

# Contents

<i>List of Tables</i>	vi
<i>Acknowledgments</i>	ix
<i>Preface</i>	x
<i>Introduction</i>	xii
1 Managing globalization	1
2 Comparative advantages and international trade	8
3 Theories of international trade and production	21
4 The instruments of trade policy	35
5 Tendencies in global financing, some stylized facts	55
6 Interest rate parity and the foreign exchange market	59
7 Purchasing power parity and the foreign exchange market	71
8 The foreign exchange market	77
9 SKF in Poland: Foreign exchange rate corporate reporting	92
10 The fundamentals of the time value of money	97
11 The present value of annuities and perpetuities	104
12 Wendy's franchising in Argentina	112
13 Transnational investment	128
14 Cuetara in Morocco	141
15 Exchange rate risk management	152
16 Cemex: Debt and exchange rate risk	156
17 Managing transaction exposure with spot and forward contracts	168
18 Managing transaction exposure with futures and options	177
19 Controlling economic risk	188
20 Giant manufacturing and globalization	199
21 International arbitrage	208
22 Note on international currency swaps	217
23 The balance of payments	228
24 National income and the balance of payments	242
25 Monetary and fiscal policy, output and exchange rate	251
26 The collapse of the Mexican peso	267
27 The international monetary system	275

# List of Tables

Table 1.1	Top industries, 1997	6
Table 1.2	Top international companies by profit margin, 1997	6
Table 1.3	Top companies by profit growth	6
Table 1.4	Top companies by dollar sales, 1997	7
Table 2.1	The theory of absolute advantages: A numerical example	9
Table 2.2	Illustration of the theory of comparative advantages	10
Table 2.3	Comparative advantages, exchange rate and international terms of trade	11
Table 2.4	Comparative advantages, wages, exchange rate and the international terms of trade	13
Table 3.1	The trade balance of NAFTA	29
Table 5.1	American Depository Receipts listed in the New York Stock Exchange	58
Table 6.1	Dollar-returns on a yen savings account	66
Table 8.1	CME futures, currency contract highlights	82
Table 8.2	Futures quotations	83
Table 8.3	CME options, currency contract highlights	85
Table 8.4	Option quotations	86
Table 10.1	The present value of a changing cash flow	101
Table 11.1	Present value of the cost of running machine one	108
Table 11.2	Annual cost equivalence of machine two	109
Table 11.3	Annual equivalence revenues of the South African projects	110
Table 12.1	Population of major cities of Argentina, 1996	122
Table 12.2	Wendy's average net dollar sales per domestic restaurant, 1993 – 96	122
Table 12.3	Wendy's cost of sales and its distribution, 1995	122
Table 12.4	Operating profit margin, 1994 – 1996	123
Table 12.5	International Wendy's, 1996	123
Table 12.6	Wendy's domestic and international restaurants	124
Table 12.7	Fast food restaurants financial statistics, 1996	124
Table 12.8	Exchange rate, 1991 – 1996	125
Table 12.9	Country statistics, 1996	125

Table 12.10	Wendy's international consolidated income statement	126
Table 12.11	Average sales per restaurant and number of restaurants	127
Table 13.1	Estimating cash flows	131
Table 13.2	Cash flows and exchange rate forecast	135
Table 13.3	Net present value of the Malaysian project under option one	135
Table 13.4	Net present value of the Malaysian project under option two	136
Table 14.1	Industrial evolution of the biscuit industry	148
Table 14.2	Leading producers in the Spanish biscuit industry	148
Table 14.3	Regional per capita consumption of biscuits in Spain, 1990	149
Table 14.4	Cost structure of the alimentary industry in Spain, 1990	149
Table 14.5	Cuetara, composition of sales, 1993	149
Table 14.6	Comparative cost structure, 1994	150
Table 14.7	Professional salaries in Morocco, 1994	150
Table 14.8	Urban population in Morocco, 1993	150
Table 14.9	Summary data of the Spanish biscuit industry, 1989 – 1992	151
Table 14.10	Key competitors in the Spanish bakery industry, 1991	151
Table 16.1	Distribution of assets and sales, December 1996	162
Table 16.2	Mexico, inflation, exchange rates and interest rates	162
Table 16.3	Spain, inflation, exchange rates and interest rates	162
Table 16.4	The US, inflation and interest rates	163
Table 16.5	Short-term loans, and other short-term liabilities	163
Table 16.6	Debt structure, 1966	163
Table 16.7	Maturity of long-term debt, 1996	164
Table 16.8	Long-term liability by type of currency	164
Table 16.9	Foreign exchange rate position, 1996	164
Table 16.10	Key financial figures	165
Table 16.11	Performance ratios	165
Table 16.12	Net sales, net income, and total assets	165
Table 16.13	Consolidated income statement, December 1995 and 1996	166
Table 16.14	Consolidated balance sheet, December 31, 1995 and 1996	167
Table 17.1	Foreign exchange and interest rate quotes	169
Table 17.2	Hedging imports with spot contracts	172
Table 20.1	Major bicycle exporters	203
Table 20.2	Taiwan, bicycle exports, 1984-1996	203
Table 20.3	Taiwan, bicycle exports, main markets, 1996	204
Table 20.4	Giant manufacturing exports, 1995	204
Table 20.5	Giant manufacturing exports, 1995-1996	204
Table 20.6	Financial performance, Giant manufacturing, 1994-1995	205
Table 20.7	Country statistics, Taiwan and main world markets, 1996	205
Table 20.8	Exchange rates	206
Table 20.9	Foreign exchange rates trends, December 1997	206
Table 20.10	Eurocurrency rates, December 1997	206
Table 21.1	Exchange rate quotations (DM/\$)	209
Table 21.2	Cross rates and triangular arbitrage	209

Table 21.3	Identifying covered interest arbitrage opportunities	211
Table 22.1	Case of absolute advantages	218
Table 22.2	Description of the dollar – German mark swap agreement	220
Table 22.3	Borrowing interest rates	220
Table 22.4	Description of the dollar – franc swap agreement	222
Table 22.5	Description of the dollar – yen swap agreement	223
Table 22.6	Dollar present value of the 3-year semi-annual coupon payments of a \$/¥ swap	224
Table 26.1	Savings and investment	270
Table 26.2	Total external debt and interest payments on Mexico's external debt	270
Table 26.3	3-month interest rates	271
Table 26.4	Inflation and exchange rate changes, peso/dollar	272
Table 26.5	Financing of current account deficits	272
Table 26.6	Mexico, balance of payments, 1993-1994	273
Table 26.7	Policy alternatives and outcomes	273
Table 26.8	Monetary base and its components	274