

1. I had just finished talking about the IMF, WTO, OECD etc. in class Wed night Feb 13<sup>th</sup> and the very next day (Feb 14<sup>th</sup>) on the front page of the business section of the Toronto Star I saw a short article talking about **the IMF and Canadian banks**. The large bold type in the main heading

A. was critical "IMF gives low grades to market regulator"

B. was complimentary – saying the IMF lauds Canada's stock market regulators

C. was critical saying "IMF accuses Canadian Central Bank of gross incompetence"

D. was complimentary – saying the IMF appreciates Canada's handling of the currency fluctuations

In its financial review, the IMF also renewed calls for Canada to move to a single securities regulator to replace the current system of 13 provincial and territorial agencies.

2. Basically, in figuring out question # 2 you have to know something about the basics of our international trade balance. The **"Economic Environment"**. Reported in several newspapers Feb 15<sup>th</sup>, including big bold type in the Toronto Star and Globe & Mail "Canada's Trade.....".

A. deficit grows due to continued high dollar"

B. surplus falls to nine year low"

C. surplus flatlines"

D. deficit decreases"

Toronto Star said "Canada's Trade surplus falls to nine year low", Globe & Mail said in large type on the front page of the business section "U.S. sinks deeper, taking Canada with it.... Taking the surplus to its lowest level in eight years". The point is, even though our dollar is high, and has stayed high, we still export more than we import – which is very very good for Canadians in international business.

3. "China passes Canada as U.S. import source" was the bold face headline in the Toronto Star Saturday Feb 16<sup>th</sup>, which caused many people to reflect on the amount of Canada's future business with the U.S. At the same time that China is increasing (at a fast rate) its export to the United States, Canadian exports to the U.S.

A. have declined slightly

B. have stayed the same

C. have continued to increase slightly

U.S. Imports from China rose 12% but imports from Canada rose 3% even with the higher Cdn dollar

4. Several times I noted that C44 students should read David Crane's articles in the Toronto Star, I even showed you how to do it simply online (twice). In the 2nd week of February, Crane wrote "With a federally appointed task force of eminent Canadians, chaired by Red Wilson, examining how Canada should deal with foreign takeovers, this would be a good time to look at Investment Canada, our own foreign takeover screening agency". Of Investment Canada, Crane said it is

A. wimpy

B. a solid barrier to unfair competition

C. a cornerstone of our FDI investment reviews

D. I never really paid attention in class when Richardson mentioned Crane so I have no idea who this journalist is ;-(

Crane's article said in Big Bold Headlines "Wimpy' Investment Canada needs new mandate

This is an important story because you should know that Investment Canada has never vetoed a foreign takeover. – so the question is, why does it exist?

5. Classical economic theory (and you get a lot of economic theory at UTSC) is that rising prices cause inflation. On the same day (Feb 20<sup>th</sup>) that the newspapers reported that crude oil broke through \$100 USD a barrel, what was said about inflation in Canada in the media

A. in recent months the inflation rate is increasing slightly

B. in recent months the inflation rate is increasing rapidly

C. in recent months the inflation rate is flat

D. in recent months the inflation rate is low

In the Toronto Star Feb 20<sup>th</sup> it said in bold headlines on page 3 in the business section "Inflation rate at 5 month low" – which IMHO, puts a kink in your economic theory !

6. "Grain prices hurt two ways" was the large bold type in a Toronto Star article Feb 22<sup>nd</sup> about the costs effecting food producer Maple Leaf. One "way" is higher corn prices boost the cost of feeding hogs (pork) and chickens – which in turn contributes to the increased costs of producing that meat. The second "way" is

(if you don't know the story, guess by picking the best answer)

- A. gasoline prices boost farm costs
- B. the low U.S. dollar
- C. wheat prices boost bakery expenses
- D. canola prices increase vegetable oil costs
- E. All of the above

The "story" about higher wheat prices was talked about in several newspapers, radio and TV news spots in the 3<sup>rd</sup> week in February and some said it was about time the farmers were starting to make a bit of money. Higher wheat prices also helped our exports to the U.S., China and elsewhere and are a part of Canada's "commodities boom"

7. As C44 students will know, the auto assembly industry and auto parts production is one of the biggest drivers of international business in the world, and Ontario is the leading jurisdiction for auto assembly in North America (having moved ahead of Detroit several years ago). In the newspapers Feb 23<sup>rd</sup> (Saturday) a lengthy discussion was made of low speed electric autos. This ongoing story engages several things, including non-tariff barriers, Ontario's capabilities, cheap imports from India and China etc. As for low speed electric autos, (also known as LSVs) Canada is said to be

- A. putting up roadblocks, restricting them to military bases and university campuses
- B. ahead of the U.S. in adopting legislation allowing them
- C. following the European example – 200,000 LSVs driving in Europe
- D. all of the above

Front page of the Toronto Star Feb 23<sup>rd</sup> read "Canada putting up roadblocks to low-speed electric autos" which sets the stage for Canada eventually falling behind in the future when everybody finally gets on board for using this type of transportation to reduce global warming.

8. It is presumed that many students will have read the newspaper the day of the mid-term even if they hadn't been reading it regularly. One of the interesting FDI stories has to do with the circumstances surrounding BCE (Bell Canada Enterprises). The CRTC is the federal agency which is ruling on whether the takeover can go ahead. In early February the CRTC said it was giving the buyers until mid-March to

- A. pay the required fees in Canadian dollars, not U.S. dollars
- B. guarantee the unionized workforce would not be cut
- C. provide proof the company will continue to be controlled by Canadians
- D. establish a human rights committee
- E. all of the above

The possible buyer is the Ontario Teachers Pension Fund, which had to prove to the CRTC that they had enough "Canadians" to sit on the board of directors. "Teachers" is making the deal in conjunction with a JV with a U.S. private equity firm. There was some concern that the Americans may end up in control of BCE.

9. NAFTA. North American Free Trade Agreement. In the U.S. presidential race (during the 4<sup>th</sup> week in February and 1<sup>st</sup> week in March) Clinton and Obama both said

- A. that NAFTA was not as important as trade with China and India
- B. they would re-open NAFTA and possibly renegotiate some aspects
- C. NAFTA was irrelevant – their focus was on South America
- D. NAFTA was going great and proof of their ability to conduct trade advantageously

Both Clinton & Obama have tried to solicit blue collar voters by threatening to scrap NAFTA since it is blamed for the loss of many manufacturing jobs to Mexico

10. PDAC is the Prospectors' and Developers' Association of Canada and is one of the premier mining associations in the country. They have their AGM (annual general meeting) in Toronto first week in March – which this year coincided nicely with gold trading at a record high \$ 975 ounce. Discussed in several newspapers (March 3<sup>rd</sup> and 4<sup>th</sup>) one of the things that came out of the conference is the circumstance of mining costs. The increased rise in the market price of gold per ounce

- A. is matched by a rise in extraction and processing costs
- B. has seen extraction and processing costs stay "flat"
- C. has also seen a decline in the extraction and processing costs
- D. all of the above

"Miner's costs match metals price rise" was the 1<sup>st</sup> high headline in the Toronto Star business section March 3<sup>rd</sup> – which means although Canadian mining companies are making more money selling gold, it also costs more to produce so profits are not as great as some believe.

11. In the beginning of the course Prof. Richardson explained the role of the banks in the Canadian economy and noted that Canada is one of the rare OECD countries in which the banks seem to have more profits than the companies that "make stuff", services and manufacturing. In the first week of March, Royal Bank's quarterly profits were splashed all over the headlines in the major newspapers. As an indicator of an important sector of the economy it would be important for an int'l business student to know if the major bank in the country "sucks", or is doing OK. Royal Bank's profits in Q1 have

A. declined – they slid 17%

B. stayed the same as the previous quarter

C. rose slightly

D. rose a lot – 25%

RBC Q1 slid 17% after \$1.25 billion in debt writedowns and higher losses from U.S. operations + the high dollar took out some profits

12. (discussed in the Toronto Star and National Post March 7<sup>th</sup>) End of the first week in March 2008, Waterloo's R.I.M. and U.S. based Apple each announced they are

A. developing a joint venture in Latin America

B. developing a joint venture in Europe

C. going "head-to-head" to compete in the smartphone business

D. developing a mobile e-commerce payment system jointly

E. all of the above

R.I.M. has been listed as one of the important Canadian I.T. success stories for several years now and this company may be entering into a very difficult phase if it picks a fight with heavyweight Apple in the smartphone market.

13. As reported in the Globe & Mail March 20<sup>th</sup>, "the number of mining deals around the world rose 69% in 2007" with much of that activity happening in

A. China

B. southern Russian

C. Uzbekistan

D. Canada

E. Brazil

"Canada leads mine deals" was the headline of this story in the Globe March 20<sup>th</sup>. Early in the course, and a couple of times in March, Prof. Richardson talked about the importance of the mining industry as one of the key sectors in the resource base of the Canadian economy and Canada's FDI

14. Between March 19<sup>th</sup> and March 20<sup>th</sup> the loonie dropped about 2 cents (against the US dollar) which is an abrupt change not seen since 1954. What caused this

A. decline in the price of oil below \$100 per barrel

B. decline in the price of gold to back below \$1,000 per ounce

C. drop in US interest rates

D. the lower inflation rate

E. all of the above

All of these things happened within 36 hours which drove the CDN \$ down fast

15. As an indication of what should be the 3<sup>rd</sup> language you should be studying, the headlines on the front page of the business section of the March 20<sup>th</sup> Globe & Mail [Report on Business] said "Magna makes new push into cheaper markets". Magna said it plans to open 16 new manufacturing facilities over the next three years in 3 places, 1. Eastern Europe, 2. Asia, and 3.... (the specific country of)

A. Mexico

B. Brazil

C. Italy

D. Vietnam

E. Russia

This would be a good reason to learn Spanish ! This business will “carry along” Canadian FDI, as a result of following your customer, in accounting services, banking services, IT services, marketing etc.

16. The Political / Regulatory / Legal Environment: Front page of the Business Section: Toronto Star, Saturday March 22<sup>nd</sup>. On the subject of the CRTC and “can we police content on the internet” – who was quoted saying “You know, Canadians want to have rules and regulations about things”

A. Konrad von Finckenstein, Chair of the CRTC

B. Prof. Tim Richardson

C. Prime Minister Harper

D. Dr. Tarek Kamel, Minister of Communications and Information Technology

The Internet and web based content is very much a topic of international business and the issue is challenging given the problems with jurisdictional and political borders circumvented by technology.

17. Who called for the “United States of Great Lakes” – noted on the front page of the National Post March 24<sup>th</sup>.

A. Prime Minister Harper

B. President Bush

C. the Brookings Institution, a U.S. based think tank

D. the McKenzie Institute, a Canadian based think tank

E. the Canadian Chamber of Commerce

A report from a prestigious U.S. think-tank released Sunday [March 23<sup>rd</sup>] argues that Canada and the U.S. should work together with the aim of creating a common market for commerce and labour by 2030 for the states and provinces in the Great Lakes basin. “If it stood alone as a country,” says the report, “it would be the second biggest economic unit on Earth, second only to the U.S. economy as a whole and larger than Japan, the rising powers of China and India, and the traditional heavyweights of Germany and the U.K.”

18. the Globe & Mail said March 20<sup>th</sup> “With the price of copper, its main export, at record levels, Chile is experiencing a mining boom, both in terms of revenues and investment projects.” In the longer term

A. this expansion will increase more than 100%

B. this expansion will ebb to flatten out

C. it may prove harder to maintain this expansion

Big headlines in the Globe said “Doubts mount over sustainability of Chile's mining expansion” – why, because the big demand from China is enormous. And in case you don't know, virtually every motor, big and small is made with magnets and copper wiring, which means China needs to import a lot of copper.

19. Gas stations in the southern part of this country are reporting fuel shortages, which are now spreading to the wealthier areas in the north as gas stations struggle to get shipments from suppliers – which has some experts questioning the future ability of this new economic power being able to continue shipping cheap manufactured goods to North America. We are talking about ...

A. China

B. India

C. South Korea

D. Brazil

” Chinese fuel shortages spreading to big cities” was the title of an Associated Press article carried in the Toronto Star March 24<sup>th</sup>. China supplied its own energy needs for decades from domestic oilfields but became a net importer in the 1990s as its economy boomed. Imports, which now supply nearly half of demand, rose 12.3 per cent last year to 1.1 billion barrels. With crude oil prices over US\$100 a barrel, independent refiners have cut back or stopped production.

20. Political environment: It is reported that the U.S. has a law that 60% of money (tax dollars from the government) that is spent by the U.S. gov't on mass transit, has to be spent on U.S. companies. Mexico – 50% spent on construction has to be Mexican construction companies. In Ontario,

A. we have a similar law

B. we have no such law, and none is planned

C. a law is being proposed

MPP Gilles Bisson has a private member's bill he is trying to push through the provincial government call for 50% Canadian content in mass transit vehicles – it is controversial because he is saying government money is from

taxes and we should be using that to support our Canadian companies. Some people are saying if we can get cheaper buses or subway cars in other countries we should just buy them and save money. Bisson says we won't save money if thousands of Canadians lose their jobs in the transportation industries. This story was frequently discussed during several weeks in February and March on radio and in all the major newspapers.

21. Economic Environment: The looming U.S. recession effects on the Canadian economy: Stats Canada reported that consumer spending in Canada in the beginning of 2008 has

A. increased

B. decreased

C. stayed the same as in Dec 2007

This is a big story cause it shows that the Canadian economy appears to NOT be dragged down by the slowdown in the U.S. economy – at least in Q1 2008, This story was in the March 26<sup>th</sup> Toronto Star in the business section, page 4 in big headlines “Canadian Shoppers Fling their pocketbooks open in January”.

Globe & Mail reported the same story and titled their piece “Canadians go on Spending Bender: Canadians are the new Americans” (hmm, do you like the sound of that?)

22. Geographic Environment: When sensational things happen around the world, this is widely reported these days because people in business and government are looking for evidence that global warming is really happening, or not happening – because such trends result in government making new legislation which effects business domestically and internationally. As reported in the Globe & Mail and Toronto Star March 26<sup>th</sup>, the Wilkins Ice Shelf in Antarctica has

A. collapsed, a chunk the size of Montreal

B. surprisingly, re-frozen over

C. stayed the same – no effect recorded

The rest of the Wilkins ice shelf, measuring more than twice the size of Prince Edward Island, is holding on by a narrow beam of thin ice. Scientists said they are not worried about a rise in sea level from the latest event, but say it's a sign of worsening global warming. – ride your bicycle to UTSC in April !!

23. International Foreign Direct Investment. Ford, suffering from an intense competitive environment in the auto industry, has announced it will sell its Jaguar brand and Land Rover brand to a company from \_\_\_\_\_ for \$2.3 billion, which is less than half the price that Ford paid for these brands several years ago. Can you say “bad business management” – they obviously weren't UTSC grads!

A. China

B. India

C. Brazil

D. Canada (Magna)

E. Brazil

Ford bought Jaguar for \$2.5-billion in 1989 and Land Rover for \$2.7-billion in 2000. Many criticized Ford for buying Land Rover cause it “cannibalized” sales from its SUV line of Lincoln Navigators and high end Ford Explorers. Reported by Associated Press March 26<sup>th</sup> and in all the major newspapers and radio