

## Chapter 3

# THE GLOBAL MARKETPLACE

### Chapter Overview

Today's business world consists of nations and economies that are becoming increasingly connected and interdependent. This chapter examines the theories and practices of international businesses and how they are affected by economic, social, cultural, political, and legal differences among nations. It also introduces major regional trading blocs and worldwide trading organizations and discusses five main forms of international business activity.

### Chapter Outline

- I. Fundamentals of International Trade
  - A. **Economic globalization** is the increasing integration and interdependence of national economies around the world
  - B. Reasons why countries and companies trade internationally:
    1. Focusing on relative strengths (comparative advantage) – countries should focus on areas where they can produce more efficiently and trade for goods/services they cannot produce as economically
    2. Expanding markets
    3. Pursuing **economies of scale** – savings from buying parts and materials, manufacturing, or marketing in large quantities
    4. Acquiring materials, goods, and services
    5. Keeping up with customers
    6. Keeping up with competitors who compete on a global scale
  - C. How international trade is measured
    1. **Balance of trade** is the total value of a nation's exports less the total value of its imports over a specified period of time
      - a. A **trade surplus** results if exports exceed imports
      - b. A **trade deficit** results if imports exceed exports
    2. **Balance of payments** is the sum of all payments one nation receives from other nations less the sum of all payments it makes to other nations over a specified period of time
  - D. The foreign **exchange rate** is the rate at which the money of one currency is traded for another
- II. Conflicts in International Trade
  - A. Trade that takes place without governmental interferences is known as **free trade**
  - B. **Protectionism** encompasses government policies aimed at shielding a country's industries from foreign competition. Strategies include:
    1. **Tariffs** – taxes, surcharges or duties levied against imported goods
    2. **Import quotas** limit the amount of particular goods that countries allow to be imported during a given year

3. **Embargoes** – a complete ban on import or export of certain products or on all trade with certain countries
4. Restrictive import standards – establishing regulations that make it difficult or expensive for companies to import goods
5. **Export subsidies** – providing financial assistance to domestic producers to allow them to lower their prices in order to compete more effectively in the world market
6. Anti-dumping measures – regulations and sanctions against foreign companies that attempt to sell large quantities of a product at a price lower than the home-country price (**dumping**)
7. Sanctions – politically motivated embargoes that revoke a company's normal trade relations status

### III. International Trade Organizations

- A. Organizations facilitating international trade
  1. World Trade Organization (WTO) - established to negotiate, implement, and monitor international trade procedures and mediate trade disputes among its member countries
  2. International Monetary Fund (IMF) - monitors global financial developments, provides technical advice and training, and provides short-term loans
  3. World Bank – group of five financial institutions with goal of eradicating most extreme levels of poverty around the world; addresses poverty, health, and education in developing countries
- B. **Trading blocs** – Also known as common markets, these regional organizations remove barriers to trade among their members and establish uniform barriers to trade with nonmember nations
  1. North American Free Trade Agreement (NAFTA) – Comprised of the United States, Mexico, and Canada
  2. European Union (EU) – Comprised of more than 2 dozen countries, viewed as a whole the EU is the world's largest economy
  3. Asia-Pacific Economic Cooperation (APEC) – Comprised of 21 countries working to liberalize trade in the Pacific Rim
  4. Trans-Pacific Partnership (TPP) – a potentially major trade agreement involving about a dozen countries around the Pacific Rim

### IV. The Global Business Environment

- A. Cultural differences – **Culture** is a shared system of symbols, beliefs, attitudes, values, expectations, and norms for behavior
  1. Businesspeople dealing with other cultures should avoid:
    - a. **Stereotyping** – assigning a wide range of generalized attributes, often superficial or even false, to an individual based on his/her membership in a particular culture or social group
    - b. **Ethnocentrism** – judging all other groups according to the standards, behaviors, and customs of one's own group
  2. Businesspeople should also be well-versed in the political issues, cultural factors, and the economic environment of the country in which they plan to do business.
- B. Legal differences

1. The legal systems in the U.S. and the United Kingdom are based on common law, in which tradition, custom, and judicial interpretation play important roles
2. The legal system in other nations (i.e., France and Germany) is based on civil law, in which legal parameters are specified in detailed legal codes
3. Another legal system in countries such as Iran and Pakistan is based on theocratic law, which is based on religious principles
4. A **tax haven** is a country whose favorable banking law and low tax rates give companies the opportunity to shield some of their income from higher tax rates at home or in other countries they do business
5. U.S. companies are bound by the Foreign Corrupt Practices Act (FCPA), which outlaws bribery in other countries

V. Forms of International Business Activity

- A. Importing and exporting
  1. **Importing** is purchasing goods or services from another country and bringing them into one's own country
  2. **Exporting** is the selling and shipping of goods or services to another country
- B. International **licensing** – agreements to produce and market another company's product in exchange for a royalty or fee
- C. International franchising – selling the right to use a business system, including brand names, business processes, trade secrets, and other assets
- D. International strategic alliances and joint ventures
  1. Strategic alliances are long-term partnerships between 2 or more companies to jointly develop, produce, or sell products
  2. Joint ventures are the joining of 2 or more firms to create a new business entity that is legally separate and distinct from its parents
- E. **Foreign direct investment (FDI)** – the investment of money by foreign companies in domestic business enterprises
  1. Countries that establish a physical presence in multiple countries through FDI are known as **multinational corporations (MNCs)**

VI. Strategic approaches to international markets

- A. Organizational strategies for international expansion include
  1. A **multidomestic strategy**, a decentralized approach in which a company creates highly independent operating units in each new country
  2. A **global strategy**, a centralized approach in which headquarters in the home country makes all major decisions
  3. A **transnational strategy**, a hybrid approach that attempts to reap the benefits of international scale while being responsive to local market dynamics
- B. Functional strategies for international expansion – Companies face multiple decisions in pursuing international markets:
  1. Products – Should products be standardized (selling the same product in all markets) or customized (different products in different markets)
  2. Customer support – Whether or not to offer local support
  3. Promotion – The degree to which promotional messages should be customized for each country
  4. Pricing – Making sure the costs of doing business internationally can be covered, while still offering products at competitive prices

5. Staffing – The decision to hire local managers or relocate managers from the home country

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## Classroom Activities

### ***Break-out Group Discussion: Pros and cons of globalization***

Goal: Asks students to think out loud about the benefits and pitfalls of globalization in a group setting, and discuss them in class in a debate-team format.

Time Limit: 20 minutes.

Details:

1. Break students into groups of five. (2 minutes)
2. Ask half of the groups to come up with three to four major benefits of globalization, e.g. home country firms' access to new market/new customers, lower costs of labor and materials in host countries, host country consumers' access to new products and services, new job opportunities in host countries, etc.; and ask the other half of the groups to come up with major pitfalls of globalization, e.g. the potential loss of jobs in home countries, sweatshop conditions in host countries, increasingly homogenized markets and products around the world, host countries' loss of cultural identities, etc. Elect a group leader/facilitator and a note taker in each group. Ask each group to finalize their viewpoints from notes and then elect group representatives/speakers. (10 minutes)
3. Ask representatives/speakers from two opposing teams to debate each other in front of the whole class, using ideas generated in prior group discussions. One group will address the benefits of globalization, while the other will counter with pitfalls of globalization. The teams may go back and forth, attacking each other's viewpoints and rationales. (8 minutes)

Summary: Instructor summarizes the major benefits and pitfalls of globalization presented by students (add/delete when appropriate) and emphasizes that globalization is not all good or bad—it is a “double-edged” sword.

### ***Group Exercise: Web Research “EU vs. NAFTA”***

In a computer lab, divide students into groups of four or five and have them conduct research on the Web to discover which trading bloc (EU vs. NAFTA) represents the highest collective GDP (Gross Domestic Product) figures of member nations. Is it the EU or NAFTA?

Time Limit: 20 minutes.

## End-of-Chapter

### **Behind The Scenes**

#### ***H&M Expands Its Global Footprint, But Not Without Competition and Challenges***

#### *Critical Thinking Questions*

**3-1. Some companies play up their home-country roots as they expand internationally, such as the way BMW and Mercedes emphasize their German engineering. Should H&M promote some aspect of its “Swedishness?” Why or why not?**

German engineering has a certain prestige to it, so it makes sense that these car manufacturers would allude to it to raise the image of their products. Sweden is not generally regarded as a fashion hot spot to the average consumer, so referring to its home country would not necessarily raise its desirability among consumers. (LO: 5, Diverse and multicultural work environments)

**3-2. Would H&M have been able to succeed with its consistent global strategy in the days before mass media and digital communications? Explain your answer.**

It would have been harder for H&M to manage its global strategy in the days before mass media and digital communication. It relies on a supply chain that can quickly respond to shifts in consumer demand, which would not have been possible before. It would also have been harder for designers to survey current trends and translate them into the products that customers will be wanting next without digital communication. (LO: 5, Information technology)

**3-3. H&M's growth, including its international expansion, is entirely self-funded (meaning it doesn't borrow money to launch new stores). How might this influence to company's decision-making and expansion efforts?**

Self-funding gives the company more control and autonomy over its decisions and operations. However it also means that it might not be able to expand as quickly as it would like to. (LO: 6, Analytical thinking)

*Learn More Online*

Visit [www.hm.com/entrance.ahtml](http://www.hm.com/entrance.ahtml) and select three of H&M's country websites. How are these sites similar and how are they different? Are the sites translated into the local language for each country? Are the imagery, messaging, and product promotion consistent across all three sites? What does this tell you about H&M's global product strategy?

Students' responses will depend, in large part, on the material currently posted on the website. (LO: 5, Information technology)

**Test Your Knowledge**

*Questions for Review*

**3-4. How can a company use a licensing agreement to enter world markets?**

By licensing, a company can negotiate an agreement that entitles it to produce or market another company's product in return for a royalty or fee. The company that obtains the license is responsible for the product quality, promotion, and distribution, and it must pay the other company a percentage of its sales. On the other hand, the company that grants the license avoids shipping costs, trade barriers, and other problems associated with international trade, while still

receiving a portion of the revenue from overseas sales. (LO: 5, Diverse and multicultural work environments)

**3-5. What two fundamental product strategies do companies choose between when selling their products in the global marketplace?**

A company must decide whether to standardize the product, selling the same product everywhere in the world, or to customize the product to accommodate the lifestyles and habits of local target markets. Keep in mind that the degree of customization can vary. A company may change only the product's name or packaging, or it can modify the product's components, size, and functions. Understanding a country's culture and regulations helps a company make these important choices. (LO: 6, Diverse and multicultural work environments)

**3-6. What is the balance of trade, and how is it related to the balance of payments?**

The balance of trade is determined by the relationship between the value of a country's imports and the value of its exports. It is not as broad as the balance of payments, which measures the total flow of money into a country minus the flow of money out of the country over a period of time. The balance of payments includes not only the balance of trade but also payments of foreign aid by governments and direct investment in assets. (LO: 1, Diverse and multicultural work environments)

**3-7. What is protectionism?**

Protectionism is the economic policy of restraining trade between countries through methods such as imposing tariffs on imported goods, having restrictive quotas and other governmental regulations designed to discourage imports. This is often done to protect domestic industries; hence, the name. (LO: 2, Diverse and multicultural work environments)

**3-8. What is a floating exchange rate?**

A floating exchange rate is a system of foreign currency exchange whereby currency values fluctuate in response to the forces of global supply and demand. (LO: 1, Diverse and multicultural work environments)

*Questions for Analysis*

**3-9. Why would a company choose to work through intermediaries when selling products in a foreign country?**

By using intermediaries to sell products to a foreign market, a company can avoid some of the many problems that can occur when selling products in a foreign country. A company can avoid barriers to trade, one of the main obstacles to trading in a foreign market. There are many barriers to trade in place to protect countries from being overwhelmed by foreign imports. These can include tariffs, quotas, or embargoes. Other barriers may include laws, restrictive import standards, or domestic subsidies. Also, by using intermediaries, the company can avoid fluctuations in currency exchange, and governments. By using certain types of intermediaries, a company can also avoid exorbitant shipping costs. By using intermediaries, a company may stand to gain less profit, but also guarantees itself fewer risks. (LO: 5, Diverse and multicultural work environments)

**3-10. How do companies benefit from forming international joint ventures and strategic alliances?**

A strategic alliance is a long-term partnership between two or more companies aimed at helping establish a competitive advantage in the marketplace. Companies share ideas, resources, and technology. By sharing their resources (especially technology) both companies become more competitive, enabling them to take on larger companies who have more resources than either company alone. A joint venture is a partnership in which two or more firms join together to create a new business entity that is legally separate and distinct from its parents. In some countries, foreign companies are prohibited from owning facilities outright or from investing in local business, so establishing a joint venture with a local partner may be the only way to do business in that country. In this way, companies share investment costs, risks, management, and profits. Again, by sharing responsibilities, these companies can increase their competitiveness in the global marketplace by pooling resources. No one company takes the risk upon itself, and doubles its resources. This is especially important in an era of multinational corporations. (LO: 5, Diverse and multicultural work environments)

**3-11. What types of situations might cause the U.S. government to implement protectionist measures?**

The U.S. government might implement protectionist measures for several reasons, including: (1) shielding developing or struggling industries from foreign competition, (2) bending to pressure to protect U.S. jobs, (3) retaliating against the protectionist actions of other countries, and (4) protecting the health and safety of American citizens. (LO: 2, Diverse and multicultural work environments)

**3-12. How do tariffs and quotas protect a country's own industries?**

Tariffs include taxes, surcharges or duties levied against imported goods. Tariffs raise the cost of foreign goods, giving domestic products a price advantage. Quotas limit the amount of a particular good countries can import during a year. Limits can be set on quantities (such as bushels) or value (such as dollar value). Quotas protect a country's industry by allowing only a certain amount of imports to enter the country at a given time. In this way, consumers can only spend a limited amount on imported goods, and must spend the rest on their own country's industry. (LO: 2, Diverse and multicultural work environments)

**3-13. Ethical Considerations. Is it unethical for a U.S. company to choose export markets specifically for their less-stringent consumer protection standards? Why or why not?**

Answers will vary depending on student opinions. Possible considerations include asking the following questions first: (1) Is the action legal? (2) Is there strong competitive pressure to do so? Would not doing so make the company less successful in relative to competitors? (3) Do consumers in such export markets have any legal recourse if they were injured by the products in question? (LO: 1, Ethical understanding and reasoning)

*Questions for Application*

**3-14. Suppose you own a small company that manufactures baseball equipment. You are aware that Russia is a large market, and you are**



**considering exporting your products there. However, you know you need to learn more about Russian culture before making contact with potential business partners. What steps could you take to improve your cultural awareness?**

Education and an open mind are the best ways to prepare yourself for doing business with people from another culture. Books and websites offer advice on traveling to and working in specific countries. It is also helpful to sample newspapers, magazines, and even the music and movies of another country. Learn everything you can about the culture's history, religions, politics, and customs—especially its business customs. Successful international businesses learn as much as they can about political issues, cultural factors, and the economic environment before investing time and money in new markets. (LO: 4, Diverse and multicultural work environments)

**3-15. How has your current employer or any previous employer been affected by globalization? For instance, does your company compete with lower-cost imports? (If you don't have any work experience, ask a friend or family member.)**

Students' answer will vary depending on personal experience. Possible scenarios include employers' effort to seek new customers by entering foreign countries or their effort to cut costs by outsourcing to countries with lower material and/or labor costs. (LO: 1, Diverse and multicultural work environments)

**3-16. Would a major shopping mall developer with experience all across Europe be a good strategic alliance partner for your fast-food chain's first overseas expansion effort? Why or why not?**

Students' answers may vary depending on opinion but they may include the following considerations: A) Will the fast food chain's first overseas expansion effort be in Europe? B) Is there a good fit between the fast food chain and the types of businesses that are typically located in the shopping malls developed by the said developers? C) What are the specific laws and regulations governing foreign businesses in such European countries? Are there any tax advantages for joint ventures or wholly owned subsidiaries compared to strategic alliances? (LO: 5, Diverse and multicultural work environments)

**3-17. Concept Integration: You just received notice that a large shipment of manufacturing supplies you have been waiting for has been held up in customs for two weeks. A local business associate tells you that you are expected to give customs agents some "incentive money" to see that everything clears easily. How will you handle this situation? Evaluate the ethical merits of your decision by considering the approaches listed in Exhibit 4.4 on page 77.**

Student answers will vary, but should show evidence of answering the key ethical questions that will be developed in chapter 4. (LO: 4, Ethical understanding and reasoning)

## **Expand Your Knowledge**

*Discovering Career Opportunities*

If global business interests you, consider working for a U.S. government agency that supports or regulates international trade. Search the USAJobs website at [www.usajobs.gov](http://www.usajobs.gov) for an opening in international trade administration, such as an *international trade specialist*. Study the job description and answer the following questions:

**3-18. On the basis of this description, what education and skills (personal and professional) would you need to succeed in this job?**

Students' answers will vary depending on their opinions. (LO: 2, Diverse and multicultural work environments)

**3-19. How well does this job description fit your qualifications and interests?**

Students' answers will vary depending on their opinions and their own personal qualifications and interests. (LO: 2, Diverse and multicultural work environments)

**3-20. How important would interpersonal skills be in this position? Why?**

Students' answers will vary depending on their opinions. (LO: 2, Diverse and multicultural work environments)

*Improving Your Tech Insights: Telepresence*

Telepresence systems start with the basic idea of videoconferencing but go far beyond, with imagery so real that colleagues thousands of miles apart virtually appear to be in the same room together. The interaction feels so lifelike that participants can forget that the person "sitting" on the other side of the table is actually in another city or even another country. The ability to convey nonverbal subtleties such as facial expressions and hand gestures makes these systems particularly good for developing new relationships and engaging in negotiations, collaborative problem solving, and other complex discussions.

**Conduct research to identify a company that has installed a telepresence system. What kinds of meetings does the firm use the telepresence system for? What advantages does the system give the company?**

Student answers will vary, depending upon the company selected and the information available through this research. (LO: 4, Information technology)

**Practice Your Skills**

*Sharpening Your Communication Skills*

Languages never translate on a word-for-word basis. When doing business in the global marketplace, choose words that communicate a single idea clearly. Avoid using slang or idioms (words that can have meanings far different from their individual components when translated literally). For example, if a U.S. executive tells an Egyptian executive that a change in plans "really threw us a curve ball," chances are that communication will fail.

**Team up with two other students and list 10 examples of slang (in your own language) that would probably be misinterpreted or misunderstood during a business conversation with someone from another culture. Next to each example, suggest other words you might use to convey the same message. Make sure the alternatives mean exactly the same as the original slang or idiom. Compare your list with those of your classmates.**

Student answers will vary, but the point of this exercise is to emphasize the number of idioms Americans use daily. Check students' alternative messages to be sure the meaning is as clear as possible. It may even be useful for students to trade lists and critique each other's language. They may be surprised at how slippery the English language really is. (LO: 4, Diverse and multicultural work environments)

### *Building Your Team Skills*

In 2009, eight U.S. steel companies and the United Steelworkers union accused Chinese pipe manufacturers of dumping \$2.7 billion worth of a particular type of stainless steel pipe on the American market the previous year. (Specifically, the type of pipe is called "oil country tubular goods" and is used in oil and gas wells.) In a petition to the U.S. International Trade Commission (ITC) and the U.S. Department of Justice (DOJ), the group said 2,000 U.S. employees had lost their jobs as a result of the unfairly priced Chinese imports. The petition asked for tariffs of up to 99 percent on the Chinese steel.

With your team, research the outcome of the steel industry's petition. Did the ITC and DOJ enact tariffs on Chinese steel? After you have discovered the outcome of the petition, analyze the potential effect of the government's position on the following stakeholders:

- U.S. businesses that buy this type of steel
- U.S. steel manufacturers
- Employees of U.S. steel manufacturers
- The United Steelworkers union
- Chinese steel manufacturers

**Present your analysis to the class and compare your conclusions with those reached by other teams.**

Students' answers will vary but the point to take away here is that different stakeholders will likely have different positions on the same issue and may be affected in different fashion by the government's actions. Students also need to understand the concept of "dumping" and the roles government and trade organizations play in dealing with such international trade practices. (LO: 2, Diverse and multicultural work environments)

### *Developing Your Research Skills*

Companies involved in international trade have to watch the foreign exchange rates of the countries in which they do business. Use your research skills to locate and analyze information about the value of the Japanese yen relative to the U.S. dollar.

As you complete this exercise, make a note of the sources and search strategies you used.

- 3-21. How many Japanese yen does one U.S. dollar buy right now? (You can find the foreign exchange rate for the yen at [www.x-rates.com](http://www.x-rates.com) and many similar sites.)**

Answers will vary depending on when students check exchange rates. (LO: 1, Diverse and multicultural work environments)

- 3-22. Investigate the foreign exchange rate for the yen against the dollar over the past month. Is the dollar growing stronger (buying more yen) or growing weaker (buying fewer yen)?**

Answers will vary; however, students should recognize that currency exchange rates are constantly fluctuating, which creates instability in international business. (LO: 1, Diverse and multicultural work environments)

- 3-23. If you were a U.S. exporter selling to Japan, how would a stronger dollar be likely to affect demand for your products? How would a weaker dollar be likely to affect demand?**

A stronger dollar might affect the selling price of American goods sold in Japan, creating higher prices, and lowering demand. A weaker dollar might heighten demand for American goods whose selling price should drop along with the exchange rate. However, if the dollar is too weak, it could negatively affect our economy as well as all economies pegged to the dollar and those attempting to compete with the United States in terms of price. Therefore, too strong of a dollar can be negative in the international market, while too weak of a dollar is also detrimental to the overall trade. (LO: 1, Diverse and multicultural work environments)

#### *Assisted-graded Questions*

- 3-24. How is the notion of free trade similar to the free-markets model discussed in Chapter 2?**

In a free market system, decisions about what to produce and in what quantities are decided by the market's buyers and sellers. Free trade is international trade unencumbered by restrictive measures. Supporters claim free trade is the best way to ensure prosperity for everyone; detractors call it unfair to too many people and a threat to the middle class. (LO: 2, Diverse and multicultural work environments)

- 3-25. Should the U.S. government promote trade policies that benefit some companies or industries while potentially harming others? Why or why not?**

Answers will vary depending on personal opinion. (LO: 2, Diverse and multicultural work environments)

## CHECKPOINTS

**LEARNING OBJECTIVE 1: Explain why nations trade, and describe how international trade is measured.**

**Critical thinking:**

(1) Would it be wise for an advertising agency to open offices in Europe and Asia to service a single multinational client? Why or why not?

It would be wise if the costs of opening such offices are lower than the revenues that single multinational client can bring in.

(2) If IBM invests \$40 million in a joint venture in China, would that amount be counted in the U.S. balance of trade or the balance of payments?

That amount should be included in the balance of payments since that's where investments belong.

**It's your business:**

(1) In the last major purchase you made, did you take into consideration whether the product was made in the United States or another country?

Students' responses will vary depending on personal experiences.

(2) Does country of origin matter to you when you shop?

Students' responses will vary depending on personal experiences or opinions.

**LEARNING OBJECTIVE 2: Discuss the nature of conflicts in global business, including free trade and government interventions into international trade.**

**Critical thinking:**

(1) What would happen to U.S. workers if all trade intervention suddenly disappeared?

They may find themselves in a vulnerable position since they have been protected from competition for too long. The domestic industry they are in can fail to develop and become strong enough to compete efficiently.

(2) What would be the effect on U.S. consumers?

The effect on U.S. consumers is likely to be positive as free trade usually reduces prices of goods and services.

**It's your business:**

(1) Would you be willing to pay more for your clothes in order to keep more apparel manufacturing in the United States? Why or why not?

Students' responses will vary depending on personal opinions.

(2) Do you or would you consider purchasing "fair trade" products, for which prices are set high enough to ensure a living wage for everyone involved in their production, even though these higher prices can make them less competitive in world markets?

Students' responses will vary depending on personal opinions.

**LEARNING OBJECTIVE 3: Identify the major organizations that facilitate international trade and the major trading blocs around the world.**

**Critical thinking:**

(1) Why do trade disputes sometimes take years to resolve?

Because they typically require complicated negotiations that take a great deal of time to work through.

(2) If a country currently benefits from high tariffs on imports, why might it consider joining a trading bloc that requires it to lower or eliminate those tariffs?

Because by doing so its products will enjoy no-tariff status within the trading bloc. In addition, that country along with other trading bloc members can still erect trading barriers against all non-member countries.

**It's your business:**

(1) Can you identify any ways in which your life as an employee or a consumer has been affected by U.S. membership in trading blocs such as NAFTA and APEC?

Students' responses will vary depending on personal experiences.

(2) How can you confirm that the effect was caused by trading bloc membership?

Students' responses will vary depending on personal experiences or opinions.

**LEARNING OBJECTIVE 4: Discuss the importance of understanding cultural and legal differences in the global business environment.**

**Critical thinking:**

(1) What steps could you take to help someone from another country adapt to U.S. business culture?

Such steps include educating the person about U.S. customs, enlightening her about differences in body language, and showing how respect is communicated in the U.S. culture.

(2) How can you convey respect for another person's culture even if you don't agree with it or even understand it?

Learning about another culture is a way to show respect. You can specifically learn about the particular ways respect is communicated in that culture, including gestures, eye contact, social custom, and other actions.

**It's your business:**

(1) When you encounter someone whose native language is different from yours, what steps do you take to make sure communication is successful?

Students' responses will vary depending on personal experiences.

(2) How does another person's "foreignness" influence your perceptions of his or her abilities?

Students' responses will vary depending on personal experiences.

**LEARNING OBJECTIVE 5: Define the major forms of international business activity.**

**Critical thinking:**

(1) Can a company successfully export to other countries without having staff and facilities in those countries? Why or why not?

Yes, because they may use foreign distributors in other countries.

(2) Why does so much foreign direct investment take place between the industrialized nations?

Because industrialized nations tend to offer greater protection for foreign investors, which is important since foreign direct investment carries much greater economic and political risk.

**It's your business:**

(1) What connotations does the word "imported" have for you?  
Students' responses will vary depending on personal opinions.

(2) On what do you base your reaction?  
Students' responses will vary depending on personal opinions.

**LEARNING OBJECTIVE 6: Discuss the strategic choices that must be considered before entering international markets.**

**Critical thinking:**

(1) If a multidomestic approach gives local managers the most flexibility for responding to local market conditions, why wouldn't every international company use this strategy?

Because in some cases, a global strategy or transnational strategy is more appropriate when there is a convergence of consumer preferences and tastes for certain products, such as the iPod.

(2) How might the choice of overall organizational strategy affect a company's staffing plans in each country?

The overall organizational strategy, e.g. centralized vs. decentralized might affect a company's staffing plans in each country. For instance, a centralized organizational strategy will likely translate to staffing each country with managers from the home country.

**It's your business:**

(1) How does Apple's "Designed in California" product label influence your perceptions of product quality?  
Students' responses will vary depending on personal opinions.

(1) Do you think it helps counter negative public opinion about U.S. companies that manufacture products in other countries as a way to reduce labor costs? Why or why not?  
Students' responses will vary depending on personal opinions.