

UNIVERSITE PARIS 1 PANTHEON - SORBONNE
UFR 06 / SGEL
LICENCE DE GESTION ET ECONOMIE D'ENTREPRISE, Semestre 1

Partiel d'anglais appliqué à la gestion

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Durée : 2 heures

No documents allowed. Write your answers on the official answer sheets provided

PART I: Reading

A. *Read carefully the text below entitled Free Trade and Development and address the ensuing exercises.*

Free Trade and Development

Once upon a time, the leading car-maker of a developing country exported its first passenger cars to the U.S. Until then, the company had only made poor copies of cars made by richer countries. The car was just a cheap subcompact (« four wheels and an ashtray ») but it was a big moment for the country and its exporters felt proud.

Unfortunately, the car failed. Most people thought it looked lousy, and were reluctant to spend serious money on a family car that came from a place where only second-rate products were made. The car had to be withdrawn from the U.S. This disaster led to a major debate among the country's citizens. Many argued that the company should have stuck to its original business of making simple textile machinery. After all, the country's biggest export item was silk. If the company could not make decent cars after 25 years of trying, there was no future for it. The government had given the car-maker every chance. It had ensured high profits for it through high customs duties and other tough controls on foreign investment. Less than 10 years earlier, it had even given public money to save the company from insolvency. So, the critics argued, foreign cars should now be let in freely and foreign car-makers, who had been kicked out 20 years before, allowed back again. Others disagreed. They argued that no country had ever got anywhere without developing "serious industries" like car production. They just needed more time.

The year was 1958 and the country was Japan. The enterprise was Toyota and the car was *Toyopet*. Toyota started out as a manufacturer of textile machinery and moved into car production in 1933. The Japanese government kicked out General Motors and Ford in 1939, and bailed out Toyota with money from the central bank in 1949. Today, Japanese cars are considered as "natural" as Scottish salmon or French wine, but less than 50 years ago, most people, including many Japanese, thought the Japanese car industry simply should not exist.

Virtually all of today's rich countries used policy measures to protect and nurture their infant industries and their earnings. Tariffs were not the only tool of trade policy used by rich countries. When deemed necessary for the protection of infant industries, they banned imports or imposed import quotas. They also gave export subsidies – sometimes to all exports (Japan and Korea) but often to specific products. In the 18th century, Britain for example gave export subsidies to gunpowder, sailcloth, refined sugar and silk.

The wealthy nations of today may support the privatisation of state-owned enterprises in developing countries, but many of them built their industries through state ownership. At the beginning of their industrialisation, Germany and Japan set up state-owned enterprises in key industries – textiles, steel and shipbuilding. In France, the reader may be surprised to learn that many household names – like Renault (cars), Alcatel (Telecoms equipment), Thomson (electronics) and Elf Aquitaine have been state-owned enterprises.

Despite this history of protection, subsidy and state ownership, the rich countries have been recommending to, or even forcing upon, developing nations policies that go directly against their own historical experience. For the past 25 years, rich countries have imposed trade liberalisation on many developing countries through IMF and World Bank loan conditions, as well as the conditions attached to their direct aid. The World Trade Organization (WTO) does allow some tariff protection, especially for the poorest developing countries, but most developing countries have had to significantly reduce tariffs and other trade restrictions. Most subsidies have been banned by the WTO – except, of course, the ones that rich countries still use, such as agriculture and research and development.

In the end, economic expansion is about mastering advanced technologies. In theory, a country can develop such technologies on its own, but technological self-sufficiency quickly hits the wall, as seen in the North Korea case. This is why all successful economies have involved serious attempts to get hold of advanced foreign technologies. But in order to be able to import technologies from developed countries, developing nations need foreign currency to pay for them. Some of this foreign currency maybe provided through foreign aid, but most has to be earned through exports. Without trade, therefore, there will be little technological progress and thus little economic development.

But there is a huge difference between saying that trade is essential for economic development and saying that free trade is best. It is this sleight of hand that free-trade economists have so effectively deployed against their opponents – if you are against free trade then, they imply, you must be against trade itself, and so against economic progress.

There are huge benefits from global integration if it is done in the right way, at the right speed. But if poor countries open up prematurely, the result will be negative. Globalisation is too important to be left to free-trade economists, whose policy has so ill-served the developing world in the past 25 years.

(Excerpt from: Ha-Joon Chang, *Protecting the Global Poor*, Prospect Magazine, Issue 136, July 2007)

B. Vocabulary (5 points)

Find one synonym in the text for each of the terms and expressions below. Give its paragraph and line references.

1. Commerce: _____
2. Bankruptcy: _____
3. Tariffs: _____
4. To rescue financially: _____
5. Goods: _____
6. Profits: _____
7. Globalisation: _____
8. Company: _____
9. Economic development: _____
10. Shippers of goods abroad: _____

C. Comprehension (5 points)

Say whether the statements below are True (T) or False (F). Justify your answer with a citation from the text. Give the exact paragraph and line references.

1. The car failed because it was too costly. **T/F**
2. Infant industries need a mix of policy measures to develop. **T/F**
3. When Toyota was unable to pay their debts, the government gave them money. **T/F**
4. Rich countries today advocate policies that follow their historical experience. **T/F**
5. A good number of today's rich nations constructed their industries with state-controlled enterprises. **T/F**
6. The WTO has banned all subsidies. **T/F**
7. Foreign technology is a necessary ingredient for developing economies. **T/F**
8. Without foreign currency developing nations would not have access to imported technologies. **T/F**
9. For developing countries, foreign aid is the biggest source of acquiring foreign currency. **T/F**
10. According to the author free-trade should economists handle globalisation. **T/F**

PART II. Grammar (5 points)

Complete the paragraph with the correct form of MAKE or DO.

We expect that the firm will be _____ (1) sufficient business if there is an adequate amount of consumer demand. If not, the CEO may very well have to _____ (2) important decisions about new market strategies that will increase product interest. While some argue that little could be _____ (3) in such a situation, management would still need to _____ (4) its best to _____ (5) urgent arrangements for a recovery effort.

For example, instead of focusing on previous mistakes that were _____ (6) in the past, they might focus instead on _____ (7) profits with new products. As a result, they could _____ (8) great progress in new market niches. This could _____ (9) a lot to promote a new company image and lead to opportunities for _____ (10) investments for the future.

PART III. Writing (5 points) – 200 words

Discuss the role of Protectionism in economic development in a minimum of 200 words. You must provide a general definition of the concept and discuss its advantages as well as its disadvantages before giving your own opinion. Support your arguments with some real-life business examples.

Please count and write down the number of words you have used in your essay. You lose 1 point if you fail or forget to do so.

Key to answers and guidelines for marking

Part I

B. Vocabulary

Answers

1. Commerce: *trade* (title)
2. Bankruptcy: *insolvency* (paragraph 2, line 9)
3. Tariffs: *customs duties* (paragraph 2, line 8)
4. To rescue financially: *to bail out* (paragraph 3, line 3)
5. Goods: *products* (paragraph 2, line 3)
6. Profits: *earnings* (paragraph 4, line 2)
7. Globalisation: *global integration* (last paragraph, line 1)
8. Company: *enterprise* (paragraph 1, line 2)
9. Economic development: *economic expansion* (paragraph 7, line 1)
10. Shippers of goods abroad: *exporters* (paragraph 1, line 4)

Marking

0.25 point for a good answer. Another 0.25 point if the student has provided the correct text references. Nothing to be awarded if otherwise.

C. Comprehension

Answers

1. **FALSE.** The car failed because “most people thought it looked lousy and were unwilling to spend serious money on a car that came from a place where only second-rate products were made”. (paragraph 2, lines 1 – 3)
2. **TRUE.** “Tariffs were not the only tool of trade policy used by rich countries...They banned imports or imposed import quotas.” (paragraph 4, lines 1-3)
3. **TRUE.** “Less than 10 years earlier it had even given them public money to save the company from insolvency.” (paragraph 2, lines 8-9)
4. **FALSE.** “Rich countries have been recommending to, or even forcing upon developing countries, policies that go directly against their own historical experience.” (paragraph 6, lines 1 – 3)
5. **TRUE.** “Many of them built their industries through state-ownership.” (paragraph 5, lines 2 – 3)
6. **FALSE.** “Except, the ones that rich ones still use.” (paragraph 6, last but one line)
7. **TRUE.** “all successful economies have involved serious attempts to get hold of foreign technology.” (paragraph 7, lines 3-4)
8. **TRUE.** “developing nations need foreign currency to pay for them.” (paragraph 7, lines 6 – 7)
9. **FALSE.** “most has to be earned through exports.” (paragraph 7, line 7)
10. **FALSE.** “Globalisation is too important to be left to free-trade economists whose policy has ill-served the developing world.” (last paragraph, last lines)

Marking

0.25 point for a correct **T** or **F**. Another 0.25 point for a correct text reference. Nothing to be awarded if otherwise.

Part II. Grammar

Answers

1. doing
2. make
3. done
4. do
5. make
6. made
7. making
8. make
9. do
10. making

Marking

0.25 point for a correct answer. Nothing to be awarded if otherwise.

Part III. Writing

Marking

1 point to be systematically awarded for adequate minimum essay length. Please make sure that the student has counted the number of words used in the essay and that the word count is genuine or accurate. This point is to be withheld if the essay is not long enough or if the student has failed to provide the word count.

Up to 2 points to be awarded for satisfactory substance. The breakdown of points is as follows:

- up to 0.5 point for a satisfactory definition of protectionism
- up to 0.5 point if the student discusses the advantages of protectionism in economic development
- up to 0.5 point if the student discusses the disadvantages of protectionism
- 0.25 point if the student gives his or her own opinion as a conclusion
- 0.25 point if real-life business examples are given.

Up to 2 points to be awarded for the standard of English. The breakdown of points is as follows:

- up to 0.5 point for a good sequencing of ideas (*coherence*)
- up to 0.5 point for a good use of link words (*cohesion*)
- up to 0.5 point for good spelling and for a good choice of words, especially for adequate use of specialist terms (*vocabulary*)
- up to 0.5 point for good sentence construction (*grammar*)

Note: *up to* means that you should feel free to award less if warranted: a quarter of a mark instead of half a mark for example.