Chapter 2 Review questions and answers

1. Which are the main functions of the WTO? Why does an International Human Resource Manager need some knowledge of the work of the WTO?

The World Trade Organization deals with the rules of trade between nations at a near-global level. It promotes the liberalization of trade and provides a place for governments to negotiate trade agreements and to settle trade disputes. It also operates a system of trade rules and has introduced intellectual property rules into multilateral trading (http://www.wto.org/).

The International HR Manager needs to have some knowledge of the work of the WTO because international employees need to work within the rules and regulations of the WTO.

2. Why is the United Nations important for business? In what ways do the United Nations and its agencies assist the development of human talent development?

The research conducted by agencies of the United Nations provides insights into key social issues, which international managers need to understand when they move their business operations to different countries. The United Nations, through its agencies, provides training and skills development programmes in areas such as human rights, poverty reduction, protection of the environment and disease eradication.

3. Explain the ways in which the ILO works to improve employment conditions around the world.

The ILO works to improve labour standards throughout the world by bringing representatives of governments, employers, and workers to work towards agreements leading to decent work for all. The ILO produces labour standards, which are listed on the ILO website, which include issues such as freedom of association, wages, employment security, working time, health and safety, maternity protection, and particular provision for specific groups of workers.
4. What are the main activities and functions of the EU for extending employment opportunities for its citizens?

The EU provides both support and a regulatory framework, within which member countries enter trade agreements and conduct their business. Trade agreements can protect the employment of EU citizens by promoting exports and imposing some restrictions on the import of goods. The EU has numerous agencies, some of which support technical innovation, and provide finance for business and educational grant programmes. The EU itself provides numerous employment opportunities.

5. Explain the respective roles of the World Bank and IMF, and the current criticisms of their practices.

The World Bank Group provides financial and technical assistance to developing countries. Its work is complemented by the IMF, which focuses chiefly on macroeconomic and financial sector issues, and which seeks to achieve certain aims, including global monetary cooperation, financial stability, facilitating international trade, creating sustainable economic growth and promoting high employment, and a reduction in poverty. The World Bank is sometimes criticized for the projects it finances, its links to political interests, the harmful environmental consequences of its large-scale projects, the high interest rates on its loans to poor countries, and for the loan conditions it sets. It has also been accused of being influenced by the US and of being responsible for creating long term debt.

6. Explain the importance and functions of regional trading blocs such as NAFTA, ASEAN, and MERCOSUR.

These provide both support and a regulatory framework, within which groups of countries enter trade agreements and conduct their business. These agreements tend to increase intra-regional trade and help the groups integrate with world trade.

7. What risks might deter a potential expatriate from taking up an international assignment?

The lack of personal security in some countries, fear of robbery, or kidnapping and terrorism are all factors which deter expatriates from taking up overseas positions in high risk countries. Multinationals need to have disaster planning and management, policies and processes, and to be prepared for emergency evacuation of personnel. In the context of high risk areas or the possibility of terrorist attack, anywhere in the world,
the International HR department has to take its responsibility seriously to ensure the health, safety, and welfare, of its international workforce.

8. **Explain why and how countries seek FDI, and the likely impact upon the work of International Human Resource Managers.**

Foreign Direct Investment results in interaction and cooperation with people in other countries through the creation of new overseas businesses or via mergers and alliances. Inward FDI also generates more business and employment opportunities for the home population. FDI often implies the setting up of companies or multinational subsidiaries which require the appointment of expatriate personnel. International HR managers need to be included in strategic planning for overseas activities. They need to be aware of cultural diversity and to prepare expatriates to adapt to different cultures and to manage employees in different cultural environments.

9. **People are migrating in large numbers, mainly as economic migrants. How does this affect the work of Human Resource Managers?**

The increase in economic migration means that Human Resource Managers need to pay more attention to **diversity management**. They face increased administrative work as they check the immigrant status of potential staff and whether they can legally work in the country; they have to apply for work permits, understand visa requirements and administer medical insurance, accommodation, and other welfare matters which are more complex for workers new to the country.

10. **What are the advantages and disadvantages of off-shoring for an MNE? In what ways might an International Human Resource Manager be involved in this process?**

The advantages of offshoring for an MNE are that they are often able to produce goods or services overseas more economically. It also enables the company to utilize labour with superior skills which is available abroad. It can also bring production closer to markets and facilitate entry to those markets. Companies which have offshore activities are often accused of ignoring the employment needs of people in their ‘home’ countries and of lacking loyalty to workers at home who are made redundant as a result of offshoring. The disadvantages of offshoring are that the new employees may need considerable training and more supervision than workers at home. Language difficulties can also arise, resulting in misunderstanding and lack of productivity.
The International HR manager will be involved as the MNEs may need to employ a number of expatriates to control technical issues, to undertake general management and to ensure the protection of intellectual property. This involves pre-departure training and providing welfare and support for the expatriate and his/her family when overseas.