leadership styles	

4. Match the terms in Column A with their correct definitions in Column B.

Column A	**Column B**
1. Cross-cultural teams	a. Includes greetings, punctuality, dress, and space
2. Conflict resolution	b. Vary depending on cultural norms
3. Cultural due diligence	c. Diverse groups that encourage innovative thinking
4. Leadership styles	d. Investing time in understanding the local context
5. Workplace etiquette	e. Differences in how people deal with disagreement

5. Complete each sentence using these words:
retention, upskilling, loyalty, norms, professional, inclusive, balance, performance, strategies, benefits, expectations, recruiting, dedication, work-life, management

1. Cultural differences play a major role in how companies approach employee __________.
2. Work-life __________ is highly valued in some cultures, but not all.
3. Employee __________ is easier to achieve when cultural needs are respected.
4. By aligning with local cultural __________, companies attract and retain top talent.
5. In some countries, __________ to the company is more important than personal time.
6. A culturally __________ workplace promotes innovation and engagement.
7. __________ practices must reflect the values and customs of the local workforce.
8. Designing effective __________ programs requires cultural awareness.
9. Offering attractive employee __________ is key in markets where benefits are expected.
10. __________ systems work better when adapted to local values.
11. Leadership and __________ styles vary significantly from one culture to another.
12. In certain countries, employees have high __________ for time off and flexibility.
13. Personal relationships may take priority over __________ efficiency in some cultures.
14. Performance management __________ must account for local working habits.
15. Cultural sensitivity enhances long-term employee __________ and satisfaction.

6. Compose the story on one of the following topics and be ready to speak on it (about 100 words):

- Cultural intelligence as a strategic asset in global business expansion
- The impact of cultural differences on workplace dynamics and leadership styles
- Building trust across borders: the role of local engagement and cultural due diligence in international business

LESSON 13
THE ROLE OF GOVERNMENT

Economically speaking, governments have no role to play in international trade. If governments abstained from adopting trade policies, the world would have an economic condition called free trade. This would mean there would be no more barriers to an exchange of goods or services across national boundaries than there are within such boundaries. Governments have, nevertheless, involved themselves in trade for centuries.

There are two main reasons for government trade policies: revenue and producer protection. Governments found that they could raise revenue by imposing taxes called tariffs on imports (and sometimes on exports). A tariff, while paid by the producer or importer, is a cost passed on to the customer. Hence it is basically a sales tax hidden in the price of the product. Producers also have found it easy to petition government to stop or diminish imports of competing goods. Governments usually respond favorably to producer requests. Unfortunately, policies that protect the producer are costly to consumers. Protectionism normally results in higher prices for goods, while limiting consumer choice.

Additional sales resulting from exports create jobs and generally mean greater profits. By producing additional goods for foreign sale, a manufacturer often is able to cut the cost of each unit produced, making it possible to reduce the selling price. The free flow of international trade therefore benefits all who participate. In actual practice, however, the world has never had a completely free trading system because individual countries put controls on trade for the following three reasons:

1. To correct a balance-of-payments deficit. Such a deficit occurs when the total payments leaving a country are greater than the money in receipts entering from abroad. The country then tries to limit imports and increase exports.
2. For reasons of national security. Nations sometimes restrict exports of critical raw materials, high technology, or equipment when such export might harm its own welfare.
3. To protect their own industries against the competition of foreign goods. This is generally on the grounds that infant industries need to be shielded from foreign competition during their start-up periods. A country usually offers protection to its domestic industries by taxing imports of similar foreign goods. The tax may be levied as a percentage of the value of the imports, which is called an ad valorem tariff. When a tariff is added to the price of a foreign product coming into a country, it raises the price of the item to the consumer.

Although tariffs have been lowered substantially by international agreements since the 1930s, countries continue to use other devices to limit imports or to increase exports. Some of these are:

1. requiring import licenses that permit only specific volumes or values of imports;
2. setting quotas that limit the total value or volume of a product to be imported;
3. limiting government purchases to firms within the country;
4. applying standards for safety, consumer protection, or other reasons, which foreign products may not be able to meet;
5. making special payments called export subsidies to encourage local exporters to increase foreign sales;
6. targeting—a new term meaning the imposition of a package of measures to give certain local industries a competitive advantage in export markets. It might include export subsidies, technical assistance, subsidies for research and development, and financial assistance;
7. requiring licenses to obtain foreign currencies by those who want to buy goods from abroad—thus limiting the quantity of imports they can buy;

8. reducing the value of a nation's currency in relation to that of the rest of the world so that its exported goods cost less in other countries and its imports cost more;
9. imposing conditions on foreign producers such as requiring that their goods contain a certain amount of locally produced products; and
10. restricting trade in banking, insurance, and other service professions.

1. Look up new words given below in your dictionary and memorise them.

Abstain, national boundaries, revenue, imposing taxes, diminish, respond favourable, to result in, substantially, set quotas, export subsidies, targeting, in relation to, insurance, levy taxes, ad valorem tariff

2. Answer the questions.

1. What is "free trade"?
2. What are the two main reasons governments create trade policies?
3. How does a tariff affect consumers?
4. What is one negative effect of protectionism for consumers?
5. How does exporting help domestic producers?
6. What is a balance-of-payments deficit, and how do governments respond to it?
7. What is an ad valorem tariff?
8. Name three non-tariff barriers governments use to control trade.
9. What is meant by "targeting" in trade policy?
10. How can currency devaluation affect international trade?

3. Put a tick(✓) if the sentence is right and a cross (×)if it is wrong. Correct the mistake.

Put a tick (✓) if the sentence is right and a cross (×) if it is wrong. Correct the mistakes.

6. Cultural awareness training should only cover basic facts and customs	
7. American culture typically prefers direct communication	
8. European countries tend to promote strong work-life balance	
9. All countries treat punctuality in the same way	
10. Cultural differences do not affect leadership styles	

1. Governments have always avoided getting involved in international trade.
2. Tariffs benefit domestic producers but raise prices for consumers.
3. Protectionism usually leads to greater product variety and lower prices.
4. Exporting goods helps producers reduce their production costs per unit.
5. The world has never experienced fully free trade.

4. Match each term from the list to the correct definition:

Term	Definition
A. Tariff	1. A policy of supporting local industries by reducing import competition.
B. Free Trade	2. A tax on imported (or exported) goods.

C. Balance of Payments	3. When there are no barriers to international exchange of goods or services.
D. Protectionism	4. The difference between money leaving and entering a country.
E. Ad valorem tariff	5. A tariff calculated as a percentage of the value of the product.

5. Complete each sentence using these words:
export subsidies, licenses, quota, national security, currency devaluation

1. A government may restrict exports of high-tech equipment for reasons of __________.
2. A(n) __________ limits the total amount of a specific product that may be imported.
3. __________ help local businesses sell more goods overseas by offering financial rewards.
4. Import __________ are used to allow only a specific volume or value of goods into a country.
5. __________ can make a country's exports cheaper and imports more expensive.

6. Compose the story and be ready to speak on one of the following topics (about 100 words):

🎬 Should governments protect their own industries or encourage free trade? Why?
🎬 What are the advantages and disadvantages of tariffs in today's global economy?
🎬 Do you think protectionism is necessary in the modern world?

LESSON 14
INTERNATIONAL BODIES AND AGREEMENTS

As in every area in which people deal with one another, problems are inevitable in international trade. Commonplace misunderstandings spring from differences in language, in culture, and in business practice. Problems may be complicated by simple distance and by complex currency conversions. They may spring from a belief that one country is unfairly competing in another country's market.

In international trade any industry may be helped by its government, a practice considered unfair by competitive industries in other countries. Officially sanctioned low wage scales or other price-cutting policies may give the first country's industry a pricing advantage that the other countries' industries cannot tolerate if their workers are to maintain their standard of living. Sometimes government officials would rather help support their export industries and keep workers on the job than risk social unrest; sometimes they find that it costs less to help pay workers than to pay benefits to the unemployed. Governments may also find that they can make exports more competitive if they intervene—that is, buy or sell in the currency markets and keep the cost low in relation to other currencies. For reasons of practicality, justice, and compassion, it is also necessary to make sure that heavy supplies of agricultural products do not lower the prices so sharply and suddenly as to drive growers out of business and disturb markets in ensuing years. To deal with the complexities of international trade, several international agencies have been established.

The United Nations Conference on Trade and Development (UNCTAD)

The United Nations Conference on Trade and Development (UNCTAD) focuses on international economic relations and attempts to encourage economic growth and raise living standards in less developed countries. The various UNCTAD committees meet at regular intervals, and the full body meets every few years.

The Organisation for Economic Co-operation and Development (OECD)

In 1961 the Organisation for Economic Co-operation and Development (OECD) was established to promote economic and social welfare in member countries and to stimulate and harmonize efforts on behalf of developing nations. Nearly all industrialized "free market" countries are members. As of 2011 the membership consisted of Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, South Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. The headquarters are in Paris, France.

European Union (EU)

The European Union (EU) is an international organization governing common economic, social, and security policies among its member countries. Originally confined to western Europe, the EU later expanded to include several central and eastern European countries. The organization was formed in 1993 but traces its roots to a series of efforts begun after World War II to integrate Europe economically and politically. It developed largely out of three associations created in the 1950s—the European Economic Community, or Common Market; the European Coal and Steel Community; and the European Atomic Energy Community. The EU's member countries belong to a free-trade area called the European Economic Area, which allows freedom of movement for goods, services, capital, and people. Many of the EU member countries replaced their national currencies with the euro, the EU's single currency.

Development banks

Development banks help with economic and social development in various regions. Examples include the Asian Development Bank, the African Development Bank, and the World Bank.

World Trade Organization (WTO)

The World Trade Organization was formed in 1995 as a multilateral organization to monitor trade and resolve disputes. In addition to negotiating new agreements it was charged with enforcing the provisions established by GATT.(The General Agreement on Tariffs and Trade (GATT)), which was both an organization and a set of agreements.

1.Look up new words given below in your dictionary and memorise them.

Commonplace, inevitable, misunderstanding, spring from, compete, wage scales, tolerate, pay benefits, unemployed, intervene, in relation to, justice, compassion, living standards, welfare, on behalf of, traces one's roots, resolve disputes, be charged with

2. Answer the questions.

1.What are some common causes of problems in international trade?
2. Why might a government support its export industries?
3. How can governments influence exchange rates to support trade?
4. What is one reason for government intervention in agricultural markets?
5. What is the main goal of the United Nations Conference on Trade and Development (UNCTAD)?
6. What is the purpose of the OECD?
7. What is the European Union (EU), and what are some of its key features?
8. What is the euro, and what is its role in the EU?
9. What is the purpose of development banks like the World Bank or Asian Development Bank?
10. What is the main function of the World Trade Organization (WTO)?

3. Match the terms with their definitions

1.	Free trade	a.	an indirect or not immediately visible expense
2.	Sales tax	b.	international trade without restrictions or barriers.
3.	Hidden cost	c.	policies aimed at supporting domestic industries
4.	Balance-of-payments deficit	d.	a tax added to the price of goods or services.
5.	Producer protection	e.	a situation where a country imports more than it exports in terms of money flow.

4. Explain the terms with your own words. Illustrate them in the sentences of your own.

1. Tariff ____
2. Quota ____
3. Import / Export ____
4. Subsidy ____
5. Trade deficit / surplus ____
6. Revenue ____
7. Protectionism ____
8. Licenses ____
9. Foreign exchange ____
10. Services sector (e.g., banking, insurance) ___________________________

5. Fill in the gaps with the necessary words:

Competition, entering, shielded, occurs, domestic, increase, price, raw

Some countries put controls on trade for the following reasons:

1. To correct a balance-of-payments deficit. Such a deficit 1. ______when the total payments leaving a country are greater than the money in receipts 2. _____ from abroad. The country then tries to limit imports and 3. _____ exports.

2. For reasons of national security. Nations sometimes restrict exports of critical 4. ____ materials, high technology, or equipment when such export might harm its own welfare.

3. To protect their own industries against the 5. _____ of foreign goods. This is generally on the grounds that infant industries need to be 6. _____ from foreign competition during their start-up periods. A country usually offers protection to its 7. ____ industries by taxing imports of similar foreign goods. The tax may be levied as a percentage of the value of the imports, which is called an ad valorem tariff. When a tariff is added to the 8. ______ of a foreign product coming into a country, it raises the price of the item to the consumer.

6. Compose the story and be ready to speak on one of the following topics (about 100 words):

- Should Governments Intervene in Global Trade to Protect Their Industries?
- Do International Organizations Like the WTO and EU Promote Fairness or Favor the Powerful?
- Is It Still Necessary to Have Separate Development Banks in the Globalized Economy?

LESSON 15
THE VALUE OF MBA IN INTERNATIONAL BUSINESS

International business is the trade of goods, services, resources, people, and ideas across national borders. It encompasses all commercial activities that involve the cross-border movement of goods, services, capital, or knowledge. International business can be conducted in a variety of forms, including export/import, licensing, franchising, foreign direct investment (FDI), and strategic alliances. In 2021, the total value of global trade in goods and services was over $28 trillion. FDI also reached a record high of $1.58 trillion in 2021.

Growth in international business is driven by globalization, liberalization of trade (fewer tariffs and quotas), and technological advances in transport and communication.

International business offers a number of benefits to businesses and consumers. For businesses, international business can help to increase sales and profits, reduce costs of production, diversify the market and customer base, provide new markets, resources, and technologies.

For consumers, international business can help to exchange cultural diversity, improve quality of goods and services, give more mix of brands for selection, and provide goods and services at lower prices.

MBA in International Business Scope

Upon completing an MBA in International Business, it's essential to embark on a professional journey within an organization. For those who wish to specialize in a particular aspect of International Business, there are numerous courses and programs available in related sub-disciplines.

- **International Trade & Finance:** International trade is the exchange of goods and services between countries. International finance is the system of financial flows and institutions that support international trade. International trade is important because it allows countries to specialise in the production of goods and services that they are good at and to import goods and services that they need but cannot produce efficiently themselves. International finance is important because it provides the financial resources that businesses need to engage in international trade.
- **Global Supply Chain Management:** Managing international flow of goods and services. Careers: logistics or procurement manager.
- **International Marketing:** Developing marketing strategies for global markets. Careers: marketing or brand manager.
- **Business Development:** Entering new international markets. Careers: business development or sales manager.
- **International HR Management:** Handling HR in multinational contexts. Careers: HR specialist in MNCs.
- **International Banking:** Facilitating global financial services. Careers in multinational banks or finance institutions.

Role	**Description**
Business Manager	Responsible for overseeing the operations and performance of a co international branches or subsidiaries and developing strategies to ex enter new markets.

Consultant	Provides expert advice and guidance to clients on various asp international business, such as market analysis, feasibility studi assessment, cultural adaptation, negotiation, and project management.
Analyst	Conducts research and analysis on various aspects of international b such as trade patterns, economic trends, political developments, co behavior, and competitive intelligence.
Trade/Project Coordination Specialist	Plans, organizes, and coordinates the implementation of international p such as joint ventures, mergers and acquisitions, foreign direct investm development aid; facilitates the export and import of goods and services countries and ensures compliance with trade regulations and agreements.
Market Researcher	Collects and analyzes data on the preferences, needs, and behavior of p or existing customers in different countries or regions, and provides insi recommendations for marketing strategies.
Policy Advisor	Advises government officials or policymakers on issues related to inter business, such as trade policy, economic cooperation, foreign relat development assistance.
Entrepreneur	Creates and runs their own business that operates across borders or in countries and identifies opportunities and challenges in the global marke

Graduates can also work in IT, healthcare, education, energy, manufacturing, and government sectors. An MBA with a specialisation in International Business is a degree that prepares students for the challenges and opportunities of working in a globalised economy. Here are some examples of companies that hire MBA graduates with a specialisation in international business:

- Multinational corporations such as Amazon, Apple, Google, Meta, and Microsoft
- International consulting firms such as McKinsey & Company, Boston Consulting Group, and Bain & Company
- International investment banks such as Goldman Sachs, JPMorgan Chase, and Citigroup
- International accounting firms such as PwC, Deloitte, KPMG, and EY
-

1. Look up new words given below in your dictionary and memorise them.

Trade, franchising, foreign direct investment (FDI), liberalization, guidance, consumer behavior, trade regulations, risk assessment, feasibility, compliance, procurement, development aid, policy advisor

2. Answer the following questions.

1. What is international business?
2. Name three forms of conducting international business.
3. How does international business benefit consumers?
4. What are some sub-disciplines of an MBA in International Business?
5. What is the role of a consultant in international business?
6. Why is international finance important for global trade?
7. Name three types of companies that hire MBA graduates with a specialisation in international business.

3. Put a tick (✓) if the sentence is right and a cross (×) if it is wrong. Correct the mistake.

1. International business includes only the exchange of goods and services.	
2. An MBA in International Business offers career paths only in finance.	
3. Business Development focuses on entering new international markets.	
4. Policy Advisors mainly help with company branding strategies.	
5. Multinational companies such as Apple and Microsoft hire international business graduates.	

4. Match the roles with the correct descriptions.

Column A	**Column B**
1. Analyst	A. Helps a government shape international trade strategies.
2. Entrepreneur	B. Studies trends and provides data on global market behaviours.
3. Consultant	C. Gives expert advice on international projects and negotiations.
4. Policy Advisor	D. Starts and runs a business that operates across borders.
5. Trade Coordination Specialist	E. Manages exports, imports, and ensures compliance with trade agreements.

6. **Compose the story and be ready to speak on one of the following topics (about 100 words):**
    - The Role of a Business Development Manager in Entering Foreign Markets
    - The Impact of International Business Travel on Professional Growth

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KEYS 292 5 SEMESTER

LESSON 1 WHAT IS INTERNATIONAL ECONOMICS?

Ex 2. 1. To understand the workings of the real-world economy.
2. Because no one can observe the entire economy at once, so models help describe specific aspects of it.
3. They believe it is only about abstract equations and theories, rather than the real world.
4. The real-world conditions, including policies, controversies, laws, and history.
5. International trade and international finance.
6. It uses microeconomic models to understand how consumers, firms, and markets behave in an international context.
7. Perfectly competitive, oligopolistic, and monopolistic market structures.
8. To understand how trade affects individuals and businesses, and to explore arguments for and against free trade.
9. Aggregate economic variables like GDP, inflation, interest rates, exchange rates, and trade balances.
10. The pros and cons of fixed versus floating exchange rate systems.

Ex 3. 1. d 2. g, 3.a, 4.f, 5.b, 6.e 7. c.

Ex 4. Part A: 1.e, 2.g, b 3. 4.f 5. a, 6.c 7.h, 8.d

Part B:

1. **Balance of Trade** – The difference between a country's exports and imports.
2. **Trade Surplus** – When a country exports more than it imports.
3. **Trade Deficit** – When a country imports more than it exports.
4. **Free Trade** – International trade without restrictions such as tariffs or quotas.
5. **Exchange Rate** – The price of one country's currency in terms of another's.
6. **Foreign Direct Investment (FDI)** – Investment made by a company or individual in one country in business interests in another country.
7. **Trade Agreement** – A treaty between two or more countries to establish trade rules.
8. **WTO (World Trade Organization)** – An international body that promotes and regulates global trade.

Basic Terms in International Economics

1. **Trade** – The exchange of goods and services between countries.
2. **Export** – Goods or services sold by one country to another.
3. **Import** – Goods or services bought by one country from another.
4. **Balance of Trade** – The difference between a country's exports and imports.
5. **Trade Surplus** – When a country exports more than it imports.
6. **Trade Deficit** – When a country imports more than it exports.
7. **Tariff** – A tax imposed on imported goods to protect domestic industries.
8. **Quota** – A limit on the quantity of a specific product that can be imported.
9. **Free Trade** – International trade without restrictions such as tariffs or quotas.
10. **Protectionism** – Policies that protect domestic industries from foreign competition.
11. **Globalization** – The increasing interconnectedness of economies around the world.
12. **Exchange Rate** – The price of one country's currency in terms of another's.
13. **Foreign Direct Investment (FDI)** – Investment made by a company or individual in one country in business interests in another country.
14. **Trade Agreement** – A treaty between two or more countries to establish trade rules.
15. **WTO (World Trade Organization)** – An international body that promotes and regulates global trade.

Ex 5

1. **Trade** between countries allows for greater specialization and economic growth.

2. Germany's **exports** include cars, machinery, and chemical products.
3. The United States **imports** electronics and clothing from various Asian countries.
4. A positive **balance of trade** indicates that a country sells more abroad than it buys.
5. China had a **trade surplus** due to high demand for its manufactured goods.
6. The UK faced a **trade deficit** after importing more goods than it exported.
7. The government imposed a **tariff** on steel to protect local manufacturers.
8. A **quota** was introduced to limit the import of foreign dairy products.
9. **Free trade** agreements reduce barriers and increase competition.
10. **Protectionism** may help local industries, but it can also raise consumer prices.
11. **Globalization** has increased access to international markets and foreign investments.
12. The **exchange rate** between the euro and the dollar affects tourism and exports.
13. Japan received billions in **foreign direct investment** from American tech companies.
14. The EU signed a new trade **agreement** with Canada to simplify regulations.
15. The **WTO (World Trade Organization**) helps settle disputes and encourages fair global trading practices.

LESSON 2 HISTORY OF INTERNATIONAL TRADE

Ex 2

1. Barter is the exchange of goods or services without money, while international trade involves exchange between people of different countries and emerged with the modern nation-state.
2. Mercantilism was the dominant theory, which emphasized state power and gaining wealth—especially gold—through a favorable balance of trade.
3. By exporting more than they imported to accumulate gold, believing that one nation's gain was another's loss.
4. They were 18th-century French thinkers who believed governments should not interfere with trade, promoting the idea of **laissez-faire** economics.
5. In *The Wealth of Nations* (1776), he supported laissez-faire and criticized government protection of inefficient industries, laying the foundation for classical economics.
6. It led to cheaper American grain imports, harming British farmers but boosting industrial competition and economic strength.
7. It raised U.S. tariffs to record highs, contributing to a decline in world trade during the Great Depression.
8. To reduce trade barriers and encourage multilateral cooperation in international trade.
9. It ensures equal trade terms among countries, extending fair treatment in tariffs and other areas like business rights and property protections.
10. It was influenced by John Maynard Keynes and his ideas on state involvement in the economy during economic crises.

Ex 3. 1. **F** – Mercantilism was competitive, not cooperative.
2.**T** – Physiocrats promoted free trade and laissez-faire.
3. **F** – The Smoot-Hawley Act raised tariffs and hurt trade.
4. **T** – GATT was established in 1947 to reduce trade barriers.
5.**F** – Most-favored-nation policy applies to various sectors including property rights.

Ex 4.

A. Mercantilism 4
B. Laissez-faire 1
C. Physiocrats 3
D. GATT 5
E. Most-favored-nation 2

Ex 5 1. Barter;
2. Balance of trade

3. Adam Smith
4. Corn Laws
5. Tariffs

LESSON 3 GLOBAL PRODUCTION AND SUPPLY-CHAIN MANAGEMENT

Ex 2:

1. Manufacture and export, global components with local assembly, local production.
2. It’s cheaper and requires less investment.
3. High shipping costs, delays, import duties, exchange-rate risks, lack of local insight.
4. It improves market proximity, service, and customer understanding.
5. Political stability, infrastructure, workforce, tax and regulatory costs.
6. A strategy to build identical plants and processes for quality and flexibility.
7. It reduces delays, spreads risk, and supports global demand efficiently.

Ex 3:

1. F
2. T
3. F
4. F
5. T

Ex 4:

1. – c
2. – d
3. – b
4. – e
5. – a

Ex 5:

1. infrastructure
2. safety stock
3. exchange-rate
4. bottlenecks
5. local

LESSON 4 SUPPLY-CHAIN MANAGEMENT

Ex 2:

1. Planning and managing all sourcing, conversion, and logistics.
2. Coordination and collaboration with partners.
3. Demand, procurement, warehousing, etc.
4. A low-cost test factory for diapers in Vietnam.
5. Local suppliers and low-cost machinery.
6. To reduce costs in other product lines and countries.
7. Cost savings, reuse of obsolete plants.
8. Export, component assembly, local production.
9. Higher costs, exchange risks, coordination issues.
10. Coordination of all supply-chain activities for advantage.

Ex 3:

1. T
2. T
3. F
4. T
5. F

Ex 4:

1. – c

2. – e
3. – b
4. – d
5. – a

Ex 5:

1. sourcing
2. intermediaries
3. scalable
4. Vietnam
5. cost reduction, Mexico
6. coordination
7. obsolete
8. procurement
9. logistics
10. sourcing

LESSON 5 ECONOMIC INTEGRATION

Ex 2 1. Economic integration is an arrangement among countries to reduce or eliminate trade barriers and coordinate monetary and fiscal policies.
2. It's also called regional integration because it often occurs between neighboring countries.
3. Preferential trading area, free trade area, customs union, common market, economic union, economic and monetary union, and complete economic integration.
4. Trade creation, employment opportunities, and increased cooperation and consensus.
5. It reduces costs, improves availability, and increases the variety of goods and services.
6. It's when trade shifts from more efficient non-member countries to less efficient member countries due to the integration agreement.
7. Member countries may lose some control over their policies by having to follow rules from external governing bodies.
8. Companies might relocate to countries with cheaper labor, or workers may migrate, creating job losses in some regions.
9. Through indicators like trade in goods/services, capital flows, labor migration, and institutional conformity.
10. The European Union (EU), formed in 1993, which includes shared policies and a common currency (euro) adopted by 20 of 27 member states.

Ex 3. A 1

B 2

C 3

D 4

E 5

Ex 4

integration

barriers

indicators

sovereignty

consensus

Ex 5 1. coordination

2. eliminated

3. arrangements

4. creation

5. diversion

6. regional

7. numerous

8. agreement

9. fostering

10. integration

Ex 6 TIPS

1. *Discuss whether economic integration leads to fair growth for all participants or creates winners and losers. Consider smaller or less developed countries versus dominant economies.*

2. Explore whether countries should give up control over monetary and fiscal policies to achieve economic integration. Is the cost worth the benefits?

3. Debate how integration impacts local job markets and whether governments should intervene to protect domestic labor while still participating in regional agreements.

LESSON 6 COMPANY STRUCTURE

Ex 2 1. Because it directly affects company performance and ability to respond to international competition.
2. Only 44%.
3. Standardized global products may not meet local tastes or needs, leading to market failure.
4. An organization structured by functions like finance or marketing, with decisions centralized at headquarters.
5. An organizational model divided by product lines, allowing focus on specific market segments.
6. The products didn't meet local expectations in taste or portion size, and the franchise costs were high.
7. A complex model combining product and geographic structures to balance global and local needs.
8. A global company operating in many countries with localized decision-making within an overarching mission.
9. Specialization of functional expertise at the country level.
10. Difficulty in coordinating cross-country missions or handling cultural differences.
Ex 3 A–2, B–1, C–3, D–4, E–5
Ex 4.1. standardization
coordination
structure
specialization
franchise
Ex 5 Part A:

Verb	Correct Preposition(s)

apply	to somebody / for something
report	to somebody / on something
benefit	from
succeed	in
approve	of
belong	to
result	in
depend	on
believe	in
refer	to

Part B:

In the purchasing department there is a manager, and five employees who **report to** her.

In this company, we firmly **believe in** the value of creativity and innovation.

The development of computer technology has **resulted in** enormous changes in the way that people work.

Whether or not we succeed in creating and selling new products, **depends on** a number of factors.

Most of our staff **belong to** at least one of the company's sports or leisure clubs.

The Personal Manager thinks that we would all **benefit from** further training in how to use the office software.

Ex 6 Tips

1. Consider examples like McDonald’s in Jamaica or Starbucks in China.
2. Discuss advantages, disadvantages, and real-world applications.
3. Explore how language, traditions, and consumer behavior shape business strategies.

LESSON 7 OUTSOURCING AND OFFSHORING

Ex 2:

1. Offshoring means moving company operations to another country, while outsourcing means hiring an external vendor to perform specific business functions — either locally or abroad.
2. Companies outsource to reduce costs, access specialized expertise, improve efficiency, and focus on core business activities
3. They’ve faced high employee turnover, rising wages, and concerns about data security and continuity.
4. China offers lower wages and a more stable workforce, making it attractive when labor costs rise in India.
5. Diageo chose Budapest due to low labor costs, good infrastructure, and a strong supply of qualified workers.
6. Hidden costs include training, travel, risk of poor communication, legal issues, and difficulties ensuring service quality.
7. Because it handles sensitive financial data and needs to ensure security, compliance, and business continuity.
8. Duplicating operations (e.g. using mirror sites) ensures the business can continue functioning if the main site fails.

Ex 3:

1. – d
2. – e
3. – f
4. – b
5. – a
6. – c

Ex 4:

1. outsourcing
2. turnover

3. infrastructure
4. vendor
5. inflation
6. continuity
7. expertise
8. risk

LESSON 8 ORGANIZATIONAL STRATEGIES

Ex 2 1. A plan of action or policy designed to achieve specific goals and improve competitive position.
2. The process of creating or modifying a company's structure to align with business goals.
3. It shifted from meaning geographically dispersed offices to including flexible work-from-home models.
4. Working from home is the default, and office attendance is only needed occasionally.
5. Employees can work from home, but are encouraged or expected to be in the office regularly.
6. Slack, Zoom, Google Drive, and other collaborative tech tools.
7. To adapt its products/services to the specific needs of different country markets.
8. Adapting to cultural or market differences in various countries.
9. International structure with centralized HQ and autonomous local offices.
10. A standardized approach doesn't always work due to local preferences and cultural differences.

Ex 3

1.– **False**
– **False**
– **False**
– **True**
– **True**

Ex 4.

Part A: A–3,
B–1,
C–2,
D–4,
E–5

Part B 1. Tools;
2. Design;
3. Hierarchy;
4. Autonomy;
5. flexibility

Ex 5

1 determine
2. percentages
3. achievable
4. determining
5. consider
6. strategies
7. choose
8. measure

LESSON 9 FISCAL POLICY

Ex 2 1. Fiscal policy is the use of government spending and taxation to influence the economy's path over time.
2. Neutral fiscal policy and discretionary fiscal policy.
3. When the economy is stable and government spending is balanced by tax revenue.

4. It occurs when government spending exceeds tax revenue, typically used during recessions to stimulate the economy.
5. To reduce government debt and control inflation by spending less than the collected tax revenue.
6. Full employment and economic stability.
7. By increasing public spending on infrastructure and services to create jobs and reduce unemployment.
8. Progressive taxation and redistributive public expenditure.
9. Maintaining full employment and price stability while managing inflation and deflation.
10. It boosts investment, reduces poverty, and helps break the cycle of low income and low productivity.
Ex 3 A–3, B–2, C–1, D–4, E–5
Ex 4 influence 2. conditions 3. inflation 4. recession 5. tax, 6. raise 7. contrasted 8. unemployment 9. Subsidies 10. Taxes, 11. Inflation 12. stability
Ex 6 Tips:
1. Discuss the trade-off between job creation and inflation in economic planning.
2. Consider the role of taxation, public services, and subsidies.
3. Explore both short-term gains and long-term debt implications.

LESSON 10 COMPONENTS OF FISCAL POLICY

Ex 2 1. Taxation policy, expenditure policy, investment and disinvestment policy, and debt/surplus management.
2. It helps control inflation and maintain price stability by regulating purchasing power through tax rates.
3. Capital expenditure creates long-term assets, while revenue expenditure covers recurring costs like salaries and interest payments.
4. It refers to the government's sale of its holdings in public or private sectors.
5. When the government receives more revenue than it spends.
6. Because saving levels are low, and fiscal policy helps mobilize resources for capital formation via taxes and borrowing.
7. By offering tax reliefs, subsidies, and rebates to boost productivity and attract investment.
8. By offering tax holidays, subsidies, and infrastructure concessions in underdeveloped areas.
9. Progressive taxes, taxing luxury goods, subsidies on essentials, and relief programs for the poor.
10. By investing in infrastructure like education, health, transport, and energy to support economic development.
Ex 3 A–2, B–1, C–3, D–4, E–5
Ex4: 1. inequality;2. mobilization; 3. surplus; 4. overheads; 5. inflation
Ex 5 concerned **2.** monetary **3.** legislative **4.** determined **5.** changing **6.** maintain **7.** treasury **8.** required
Ex 6 Tips:
1. Consider the balance between long-term investment and immediate public needs.
2. Discuss specific tools like progressive taxation and subsidies.
3. Explore both short-term solutions and long-term risks.

LESSON 11CULTURAL DIFFERENCES IN INTERNATIONAL BUSINESS

Ex 2:
1. A company that operates in its home country but sells products or services in other countries.
2. Because cultural differences affect communication, negotiation, etiquette, and business decisions; being aware helps avoid misunderstandings and offense.
3. It provides six dimensions (e.g., power distance, individualism) that help compare cultural values across countries.
4. Eye contact, hugging, handshakes, speaking closely, bowing.

5. Some cultures require handshakes or gifts; others greet with air kisses or start with formal introductions.
6. Nike released a shoe with a logo resembling the Arabic word for “Allah,” which offended many people.
7. They removed pork and beef and focused on vegetarian options.
8. Different conflict styles — some prefer directness, others avoid confrontation or use humor.
9. Because its focus on positive feedback may be unfamiliar or confusing in other cultures.
10. Different laws, policies, business customs, and currencies can be obstacles.

Ex 3:

1. – d
2. – g
3. – e
4. – a
5. – c
6. – b
7. – f

Ex 4:

1. borders
2. material
3. dimensions
4. inequality
5. delicate
6. feedback
7. laws
8. barriers
9. respectful
10. confrontation
11. gift
12. bowing
13. pitfalls
14. success
15. fulfillment
16. interpreter
17. custom
18. manager’s

LESSON 12 HOW TO OVERCOME CULTURAL BARRIERS DURING GLOBAL EXPANSION

Ex 2:

1. Because it helps tailor products, services, and strategies to local preferences and build effective relationships.
2. By respecting cultural differences, adopting local customs, and engaging with local communities.
3. Some cultures (e.g., American) are direct, while others (e.g., Japanese) value indirect and implicit communication.
4. Because cultural values shape whether conflicts are handled directly or through intermediaries to maintain harmony.
5. Diverse teams bring innovative ideas, cultural sensitivity, and better problem-solving in global contexts.

Ex 3:

1. F
2. T
3. T

4. F
5. F
Ex 4:
1. – c
2. – e
3. – d
4. – b
5. – a
Ex 5:
1. recruiting
2. balance
3. retention
4. norms
5. dedication
6. inclusive
7. management
8. upskilling
9. benefits
10. performance
11. management
12. expectations
13. professional
14. strategies
15. loyalty

LESSON 13 THE ROLE OF GOVERNMENT

Ex 2. 1. Free trade is a condition where there are no barriers to the exchange of goods or services across national borders, similar to trade within a country.
2. Free trade is a condition where there are no barriers to the exchange of goods or services across national borders, similar to trade within a country.
3. Although paid by the producer or importer, the tariff increases the final price for consumers, acting like a hidden sales tax.
4. Higher prices and reduced consumer choice.
5. It increases sales and allows producers to lower unit costs, often reducing selling prices and boosting profits.
6. It's when more money leaves a country than enters it; governments may respond by limiting imports and promoting exports.
7. A tariff that is charged as a percentage of the value of the imported good.
8. Import licenses, quotas, and government procurement limits.
9. A strategy using various measures (like subsidies and technical support) to help certain domestic industries compete in global markets.
10. It makes exports cheaper for foreign buyers and imports more expensive for domestic consumers, encouraging export growth.

Ex 3 1. **F** – Governments have been involved in trade for centuries.
2. **T** – Tariffs raise costs for consumers but help protect producers.
3. **F** – Protectionism often limits variety and raises prices.
4. **T** – Exporting helps reduce unit costs due to increased production.
5. **T** – The world has never had a fully free trading system.

Ex 4

A. Tariff 2
B. Free Trade 3
C. Balance of Payments 4
D. Protectionism 1

E. Ad valorem tariff 5
Ex 5: 1. national security
quota
export subsidies
licenses
currency devaluation

LESSON 14 INTERNATIONAL BODIES AND AGREEMENTS

Ex 2 1. Differences in language, culture, business practices, distance, currency conversions, and perceived unfair competition.
To keep workers employed, avoid social unrest, and maintain competitiveness through pricing advantages.
By buying or selling in currency markets to keep their currency value low relative to others.
To prevent sudden price drops that could drive farmers out of business and disrupt future markets.
To encourage economic growth and raise living standards in less developed countries.
To promote economic and social welfare in member countries and support developing nations through cooperative efforts.
The EU is an international organization that governs common policies in economics, social affairs, and security, allowing free movement of goods, services, capital, and people.
The euro is the EU's single currency, adopted by many member countries to replace their national currencies and unify trade and finance.
To support economic and social development in specific regions.
To monitor international trade, resolve disputes, and enforce trade agreements, including those under the former GATT framework.
Ex 3 1. b, 2.d, 3.a, 4. e, 5. C,
Ex 4 1. occurs **2.** entering **3.** increase **4.** raw **5.** competition **6.** shielded **7.** domestic **8.** price
Ex 6 Tips
1. Discuss the pros and cons of government subsidies, currency interventions, and price controls in international trade. Is this fair to global competitors?
2. Examine whether institutions such as the WTO, EU, and OECD support balanced global development or mainly benefit wealthy and industrialized nations.
3. Consider the role of regional development banks in today's global financial system. Are they still effective in reducing inequality and supporting growth?

LESSON 15 THE VALUE OF MBA IN INTERNATIONAL BUSINESS

Ex 2:
1. International business is the exchange of goods, services, technology, capital, and/or knowledge across national borders.
2. exporting/importing; licensing and franchising; foreign direct investment
3. It provides access to a wider variety of goods and services, often at lower prices and with better quality due to competition and specialization.
4. Examples include international finance, global marketing, international trade law, supply chain management, and cross-cultural management.
5. A consultant gives expert advice on international projects, helps companies navigate foreign markets, and supports negotiations.
6. It manages currency exchange risks, funding for cross-border transactions, and investment strategies essential for smooth international operations.
7. multinational corporations; consulting films; financial institutions/banks

Ex 3:
1. F
2. F
3. T
4. F

5. T

Ex 4:

1. – b
2. – d
3. – c
4. – a
5. – e

Ex 5:

1. trade
2. globalization; technology
3. profits
4. international
5. trade; finance
6. supply chain
7. marketing
8. governments
9. banks
10. entrepreneurs
11. analysts
12. consumers
13. MBA
14. projects