

**MNB3701 Assignment 2 – Semester 1, 2025**

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## Introduction

This assignment explores two international business case studies. The first focuses on China's state-led development of its solar industry, and the second looks at Walmart's foreign direct investment (FDI) into Japan. Both cases highlight how political systems, institutional structures, and business strategies influence international expansion and competitiveness.

## Question 1: Government Intervention in China

### 1.1 Political System in China

China operates under a centralized political system governed by the Communist Party. This system allows the state to play a major role in economic planning and resource distribution through five-year plans.

- The government sees the economy as a mechanism to maintain political power and national stability.
- Key sectors such as banking, oil, telecommunications, and media are largely state-owned.
- China's strategic goals are formally laid out in centrally planned policies.

### 1.2 Influence of Political System on the Solar Industry

The government's authority allows it to quickly prioritize and fund sectors it deems essential, such as renewable energy.

- Development of domestic polysilicon production became a national priority.
- A key solar entrepreneur secured substantial government-backed funding to scale operations.
- China uses state-owned banks and sovereign funds to support industry expansion.

### 1.3 Modern Trade Theory and China's Solar Industry

Strategic Trade Theory suggests that targeted government intervention can help domestic firms secure a global advantage in key sectors.

- China prioritized energy technology, including solar.

- Businesses received favorable financing and rapid approval.
- State investment propelled local firms to global leadership.
- Government policy supports national champions in global markets.

## **Question 2: Walmart in Japan**

### **2.1 Cultural Preparation for Expatriate Managers**

Walmart's managers had to consider cultural elements in Japan that could affect operations.

- Learning the local language was necessary to manage effectively.
- Legacy practices in local firms posed challenges for efficiency improvements.
- The strong loyalty of workers to a single company reduced managerial availability in the job market.

### **2.2 Advantages Considered by Walmart Before FDI**

Walmart leveraged several internal strengths before expanding into Japan.

- Its global supply chain allowed cost-effective product sourcing.
- The company applied its low-price model to attract customers.
- Walmart's advanced technology enabled better inventory and operations management.

### **2.3 Effects of Japanese Institutions on FDI**

Japan's formal and informal institutions shaped the country's openness to foreign investment.

- Earlier laws made it difficult for foreign retailers to establish large stores.
- Cultural reluctance to foreign acquisitions limited FDI inflows.
- The norm of lifetime employment created a limited talent pool for new entrants.

## 2.4 Benefits of FDI to Japan

Foreign investment contributes to innovation, competition, and consumer welfare.

- Entry of Walmart encouraged price competition among local retailers.
- The company introduced efficient retail practices and management techniques.
- FDI increased productivity in sectors involving foreign affiliates.
- Products were customized to meet local consumer needs.
- Direct imports allowed Walmart to offer competitively priced goods.

## Conclusion

China's interventionist policies reflect a top-down approach that accelerates development in targeted sectors, consistent with strategic trade theory. In contrast, Walmart's experience in Japan illustrates the challenges and adjustments required when entering a culturally and institutionally different market, highlighting the need to align firm resources with the host environment.

## References

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