GEB 3373 Homework 3

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1. Describe the four different types of legal systems with which international businesses must deal.
    - **Common law** is used in the UK and its former colonies. It's "based on the cumulative wisdom of judges' decisions on individual cases through history."
    - **Civil Law** "is based on a codification, or detailed listing, of what is and is not permissible." This is done by a judge instead of a lawyer like in common law.
    - **Religious Law** is law based on the laws of a specific religion. Countries with this property are a *theocracy*.
    - **Bereaucratic Law** "whatever the country's bureaucrats say it is, regardless of the formal law of the land."
2. What is extraterritoriality?
    - **Extraterritoriality** is when you (or something) is exempt from local laws such as foreign diplomats or embassies. In places where embassies are common, diplomatic license plates are generally seen as a bad sign because the people driving them aren't subject to the laws of the host country and can, in some cases, flaunt their immunity by driving aggressively, parking illegally, or various other methods of terrorizing the road.
3. How can an MNC affect its host country?
    - Any corporation affects the local economy. A multi-national corporation can be a boon for the country in which it is based by creating jobs, paying taxes, and investing in the community. However, a MNC doesn't *have* to do these things in the host country. For example, Walmart pays very little in taxes, manufactures many goods overseas, and underpays employees.
4. How do expropriation and confiscation differ?
    - **Expropriation**: "the action by the state or an authority of taking property from its owner for public use or benefit." -- Oxford Languages
    - **Confiscation**: Like expropriation, but the host government does not compensate the entity being taken from.
5. Why do countries impose restrictions on foreign ownership of domestic firms?
    - Foreign ownership of domestic firms puts a lot of power over the local economy into the hands of a foreign nation which is bad for security.
6. How do restrictions on repatriation of profits affect MNCs?
    - It has a negative effect on the home country of the MNC because they are not able to bring that money back home and invest it there. It benefits the host country of the MNC for the same reason, because the MNC can't export the money and has to spend it in the local economy.

7. Why do firms engage in technology transfer?
    - Technology transfer can have positive effects because it allows companies to specialise and share their knowledge and work with each other to further their research and produce higher quality products.
8. What is political risk?
    - Political risk is any risk involved in the changing politics in a country in which a MNC operates.
9. What forms can political risk take?
    - **Ownership Risk** is when property is threatened with *expropriation* or *confiscation*.
    - **Operating Risk** is the risk to the continuation of doing business for a company. This could be a risk to its employees, local laws, environment, or something else.
    - **Transfer Risk** is when the government limits the import and export abilities of a company.
10. What is OPIC's role in promoting international business activity?
    - The **Overseas Private Investment Corporation** allows MNCs to reduce the risk of conducting foreign interactions.