

Eastern University, Sri Lanka
Faculty of Commerce and Management
Postgraduate Studies Unit
First Year Second Semester Examination in MBA 2018/19 (June- July 2020)
(Proper /Repeat)

MBA 1123 International Trade and Finance

Answer the all questions

Time: 3 hours

1. It has long been thought that health care is one of the industries least vulnerable to dislocation from globalization. After all, like many service businesses, health care is normally delivered where it is purchased. However, for some activities and procedures, this is now fast-changing. The trend began with certain diagnostic procedures, such as MRI scans. The United States has a shortage of radiologists, the doctors who specialize in reading and interpreting diagnostic medical images, including X-rays, CT scans, MRI scans, and ultrasounds. Demand for radiologists has been growing twice as fast as the rate at which medical schools are graduating radiologists with the skills and qualifications required to read medical images. This imbalance between supply and demand means that radiologists are expensive; an American radiologist can earn as much as \$400,000 a year. In the early 2000s, an Indian radiologist working at the Massachusetts General Hospital, Dr Sanjay Saini, found a way to deal with the shortage and expense-send images over the Internet to India, where they could be interpreted by radiologists. This would reduce the workload on America's radiologists and also cut costs. A radiologist in India might earn one-tenth of his or her U.S. counterpart. Plus, because India is on the opposite side of the globe, the images could be interpreted while it was nighttime in the United States and be ready for the attending physician when he or she arrived for work the following morning.

The globalization trend has now spilt over into surgery. In the fall of 2008, for example, Adrienne de Forrest of Colorado had hip surgery in Chennai, India, while Texan David Jones had triple bypass surgery in New Delhi. Both patients were uninsured. De Forrest's surgery cost \$8,000, and Jones's cost \$16,000 including travel expenses. Had those operations been done in the United States, they would have cost \$45,000 and \$250,000, respectively. Forrest and Jones are not alone; in 2007 some 750,000 Americans travelled abroad for medical treatment. The consulting company Deloitte is forecasting the numbers to reach 10 million by 2012, which would be worth about \$21 billion to those nations where the procedures are performed. Some might be worried about the quality of medical care in other countries, but medical tourists typically go to new hospitals, most of which are private, where highly skilled physicians treat them, many of whom trained in the United States or Britain. The three largest recipient countries of American patients are Mexico (due to its proximity), India (where 450,000 were treated in 2007), and Singapore (where more than 400,000 were treated in 2007, and where the local medical schools are considered to be among the very best in the world). Costs in these countries generally run from 20 to 35 per cent of those in the United States.

Many factors are driving the globalization trend. First, there is the high cost of medical care in the United States, which is the source of the largest number of patients. Then there is the fact that over 45 million Americans are uninsured and many more are "underinsured" and face high copayments for expensive procedures (although recent legislation in the United States should change this over the next five years). Many of these people find it far cheaper to fly abroad to get treatment. The third is the emergence of high-quality private hospital chains in places such as India and Singapore. Fourth, the rising costs of insuring their workforces are starting to persuade some large American companies to look abroad. And finally, some insurance companies are experimenting with payment for foreign treatment at internationally accredited hospitals. In 2006, for example, Aetna, a large insurer, launched a pilot scheme in partnership with Singapore hospitals. Aetna started to give Americans the option to have procedures costing \$20,000 or more in the United States performed in Singapore, where the company reckons that the quality of care is better than at the average American hospital.

(Source: Charles W. L. Hill, International Business)

Questions

- I. What are the facilitating developments that have allowed health care to start globalizing?
- II. Who benefits from the globalization of health care? Who are the losers?
- III. Are there any risks associated with the globalization of health care? Can these risks be mitigated? How?
- IV. Do you think that the globalization of health care is a good thing, or not?

(Total 20 Marks)

2. i. Distinguish between international trade and international business. (05 Marks)
- ii. What are the features of international business? (05 Marks)
- iii. Distinguish between globalization of production and globalization of the market. (05 Marks)
- iv. What are the forms of international business? Briefly explain with examples (05 Marks)

(Total 20 Marks)

3. i. Consider a production possibility schedules given below for USA and UK

U.S.		U.K.	
Wheat	Cloth	Wheat	Cloth
180	0	60	0
150	20	50	20
120	40	40	40
90	60	30	60
60	80	20	80
30	100	10	100
0	120	0	120

Draw a graph and show the mutually beneficial trade between USA and UK

(05 Marks)

- ii. Distinguish between import demand curve and export supply curve

(05 Marks)

- iii. Suppose that you are an employee of a U.S firm that produces personal computers in Thailand and then exports them to the United States and other countries for sale. The personal computers were originally produced in Thailand to take advantage of relatively low labour costs and a skilled workforce. Other possible locations considered at the time were Malaysia and Hong Kong. The U.S. government decides to impose 100 per cent ad valorem tariffs on imports of computers from Thailand to punish the country for administrative trade barriers that restrict U.S. exports to Thailand.

How should your firm respond?

What does this tell you about the use of targeted trade barriers?

(10 Marks)

(Total 20 Marks)

4. i. What actions can managers take to compete more effectively in a global economy?

(04 Marks)

- ii. How can a manager of an international business firm increase the profitability of a firm?

(04 Marks)

- iii. What are the four strategies in international business? Explain.

(08 Marks)

- iv. How do the pressures for cost reductions and local responsiveness influence a firm's choice of strategy?

(04Marks)

(Total 20 Marks)

5. Distinguish between the followings

- i Comparative advantage and Competitive advantage
- ii Factor abundance and factor intensity.
- iii. Free trade area and custom union
- iv Profitability and profit growth

(Total 20 Mark