

LOW PRICE EDITION

PEARSON
Education

TENTH
EDITION

INTERNATIONAL BUSINESS

ENVIRONMENTS AND OPERATIONS



JOHN D. DANIELS LEE H. RADEBAUGH DANIEL P. SULLIVAN

BRIEF CONTENTS

xxiii	Preface	
1	PART ONE	BACKGROUND FOR INTERNATIONAL BUSINESS
1	CHAPTER 1	International Business: An Overview
42	PART TWO	COMPARATIVE ENVIRONMENTAL FRAMEWORKS
42	CHAPTER 2	The Cultural Environments Facing Business
78	CHAPTER 3	The Political and Legal Environments Facing Business
102	CHAPTER 4	The Economic Environment
138	PART THREE	THEORIES AND INSTITUTIONS: TRADE AND INVESTMENT
138	CHAPTER 5	International Trade Theory
170	CHAPTER 6	Government Influence on Trade
202	CHAPTER 7	Regional Economic Integration and Cooperative Agreements
234	CHAPTER 8	Factor Mobility and Foreign Direct Investment
262	PART FOUR	WORLD FINANCIAL ENVIRONMENT
262	CHAPTER 9	The Foreign-Exchange Market
288	CHAPTER 10	The Determination of Exchange Rates
316	PART FIVE	THE DYNAMICS OF INTERNATIONAL BUSINESS-GOVERNMENT RELATIONSHIPS
316	CHAPTER 11	Government Attitudes Toward Foreign Direct Investment
344	CHAPTER 12	International Business Negotiations and Diplomacy
376	PART SIX	OPERATIONS: OVERLAYING TACTICAL ALTERNATIVES
376	CHAPTER 13	Country Evaluation and Selection
410	CHAPTER 14	Collaborative Strategies
438	CHAPTER 15	Control Strategies
470	PART SEVEN	OPERATIONS: MANAGING BUSINESS FUNCTIONS INTERNATIONALLY
470	CHAPTER 16	Marketing
504	CHAPTER 17	Export and Import Strategies
536	CHAPTER 18	Global Manufacturing and Supply Chain Management
564	CHAPTER 19	Multinational Accounting and Tax Functions
600	CHAPTER 20	The Multinational Finance Function
628	CHAPTER 21	Human Resource Management
667	Glossary	
682	Photo Credits	
683	Company Index and Trademarks	
687	Name Index	
688	Subject Index	

CONTENTS

Preface xxiii

About the Authors xxxii

Part One

BACKGROUND FOR INTERNATIONAL BUSINESS 1

CHAPTER 1 International Business: An Overview 1

CASE Star Wars: Episode II—Attack of the Clones 1

Introduction to the Field of International Business 3

Why Companies Engage in International Business 5

Reasons for Recent International Growth—from Carrier Pigeons to the Internet 6

Modes of International Business 9

Merchandise Exports and Imports 9

Service Exports and Imports 9

Investments 11

International Companies and Terms to Describe Them 11

External Influences on International Business 13

Understanding a Company's Physical and Societal Environments 13

The Competitive Environment 14

Evolution of Strategy in the Internationalization Process 15

Patterns of Expansion 16

Leapfrogging of Expansion 18

Countervailing Forces 18

Globally Standardized Versus Nationally Responsive Practices 18

Country Versus Company Competitiveness 19

Ethical Dilemma: Sorting Through the World of Right and Wrong in International Business 20

Sovereign Versus Cross-National Relationships 21

Looking to the Future: Seizing that Window of International Business Opportunity 23

Summary 23

CASE Disney Theme Parks 24

CultureQuest Video: The Debate of Globalization 27

Chapter Notes 28

An Atlas 30

Map Index 38

Part Two

COMPARATIVE ENVIRONMENTAL FRAMEWORKS 42

2 The Cultural Environments Facing Business 42**CASE Adjusting to Saudi Arabian Culture 43**

Introduction 45

Cultural Awareness 47

Identification and Dynamics of Cultures 48

The Nation As a Point of Reference 48*Cultural Formation and Dynamics* 49*Language As a Cultural Stabilizer* 49*Religion As a Cultural Stabilizer* 52

Behavioral Practices Affecting Business 53

Social Stratification Systems 53*Motivation* 56*Relationship Preferences* 58*Risk-Taking Behavior* 60*Information and Task Processing* 60

Strategies for Dealing with Cultural Differences 62

Making Little or No Adjustment 62*Communications* 62*Culture Shock* 66**Ethical Dilemma: To Intervene or Not to Intervene 67***Company and Management Orientations* 68*Strategies for Instituting Change* 69**Looking to the Future: The Globalization of Culture 71**

Summary 72

CASE John Higgins 72**CultureQuest Video: Impact of Culture on Business: Spotlight on Latin America 75**

Chapter Notes 75

3 The Political and Legal Environments Facing Business 78**CASE The Hong Kong Dilemma 79**

Introduction 81

The Political Environment 81

Basic Political Ideologies	83
<i>The Impact of Ideological Differences on National Boundaries</i>	84
<i>A Political Spectrum</i>	84
Democracy	84
Totalitarianism	88
The Impact of the Political System on Management Decisions	89
Political Risk	89
Government Intervention in the Economy	90
Formulating and Implementing Political Strategies	91
The Legal Environment	92
Kinds of Legal Systems	93
Consumer Safeguards	94
The Legal Profession	94
Ethical Dilemma: Is "When in Rome, Do as the Romans Do" the Best Approach for Global Ethics?	95
<i>Legal Issues in International Business</i>	96
Looking to the Future: Will Democracy Survive?	97
Summary	98
CASE Newmont Mining in Indonesia	98
Chapter Notes	101

CHAPTER 4 The Economic Environment 102

CASE McDonald's Corporation in Emerging Markets	103
Introduction	105
An Economic Description of Countries	106
<i>Countries Classified by Income</i>	107
<i>Countries Classified by Region</i>	111
<i>Countries Classified by Economic System</i>	112
Key Macroeconomic Issues Affecting Business Strategy	116
Economic Growth	117
Inflation	119
Surpluses and Deficits	122
Transition to a Market Economy	125
<i>The Process of Transition</i>	127
<i>The Future of Transition</i>	128
Ethical Dilemma: How Much Economic Assistance Is Too Much?	129
Looking to the Future: A Global Economy in the New Millennium	130
Summary	131
CASE The Daewoo Group and the Asian Financial Crisis	132
Chapter Notes	134
Appendix	136

Part Three

THEORIES AND INSTITUTIONS:
TRADE AND INVESTMENT 138**5** International Trade Theory 138

- CASE Sri Lankan Trade 139**
- Introduction 142
 - Mercantilism 143
 - Absolute Advantage 144
 - Natural Advantage 145
 - Acquired Advantage 145
 - Resource Efficiency Example 146*
 - Comparative Advantage 147
 - An Analogous Explanation of Comparative Advantage 147*
 - Production Possibility Example 148*
 - Some Assumptions and Limitations of the Theories of Specialization 149
 - Full Employment 149*
 - Economic Efficiency Objective 149*
 - Division of Gains 150*
 - Two Countries, Two Commodities 150*
 - Transport Costs 150*
 - Mobility 150*
 - Statics and Dynamics 151*
 - Services 151*
 - Theory of Country Size 151
 - Variety of Resources 151*
 - Transport Costs 151*
 - Size of Economy and Production Scales 152*
 - Factor-Proportions Theory 152
 - Land-Labor Relationship 152*
 - Labor-Capital Relationship 153*
 - Technological Complexities 153*
 - The Product Life Cycle Theory of Trade 153
 - Changes Through the Cycle 153*
 - Verification and Limitations of PLC Theory 155*
 - Ethical Dilemma: Values, Free Global Trade, and Production Standards—
A Hard Trio to Mix 156**
 - Country-Similarity Theory 157
 - Economic Similarity of Industrial Countries 157*
 - Similarity of Location 157*

<i>Cultural Similarity</i>	158
<i>Similarity of Political and Economic Interests</i>	158
Degree of Dependence	159
<i>Independence</i>	159
<i>Interdependence</i>	159
<i>Dependence</i>	159
Strategic Trade Policy	160
Why Companies Trade Internationally	161
<i>The Porter Diamond</i>	161
Looking to the Future: Companies Adjust to Changing Trade Policies and Conditions	162
Companies' Role in Trade	164
<i>Strategic Advantages of Exports</i>	164
<i>Strategic Advantages of Imports</i>	165
Summary	165
CASE The Indian Cashew Processing Industry	166
Chapter Notes	168

CHAPTER 6 Government Influence on Trade 170

CASE European and U.S. Trade Relations	171
Introduction	175
Conflicting Results of Trade Policies	176
Economic Rationales for Government Intervention	176
<i>Unemployment</i>	177
<i>Infant-Industry Argument</i>	178
<i>Industrialization Argument</i>	179
<i>Economic Relationships with Other Countries</i>	181
Noneconomic Rationales for Government Intervention	183
<i>Maintaining Essential Industries</i>	183
<i>Dealing with "Unfriendly" Countries</i>	183
<i>Maintaining Spheres of Influence</i>	184
<i>Preserving Cultures and National Identity</i>	185
Instruments of Trade Control	185
<i>Tariffs</i>	185
<i>Nontariff Barriers: Direct Price Influences</i>	187
<i>Nontariff Barriers: Quantity Controls</i>	188
Ethical Dilemma: Do Trade Sanctions Work?	189
The World Trade Organization (WTO)	192
<i>Gatt: The Predecessor</i>	192
Looking to the Future: The Prospects for Freer Trade	194
<i>The WTO</i>	194

Dealing with Government Trade Influences 195

Summary 197

CASE U.S.-Cuban Trade 197

Chapter Notes 200

7 Regional Economic Integration and Cooperative Agreements

202

CASE Ford Europe 203

Introduction 204

Regional Economic Integration 206

The Effects of Integration 206

Major Regional Trading Groups 207

The European Union 208

The EU's Organizational Structure 208

The Single European Market 211

Common Trade and Foreign Policy 211

The Euro 212

EU Expansion 213

Implications of the EU on Corporate Strategy 214

Where Next for the EU? 214

North American Free Trade Agreement (NAFTA) 215

Rules of Origin and Regional Content 217

Special Provisions of NAFTA 217

Impact of NAFTA on Trade, Investment, and Jobs 218

NAFTA Expansion 219

Implications of NAFTA on Corporate Strategy 219

Regional Economic Groups in Latin America, Asia, and Africa 220

Commodity Agreements 224

Producers' Alliances and ICCAs 225

The Organization of Petroleum Exporting Countries (OPEC) 226

The Environment 226

Ethical Dilemma: The Seattle WTO Protest Spotlights Free Trade's Effects on the Environment 228

Looking to the Future: How Much Territory Will Regional Integration Cover? 229

Summary 229

CASE Wal-Mart de Mexico 230

Chapter Notes 232

8 Factor Mobility and Foreign Direct Investment 234

CASE LUKoil 235

Introduction 237

Factor Mobility 238

Why Production Factors Move 238

Effects of Factor Movements 239

The Relationship of Trade and Factor Mobility 240

Foreign Direct Investment and Control 242

The Concept of Control 242

The Concern About Control 242

Companies' Motives for FDI 243

Factors Affecting the Choice of FDI for Sales Expansion 244

Factors Affecting Motives to Acquire Resources Through FDI 246

Risk Minimization Objectives 248

Political Motives 249

Ethical Dilemma: Critics Debate the Ethics of FDI and Employment 250

Resources and Methods for Making FDI 250

Assets Employed 250

Buy-Versus-Build Decision 251

Investors' Advantages 252

Direct Investment Patterns 252

Location of Ownership 253

Location of Investment 253

Economic Sectors of FDI 254

FDI in Companies' Strategies 255

Looking to the Future: Will Factor Movements and FDI Continue to Grow Worldwide? 256

Summary 257

CASE Cran Chile 257

Chapter Notes 257

Part Four

WORLD FINANCIAL ENVIRONMENT 262

9 The Foreign-Exchange Market 262

CASE Foreign Travels, Foreign-Exchange Travails:
Excerpts from the Travel Journal of Lee Radebaugh 263

Introduction	265
Major Characteristics of the Foreign-Exchange Market	266
<i>Brief Description of Foreign-Exchange Instruments</i>	267
<i>The Size, Composition, and Location of the Foreign-Exchange Market</i>	267
Major Foreign-Exchange Instruments	269
<i>The Spot Market</i>	269
<i>The Forward Market</i>	271
<i>Options</i>	273
<i>Futures</i>	276
<i>Foreign-Exchange Convertibility</i>	276
How Companies Use Foreign Exchange	277
The Foreign-Exchange Trading Process	279
<i>Commercial and Investment Banks</i>	281
Ethical Dilemma: The Need for Checks and Balances	283
Looking to the Future: Exchange Markets in the New Millennium	284
Summary	284
CASE HSBC and the Peso Crisis in Argentina	285
Chapter Notes	287

CHAPTER 10 The Determination of Exchange Rates

288

CASE The Chinese Renminbi	289
Introduction	291
The International Monetary Fund	291
<i>IMF Assistance</i>	292
<i>Special Drawing Rights (SDRs)</i>	292
<i>Evolution to Floating Exchange Rate</i>	292
Exchange-Rate Arrangements	293
<i>From Pegged to Floating Currencies</i>	293
<i>Black Markets</i>	295
<i>The Role of Central Banks</i>	295
The Determination of Exchange Rates	299
<i>Floating Rate Regimes</i>	299
<i>Managed Fixed Rate Regime</i>	300
<i>Purchasing-Power Parity</i>	301
<i>Interest Rates</i>	303
<i>Other Factors in Exchange-Rate Determination</i>	304
Forecasting Exchange-Rate Movements	304
<i>Fundamental and Technical Forecasting</i>	304
<i>Factors to Monitor</i>	305
Business Implications of Exchange-Rate Changes	306
<i>Marketing Decisions</i>	306
<i>Production Decisions</i>	307
<i>Financial Decisions</i>	307

- Ethical Dilemma: Black Market Issues Aren't Black and White 308**
Looking to the Future: Changing Times Will Bring Greater Exchange-Rate Flexibility 309
 Summary 310
CASE Pizza Hut and the Brazilian Real 310
 CultureQuest **Video: Understanding the Foreign Markets: Spotlight on Argentina and Ecuador 314**
 Chapter Notes 314

Part Five

THE DYNAMICS OF INTERNATIONAL BUSINESS-GOVERNMENT RELATIONSHIPS 316

11 Government Attitudes Toward Foreign Direct Investment 316

CASE Foreign Direct Investment in China 317

Introduction 320

Evaluating the Impact of FDI 321

Trade-offs Among Constituencies 321

Trade-offs Among Objectives 322

Cause-Effect Relationships 322

Individual and Aggregate Effects 323

Potential Contributions of MNEs 323

Economic Impact of the MNE 323

Balance-of-Payments Effects 323

Growth and Employment Effects 326

Political and Legal Impact of the MNE 330

Extraterritoriality 330

Key Sector Control 332

MNE Independence 333

Host-Country Captives 333

Bribery 333

Ethical Dilemma: Are Some Bribes Justifiable? 334

Differences in National Attitudes Toward MNEs 337

Looking to the Future: Will FDI Be Welcome as the Twenty-first Century Progresses? 338

Summary 339

CASE FDI in South Africa 339

CultureQuest **Video: Understanding Foreign Direct Investment: Spotlight on South Africa 342**

Chapter Notes 342

12 International Business Negotiations and Diplomacy 344

CASE Saudi Aramco 345

Introduction 348

Government Versus Company Strength in Negotiations 349

Hierarchical View of Government Authority 350

Bargaining View 350

Joint Company Activities 351

Home-Country Needs 352

Other External Pressures on Negotiation Outcomes 352

Negotiations in International Business 352

Bargaining Process 353

Renegotiations 355

Behavioral Characteristics Affecting Negotiations 356

Home-Country Involvement in Asset Protection 359

Historical Background of Home-Country Protection 359

The Use of Bilateral Agreements 360

Multilateral Agreements and Settlements: FDI and Trade 360

Multinational Agreements: IPRs 361

Ethical Dilemma: Pharmaceuticals and Intellectual Property Rights 362

Looking to the Future: New Roles for Diplomacy in the New Century 365

Collective Actions to Deal with International Companies 366

Corporate Citizenship and Public Relations 366

Summary 368

CASE Global Software Piracy 369

CultureQuest Video: Global Business and Ethics 373

Chapter Notes 373

Part Six

**OPERATIONS: OVERLAYING TACTICAL
ALTERNATIVES** 376

13 Country Evaluation and Selection 376

CASE Carrefour 377

Introduction 381

Choosing Marketing and Production Sites, and Geographic Strategy 381

Scan for Alternative Locations 383

Choose and Weight Variables 383

Opportunities 383

Risks 387

Ethical Dilemma: Economic Efficiency, Noneconomic Concerns, and Competitive Strategies: Are They Compatible?	391
Collect and Analyze Data	392
<i>Problems with Research Results and Data</i>	392
<i>External Sources of Information</i>	394
<i>Internal Generation of Data</i>	395
Country Comparison Tools	396
<i>Grids</i>	396
<i>Matrices</i>	396
<i>Environmental Scanning</i>	399
Allocating Among Locations	399
<i>Reinvestment Versus Harvesting</i>	399
<i>Interdependence of Locations</i>	400
<i>Geographic Diversification Versus Concentration</i>	401
Making Final Country Selections	403
Looking to the Future: Will Locations and Location-Models Change?	404
Summary	404
CASE Royal Dutch Shell/Nigeria	405
Chapter Notes	408

14 Collaborative Strategies 410

CASE Cisco Systems	411
Introduction	413
Motives for Collaborative Arrangements	414
<i>Motives for Collaborative Arrangements: General</i>	415
<i>Motives for Collaborative Arrangements: International</i>	417
Types of Collaborative Arrangements	418
Ethical Dilemma: When What's Right for One Partner Isn't Right for the Other Partner	419
<i>Some Considerations in Collaborative Arrangements</i>	419
<i>Licensing</i>	420
<i>Franchising</i>	422
<i>Management Contracts</i>	423
<i>Turnkey Operations</i>	424
<i>Joint Ventures</i>	425
<i>Equity Alliances</i>	426
Problems of Collaborative Arrangements	426
<i>Collaboration's Importance to Partners</i>	427
<i>Differing Objectives</i>	427
<i>Control Problems</i>	428
<i>Partners' Contributions and Appropriations</i>	428
<i>Differences in Culture</i>	429

Managing Foreign Arrangements	429
<i>Dynamics of Collaborative Arrangements</i>	429
<i>Finding Compatible Partners</i>	430
<i>Negotiating Process</i>	430
Looking to the Future: Why Innovation Breeds Collaboration	431
<i>Contractual Provisions</i>	431
<i>Performance Assessment</i>	432
Summary	432
CASE International Airline Alliances	433
Video: Understanding Entry Modes into the Chinese Market	436
Chapter Notes	436

15 Control Strategies

438

CASE Johnson & Johnson	439
Introduction	442
Planning	444
<i>The Planning Loop</i>	444
<i>Uncertainty and Planning</i>	447
Organizational Structure	447
<i>Separate Versus Integrated International Structures</i>	447
<i>Dynamic Nature of Structures</i>	450
<i>Mixed Nature of Structures</i>	450
<i>Nontraditional Structures</i>	450
Location of Decision Making	451
<i>Pressures for Global Integration Versus Local Responsiveness</i>	452
<i>Capabilities of Headquarters Versus Subsidiary Personnel</i>	454
<i>Decision Expediency and Quality</i>	455
Control in the Internationalization Process	455
<i>Level of Importance</i>	455
<i>Changes in Competencies</i>	456
<i>Changes in Operating Forms</i>	456
Ethical Dilemma: When Push Comes to Shove, Just Who's in Control?	457
Control Mechanisms	458
<i>Corporate Culture</i>	458
<i>Coordinating Methods</i>	458
<i>Reports</i>	459
Control in Special Situations	461
<i>Acquisitions</i>	461
<i>Shared Ownership</i>	462
<i>Changes in Strategies</i>	462

The Role of Legal Structures in Control Strategies	462
<i>Branch and Subsidiary Structures</i>	462
Looking to the Future: Control/No Control—the Constant	
Balancing Act	463
<i>Types of Subsidiaries and How They Affect Control Strategies</i>	464
Summary	464
CASE GE Hungary	465
Chapter Notes	468

Part Seven

OPERATIONS: MANAGING BUSINESS FUNCTIONS INTERNATIONALLY 470

CHAPTER 16 Marketing 470

CASE Avon	471
Introduction	474
Market Size Analysis	474
<i>Total Market Potential</i>	475
<i>Gap Analysis</i>	477
Product Policy	478
<i>Production Orientation</i>	478
<i>Sales Orientation</i>	479
<i>Customer Orientation</i>	479
<i>Strategic Management Orientation</i>	480
<i>Societal Marketing Orientation</i>	480
<i>Reasons for Product Alteration</i>	480
<i>Alteration Costs</i>	482
<i>Extent and Mix of the Product Line</i>	482
<i>Product Life-Cycle Considerations</i>	483
Pricing	483
<i>Government Intervention</i>	483
<i>Greater Market Diversity</i>	484
<i>Price Escalation in Exporting</i>	484
<i>Currency Value and Price Changes</i>	485
<i>Fixed Versus Variable Pricing</i>	487
<i>Company to Company Pricing</i>	488
Promotion	488
<i>The Push-Pull Mix</i>	488
<i>Standardization of Advertising Programs</i>	489

Branding	490
<i>Language Factors</i>	491
<i>Brand Acquisitions</i>	491
<i>Country-of-Origin Images</i>	492
<i>Generic and Near-Generic Names</i>	492
Distribution	492
Ethical Dilemma: What Products Should Companies Market Internationally?	493
<i>Difficulty of Standardization</i>	494
<i>Choosing Distributors and Channels</i>	495
<i>Hidden Costs in Foreign Distribution</i>	496
<i>The Internet and Electronic Commerce</i>	497
Looking to the Future: Will the "Haves" and the "Have-Nots" Meet the "Have-Somes"?	499
Summary	499
CASE Dental News and Hotresponse	500
Chapter Notes	503

17 Export and Import Strategies 504

CASE Grieve Corporation: A Small-Business Export Strategy	505
Introduction	507
Export Strategy	508
<i>Characteristics of Exporters</i>	509
<i>Why Companies Export</i>	510
<i>Stages of Export Development</i>	510
<i>Potential Pitfalls of Exporting</i>	511
<i>Designing an Export Strategy</i>	511
Import Strategy	514
<i>The Role of Customs Agencies</i>	515
<i>Import Documentation</i>	516
Third-Party Intermediaries	516
<i>Direct Selling</i>	517
<i>Direct Exporting Through the Internet and Electronic Commerce</i>	518
<i>Indirect Selling</i>	518
<i>Export Management Companies</i>	518
<i>Export Trading Companies</i>	519
<i>Non-U.S. Trading Companies</i>	519
<i>Foreign Freight Forwarders</i>	521
<i>Export Documentation</i>	522

Export Financing	523
<i>Product Price</i>	523
<i>Method of Payment</i>	523
<i>Financing Receivables</i>	525
<i>Insurance</i>	527
Countertrade	528
<i>Barter</i>	528
<i>Offset Trade</i>	529
Ethical Dilemma: Is Demand Always Just Cause to Export?	530
Looking to the Future: How Will Technology Affect Exporting?	531
Summary	532
CASE Sunset Flowers of New Zealand, Ltd.	532
Chapter Notes	534

18 Global Manufacturing and Supply Chain Management 536

CASE Samsonite's Global Supply Chain	537
Introduction	540
Global Manufacturing Strategies	542
<i>Manufacturing Compatibility</i>	542
<i>Manufacturing Configuration</i>	543
<i>Coordination and Control</i>	544
Global Supply Chain Management	544
Quality	546
<i>Total Quality Management</i>	546
<i>Quality Standards</i>	547
Supplier Networks	548
<i>Make or Buy Decision</i>	551
<i>Supplier Relations</i>	551
<i>The Purchasing Function</i>	552
Inventory Management	554
<i>Just-in-Time Systems</i>	554
<i>Foreign Trade Zones</i>	555
<i>Transportation Networks</i>	556
Ethical Dilemma: What Supplier Relations Approach Yields the Best Results?	557
Looking to the Future: To Be Global a MNE Must Establish Strong Supply Chain Links	558
Summary	558
CASE DENSO Corporation and Global Supplier Relations	559
Chapter Notes	562

19 Multinational Accounting and Tax Functions 564

- CASE Enron and International Accounting Harmonization 565**
- Introduction 567
 - Factors Influencing the Development of Accounting Around the World 569
 - Accounting Objectives* 573
 - Cultural Differences in Accounting* 574
 - Classification of Accounting Systems* 576
 - Harmonization of Differences in Accounting Standards 578
 - Transactions in Foreign Currencies 580
 - Recording of Transactions* 580
 - Correct Procedures for U.S. Companies* 581
 - Translation of Foreign-Currency Financial Statements 582
 - Translation Methods* 582
 - Disclosure of Foreign-Exchange Gains and Losses* 584
 - Environmental Reports 585
 - Taxation 586
 - Exports of Goods and Services* 586
 - Foreign Branch* 587
 - Foreign Subsidiary* 587
 - Transfer Prices* 589
 - Tax Credit* 590
 - Non-U.S. Tax Practices 590
 - Value-Added Tax* 591
 - Tax Treaties: The Elimination of Double Taxation* 591
 - Ethical Dilemma: In Transfer Pricing, "Legal" Doesn't Always Mean "Ethical" 592**
 - Planning the Tax Function 592
 - Looking to the Future: What Will Become the Coca-Cola of Accounting Standards? 593**
 - Summary 594
 - CASE Vivendi Universal 594**
 - Chapter Notes 599

20 The Multinational Finance Function 600

- CASE Nu Skin Enterprises 601**
- Introduction 603
 - The Finance and Treasury Functions in the Internationalization Process 603
 - Global Debt Markets 605
 - Eurocurrencies* 606
 - International Bonds: Foreign, Euro, and Global* 607

Equity Securities and the Euroequity Market	609
Offshore Financial Centers	613
Internal Sources of Funds	614
<i>Global Cash Management</i>	615
Foreign-Exchange Risk Management	615
<i>Translation Exposure</i>	616
<i>Transaction Exposure</i>	616
<i>Economic Exposure</i>	616
<i>Exposure-Management Strategy</i>	617
The Capital Budgeting Decision in an International Context	620
Ethical Dilemma: What's Wrong with Banking in a Tax-Haven Country?	621
Looking to the Future: Capital Markets and the Information Explosion	622
Summary	623
CASE Dell Mercosur	623
Chapter Notes	626

21 Human Resource Management 628

CASE Dow's International Management Development	629
Introduction	632
Management Qualifications and Characteristics	633
<i>Headquarters-Subsidiary Relationship</i>	633
<i>Matching Style to Operations</i>	635
<i>Qualifications Specific to Headquarters and Subsidiaries</i>	635
International Managerial Transfers	637
<i>Reasons for Staffing with Locals</i>	637
Ethical Dilemma: What Are Fair Labor Practices Anyway?	638
<i>Reasons for Using Expatriates</i>	639
<i>Home-Country Versus Third-Country Nationals</i>	640
<i>Some Individual Considerations for Transfers</i>	640
<i>Post-Expatriate Situations</i>	642
<i>Expatriate Compensation</i>	643
Management Recruitment and Selection	647
International Development of Managers	649
Labor-Market Differences	651
International Labor Mobility	651
Labor Compensation Differences	652
<i>Reasons for Country Differences in Labor Compensation</i>	652
<i>Differing Costs of Benefits</i>	653

CONTENTS

Comparative Labor Relations	654
<i>Sociopolitical Environment</i>	654
<i>Union Structure</i>	655
<i>Protection from Closures and Redundancy</i>	656
<i>Codetermination</i>	656
Team Efforts	656
International Pressures on National Practices	657
Multinational Ownership and Collective Bargaining	657
MNE Advantages	657
Looking to the Future: Which Countries Will Have the Jobs of the Future?	659
<i>Labor Initiatives</i>	660
Summary	661
CASE Tel-Comm-Tek in India	662
Chapter Notes	664

Glossary 667

Photo Credits 682

Company Index and Trademark 683

Name Index 687

Subject Index 688