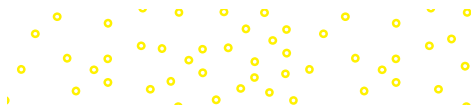


Global Business Today

2024 Release

Charles W. L. Hill

University of Washington





GLOBAL BUSINESS TODAY, 2024 RELEASE

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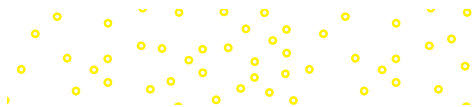
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For my daughters, **Elizabeth, Charlotte, and Michelle**

—**Charles W. L. Hill**





about the author

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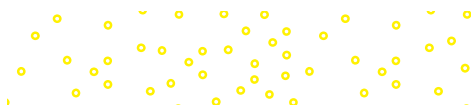
Charles W. L. Hill is a Professor Emeritus of Management at the Foster School of Business at the University of Washington where he still teaches on a part time basis. Professor Hill has taught in the MBA, Executive MBA, Technology Management MBA, and PhD programs at the University of Washington. His teaching responsibilities have included strategic management, international business, and microeconomics. During his time at the University of Washington, he has received over 25 awards for teaching excellence, including the Charles E. Summer all faculty Outstanding Teaching Award.

A native of the United Kingdom, Professor Hill received his PhD from the University of Manchester, UK. In addition to the University of Washington, he has served on the faculties of the University of Manchester, Texas A&M University, and Michigan State University.

Professor Hill has published over 50 articles in top academic journals, including the *Academy of Management Journal*, *Academy of Management Review*, *Strategic Management Journal*, and *Organization Science*. Professor Hill has also published several textbooks, including *International Business* (McGraw Hill) and *Global Business Today* (McGraw Hill). His work is widely cited in international business and strategic management. A recent study that measured **scholarly influence** based on cumulative citations between 1996 and 2019 ranked Professor Hill in the top 1 percent of all scholars in the world across 22 major disciplines.

Professor Hill works on a private basis with a number of organizations. His clients have included Microsoft, where he taught in-house executive education courses for two decades. He has also consulted for a variety of other large companies (e.g., AT&T Wireless, Boeing, BF Goodrich, Group Health, Hexcel, Philips Healthcare, Philips Medical Systems, Seattle City Light, Swedish Health Services, Tacoma City Light, Thompson Financial Services, WRQ, and Wizards of the Coast). Additionally, Dr. Hill has served on the advisory board of several start-up companies.

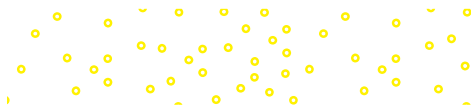
For recreation, Professor Hill enjoys skiing and competitive sailing!





brief contents

PART ONE	Introduction and Overview	
	Chapter One	Globalization 1
PART TWO	National Differences	
	Chapter Two	National Differences in Political, Economic, and Legal Systems 39
	Chapter Three	National Differences in Economic Development 64
	Chapter Four	Differences in Culture 95
	Chapter Five	Ethics, Corporate Social Responsibility, and Sustainability 135
PART THREE	The Global Trade and Investment Environment	
	Chapter Six	International Trade Theory 165
	Chapter Seven	Government Policy and International Trade 205
	Chapter Eight	Foreign Direct Investment 237
	Chapter Nine	Regional Economic Integration 268
PART FOUR	The Global Monetary System	
	Chapter Ten	The Foreign Exchange Market 303
	Chapter Eleven	The International Monetary System 332
PART FIVE	The Strategy and Structure of International Business	
	Chapter Twelve	The Strategy of International Business 362
	Chapter Thirteen	Entering Developed and Emerging Markets 394
PART SIX	International Business Functions	
	Chapter Fourteen	Exporting, Importing, and Countertrade 427
	Chapter Fifteen	Global Production and Supply Chain Management 454
	Chapter Sixteen	Global Marketing and Business Analytics 486
	Chapter Seventeen	Global Human Resource Management 525
	Glossary	557
	Indexes	568



the proven choice for international business

Relevant. Practical. Integrated.

It is now more than thirty years since work began on the first edition of *Global Business Today*. The book quickly became the most widely used international business text in the world, a position it retains today. The success of the book can be attributed to a number of unique features. Specifically, for this edition we have developed a learning program that

- Is comprehensive, state of the art, and timely.
- Is theoretically sound and practically relevant.
- Focuses on applications of international business concepts.
- Maintains a tight integrated flow between chapters.
- Focuses on the implications of international business concepts for management practice.
- Makes important theories accessible and interesting to students.
- Incorporates ancillary resources that turbo-charge the text and make it easier to teach your course.

Over the years, and through now 13 editions, I have worked hard to adhere to these goals. It has not always been easy. An enormous amount has happened over the last 30 years, both in the real world of economics, politics, and business, and in the academic world of theory and empirical research. Often I have had to significantly rewrite chapters, scrap old examples, bring in new ones, incorporate new theory and evidence into the book, and phase out older theories that are less relevant to the modern and dynamic world of international business. That process continues in the current edition. As noted later, there have been significant changes in this edition, and that will no doubt continue to be the case in the future. In deciding what changes to make, I have been guided not only by my own reading, teaching, and research, but also by the invaluable feedback I receive from professors and students around the world who use the book, from reviewers, and from the editorial and marketing staff at McGraw Hill. My thanks go out to all of them.

Comprehensive and Up-To-Date

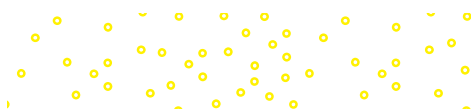
To be relevant and comprehensive, an international business package must

- Explain how and why the world's cultures, countries, and regions differ.
- Cover economics and politics of international trade and investment.

- Tackle international issues related to ethics, corporate social responsibility, and sustainability.
- Explain the functions and form of the global monetary system.
- Examine the strategies and structures of international businesses.
- Assess the special roles of the various functions of an international business.

Relevance and comprehensiveness also require coverage of the major theories. It has always been a goal to incorporate the insights gleaned from recent academic scholarship into the book. Consistent with this goal, insights from the following research, as a sample of theoretical streams used in the book, have been incorporated:

- New trade theory and strategic trade policy.
- The work of Nobel Prize-winning economist Amartya Sen on economic development.
- Samuel Huntington's influential thesis on the "clash of civilizations."
- Growth theory of economic development championed by Paul Romer and Gene Grossman.
- Empirical work by Jeffrey Sachs and others on the relationship between international trade and economic growth.
- Michael Porter's theory of the competitive advantage of nations.
- Robert Reich's work on national competitive advantage.
- The work of Nobel Prize-winner Douglass North and others on national institutional structures and the protection of property rights.
- The market imperfections approach to foreign direct investment that has grown out of Ronald Coase and Oliver Williamson's work on transaction cost economics.
- Bartlett and Ghoshal's research on the transnational corporation.
- The writings of C. K. Prahalad and Gary Hamel on core competencies, global competition, and global strategic alliances.
- Insights for international business strategy that can be derived from the resource-based view of the firm and complementary theories.
- Paul Samuelson's critique of free trade theory.



- Recent empirical work of multiple academics, including Paul Romer, Jeffrey Sachs, and David Autor, on the economic consequences of freer trade.
- Conceptual and empirical work on global supply chain management—logistics, purchasing (sourcing), operations, and marketing channels.

In addition to including leading-edge theory and empirical research, in light of the fast-changing nature of the international business environment, I have made every effort to ensure that this product is as up-to-date as possible. A significant amount has happened in the world since the first edition of this book. For much of the last 70 years, the world moved toward a rules-based multinational order for governing cross-border trade and investment. The goal was to lower barriers to international trade and investment, allowing countries to benefit from the gains to trade. The results included greater globalization and a fertile environment in which international businesses could thrive. Perhaps the high point of this movement was the establishment of the World Trade Organization (WTO) in 1995 and the decade that followed.

Since 2016, however, the world has lurched away from this consensus. Under the leadership of President Donald Trump, America unilaterally raised trade barriers and entered into a trade war with China. President Biden seems to be charting a similar course to President Trump on trade with China. The fact that the two largest economies in the world, which together account for around 40 percent of global economic activity, are engaged in a significant and ongoing trade dispute, has created huge uncertainties for international businesses. The competitive environment has fundamentally changed. To compound matters, emergence in early 2020 of the SARS-CoV-2 virus that causes the COVID-19 disease resulted in a global pandemic that massively disrupted global supply chains and changed thinking about the wisdom of far flung supply chains. Furthermore, the Russian invasion of Ukraine in early 2022, on the ongoing conflict, has shifted the geopolitical landscape in a way that few anticipated, and raised significant new challenges for international businesses. In this edition, I discuss the implications of these developments for the global economy and the practice of international business. The world has changed, and the text of the book reflects this reality.

What's New in the 2024 Release

The success of the first twelve editions of *Global Business Today* was based in part on the incorporation of leading-edge research into the text, the use of the up-to-date examples and statistics to illustrate global trends and enterprise strategy, and the discussion of current events within the context of the appropriate theory. Building on these strengths, our goals for the 2024 release have focused on the following:

1. Incorporate new insights from scholarly research.
2. Make sure the content covers all appropriate issues.

3. Make sure the text is up-to-date with current events, statistics, and examples.
4. Add new and insightful opening and closing cases in every chapter.
5. Incorporate value-added globalEDGE™ features in every chapter.
6. Connect every chapter to a focus on managerial implications.

As part of the overall revision process, changes have been made to every chapter in the book. All statistics have been updated to incorporate the most recently available data. Important current events have been incorporated into the text and discussed at length. Within the book you will find comprehensive discussion of the ongoing trade war between America and China, Brexit and the outlook for Britain and the EU post-Brexit, the renegotiation of NAFTA and the ratification of its successor, the USMCA, the economic and business implications of the COVID-19 pandemic, and the implications for international business of the Russian invasion of Ukraine and the ongoing conflict there. As in the prior edition, the *Focus on Managerial Implications* section that has appeared at the end of each chapter that deals with the macro environment (Chapters 1–11) has been renamed, *360° View: Managerial Implications*. In the more managerially focused chapters (Chapters 12–17) I added a new section in the prior edition, *360° View: Impact of the Macro Environment*. This section explicitly discusses how ongoing changes in the macro environment (such as the U.S.–China trade conflict, the COVID-19 pandemic, and the Russian invasion of Ukraine) affect management practice. I believe this is an important feature in this edition.

In addition to updating all statistics, figures, and maps to incorporate most recently published data, and including reference to important current events in appropriate chapters (e.g., discussion of U.S.–China trade conflict, Brexit, COVID-19), a chapter-by-chapter selection of changes for the 2024 release also includes the following:

Chapter 1: Globalization

- New opening case: Apple Moves Production out of China
- Updated statistics and figures to incorporate the most recent data on global trade flows and foreign direct investment
- Discussion of the implications of recent political trends (trade war with China, Brexit and its aftermath, Russian invasion of Ukraine) and what this might mean for cross border trade and investment
- New closing case: TruckLabs

Chapter 2: National Differences in Political, Economic, and Legal Systems

- New opening case: Hungry Slides Toward Autocracy
- Updated data on corruption
- New closing case: Ireland's Economic Transformation



Chapter 3: National Differences in Economic Development

- New opening case: Economic Development in Vietnam
- Updated maps, figures, and in-text statistics to reflect most recently available data
- Addition of demographic trends to the discussion of Political Economy and Economic Progress
- Updated discussion of the spread of democracy to reflect recent countertrends toward greater authoritarianism in several nations (e.g., Turkey)
- New closing case: Economic Development in South Africa

Chapter 4: Differences in Culture

- New opening case: Doing Business in Kenya
- Inclusion of a discussion of patience across cultures
- Revised the foundation that most religions are now pro-business
- Revised discussion of the impact of Islam on national culture to note significant diversity in cultural practices between nations where Islam is the major religion
- New closing case: Doing Business in Brazil

Chapter 5: Ethics, Corporate Social Responsibility, and Sustainability

- New opening case: The Ethics of Making Soccer Balls
- Expanded discussion of corporate social responsibility and sustainability
- New closing case: Gucci's Code of Ethics

Chapter 6: International Trade Theory

- New opening case: The Rise of Taiwan
- Updated discussion of the impact of trade wars on business practice in 360° View: Managerial Implications
- New closing case: Global Trade in Semiconductors
- Updated balance of payments data in the Appendix to reflect 2021 data

Chapter 7: Government Policy and International Trade

- New opening case: America's Inflation Reduction Act and Electric Vehicle Subsidies
- Updated discussion of the world trading system to reflect recent developments, including the aftermath of Brexit and ongoing trade disputes between the United States, China, and others.

- New Management Focus: Huawei Export Ban Hits U.S. Firms
- New closing case: The Jones Act

Chapter 8: Foreign Direct Investment

- New opening case: McDonald's in Russia
- Updated statistics and figures on foreign direct investment in the world economy to incorporate the most recently available data
- New closing case: Tesla's Investment in China

Chapter 9: Regional Economic Integration

- New opening case: The African Continental Free Trade Area
- Updated discussion of Brexit and its aftermath
- New closing case: Britain Post-Brexit

Chapter 10: The Foreign Exchange Market

- New opening case: What Ails Türkiye?
- Updated data throughout the chapter to reflect currency exchange rates in 2023
- New closing case: Hedging the Thai Baht

Chapter 11: The International Monetary System

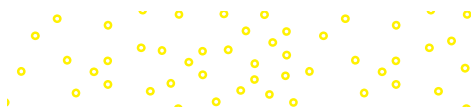
- New opening case: Pakistan and the IMF
- Updated data and discussion of the floating exchange rate regime through till 2023
- New closing case: The Future of the U.S. Dollar as the World's Reserve Currency

Chapter 12: The Strategy of International Business

- New opening case: The Evolution of Global Strategy at 3M
- New closing case: Emirates Global Strategy

Chapter 13: Entering Developed and Emerging Markets

- New opening case: JCB in India
- New closing case: Uber's Foreign Market Entry Strategy



Chapter 14: Exporting, Importing, and Countertrade

- New opening case: Nustep
- New Management Focus: Maine Coast Company
- New closing case: Exporting to Egypt

Chapter 15: Global Production and Supply Chain Management

- New opening case: Whirlpool: Dealing with Supply Chain Disruptions
- New closing case: The Global Chip Shortage in the Auto Industry: Supply Chain Disruptions in the Age of COVID-19

Chapter 16: Global Marketing and Business Analytics

- New opening case: Yellow Tail: Building a Global Wine Brand
- New closing case: Airbnb: Building a Global Brand by Emphasizing Local Experience

Chapter 17: Global Human Resource Management

- New opening case: Schneider Electric: A “Lighthouse” in Diversity, Equity and Inclusion
- New closing case: Developing a Global Workforce at Colgate-Palmolive

Beyond Uncritical Presentation and Shallow Explanation

Many issues in international business are complex and thus necessitate considerations of pros and cons. To demonstrate this to students, I have always adopted a critical approach that presents the arguments for and against economic theories, government policies, business strategies, organizational structures, and so on.

Related to this, I have attempted to explain the complexities of the many theories and phenomena unique to international business so the student might fully comprehend the statements of a theory or the reasons a phenomenon is the way it is. These theories and phenomena are explained in more depth in this work than they are in competing texts. I have always believed that a shallow explanation is little better than no explanation at all. In international business, a little knowledge is indeed a dangerous thing.

Practical and Rich Applications

It is important to show students how the material covered in the text is relevant to the actual practice of international business. This is explicit in the later chapters of the book, which focus on the practice of international business, but it is not always obvious in the first half of the book, which considers macro topics. Accordingly, at the end of each of the first 11 chapters—where the primary focus is on the environment of international business, as opposed to particular firms—there is a section titled **360° View: Managerial Implications**. In this section, the managerial implications of the material discussed in the chapter are clearly explained. Additionally, most chapters have at least one **Management Focus box**. The purpose of these boxes is to illustrate the relevance of chapter material for the practice of international business. Finally, as noted already, in Chapters 12–17, where the focus is explicitly on management issues, a new section has been added, **360° View: Impact of the Macro Environment**, where we discuss how changes in the macro environment can affect the management of strategy and functional activities within an international business.

A **Did You Know?** feature challenges students to view the world around them through the lens of international business (e.g., Did you know that a Kit Kat bar is marketed very differently in different countries?). The author recorded short videos explaining the phenomena.

In addition, each chapter begins with an **opening case** that sets the stage for the chapter and ends with a **closing case** that illustrates the relevance of chapter material for the practice of international business.

To help students go a step further in expanding their application-level understanding of international business, each chapter incorporates two **globalEDGE™ research tasks**. The exercises dovetail with the content just covered.

Integrated Progression of Topics

A shortcoming of many texts is that they lack a tight, integrated flow of topics from chapter to chapter. This book explains to students in Chapter 1 how the book’s topics are related to each other. Integration has been achieved by organizing the material so that each chapter builds on the material of the previous ones in a logical fashion.

Part One

Chapter 1 provides an overview of the key issues to be addressed and explains the plan of the book. Globalization of markets and globalization of production is the core focus.



Part Two

Chapters 2 through 4 focus on country differences in political economy and culture, and Chapter 5 on ethics, corporate social responsibility, and sustainability issues in international business. Most international business textbooks place this material at a later point, but we believe it is vital to discuss national differences first. After all, many of the central issues in international trade and investment, the global monetary system, international business strategy and structure, and international business functions arise out of national differences in political economy and culture.

Part Three

Chapters 6 through 9 investigate the political economy of global trade and investment. The purpose of this part is to describe and explain the trade and investment environment in which international business occurs.

Part Four

Chapters 10 and 11 describe and explain the global monetary system, laying out in detail the monetary framework in which international business transactions are conducted.

Part Five

In Chapters 12 and 13, attention shifts from the environment to the firm. In other words, we move from a macro focus to a micro focus at this stage of the book. We examine strategies that firms adopt to compete effectively in the international business environment.

Part Six

In Chapters 14 through 17, the focus narrows further to investigate business functions and related operations. These chapters explain how firms can perform their key functions—exporting, importing, and countertrade; global production; global supply chain management; global marketing; global research and development (R&D); human resource management—to compete and succeed in the international business environment.

Throughout the book, the relationship of new material to topics discussed in earlier chapters is pointed out to the students to reinforce their understanding of how the material comprises an integrated whole. We deliberately bring a management focus to the macro chapters (Chapters 1 through 11). We also integrate macro themes in covering the micro chapters (Chapters 12 through 17).

ACCESSIBLE AND INTERESTING

The international business arena is fascinating and exciting, and we have tried to communicate our enthusiasm for it to the student. Learning is easier and better if the subject matter is communicated in an interesting, informative, and accessible manner. One technique we have used to achieve this is weaving interesting anecdotes into the narrative of the text, that is, stories that illustrate theory.

Most chapters also have a **Country Focus** box that provides background on the political, economic, social, or cultural aspects of countries grappling with an international business issue.

Acknowledgments

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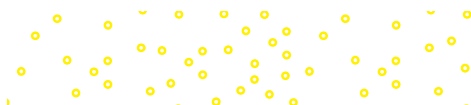
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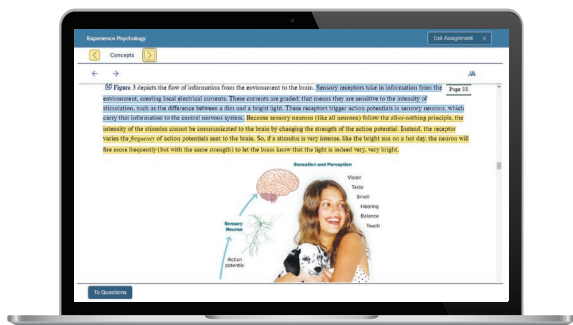


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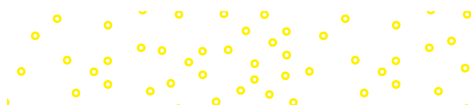
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contents



part one

Introduction and Overview

CHAPTER 1 Globalization 1

Opening Case: Apple Moves Production Out of China 2

Introduction 3

What Is Globalization? 5

The Globalization of Markets 5

The Globalization of Production 6

Management Focus: Boeing's Global Production System 7

The Emergence of Global Institutions 8

Drivers of Globalization 10

Declining Trade and Investment Barriers 10

Role of Technological Change 12

The Changing Demographics of the Global Economy 15

The Changing World Output and World Trade Picture 15

Country Focus: India's Software Sector 16

The Changing Foreign Direct Investment Picture 17

The Changing Nature of the Multinational Enterprise 18

Management Focus: Dr. Reddy's Laboratories Ltd. 19

The Changing World Order 20

Global Economy of the Twenty-First Century 22

The Globalization Debate 23

Antiglobalization Protests 23

Country Focus: Donald Trump's America First Policies and

Their Aftermath 24

Globalization, Jobs, and Income 25

Globalization, Labor Policies, and the Environment 26

Globalization and National Sovereignty 28

Globalization and the World's Poor 29

Managing in the Global Marketplace 31

Key Terms 33

Summary 33

Critical Thinking and Discussion Questions 34

Research Task 34

Closing Case: TruckLabs 35

Endnotes 36

Introduction 40

Political Systems 41

Collectivism and Individualism 42

Country Focus: Putin's Russia 44

Democracy and Totalitarianism 45

Economic Systems 47

Market Economy 47

Command Economy 48

Mixed Economy 48

Country Focus: China's Mixed Economy 50

Legal Systems 51

Different Legal Systems 51

Differences in Contract Law 52

Property Rights and Corruption 53

Management Focus: Did Walmart Violate the Foreign Corrupt

Practices Act? 55

The Protection of Intellectual Property 56

Product Safety and Product Liability 57

360° View: Managerial Implications: The Macro Environment Influences Market Attractiveness 58

Key Terms 59

Summary 59

Critical Thinking and Discussion Questions 60

Research Task 60

Closing Case: Ireland's Economic Transformation 61

Endnotes 62

CHAPTER 3 National Differences in Economic Development 64

Opening Case: Economic Development in Vietnam 65

Introduction 66

Differences in Economic Development 66

Map 3.1 GDP per capita, 2022 67

Map 3.2 GDP PPP per Capita, 2022 68

Map 3.3 Average annual growth rate in GDP (%),
2012–2022 70

Broader Conceptions of Development: Amartya Sen 70

Map 3.4 Human Development Index, 2022 71

Political Economy and Economic Progress 72

Innovation and Entrepreneurship Are the Engines of Growth 72

Innovation and Entrepreneurship Require a Market Economy 72

Innovation and Entrepreneurship Require Strong Property

Rights 73

Country Focus: Property Rights in China 74

The Required Political System 74

Economic Progress Begets Democracy 75



part two

National Differences

CHAPTER 2 National Differences in Political, Economic, and

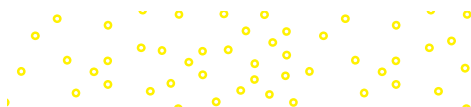
Legal Systems 39

Opening Case: Hungary Slides Toward Autocracy 40

<i>Geography and Economic Development</i>	75	360° View: Managerial Implications: Cultural Literacy and Competitive Advantage	125
<i>Education, Demographics, and Economic Development</i>	75	Key Terms	128
States in Transition	76	Summary	128
<i>The Spread of Democracy</i>	77	Critical Thinking and Discussion Questions	129
Map 3.5 Freedom in the world, 2022	77	Research Task	129
<i>The New World Order and the Evolution of a Multipolar World</i>	79	Closing Case: Doing Business in Brazil	130
<i>The Spread of Market-Based Systems</i>	81	Endnotes	131
Map 3.6 Index of economic freedom, 2022	81	CHAPTER 5 Ethics, Corporate Social Responsibility, and Sustainability	135
The Nature of Economic Transformation	82	Opening Case: The Ethics of Making Soccer Balls	136
<i>Deregulation</i>	82	Introduction	136
Country Focus: India's Economic Transformation	83	Ethics and International Business	138
<i>Privatization</i>	84	<i>Employment Practices</i>	138
<i>Legal Systems</i>	85	Management Focus: "Emissionsgate" at Volkswagen	139
Implications of Changing Political Economy	85	<i>Human Rights</i>	139
360° View: Managerial Implications: Benefits, Costs, Risks, and Overall Attractiveness of Doing Business Internationally	86	<i>Environmental Pollution</i>	141
Key Terms	90	<i>Corruption</i>	142
Summary	90	Ethical Dilemmas	143
Critical Thinking and Discussion Questions	91	Roots of Unethical Behavior	144
Research Task	91	<i>Personal Ethics</i>	145
Closing Case: Economic Development in South Africa	92	<i>Decision-Making Processes</i>	145
Endnotes	93	<i>Organizational Culture</i>	146
CHAPTER 4 Differences in Culture	95	<i>Unrealistic Performance Goals</i>	146
Opening Case: Doing Business in Kenya	96	<i>Leadership</i>	147
Introduction	97	<i>Societal Culture</i>	147
What Is Culture?	98	Philosophical Approaches to Ethics	147
<i>Values and Norms</i>	98	<i>Straw Men</i>	148
<i>Culture, Society, and the Nation-State</i>	100	<i>Utilitarian and Kantian Ethics</i>	150
<i>Determinants of Culture</i>	100	<i>Rights Theories</i>	150
Social Structure	101	<i>Justice Theories</i>	151
<i>Individuals and Groups</i>	102	360° View: Managerial Implications: Making Ethical Decisions Internationally	153
<i>Social Stratification</i>	104	Management Focus: Corporate Social Responsibility at Stora Enso	157
Country Focus: Determining Your Social Class by Birth	105	Key Terms	159
Religious and Ethical Systems	107	Summary	159
Map 4.1 World religions	108	Critical Thinking and Discussion Questions	160
<i>Christianity</i>	108	Research Task	160
<i>Islam</i>	109	Closing Case: Gucci's Code of Ethics	161
Country Focus: Türkiye: Its Religion and Politics	112	Endnotes	162
<i>Hinduism</i>	113		
<i>Buddhism</i>	115		
<i>Confucianism</i>	116		
Management Focus: China and Its <i>Guanxi</i>	117		
Language	118		
<i>Spoken Language</i>	118		
<i>Unspoken Language</i>	119		
Education	119		
Culture and Business	120		
Cultural Change	124		
			part three The Global Trade and Investment Environment
		CHAPTER 6 International Trade Theory	165
		Opening Case: The Rise of Taiwan	166



Introduction	166	<i>Local Content Requirements</i>	212
An Overview of Trade Theory	168	<i>Administrative Policies</i>	213
<i>The Gains from Trade</i>	168	<i>Antidumping Policies</i>	213
<i>The Pattern of International Trade</i>	169	The Case for Government Intervention	214
<i>Trade Theory and Government Policy</i>	170	<i>Political Arguments for Intervention</i>	214
Mercantilism	171	<i>Economic Arguments for Intervention</i>	217
Country Focus: Is China Manipulating Its Currency in Pursuit of a Neo-Mercantilist Policy?	172	The Revised Case for Free Trade	219
Absolute Advantage	173	<i>Retaliation and Trade War</i>	219
Comparative Advantage	175	<i>Domestic Policies</i>	220
<i>The Gains from Trade</i>	176	Development of the World Trading System	220
<i>Qualifications and Assumptions</i>	177	<i>From Smith to the Great Depression</i>	221
<i>Extensions of the Ricardian Model</i>	178	1947–1979: Gatt, Trade Liberalization, and Economic Growth	221
Country Focus: “Trade Wars Are Good and Easy to Win”	182	1980–1993: Protectionist Trends	222
Heckscher–Ohlin Theory	183	<i>The Uruguay Round and the World Trade Organization</i>	222
<i>The Leontief Paradox</i>	184	<i>Wto: Experience to Date</i>	223
The Product Life-Cycle Theory	185	<i>Wto: Unresolved Issues</i>	224
<i>Product Life-Cycle Theory in the Twenty-First Century</i>	186	Country Focus: Estimating the Gains from Trade for the United States	227
New Trade Theory	187	<i>Bilateral and Multilateral Trade Agreements</i>	228
<i>Increasing Product Variety and Reducing Costs</i>	187	<i>The World Trading System Under Threat</i>	228
<i>Economies of Scale, First-Mover Advantages, and the Pattern of Trade</i>	188	360° View: Managerial Implications: Trade Barriers, Firm Strategy, and Policy Implications	230
<i>Implications of New Trade Theory</i>	189	Key Terms	231
National Competitive Advantage: Porter’s Diamond	190	Summary	232
<i>Factor Endowments</i>	191	Critical Thinking and Discussion Questions	232
<i>Demand Conditions</i>	191	Research Task	233
<i>Related and Supporting Industries</i>	192	Closing Case: The Jones Act	234
<i>Firm Strategy, Structure, and Rivalry</i>	192	Endnotes	235
<i>Evaluating Porter’s Theory</i>	193	CHAPTER 8 Foreign Direct Investment	237
360° View: Managerial Implications: Location, First-Mover Advantages, Government Policy, Investments, and Strategy	193	Opening Case: McDonald’s in Russia	238
Key Terms	196	Introduction	238
Summary	196	Foreign Direct Investment in the World Economy	239
Critical Thinking and Discussion Questions	197	<i>Trends in FDI</i>	239
Research Task	197	<i>The Direction of FDI</i>	240
Closing Case: Global Trade War in Semiconductors	198	Country Focus: Foreign Direct Investment in China	241
Endnotes	203	<i>The Source of FDI</i>	242
CHAPTER 7 Government Policy and International Trade	205	<i>The Form of FDI: Acquisitions versus Greenfield Investments</i>	243
Opening Case: America’s Inflation Reduction Act and Electric Vehicle Subsidies	206	Theories of Foreign Direct Investment	244
Introduction	207	<i>Why Foreign Direct Investment?</i>	244
Instruments of Trade Policy	207	Management Focus: Burberry Shifts Its Entry Strategy in Japan	245
<i>Import Tariffs</i>	208	<i>The Pattern of Foreign Direct Investment</i>	247
<i>Export Tariffs and Bans</i>	209	<i>The Eclectic Paradigm</i>	248
Management Focus: Huawei Export Ban Hits U.S. Firms	209	Political Ideology and Foreign Direct Investment	249
<i>Subsidies</i>	210	<i>The Radical View</i>	250
Country Focus: Were the Chinese Illegally Subsidizing Auto Exports?	210	<i>The Free Market View</i>	250
<i>Import Quotas and Voluntary Export Restraints</i>	211	<i>Pragmatic Nationalism</i>	251
		<i>Shifting Ideology</i>	251
		Benefits and Costs of FDI	252
		<i>Host-Country Benefits</i>	252
		<i>Host-Country Costs</i>	254



<i>Home-Country Benefits</i>	256
<i>Home-Country Costs</i>	256
<i>International Trade Theory and FDI</i>	256
Government Policy Instruments and FDI	257
<i>Home-Country Policies</i>	257
<i>Host-Country Policies</i>	258
<i>International Institutions and the Liberalization of FDI</i>	259
360° View: Managerial Implications: FDI and Government Policy	260
Key Terms	262
Summary	262
Critical Thinking and Discussion Questions	263
Research Task	263
Closing Case: Tesla's Investment in China	264
Endnotes	265
CHAPTER 9 Regional Economic Integration	268
Opening Case: The African Continental Free Trade Area	269
Introduction	269
Levels of Economic Integration	271
The Case for Regional Integration	273
<i>The Economic Case for Integration</i>	273
<i>The Political Case for Integration</i>	274
<i>Impediments to Integration</i>	274
The Case against Regional Integration	275
Regional Economic Integration in Europe	276
<i>Evolution of the European Union</i>	276
<i>Political Structure of the European Union</i>	276
Map 9.1 Member states of the European Union in 2023	277
Management Focus: The European Commission and Google	278
<i>The Single European Act</i>	279
<i>The Establishment of the Euro</i>	280
Country Focus: The Greek Sovereign Debt Crisis	283
<i>Enlargement of the European Union</i>	284
<i>British Exit from the European Union (BREXIT)</i>	285
Regional Economic Integration in the Americas	286
Map 9.2 Economic integration in the Americas	287
<i>The North American Free Trade Agreement</i>	287
<i>The United States-Mexico-Canada Agreement (USMCA)</i>	289
<i>The Andean Community</i>	290
<i>Mercosur</i>	291
<i>Central American Common Market, CAFTA, and CARICOM</i>	292
Regional Economic Integration Elsewhere	292
<i>Association of Southeast Asian Nations</i>	292
Map 9.3 ASEAN countries	293
<i>Regional Trade Blocs in Africa</i>	294
<i>Other Trade Agreements</i>	294
360° View: Managerial Implications: Regional Economic Integration Threats	295

Key Terms	297
Summary	297
Critical Thinking and Discussion Questions	298
Research Task	299
Closing Case: Britain Post-Brexit	299
Endnotes	301



part four

The Global Monetary System

CHAPTER 10 The Foreign Exchange Market	303
Opening Case: What Ails Türkiye?	304
Introduction	304
The Functions of the Foreign Exchange Market	306
<i>Currency Conversion</i>	306
<i>Insuring against Foreign Exchange Risk</i>	308
Management Focus: Embraer and the gyrations of the Brazilian Real	310
The Nature of the Foreign Exchange Market	311
Economic Theories of Exchange Rate Determination	312
<i>Prices and Exchange Rates</i>	312
Country Focus: Quantitative Easing, Inflation, and the Value of the U.S. Dollar	316
<i>Interest Rates and Exchange Rates</i>	318
<i>Investor Psychology and Bandwagon Effects</i>	319
<i>Summary of Exchange Rate Theories</i>	320
Exchange Rate Forecasting	320
<i>The Efficient Market School</i>	320
<i>The Inefficient Market School</i>	321
<i>Approaches to Forecasting</i>	321
Currency Convertibility	322
360° View: Managerial Implications: Foreign Exchange Rate Risk	324
<i>Reducing Translation and Transaction Exposure</i>	325
<i>Reducing Economic Exposure</i>	325
<i>Other Steps for Managing Foreign Exchange Risk</i>	325
Key Terms	326
Summary	327
Critical Thinking and Discussion Questions	328
Research Task	328
Closing Case: Hedging the Thai Baht	329
Endnotes	330
CHAPTER 11 The International Monetary System	332
Opening Case: Pakistan and the IMF	333
Introduction	333
The Gold Standard	335
<i>Mechanics of the Gold Standard</i>	335
<i>Strength of the Gold Standard</i>	336
<i>The Period between the Wars: 1918-1939</i>	336



The Bretton Woods System	337
<i>The Role of the IMF</i>	338
<i>The Role of the World Bank</i>	339
The Collapse of the Fixed Exchange Rate System	339
The Floating Exchange Rate Regime	340
<i>The Jamaica Agreement</i>	341
<i>Exchange Rates Since 1973</i>	341
Fixed versus Floating Exchange Rates	344
<i>The Case for Floating Exchange Rates</i>	344
<i>The Case for Fixed Exchange Rates</i>	345
<i>Who Is Right?</i>	346
Exchange Rate Regimes in Practice	347
Country Focus: China's Exchange Rate Regime	347
<i>Pegged Exchange Rates</i>	348
<i>Currency Boards</i>	348
Crisis Management By the IMF	349
<i>Financial Crises in the Post-Bretton Woods Era</i>	350
Country Focus: The IMF and Iceland's Economic Recovery	350
<i>Evaluating the IMF's Policy Prescriptions</i>	352
360° View: Managerial Implications: Currency Management, Business Strategy, and Government Relations	354
Management Focus: Airbus and the Euro	355
Key Terms	357
Summary	357
Critical Thinking and Discussion Questions	358
Research Task	358
Closing Case: The U.S. Dollar as the World's Reserve Currency	359
Endnotes	360



part five

The Strategy and Structure of International Business

CHAPTER 12 The Strategy of International Business 362

Opening Case: The Evolution of Global Strategy at 3M 363

Introduction	363
Strategy and the Firm	364
<i>Value Creation</i>	365
<i>Strategic Positioning</i>	366
<i>Operations: The Firm as a Value Chain</i>	367
Global Expansion, Profitability, and Profit Growth	370
<i>Expanding the Market</i>	370
<i>Location Economies</i>	371
<i>Experience Effects</i>	373
<i>Leveraging Subsidiary Skills</i>	375
<i>Profitability and Profit Growth Summary</i>	375

Cost Pressures and Pressures for Local Responsiveness	376
<i>Pressures for Cost Reductions</i>	376
Management Focus: IKEA's Global Strategy	377
<i>Pressures for Local Responsiveness</i>	378
Choosing a Strategy	381
<i>Global Standardization Strategy</i>	382
Management Focus: Unilever's Responsiveness to Its Dutch-British Roots	383
<i>Localization Strategy</i>	384
<i>Transnational Strategy</i>	384
<i>International Strategy</i>	385
<i>The Evolution of Strategy</i>	386
360° View: Impact of the Macro Environment Cross-Border Trade, Investment, and Strategy	387
<i>Exogenous Shocks and Strategy</i>	388
Key Terms	388
Summary	388
Critical Thinking and Discussion Questions	389
Research Task	389
Closing Case: Emirates' Global Strategy	390
Endnotes	391

CHAPTER 13 Entering Developed and Emerging Markets 394

Opening Case: Jcb in India 395

Introduction	395
Basic Entry Decisions	396
<i>Which Foreign Markets?</i>	397
Management Focus: Tesco's International Growth Strategy: A Mixed Bag	397
<i>Timing of Entry</i>	399
<i>Scale of Entry and Strategic Commitments</i>	399
<i>Market Entry Summary</i>	400

Entry Modes 401

<i>Exporting</i>	401
<i>Turnkey Projects</i>	402
<i>Licensing</i>	403
<i>Franchising</i>	404
<i>Joint Ventures</i>	405

Management Focus: Vanguard in China 407

<i>Wholly Owned Subsidiaries</i>	408
----------------------------------	-----

Selecting an Entry Mode 409

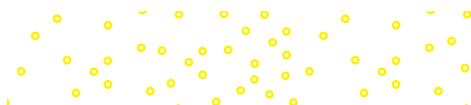
<i>Core Competencies and Entry Mode</i>	410
<i>Pressures for Cost Reductions and Entry Mode</i>	410

Greenfield Venture or Acquisition? 411

<i>Pros and Cons of Acquisitions</i>	411
<i>Pros and Cons of Greenfield Ventures</i>	413
<i>Which Choice?</i>	414

Strategic Alliances 414

<i>Advantages of Strategic Alliances</i>	415
<i>Disadvantages of Strategic Alliances</i>	415
<i>Making Alliances Work</i>	416



360° View: Impact of the Macro Environment: Political Economy and Entry Choices 418

Key Terms 419

Summary 419

Critical Thinking and Discussion Questions 420

Research Task 421

Closing Case: Uber's Foreign Market Entry Strategy 422

Endnotes 423



part six

International Business Functions

CHAPTER 14 Exporting, Importing, and Countertrade 427

Opening Case: NuStep 428

Introduction 428

The Promise and Pitfalls of Exporting 429

Management Focus: Maine Coast Company 431

Improving Export Performance 432

International Comparisons 432

Information Sources 433

Management Focus: Exporting Desserts by a Hispanic Entrepreneur 433

Service Providers 434

Export Strategy 435

Management Focus: Two Men and a Truck 436

The globalEDGE™ Exporting Tool 437

Export and Import Financing 438

Lack of Trust 439

Letter of Credit 440

Draft 441

Bill of Lading 441

A Typical International Trade Transaction 442

Export Assistance 443

The Export-Import Bank 443

Export Credit Insurance 444

Countertrade 445

The Popularity of Countertrade 445

Types of Countertrade 446

Pros and Cons of Countertrade 447

360° View: Impact of the Macro Environment 448

Key Terms 449

Summary 449

Critical Thinking and Discussion Questions 449

Research Task 450

Closing Case: Exporting to Egypt 451

Endnotes 452

CHAPTER 15 Global Production and Supply Chain Management 454

Opening Case: Whirlpool: Dealing With Supply Chain Disruptions 455

Introduction 456

Strategy, Production, and Supply Chain Management 457

Where to Produce 460

Country Factors 460

Management Focus: IKEA Production in China 460

Technological Factors 461

Production Factors 464

The Hidden Costs of Foreign Locations 467

Management Focus: Amazon's Global Supply Chains 467

Make-or-Buy Decisions 468

Global Supply Chain Functions 471

Global Logistics 472

Global Purchasing 473

Managing a Global Supply Chain 475

Role of Just-in-Time Inventory 475

Role of Information Technology 476

Coordination in Global Supply Chains 477

Interorganizational Relationships 478

360° View: Impact of the Macro Environment 479

Key Terms 480

Summary 480

Critical Thinking and Discussion Questions 481

Research Task 482

Closing Case: The Global Chip Shortage in the Auto Industry: Supply Chain Disruptions in the Age of COVID 482

Endnotes 484

CHAPTER 16 Global Marketing and Business Analytics 486

Opening Case: Yellow Tail: Building a Global Wine Brand 487

Introduction 487

Globalization of Markets and Brands 489

Market Segmentation 490

Management Focus: Global Branding, Marvel Studios, and The Walt Disney Company 491

Business Analytics 493

International Marketing Research 494

Product Attributes 497

Cultural Differences 498

Economic Development 498

Product and Technical Standards 499

Distribution Strategy 499

Differences between Countries 500

Choosing a Distribution Strategy 501

Communication Strategy 502

Management Focus: Burberry's Social Media

Marketing 503

Barriers to International Communication 504

Push versus Pull Strategies 505

Global Advertising 506



Pricing Strategy 508

*Price Discrimination 508**Strategic Pricing 509**Regulatory Influences On Prices 510*

Configuring the Marketing Mix 511

Product Development and R&D 512

*The Location of R&D 513**Integrating R&D, Marketing, and Production 514**Cross-Functional Teams 515**Building Global R&D Capabilities 516***360° View: Impact of the Macro Environment 517**

Key Terms 518

Summary 519

Critical Thinking and Discussion Questions 520

Research Task 520

Closing Case: AirBnB: Building a Global Brand by Emphasizing Local Experience 521

Endnotes 522

CHAPTER 17 Global Human Resource Management 525**Opening Case: Schneider Electric: A “Lighthouse” in Diversity, Equity and Inclusion 526**

Introduction 526

Strategic Role of Global HRM: Managing a Global Workforce 527

Staffing Policy 529

*Types of Staffing Policies 529**Expatriate Managers 532***Management Focus: AstraZeneca and a Global Staffing Policy 534**

Training and Management Development 537

*Training for Expatriate Managers 537**Repatriation of Expatriates 538***Management Focus: Monsanto’s Repatriation Program 539***Management Development and Strategy 539*

Performance Appraisal 540

*Performance Appraisal Problems 540**Guidelines for Performance Appraisal 541*

Compensation 541

*National Differences in Compensation 541***Management Focus: McDonald’s Global Compensation Practices 542***Expatriate Pay 543*

Building a Diverse Global Workforce 544

Management Focus: Sodexo: Building a Diverse Global Workforce 546

International Labor Relations 547

*The Concerns of Organized Labor 547**The Strategy of Organized Labor 548**Approaches to Labor Relations 548***360° View: Impact of the Macro Environment 549**

Key Terms 550

Summary 550

Critical Thinking and Discussion Questions 551

Research Task 551

Closing Case: Developing a Diverse Global Workforce at Colgate-Palmolive 552

Endnotes 553

Glossary 557**Organization Index 568****Name Index 572****Subject Index 574**