

In manufacturing microprocessors and ASICs, a firm's ability to rapidly design and develop new products is more important than using low-cost production processes. U.S. firms, such as Intel, have proven to be much better at designing and rapidly bringing to market advanced microprocessors and ASICs than have competing firms in Japan, South Korea, and elsewhere.

## Key Terms

Foreign direct investment,  
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Foreign portfolio investment,  
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Multinational enterprise,  
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### Multinational Firms, pages 272-277

LEARNING OBJECTIVE: Understand why firms operate in more than one country.



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## Review Questions

- 8A.1 When did large U.S. corporations first begin to operate internationally? What key technological changes made it easier for U.S. corporations to operate overseas?
- 8A.2 What is the difference between foreign direct investment and foreign portfolio investment? Is the Camry assembly plant that Toyota operates in Kentucky an example of foreign direct investment or foreign portfolio investment?
- 8A.3 What are the five main reasons firms expand their operations overseas? Which of these reasons explains why U.S.-based oil companies have extensive overseas operations?
- 8A.4 What are the main reasons U.S. firms succeed overseas?

## Problems and Applications

- 8A.5 Suppose it is 1850, and you are operating a large factory, manufacturing cotton cloth. You are considering expanding your operations overseas. What technical problems are you likely to encounter in coordinating your overseas and domestic operations?
- 8A.6 The Ford Motor Company and the International Harvester Company were two of the first U.S. firms to establish extensive manufacturing operations overseas. Why might a producer of automobiles and a producer of farm machinery find it particularly advantageous to manufacture their products in countries in which they have substantial sales?

- 8A.7 Why might many U.S. firms that were expanding their operations overseas after World War II have been more likely to acquire an existing firm in the market they were entering rather than build new facilities there?
- 8A.8 Would a firm based in the United States ever produce a good in another country if it cost less to produce it in the United States and ship it to the other country? Explain.
- 8A.9 Is expanding a firm's operations internationally really any different from expanding within a nation? For example, if a firm is based in Texas, what's the difference between its expanding operations to Mexico, Canada, Singapore, or Germany rather than to North Carolina or Pennsylvania?
- 8A.10 Is expanding a firm's operations internationally really any different than expanding into a new product market? For example, is Whirlpool's expanding into Europe different than Whirlpool's expanding by making a new line of appliances, such as humidifiers?
- 8A.11 If you ran a successful U.S. firm like Wal-Mart, IBM, or Hershey's, into which countries would you first expand? Why?
- 8A.12 (Related to the *Making the Connection* on page 275) Suppose that the U.S. government wants to help textile workers who have lost their jobs as U.S. clothing manufacturers have moved to Central America and Asia. To do this, the government imposes a tariff on imported textiles. What would be the effects of this policy on employment in the U.S. textile industry? Would the policy increase total employment in the United States? What would happen to employment in U.S. industries other than the textile industry?

» End Appendix Learning Objective