

Part 1 Introduction and Overview

Chapter 1 Globalization 2

Part 2 Country Differences

Chapter 2 National Differences in Political Economy 42

Chapter 3 Differences in Culture 88

Chapter 4 Ethics in International Business 124

Cases: Western Drug Companies and the AIDS
Epidemic in South Africa 156

KFC in India—Ethical Issues 158

Ann Burns's Personal Jihad 163/GC-5

Part 3 The Global Trade and Investment Environment

Chapter 5 International Trade Theory 164

Chapter 6 The Political Economy of International Trade 200

Chapter 7 Foreign Direct Investment 236

Chapter 8 The Political Economy of Foreign Direct Investment 262

Chapter 9 Regional Economic Integration 290

Cases: Agricultural Subsidies and Development 324

Drug Development in the European Union 325

FDI: India versus China 327

Mergers and Acquisitions in the Russian Oil Sector—The FDI Factor 330

Ireland in 2004 335/GC-3

Part 4 The Global Monetary System

Chapter 10 The Foreign Exchange Market 336

Chapter 11 The International Monetary System 366

Cases: America's Dollar Policy: Weak Dollar versus Strong Dollar 402

The 1994 Devaluation of the Mexican Peso and After 405/GC-3

The Falling Dollar 405/GC-9

Part 5 The Strategy and Structure of International Business

Chapter 12 The Strategy of International Business 406

Chapter 13 The Organization of International Business 438

Chapter 14 Entry Strategy and Strategic Alliances 478

Brief Contents



Cases:	3M in the New Millennium: Innovation and Globalization	512
	Lenovo in 2005	518
	DHL's Business Strategy in China	528

Part 6 Business Operations

Chapter 15	Exporting, Importing, and Countertrade	532
Chapter 16	Global Production, Outsourcing, and Logistics	554
Chapter 17	Global Marketing and R&D	582
Chapter 18	Global Human Resource Management	616
Chapter 19	Accounting in the International Business	644
Chapter 20	Financial Management in the International Business	666
Cases:	Merrill Lynch in Japan	694
	GTI in Russia	695
	Can Madison Avenue Marketing Help Developing Countries? The of Jordan	702

Glossary 705

Photo Credits 717

Index 718



Critical Thinking and Discussion Questions 82

Research Task 83

Closing Case

The Poorest Continent 83

CHAPTER 3 **Differences in Culture** 88

Opening Case

Doing Business in Saudi Arabia 89

Introduction 90

What Is Culture? 90

Values and Norms 91

Culture, Society, and the Nation-State 92

The Determinants of Culture 93

Social Structure 93

Individuals and Groups 94

Social Stratification 96

Religious and Ethical Systems 98

Christianity 98

Islam 100

Hinduism 103

Country Focus

The Rise of Islamic Banking in Pakistan 104

Buddhism 105

Management Focus

McDonald's and Hindu Culture 106

Confucianism 107

Country Focus

Guanxi—Ties That Bind 108

Language 109

Spoken Language 109

Unspoken Language 110

Education 110

Culture and the Workplace 111

Cultural Change 114

Implications for Managers 116

Chapter Summary 119

Critical Thinking and Discussion Questions 119

Research Task 120

Closing Case

Matsushita's and Japan's Changing Culture 120

CHAPTER 4

Ethics in International Business 124

Opening Case

Nike 125

Introduction 126

Ethical Issues in International Business 126

Employment Practices 127

Human Rights 127

Environmental Pollution 129

Management Focus

Unocal in Myanmar 130

Corruption 131

Moral Obligations 132

Management Focus

News Corporation in China 133

Ethical Dilemmas 134

The Roots of Unethical Behavior 134

Management Focus

Testing Drugs in the Developing World 137

Philosophical Approaches to Ethics 138

Straw Men 138

Utilitarian and Kantian Ethics 141

Rights Theories 142

Justice Theories 143

Ethical Decision Making 144

Hiring and Promotion 144

Organization Culture and Leadership 145

Decision-Making Processes 146

Ethics Officers 148

Moral Courage 148

Summary of Decision-Making Steps 148

Chapter Summary 149

Critical Thinking and Discussion Questions 150

Research Task 150

Closing Case

**Mired in Corruption—Kellogg Brown & Root
in Nigeria 150**

Cases

Western Drug Companies and the AIDS Epidemic i

South Africa 156

KFC in India—Ethical Issues 158

Ann Burns's Personal Jihad 163/GC-5



Part 3

The Global Trade and Investment Environment

CHAPTER 5

International Trade Theory 164

Opening Case

International Trade in Information Technology Hardware and U.S. Economic Growth 165

Introduction 166

An Overview of Trade Theory 166

The Benefits of Trade 167

The Pattern of International Trade 167

Trade Theory and Government Policy 168

Mercantilism 168

Absolute Advantage 169

Comparative Advantage 172

The Gains from Trade 172

Qualifications and Assumptions 174

Extensions of the Ricardian Model 175

Country Focus

Moving U.S. White-Collar Jobs Offshore 179

Management Focus

Free Trade and REI 180

Heckscher-Olin Theory 180

The Leontief Paradox 181

The Product Life-Cycle Theory 182

Evaluating the Product Life-Cycle Theory 184

New Trade Theory 184

Increasing Product Variety and Reducing Costs 185

Economics of Scale, First-Mover Advantages, and the Pattern of Trade 185

Implications of New Trade Theory 186

National Competitive Advantage: Porter's Diamond 187

Factor Endowments 188

Demand Conditions 189

Related and Supporting Industries 189

Firm Strategy, Structure, and Rivalry 189

Management Focus

The Rise of Finland's Nokia 190

Evaluating Porter's Theory 191

Implications for Managers 192

Location 192

First-Mover Advantages 193

Government Policy 193

Chapter Summary 194

Critical Thinking and Discussion Questions 195



Research Task 196

Closing Case

Logitech 196

CHAPTER 6

The Political Economy of International Trade 200

Opening Case

Trade in Textiles—The Chinese Juggernaut 201

Introduction 202

Instruments of Trade Policy 203

Tariffs 203

Subsidies 204

Import Quotas and Voluntary Export Restraints 204

Country Focus

Subsidized Wheat Production in Japan 205

Local Content Requirements 207

Administration Policies 207

Antidumping Policies 207

The Case for Government Intervention 208

Political Arguments for Intervention 208

Management Focus

U.S. Magnesium Seeks Protection 209

Economic Arguments for Intervention 212

Country Focus

Trade in Hormone-Treated Beef 213

The Revised Case for Free Trade 215

Retaliation and Trade War 215

Domestic Politics 216

Development of the World Trading System 216

From Smith to the Great Depression 216

1947–1979: GATT, Trade Liberalization, and Economic Growth 217

1980–1993: Protectionist Trends 218

The Uruguay Round and the World Trade Organization 219

WTO: Experience to Date 219

The Future of the WTO: Unresolved Issues and the Doha Round 222

Country Focus

Estimating the Gains from Trade for America 226

Implications for Managers 228

Trade Barriers and Firm Strategy 228

Policy Implications 229

Chapter Summary 230

Critical Thinking and Discussion Questions 231

Research Task 231

Closing Case

Subsidy Dogfight—Boeing versus Airbus 232



CHAPTER 7 Foreign Direct Investment 236

Opening Case

Cemex's Foreign Direct Investment 237

Introduction 238

Foreign Direct Investment in the World Economy 239

Trends in FDI 239

The Direction of FDI 240

Country Focus

Foreign Direct Investment in China 242

The Source of FDI 243

The Form of FDI: Acquisitions versus Greenfield Investments 244

The Shift to Services 245

Horizontal Foreign Direct Investment 246

Transportation Costs 247

Market Imperfections (Internalization Theory) 247

Strategic Behavior 249

Management Focus

Western Automobile Companies Expand into Russia 250

The Product Life Cycle 251

Location-Specific Advantages 251

Vertical Foreign Direct Investment 252

Strategic Behavior 253

Market Imperfections 253

Implications for Managers 255

Chapter Summary 257

Critical Thinking and Discussion Questions 258

Research Task 258

Closing Case

Starbucks' FDI 259

CHAPTER 8 The Political Economy of Foreign Direct Investment 262

Opening Case

Foreign Direct Investment in India 263

Introduction 264

Political Ideology and Foreign Direct Investment 264

The Radical View 264

The Free Market View 265

Pragmatic Nationalism 266

Management Focus

FDI by Volvo in South Korea 267

Summary 267

The Benefits of FDI to Host Countries	268
<i>Resource-Transfer Effects</i>	268

Country Focus

Foreign Direct Investment and the Irish Miracle	270
<i>Employment Effects</i>	271
<i>Balance-of-Payments Effects</i>	272
<i>Effect on Competition and Economic Growth</i>	274
The Costs of FDI to Host Countries	275
<i>Adverse Effects on Competition</i>	275
<i>Adverse Effects on the Balance of Payments</i>	275
<i>National Sovereignty and Autonomy</i>	276
The Benefits and Costs of FDI to Home Countries	276
<i>Benefits of FDI to the Home Country</i>	276
<i>Costs of FDI to the Home Country</i>	277
<i>International Trade Theory and FDI</i>	277
Government Policy Instruments and FDI	278
<i>Home-Country Policies</i>	278
<i>Host-Country Policies</i>	279
<i>International Institutions and the Liberalization of FDI</i>	280
Implications for Managers	281
<i>The Nature of Negotiation</i>	281
<i>Bargaining Power</i>	283
Chapter Summary	284
Critical Thinking and Discussion Questions	285
Research Task	285

Closing Case

Foreign Direct Investment in Venezuela's Petroleum Industry	286
---	-----

CHAPTER 9

Regional Economic Integration	290
-------------------------------	-----

Opening Case

Creating a Single European Market in Financial Services	291
---	-----

Introduction	292
--------------	-----

Levels of Economic Integration	293
--------------------------------	-----

The Case for Regional Integration	294
<i>The Economic Case for Integration</i>	295
<i>The Political Case for Integration</i>	295

Country Focus

NAFTA and the U.S. Textile Industry	296
<i>Impediments to Integration</i>	296

The Case against Regional Integration	297
---------------------------------------	-----

Regional Economic Integration in Europe	298
<i>Evolution of the European Union</i>	298
<i>Political Structure of the European Union</i>	299

The Single European Act 301
The Establishment of the Euro 302

Management Focus

The European Commission and Media Industry
Mergers 303

Enlargement of the European Union 306

Regional Economic Integration in the Americas 307

The North American Free Trade Agreement 307

The Andean Community 310

MERCOSUR 311

Central American Common Market and CARICOM 312

Free Trade Area of the Americas 312

Regional Economic Integration Elsewhere 313

Association of Southeast Asian Nations 313

Asia-Pacific Economic Cooperation 313

Regional Trade Blocs in Africa 314

Implications for Managers 316

Opportunities 316

Threats 317

Chapter Summary 318

Critical Thinking and Discussion Questions 318

Research Task 319

Closing Case

**Car Price Differentials in the European
Union** 319

Cases

Agricultural Subsidies and Development 324

FDI: India versus China 325

**Mergers and Acquisitions in the Russian Oil
Sector—The FDI Factor** 330

Ireland in 2004 335/GC-3



Part 4

The Global Monetary System

CHAPTER 10

The Foreign Exchange Market 336

Opening Case

Volkswagen's Hedging Strategy 337

Introduction 338

The Functions of the Foreign Exchange Market 338

Currency Conversion 338

Insuring against Foreign Exchange Risk 340

Management Focus

South African Airlines' Disastrous Currency Hedge 343

The Nature of the Foreign Exchange Market 343

Economic Theories of Exchange Rate Determination

Prices and Exchange Rates 345

Interest Rates and Exchange Rates 350

Investor Psychology and Bandwagon Effects 351

Country Focus

Why Did the Korean Won Collapse? 352

Summary 353

Exchange Rate Forecasting 354

The Efficient Market School 354

The Inefficient Market School 354

Approaches to Forecasting 355

Currency Convertibility 356

Implications for Managers 357

Transaction Exposure 357

Translation Exposure 357

Economic Exposure 358

Reducing Translation and Transaction Exposure 358

Management Focus

Translation Exposure at Baxter International 359

Reducing Economic Exposure 359

Other Steps for Managing Foreign Exchange Risk 360

Chapter Summary 361

Critical Thinking and Discussion Questions 362

Research Task 362

Closing Case

The Rising Euro Hammers Auto Parts

Manufacturers 363

CHAPTER 11

The International Monetary System 366

Opening Case

Rescuing Brazil 367

Introduction 368

The Gold Standard 369

Mechanics of the Gold Standard 369

Strength of the Gold Standard 370

The Period between the Wars, 1918–1939 370

The Bretton Woods System 371

The Role of the IMF 371

The Role of the World Bank 372

The Collapse of the Fixed Exchange Rate System 373

The Floating Exchange Rate Regime 374

The Jamaica Agreement 374

Exchange Rates since 1973 375

Fixed versus Floating Exchange Rates 377

The Case for Floating Exchange Rates 377

The Case for Fixed Exchange Rates 378

Who Is Right? 379

Exchange Rate Regimes in Practice 379

Pegged Exchange Rates 380

Currency Boards 381

Country Focus

Argentina's Currency Board 382

Crisis Management by the IMF 382

Financial Crises in the Post-Bretton Woods Era 383

Mexican Currency Crisis of 1995 385

The Asian Crisis 385

Evaluating the IMF's Policy Prescriptions 389

Country Focus

Turkey's 18th IMF Program 390

Implications for Managers 393

Currency Management 393

Business Strategy 394

Management Focus

Airbus and the Euro 395

Corporate-Government Relations 395

Chapter Summary 396

Critical Thinking and Discussion Questions 396

Research Task 397

Closing Case

China's Pegged Exchange Rate 397

Cases

America's Dollar Policy: Weak Dollar versus Strong Dollar 402

The 1994 Devaluation of the Mexican Peso and After 405/GC-3

The Falling Dollar 405/GC-9



Part 5

The Strategy and Structure of International Business

CHAPTER 12

The Strategy of International Business 406

Opening Case

Wal-Mart's Global Expansion 407

Introduction 408

Strategy and the Firm 409

Value Creation 409

Strategic Positioning 411

Operations: The Firm as a Value Chain 412

Global Expansion, Profitability, and Profit Growth 414

Expanding the Market: Leveraging Products and Competencies 415

<i>Location Economies</i>	416
<i>Experience Effects</i>	418
<i>Leveraging Subsidiary Skills</i>	420
<i>Summary</i>	421

Cost Pressures and Pressures for Local Responsiveness	421
<i>Pressures for Cost Reductions</i>	422
<i>Pressures for Local Responsiveness</i>	423

Management Focus

MTV Goes Global, with a Local Accent	424
--------------------------------------	-----

Choosing a Strategy	426
<i>Global Standardization Strategy</i>	426
<i>Localization Strategy</i>	427

Management Focus

The Changing Strategy of General Motors	428
<i>Transnational Strategy</i>	428
<i>International Strategy</i>	430
<i>The Evolution of Strategy</i>	431

Chapter Summary	432
-----------------	-----

Critical Thinking and Discussion Questions	432
--	-----

Research Task	433
---------------	-----

Closing Case

The Evolution of Strategy at Procter & Gamble	433
---	-----

Appendix: Profitability, Growth, and Valuation	436
--	-----

CHAPTER 13

The Organization of International Business

Opening Case

A Decade of Organizational Change at Unilever

Introduction	440
--------------	-----

Organizational Architecture	441
-----------------------------	-----

Organizational Structure	444
<i>Vertical Differentiation: Centralization and Decentralization</i>	444
<i>Horizontal Differentiation: The Design of Structure</i>	445

Management Focus

The International Division at Wal-Mart	448
<i>Integrating Mechanisms</i>	452

Management Focus

The Rise and Fall of Dow Chemical's Matrix Structure	454
--	-----

Control Systems and Incentives	458
--------------------------------	-----

<i>Types of Control Systems</i>	458
---------------------------------	-----

<i>Incentive Systems</i>	460
--------------------------	-----

Management Focus

Organizational Culture and Incentives at Lincoln Electric 461

Control Systems, Incentives, and Strategy in the International Business 462

Processes 464

Organizational Culture 465

Creating and Maintaining Organizational Culture 465

Organizational Culture and Performance in the International Business 466

Synthesis: Strategy and Architecture 468

Localization Strategy 468

International Strategy 469

Global Standardization Strategy 469

Transnational Strategy 470

Environment, Strategy, Architecture, and Performance 470

Organizational Change 471

Organizational Inertia 471

Implementing Organizational Change 472

Chapter Summary 473

Critical Thinking and Discussion Questions 474

Research Task 474

Closing Case

Strategic and Organization Change at Black & Decker 475

CHAPTER 14

Entry Strategy and Strategic Alliances 478

Opening Case

Tesco Goes Global 479

Introduction 480

Basic Entry Decisions 480

Which Foreign Markets? 480

Timing of Entry 481

Management Focus

International Expansion at ING Group 482

Scale of Entry and Strategic Commitments 484

Summary 485

Management Focus

The Jollibee Phenomenon—A Philippine Multinational 486

Entry Modes 486

Exporting 486

Turnkey Projects 488

Licensing 489

Franchising 490

Joint Ventures 491

Wholly Owned Subsidiaries 492

Selecting an Entry Mode	493
<i>Core Competencies and Entry Mode</i>	494
<i>Pressures for Cost Reductions and Entry Mode</i>	495
Greenfield Venture or Acquisition?	495
<i>Pros and Cons of Acquisitions</i>	495
<i>Pros and Cons of Greenfield Ventures</i>	498
<i>Greenfield or Acquisition?</i>	498
Strategic Alliances	499
<i>The Advantages of Strategic Alliances</i>	499

Management Focus

MG Rover's Desperate Search for a Partner	500
<i>The Disadvantages of Strategic Alliances</i>	500
<i>Making Alliances Work</i>	501

Chapter Summary	504
-----------------	-----

Critical Thinking and Discussion Questions	505
--	-----

Research Task	505
---------------	-----

Closing Case

Diebold	506
---------	-----

Cases

3M in the New Millennium: Innovation and Globalization	512
Lenovo in 2005	518
DHL's Business Strategy in China	528



Part 6

Business Operations

CHAPTER 15

Exporting, Importing, and Countertrade

532

Opening Case

FCX Systems	533
--------------------	-----

Introduction	534
--------------	-----

The Promise and Pitfalls of Exporting	534
---------------------------------------	-----

Improving Export Performance	535
------------------------------	-----

<i>An International Comparison</i>	535
------------------------------------	-----

<i>Information Sources</i>	536
----------------------------	-----

Management Focus

Exporting with a Little Government Help	537
<i>Utilizing Export Management Companies</i>	538
<i>Export Strategy</i>	538

Management Focus

Export Strategy at 3M	539
-----------------------	-----

Management Focus

Red Spot Paint & Varnish	540
--------------------------	-----



Export and Import Financing	540
<i>Lack of Trust</i>	541
<i>Letter of Credit</i>	542
<i>Draft</i>	543
<i>Bill of Lading</i>	544
<i>A Typical International Trade Transaction</i>	544
Export Assistance	545
<i>Export-Import Bank</i>	545
<i>Export Credit Insurance</i>	545
Countertrade	546
<i>The Incidence of Countertrade</i>	547
<i>Types of Countertrade</i>	547
<i>The Pros and Cons of Countertrade</i>	548
Chapter Summary	549
Critical Thinking and Discussion Questions	550
Research Task	550

Closing Case

Megahertz Communications	551
---------------------------------	-----

CHAPTER 16

Global Production, Outsourcing, and Logistics 554

Opening Case

Microsoft—Outsourcing Xbox Production	555
--	-----

Introduction	556
--------------	-----

Strategy, Production, and Logistics	556
-------------------------------------	-----

Where to Produce	559
------------------	-----

<i>Country Factors</i>	559
------------------------	-----

Management Focus

Philips in China	560
------------------	-----

<i>Technological Factors</i>	561
------------------------------	-----

<i>Product Factors</i>	564
------------------------	-----

<i>Locating Production Facilities</i>	565
---------------------------------------	-----

The Strategic Role of Foreign Factories	566
---	-----

Management Focus

Hewlett-Packard in Singapore	567
------------------------------	-----

Outsourcing Production: Make-or-Buy Decisions	568
---	-----

<i>The Advantages of Make</i>	569
-------------------------------	-----

<i>The Advantages of Buy</i>	570
------------------------------	-----

Management Focus

Outsourcing at the Boeing Company	571
-----------------------------------	-----

<i>Trade-offs</i>	573
-------------------	-----

<i>Strategic Alliances with Suppliers</i>	573
---	-----

Managing a Global Supply Chain	574
--------------------------------	-----

<i>The Role of Just-in-Time Inventory</i>	574
---	-----

<i>The Role of Information Technology and the Internet</i>	575
--	-----

Chapter Summary	575
Critical Thinking and Discussion Questions	576
Research Task	577

Closing Case

Competitive Advantage at Dell Inc.	577
---	-----

CHAPTER 17 **Global Marketing and R&D 582**

Opening Case

Kodak in Russia	583
------------------------	-----

Introduction	584
--------------	-----

The Globalization of Markets and Brands	585
---	-----

Market Segmentation	586
---------------------	-----

Management Focus

Marketing to Black Brazil	587
---------------------------	-----

Product Attributes	587
--------------------	-----

<i>Cultural Differences</i>	588
-----------------------------	-----

<i>Economic Development</i>	589
-----------------------------	-----

<i>Product and Technical Standards</i>	589
--	-----

Distribution Strategy	589
-----------------------	-----

<i>Differences between Countries</i>	590
--------------------------------------	-----

<i>Choosing a Distribution Strategy</i>	592
---	-----

Communication Strategy	593
------------------------	-----

<i>Barriers to International Communication</i>	593
--	-----

Management Focus

Overcoming Cultural Barriers to Selling	
---	--

Tampons	595
---------	-----

<i>Push versus Pull Strategies</i>	596
------------------------------------	-----

Management Focus

Unilever—Selling to India's Poor	598
----------------------------------	-----

<i>Global Advertising</i>	598
---------------------------	-----

Pricing Strategy	600
------------------	-----

<i>Price Discrimination</i>	600
-----------------------------	-----

<i>Strategic Pricing</i>	601
--------------------------	-----

<i>Regulatory Influences on Prices</i>	603
--	-----

Configuring the Marketing Mix	603
-------------------------------	-----

Management Focus

Castrol in Vietnam	604
--------------------	-----

New-Product Development	605
-------------------------	-----

<i>The Location of R&D</i>	606
--------------------------------	-----

<i>Integrating R&D, Marketing, and Production</i>	607
---	-----

<i>Cross-Functional Teams</i>	608
-------------------------------	-----

<i>Building Global R&D Capabilities</i>	608
---	-----

Chapter Summary	610
-----------------	-----

Critical Thinking and Discussion Questions 611

Research Task 611

Closing Case

Astro Boy—Marketing Japanese Anime to the World 611

CHAPTER 18

Global Human Resource Management 616

Opening Case

XCO China 617

Introduction 618

The Strategic Role of International HRM 619

Staffing Policy 620

Types of Staffing Policy 620

Expatriate Managers 623

Management Focus

Managing Expatriates at Royal Dutch/Shell 626

Training and Management Development 627

Training for Expatriate Managers 628

Repatriation of Expatriates 629

Management Development and Strategy 629

Management Focus

Monsanto's Repatriation Program 630

Performance Appraisal 631

Performance Appraisal Problems 631

Guidelines for Performance Appraisal 632

Compensation 632

National Differences in Compensation 632

Expatriate Pay 633

International Labor Relations 635

The Concerns of Organized Labor 635

The Strategy of Organized Labor 636

Approaches to Labor Relations 637

Chapter Summary 637

Critical Thinking and Discussion Questions 638

Research Task 639

Closing Case

Molex 639

CHAPTER 19

Accounting in the International Business 644

Opening Case

Adopting International Accounting Standards 645

Introduction 646

Country Differences in Accounting Standards	646
<i>Relationship between Business and Providers of Capital</i>	646
<i>Political and Economic Ties with Other Countries</i>	648
Inflation Accounting	649
Level of Development	649
Culture	649

National and International Standards	650
<i>Lack of Comparability</i>	650

Management Focus

The Consequences of Different Accounting Standards	651
<i>International Standards</i>	652

Management Focus

Novartis Joins the International Accounting Club	653
--	-----

Multinational Consolidation and Currency Translation	654
--	-----

<i>Consolidated Financial Statements</i>	654
--	-----

<i>Currency Translation</i>	656
-----------------------------	-----

<i>Current U.S. Practice</i>	657
------------------------------	-----

Accounting Aspects of Control Systems	657
<i>Exchange Rate Changes and Control Systems</i>	658
<i>Transfer Pricing and Control Systems</i>	659
<i>Separation of Subsidiary and Manager Performance</i>	660

Chapter Summary	661
-----------------	-----

Critical Thinking and Discussion Questions	662
--	-----

Research Task	662
---------------	-----

Closing Case

China's Developing Accounting System	663
---	-----

CHAPTER 20

Financial Management in the International Business

Opening Case

China Mobile	667
---------------------	-----

Introduction	668
--------------	-----

Investment Decisions	669
----------------------	-----

<i>Capital Budgeting</i>	669
--------------------------	-----

<i>Project and Parent Cash Flows</i>	670
--------------------------------------	-----

<i>Adjusting for Political and Economic Risk</i>	670
--	-----

Management Focus

Black Sea Energy Ltd.	671
-----------------------	-----

<i>Risk and Capital Budgeting</i>	672
-----------------------------------	-----

Financing Decisions	673
---------------------	-----

<i>Financing Decisions and the Global Capital Market</i>	673
--	-----

Management Focus

Deutsche Telekom Taps the Global Capital Market	675
---	-----



Source of Financing	677
Financial Structure	677
Global Money Management: The Efficiency Objective	678
Minimizing Cash Balances	678
Reducing Transaction Costs	678
Global Money Management: The Tax Objective	678
Moving Money across Borders: Attaining Efficiencies and Reducing Taxes	680
Dividend Remittances	680
Royalty Payments and Fees	680
Transfer Prices	681
Fronting Loans	682
Techniques for Global Money Management	684
Centralized Depositories	684
Multilateral Netting	685

Chapter Summary 687

Critical Thinking and Discussion Questions 688

Research Task 688

Closing Case

Financing Gol 688

Cases

Merrill Lynch in Japan 694

GTI in Russia 695

Can Madison Avenue Marketing Help Developing Countries? The Case of Jordan 702

Glossary 705

Photo Credits 717

Index 718

list of MAPS

Map	2.1	Gross National Income per Capita, 2003	60
Map	2.2	Purchasing Power Parity, 2003	62
Map	2.3	Growth in Gross National Product, 1993–2003	63
Map	2.4	The Human Development Index, 2002	65
Map	2.5	Political Freedom, 2004	69
Map	2.6	Distribution of Economic Freedom, 2005	73
Map	3.1	World Religions	99
Map	9.1	European Union Members in 2005	299
Map	9.2	Economic Integration in the Americas	308
Map	9.3	ASEAN Countries	314
Map	9.4	APEC Members	315