

**FINAL  
ALTERNATIVE ASSESSMENT**  
Examination Paper

(COVER PAGE)

Session	:	<u>January 2022</u>
Programme	:	<u>Diploma In Business (DIB) Diploma In E-Commerce (DEC)</u>
Course	:	<u>MGT2104: International Business</u>
Date of Examination	:	<u>March 10, 2022 (Thursday)</u>
Time Start	:	<u>March 10, 2022 (Thursday) @ 12.00pm</u>
Time End	:	<u>March 11, 2022 (Friday) @ 12.00pm</u>
Duration	:	<u>24 Hours</u>
<b>Special Instructions</b>	:	
		<u>Answer ALL questions.</u>
Materials permitted	:	<u>Nil</u>
Materials provided	:	<u>Nil</u>
Examiner(s)	:	<u>Gilbert Raj Sundram &amp; Cheah Wan Theng</u>
Chief Moderator	:	<u>Nurhidayah Khalid</u>

*This paper consists of 6 printed pages, including the cover page*

DIPLOMA IN BUSINESS PROGRAMME (DIB)  
DIPLOMA IN E-COMMERCE PROGRAMME (DEC)  
MGT2104: INTERNATIONAL BUSINESS  
FINAL ALTERNATIVE ASSESSMENT: JANUARY 2022 SESSION

**Date of Assessment: 10<sup>th</sup> March 2022**

**Instructions:**

1. You have exactly **24 hours** to submit the assessment. The assessment starts now - **10<sup>th</sup> March, 2022 (Thursday), 12.00pm and ends on 11<sup>th</sup> March 2022 (Friday), 12.00pm.**
2. **Submission method: Online Submission via Blackboard.**
3. **Submission deadline:** Submit your answer into the designated submission folder in Blackboard with Safe Assign **by 11<sup>th</sup> March 2022 (Friday), 12.00pm.**
4. **Submission format:** Your answers **MUST BE SUBMITTED via attached document as PDF FORMAT** in the designated Blackboard submission folder.
  - (a) Your answers should be arranged in sequence (starting with Q1, Q2, etc.) and labelled properly.
  - (b) Your answer should adopt the format of an academic piece of report work. Write in fluent, formal English.
5. Additional requirement to the overall answer presentation
  - (a) Student ID Number on each page (Header).
  - (b) Page number on each page (Footer)
  - (c) Font type: Arial
  - (d) Font size: 12
  - (e) Line spacing: 1.5
6. **Safe Assign:**
  - (a) You are required and given **ONE (1)** attempt to submit your work to Safe Assign via Blackboard. The similarity should not exceed 25%.
  - (b) Should the similarity exceeded 25%, penalty will be imposed as per below measurement:
    - 0%-25% -- no penalty
    - 26%-50% --30% deduction from total grading
    - 51%-80% -- 50% deduction from total grading

- 80% and more - 0 mark awarded and student will receive a fail grade for the paper.
7. **ABSOLUTELY NO EXTENSION.** Late submission will be severely penalized.
  8. The exam must be taken completely alone. Showing it or discussing it with anybody is forbidden, including (but not limited to) the other students in the course in the current or previous years. It is also forbidden to use any solutions to similar problems from previous years as reference material.
  9. You may **NOT** consult any external resources. This means **NO** Internet searches, materials from other classes or books or any notes you have taken in other classes etc. You may **NOT** use Google or other search engines for any reasons. You may **NOT** use any shared Google document.
  10. Any source taken from books, notes etc. **HAS TO BE CITED** with referencing, **DO NOT COPY AND PASTE** but write in your own understanding and paraphrase.
  11. Paraphrasing tools are **NOT ALLOWED**, any answers detected using **PARAPHRASING TOOL will be automatically awarded 0 marks.**
  12. **REMINDER:** Only **Microsoft Word Document File Format is ACCEPTED.** Any other format submitted will **NOT** be marked.
  13. Marking is based on **QUALITY** of your answers, the more **UNIQUE/CREATIVE/ORIGINAL** your answer is, the **BETTER YOU SCORE.**
  14. **NO** request of help or a second chance will be entertained. If plagiarism rate is **MORE THAN 25%**, automatically marks **WILL BE DEDUCTED.**

## **Government Intervention at Airbus and Boeing**

Historically, United States companies such as Boeing ([www.boeing.com](http://www.boeing.com)) and McDonnell Douglas were the dominant players in the global aircraft industry. Founded in 1916 in Seattle, Boeing had many years to develop the critical mass necessary to become the world's leading aerospace manufacturer. During World War II and the subsequent Cold War years, Boeing received many lucrative contracts from the U.S. Department of Defense.

No single country in Europe possessed the means to launch an aerospace company capable of challenging Boeing. Manufacturing commercial aircraft is complex and capital-intensive and requires a highly skilled workforce. In the 1970s, the governments of France, Germany, Spain, and the United Kingdom formed an alliance, supported with massive government subsidies, to create Airbus S.A.S. ([www.airbus.com](http://www.airbus.com)). By 1981, the four-country alliance succeeded in becoming the world's number-two civil aircraft manufacturer. Airbus launched the A300, among the best-selling commercial aircraft of all time. The Airbus A320 received more than 400 orders before its first flight, becoming the fastest-selling large passenger jet in aviation history. By 1992, Airbus captured roughly one-third of the global commercial aircraft market. Airbus surpassed Boeing in orders for new aircraft in most of the 15 years

### **Government Support for Airbus**

Since the 1940s, European governments have pursued public policies based on democratic socialism. Under this system, Europeans became accustomed to government playing a significant role in guiding economic affairs.

Airbus has benefitted enormously from government support. The firm has received tens of billions of euros of subsidies and soft loans from the four founding country governments and the European Union (EU). Airbus must repay the loans only if it achieves profitability. Government aid has financed, in whole or part, every major Airbus aircraft model. European governments have forgiven Airbus's debt, financed R&D for civil aircraft projects, and provided infrastructure and huge equity infusions.

Airbus is currently a stock-held company jointly owned by the British, Germans, French, and Spanish. It is based in Toulouse, France, but has R&D and production operations scattered throughout Europe. European governments justify their financial aid to Airbus on several grounds. First, Airbus R&D activities result in the development of valuable new technologies. Second, Airbus provides jobs to some 55,000 skilled and semiskilled Europeans. Third, its value-chain activities attract massive amounts of capital into Europe. Finally, Airbus generates enormous tax revenues.

### **Complaints about Unfair Government Intervention**

Boeing and the U.S. government have long complained about the massive subsidies and soft loans that were responsible not only for Airbus's birth, but also for its ongoing success. The outcry became louder in the 2000s, when Airbus surpassed Boeing in annual sales, becoming the world's leading commercial aircraft manufacturer. Boeing has argued that Airbus never would have gotten this far without government support.

The U.S. government has brought several complaints to the World Trade Organization (WTO). Among these are charges that EU member states have approved billions of dollars in subsidies and soft loans to Airbus. The U.S. alleged that financial aid for the A350, A380, and earlier Airbus aircraft qualified as subsidies under the WTO's Agreement on Subsidies and Countervailing Measures (ASCM) and that the subsidies constitute unfair international trade. Under the ASCM, subsidies to specific firms or industries from a government or other public bodies are prohibited. Airbus had applied to the governments of France, Germany, Spain, and the United Kingdom for aid to launch its model A350.

In 2012, the WTO ruled that EU aid to Airbus had caused Boeing to lose market share in Asia and other markets. EU officials argued that government subsidies to Airbus were permissible and that it was up to individual EU countries to decide whether to provide them. However, the WTO also ruled that Boeing received more than \$5 billion in U.S. government subsidies in the development of the 787 Dreamliner.

### **Government Support for Boeing**

The EU argues the United States government has indirectly subsidized Boeing through massive defense contracts paid by tax dollars. The U.S. government gave Boeing more than \$23 billion in indirect government subsidies by means of R&D funding and other indirect support from the Pentagon and NASA, the nation's space agency. Boeing is at liberty to use the knowledge acquired from such projects to produce civilian aircraft. The state of Washington, Boeing's primary manufacturing and assembly location, has provided the firm with tax breaks, infrastructure support, and other incentives totaling billions of dollars.

The EU also has a case at the WTO regarding Boeing's relations with Japanese business partners. Boeing entered an alliance with Japan's Mitsubishi, Kawasaki, and Fuji to build the 787 Dreamliner. The Japanese firms provided billions in soft loans, repayable only if the aircraft is commercially successful.

### **Recent Aircraft from Airbus and Boeing**

In 2011, Boeing successfully launched the 787 Dreamliner and is ahead of Airbus in launching innovative and fuel-efficient aircraft. About the same time, Airbus launched the A380, an innovative airplane with an upper deck extending the entire length of the fuselage and a cabin that provides 50 percent more floor space than Boeing's largest aircraft. The A380 can seat between 555 and 853 passengers, depending on the seating configuration. It has a maximum range of 15,000 kilometers (8,000 nautical miles). The total cost to develop and launch the A380 reached 15 billion euros (U.S. \$21 billion), partly supported by funding from European governments.

The government of China is developing its capacity to produce jumbo jets, part of its quest to challenge Boeing and Airbus in the global aircraft industry. China Commercial Aircraft Company was established in Shanghai amid forecasts that China's domestic market for commercial aircraft will increase fivefold by 2026.

**Instructions:** This assignment consists of **FOUR (4)** essay questions. Answer **ALL** questions.

**Question 1**

- (a) Governments are seen to be one of the main players in capital markets. Share some of your opinion whether EU subsidies and soft loans to Airbus are fair or not. (9 marks)
- (b) Explain **TWO (2)** advantages that are gained by Airbus from free financial support from the EU governments. (16 marks)

**Question 2**

Discuss **FIVE (5)** political arguments for government intervention in Airbus. (25 marks)

**Question 3**

- (a) Discuss **FOUR (4)** factors on how political economy can influence economic progress. (16 marks)
- (b) Explain **TWO (2)** factors on how geography and education can influence economic development. (9 marks)

**Question 4**

- (a) In your opinion, If the WTO rules against Airbus and tells it to stop accepting subsidies and soft loans, how should Airbus management respond. (13 marks)
- (b) Briefly explain **THREE (3)** roles of WTO as a global institution. (12 marks)

**~THE END~**