INTERNATIONAL BUSINESS MANAGEMENT



Brand: Mehta Solutions
Product Code: case1542
Weight: 0.00kg

Price: Rs500

Short Description

INTERNATIONAL BUSINESS MANAGEMENT

case study

Description

CASE VII

PERU

Peru is located on the west coast South America. It is the third largest nation of the continent (after Brazil and Argentina), and covers almost 500,000 square miles (about 14 per cent of the size of the United States). The land has enormous contrasts, with a desert (drier than the Sahara), the towering snow-capped Andes mountains, sparking grass-covered plateaus, and thick rain forests. Peru has approximately 27 million people, of which about 20 per cent live in Lima, the capital. More Indians (one half of the population) live in Peru than in any other country in the western hemisphere. The ancestors of Peru's Indians were the famous Incas, who built a great empire. The rest of the population is mixed and a small percentage is white. The economy depends heavily on agriculture, fishing, mining, and services. GDP is approximately $115 billion and per capita income in recent years has been around $4, 300. In recent years the economy has gained some relative and multinationals are now beginning to consider investing in the country.

One of these potential investors is a large New York based that is considering a $25 million loan to the owner of a Peruvian fishing fleet. The owner wants to refurbish the fleet and add one more ship.

During the 1970s, the Peruvian government nationalized a number of industries and factories and began running them for the profit of the state. In most cases, these state-run ventures became disasters. In the late 1970s, the fishing fleet owner was given back his ships and allowed to operate his business as before. Since then, he has managed to remain profitable, but the biggest problem is that his ships are getting old and he needs and influx of capital to make repairs and add new technology. As he explained it to the New York banker: "Fishing is no longer just an art. There is a great deal of technology involved. And to keep costs low and be competitive on the world market, you have to have the latest equipment for both locating as well as catching and then loading and unloading the fish."

Having reviewed the fleet owner's operation, the large multinational bank believers that the loan is justified. The financial institution is concerned, however, that the Peruvian government might step in during the next couple of years and again take over the business. If this were to happen it might take and additional decade for the loan to be repaid. If the government were to allow the fleet owner to operate the fleet the way he has over the last decade, the loan could be repaid within seven years.

Right now, the bank is deciding on the specific terms of the agreement. Once these have been worked out, either a loan officer will fly down to Lima and close the deal or the owner will be asked to come to New York for the signing. Whichever approach is used, the bank realizes that final adjustments in the agreement will have to be made on the spot. Therefore, if the bank sends a representative to Lima, the individual will have to have the authority to commit the bank to specific terms. These final matters should be worked out within the next ten days.

Questions

1. **What are some current issues facing Peru? What is the climate for doing business in Peru today?**

2. **What type of political risks does this fishing company need to evaluate? Identify and describe them.**

3. **What types of integrative and protective and defensive techniques can the bank use?**

4. **Would the bank be better off negotiating the loan in New York or in Lima? Why?**

Details

1. Case study solved answers

2. pdf/word

3. Fully Solved with answers