

Good example of globalization essay

[Business](#), [Company](#)



Answer 1

One of the main reasons that some US firms may become multinationals is that they may enjoy increased global presence and hence high power. The other reason is that they may increase their profits by entering into markets that are not as competitive as the US market. Thirdly these firms may enjoy a less regulated operational environment in other countries. As for why the firms may become multinational, any of the reasons will fit. There is no reason that is irrelevant since all of them are important for US firms. Answer

2

Such a domestic firm is protected from foreign exchange risk since all its production and sales are conducted with the local currency.

Answer 3

The relevant risks for such an individual who has diversified his portfolio on a global basis include; foreign exchange risk, expanded opportunity set and the political risk. The foreign exchange risk exists to this individual because of foreign currency dealings. The expanded opportunity set arises due to the different opportunities in the foreign country. Finally, such an investor faces the political risk due to their effect on his/her investments. If I were to diversify globally, I would be concerned by the foreign exchange risk. This is due to the fluctuations of my local currency against the international one. However, I would be concerned with the political risk if the country is unstable. This is due to the chances of poor economic performance. Answer

4

The difference arises in terms of control by the fiscal agent. For the US

Dollar, control is necessary due to its high international influence on trade. For the Euro, fiscal control is minimal since its limited to Europe. I deem these benefits to be beneficial to the Euro since it gains a competitive value in the market. However, it is detrimental to the Euro due to high fluctuations.