Microsoft and/or its respective suppliers make no representations about the suitability of the information contained in the documents and related graphics published as part of the services for any purpose. All such documents and related graphics are provided “as is” without warranty of any kind. Microsoft and/or its respective suppliers hereby disclaim all warranties and conditions with regard to this information, including all warranties and conditions of merchantability, whether express, implied or statutory, fitness for a particular purpose, title and non-infringement. In no event shall Microsoft and/or its respective suppliers be liable for any special, indirect, or consequential damages or any damages whatsoever resulting from loss of use, data, or profits, whether in an action of contract, negligence, or other tortious action, arising out of or in connection with the use or performance of information available from the services.

The documents and related graphics contained herein could include technical inaccuracies or typographical errors. Changes are periodically added to the information herein. Microsoft and/or its respective suppliers may make improvements and/or changes in the product(s) and/or the program(s) described herein at any time. Partial screen shots may be viewed in full within the software version specified.

Microsoft® and Windows® are registered trademarks of the Microsoft Corporation in the U.S.A. and other countries. This book is not sponsored or endorsed by or affiliated with the Microsoft Corporation.

Copyright © 2020, 2015, 2013 by Pearson Education, Inc. or its affiliates. All Rights Reserved. Manufactured in the United States of America. This publication is protected by copyright, and permission should be obtained from the publisher prior to any prohibited reproduction, storage in a retrieval system, or transmission in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise. For information regarding permissions, request forms, and the appropriate contacts within the Pearson Education Global Rights and Permissions department, please visit www.pearsoned.com/permissions/.

Acknowledgments of third-party content appear on the appropriate page within the text.

PEARSON, ALWAYS LEARNING, and MYLAB are exclusive trademarks owned by Pearson Education, Inc. or its affiliates in the U.S. and/or other countries. Unless otherwise indicated herein, any third-party trademarks, logos, or icons that may appear in this work are the property of their respective owners, and any references to third-party trademarks, logos, icons, or other trade dress are for demonstrative or descriptive purposes only. Such references are not intended to imply any sponsorship, endorsement, authorization, or promotion of Pearson’s products by the owners of such marks, or any relationship between the owner and Pearson Education, Inc., or its affiliates, authors, licensees, or distributors.

Library of Congress Cataloging-in-Publication Data
Names: Griffin, Ricky W., author. | Pustay, Michael W., author.
Title: International business : a managerial perspective / Ricky W. Griffin, Texas A&M University, Michael W. Pustay, Texas A&M University.
Identifiers: LCCN 2018038834 | ISBN 9780134898773 (print) | ISBN 013489877X (print)

To the memory of my father, James P. Griffin, who provided encouragement and guidance in ways he never imagined.

R. W. G.

To the newest members of our family,
Quinlan, Zane, and Andrew.

M. W. P.
Brief Contents

Maps xix
Preface xxi
Acknowledgments xxviii
About the Authors xxix

PART 1 The World’s Marketplaces 2
  Chapter 1 An Overview of International Business 2
  Chapter 2 Global Marketplaces and Business Centers 24
  Chapter 3 Legal, Technological, and Political Environments 54
  Chapter 4 The Role of Culture 78
  Chapter 5 Ethics and Social Responsibility in International Business 112

PART 2 The International Environment 144
  Chapter 6 International Trade and Investment 144
  Chapter 7 The International Monetary System and the Balance of Payments 174
  Chapter 8 Foreign Exchange and International Financial Markets 202
  Chapter 9 Formulation of National Trade Policies 226
  Chapter 10 International Cooperation Among Nations 254

PART 3 Managing International Business 294
  Chapter 11 International Strategic Management 294
  Chapter 12 Strategies for Analyzing and Entering Foreign Markets 320
  Chapter 13 International Strategic Alliances 352
  Chapter 14 International Organization Design and Control 376
  Chapter 15 Leadership and Employee Behavior in International Business 406

PART 4 Managing International Business Operations 436
  Chapter 16 International Marketing 436
  Chapter 17 International Operations Management 464
  Chapter 18 International Financial Management 490
  Chapter 19 International Human Resource Management and Labor Relations 524

Glossary 558
Name Index 571
Company Index 574
Subject Index 578
Contents

Maps xix
Preface xxi
Acknowledgments xxviii
About the Authors xxix

PART 1 The World’s Marketplaces 2

Chapter 1 An Overview of International Business 2
The Business of the Olympics 3
What Is International Business? 4
■ BRINGING THE WORLD INTO FOCUS: Borders Do Matter 5
Why Study International Business? 5
International Business Activities 7
■ BRINGING THE WORLD INTO FOCUS: The Early Era of International Business 7
Exporting and Importing 8
International Investments 8
Other Forms of International Business Activity 9
The Contemporary Causes of Globalization 10
Strategic Imperatives 12
The Environmental Causes of Globalization 13
Globalization and Emerging Markets 13
■ EMERGING OPPORTUNITIES: Is Globalization Good for Us? 14
An Overview of the Contents of This Book 16
CHAPTER REVIEW 18 • Summary 18 • Questions for Discussion 18
• Building Global Skills 19
■ CLOSING CASE: Demography Is Destiny 19
Endnotes 22

Chapter 2 Global Marketplaces and Business Centers 24
The Northwest Passage 25
The Marketplaces of North America 26
The United States 26
■ EMERGING OPPORTUNITIES: Classifying Countries by Income Levels 28
Canada 29
Mexico 30
Central America and the Caribbean 30
■ BRINGING THE WORLD INTO FOCUS: The Canals of Commerce 30
The Marketplaces of Western Europe 31
■ BRINGING THE WORLD INTO FOCUS: The EU’s Growth Engine 33
The Marketplaces of Eastern Europe and Central Asia 34
The Marketplaces of Asia 37
Japan 37
Australia and New Zealand 37
The Four Tigers 39
China 41
India 43
Southeast Asian Countries 43
Chapter 3 Legal, Technological, and Political Environments  
Tiny Islands, Big Trouble 55
The Legal Environment 56
■ E-WORLD: Cyber Privacy 57
Differences in Legal Systems 57
■ VENTURING ABROAD: How Important Is the Rule of Law? 60
Domestically Oriented Laws 61
Laws Directly Affecting International Business Transactions 61
Laws Directed against Foreign Firms 62
The Impacts of MNCs on Host Countries 63
Dispute Resolution in International Business 64
The Technological Environment 66
■ VENTURING ABROAD: Technology Transfer: Does China Play Fair? 67
The Political Environment 70
Political Risk 70
CHAPTER REVIEW 73 • Summary 73 • Questions for Discussion 73 • Building Global Skills 74
■ CLOSING CASE: Sour Oil, Soured Deal 74
Endnotes 76

Chapter 4 The Role of Culture 78
Bollywood, Hollywood, and Nollywood 79
Characteristics of Culture 80
■ E-WORLD: The Internet, National Competitiveness, and Culture 81
Elements of Culture 81
■ BRINGING THE WORLD INTO FOCUS: Japan's Demographic and Cultural Challenges 82
Social Structure 83
Language 84
Communication 88
Religion 90
■ BRINGING THE WORLD INTO FOCUS: Islamic Finance 92
Values and Attitudes 93
Seeing the Forest, Not the Trees 95
Hall's Low-Context–High-Context Approach 95
The Cultural Cluster Approach 96
Hofstede's Six Dimensions 98
Social Orientation 98
Power Orientation 100
Uncertainty Orientation 101
Goal Orientation 103
Time Orientation 103
Indulgence-Restraint Orientation 104
Contents

International Management and Cultural Differences 105

Understanding New Cultures 105

■ VENTURING ABROAD: McDonald’s Fits In 105

CHAPTER REVIEW 106  •  Summary 106  •  Questions for Discussion 107  •  Building Global Skills 107

■ CLOSING CASE: Quacking Up a Storm of Business 108

Endnotes 109

Chapter 5 Ethics and Social Responsibility in International Business 112

Rebuilding Rwanda, one Cup at a Time 113

The Nature of Ethics and Social Responsibility in International Business 114

Ethics in Cross-Cultural and International Contexts 117

How an Organization Treats Its Employees 117

How Employees Treat the Organization 119

How Employees and the Organization Treat Other Economic Agents 119

Managing Ethical Behavior across Borders 120

Guidelines and Codes of Ethics 120

■ VENTURING ABROAD: Siemens Pays—and Pays and Pays 121

Ethics Training 121

Organizational Practices and the Corporate Culture 122

Corporate Social Responsibility in Cross-Cultural and International Contexts 123

The Economic Mission 123

Sustainability and the Natural Environment 123

■ PEOPLE, PLANET, AND PROFITS: Lions and Tigers and Bears, Oh My! 124

General Social Welfare 125

Managing Social Responsibility across Borders 127

Approaches to Social Responsibility 127

Managing Compliance 128

■ PEOPLE, PLANET, AND PROFITS: E-Waste 129

Informal Dimensions of Social Responsibility 130

Evaluating Social Responsibility 131

Difficulties of Managing CSR across Borders 132

The Anglo-Saxon Approach 132

The Asian Approach 132

The Continental European Approach 132

Regulating International Ethics and Social Responsibility 133

■ EMERGING OPPORTUNITIES: Conflict Diamonds 134

CHAPTER REVIEW 135  •  Summary 135  •  Questions for Discussion 135  •  Building Global Skills 136

■ CLOSING CASE: Rana Plaza 136

Endnotes 138

■ PART 1: CLOSING CASES: A Pipeline of Good Intentions 140

The Oil Curse 142

PART 2  The International Environment 144

Chapter 6  International Trade and Investment 144

Trade is Blossoming 145

International Trade and the World Economy 146
Chapter 8  Foreign Exchange and International Financial Markets  202
The Dutch Disease  203
The Economics of Foreign Exchange  204
■ BRINGING THE WORLD INTO FOCUS: A Brief Hint  206
The Structure of the Foreign-Exchange Market  207
The Role of Banks  207
Spot and Forward Markets  210
Arbitrage and the Currency Market  212
■ BRINGING THE WORLD INTO FOCUS: The Big Mac Index  214
The International Capital Market  218
Major International Banks  218
■ VENTURING ABROAD: The Carry Trade  218
The Eurocurrency Market  220
The International Bond Market  220
Global Equity Markets  221
Offshore Financial Centers  222
CHAPTER REVIEW  223  •  Summary  223  •  Questions for Discussion  223  •  Building Global Skills  224
Endnotes  225

Chapter 9  Formulation of National Trade Policies  226
Say Cheese, Please  227
Rationales for Trade Intervention  228
Industry-Level Arguments  228
National Trade Policies  232
Barriers to International Trade  235
Tariffs  235
■ VENTURING ABROAD: Toyota's Politics Is Local  236
Nontariff Barriers  237
■ BRINGING THE WORLD INTO FOCUS: The Fight Over Rare Earths  241
Promotion of International Trade  243
Subsidies  243
Foreign Trade Zones  244
■ PEOPLE, PLANET, AND PROFITS: Cotton Subsidies and World Poverty  245
Export Financing Programs  246
Controlling Unfair Trade Practices  246
Countervailing Duties  247
Antidumping Regulations  247
Should Countries Enforce Their Unfair Trade Practice Laws?  248
Safeguards  248
CHAPTER REVIEW  249  •  Summary  249  •  Questions for Discussion  249  •  Building Global Skills  250
■ CLOSING CASE: Which Way for Huawei?  250
Endnotes  252

Chapter 10  International Cooperation Among Nations  254
Trade and Prosperity: The Case of Mexico  255
The General Agreements on Tariffs and Trade and the World Trade Organization  256
The Role of the General Agreement on Tariffs and Trade  256
- **PEOPLE, PLANET, AND PROFITS: Protecting Endangered Species**  257
- **BRINGING THE WORLD INTO FOCUS: Most Nations are Favored**  258

The World Trade Organization  259

### Regional Economic Integration  261
- Forms of Economic Integration  261
- The Impact of Economic Integration on Firms  262

The European Union  263
- **BRINGING THE WORLD INTO FOCUS: How do you Unscramble an Omelette?**  265
- Governing the EU  266
- The Struggle to Create a Common Market  270
- **VENTURING ABROAD: Lobbying the European Union**  271
- From Common Market to European Union  271
- **BRINGING THE WORLD INTO FOCUS: Rodrik’s Globalization Trilemma**  275

Other Regional Trading Blocs  276
- The North American Free Trade Agreement  276
- Other Free Trade Agreements in the Americas  276
- Trade Arrangements in the Asia-Pacific Region  279
- **BRINGING THE WORLD INTO FOCUS: One Belt, One Road**  281
- African Initiatives  282

### CHAPTER REVIEW  283
- **Summary**  283
- **Questions for Discussion**  284
- **Building Global Skills**  284
- **CLOSING CASE: The European Union's Challenges**  284

### Endnotes  287
- **PART 2: CLOSING CASES: Twenty-First Century Pirates**  288
  - Jumbo Battle over Jumbo Jets  289
  - Green Energy and Free Trade  290

### PART 3 Managing International Business  294

#### Chapter 11 International Strategic Management  294
- **Global Mickey**  295

- The Challenges of International Strategic Management  296
  - **EMERGING OPPORTUNITIES: How Does A Japanese Firm Compete In China? Act More American**  299

- **Strategic Alternatives**  300
  - **VENTURING ABROAD: Master of the Furniture Universe**  302

- **Components of an International Strategy**  304
  - Distinctive Competence  304
  - Scope of Operations  304
  - Resource Deployment  305
  - Synergy  305

- **Developing International Strategies**  306
  - Mission Statement  306
  - Environmental Scanning and the SWOT Analysis  306
  - Strategic Goals  308
  - Tactics  309
  - Control Framework  309
  - **E-WORLD: Nokia: No Longer King of the Hill**  310

- **Levels of International Strategy**  311
  - Corporate Strategy  311
  - Business Strategy  313
  - Functional Strategies  314
Chapter 12 Strategies for Analyzing and Entering Foreign Markets 320

Foreign Market Analysis 322
Assessing Alternative Foreign Markets 322
■ EMERGING OPPORTUNITIES: The Bottom of the Pyramid 324
Evaluating Costs, Benefits, and Risks 325

Choosing a Mode of Entry 326
Exporting to Foreign Markets 329
Forms of Exporting 331
Additional Considerations 333
■ EMERGING OPPORTUNITIES: You Need To Know The Territory 334
Export Intermediaries 335

International Licensing 336
Basic Issues in International Licensing 338
Advantages and Disadvantages of International Licensing 339

International Franchising 340
Basic Issues in International Franchising 340
Advantages and Disadvantages of International Franchising 341

Specialized Entry Modes for International Business 342
Contract Manufacturing 342
Management Contract 342
Turnkey Project 342
■ EMERGING OPPORTUNITIES: Business Process Outsourcing 343

Foreign Direct Investment 344
The Greenfield Strategy 344
The Acquisition Strategy 345
Joint Ventures 345

Chapter 13 International Strategic Alliances 352

International Corporate Cooperation 354
Benefits of Strategic Alliances 355
Ease of Market Entry 356
Shared Risk 356
Shared Knowledge and Expertise 357
Synergy and Competitive Advantage 357

Scope of Strategic Alliances 358
Comprehensive Alliances 358
Functional Alliances 358
■ VENTURING ABROAD: Alliances in the Sky 360

Implementation of Strategic Alliances 362
Selection of Partners 362
Form of Ownership 363
■ VENTURING ABROAD: Learning by Doing 363
CONTENTS

Needs and Values across Cultures 414
Motivational Processes across Cultures 415
Need-Based Models across Cultures 415
Process-Based Models across Cultures 416
The Reinforcement Model across Cultures 417

Leadership in International Business 417
Contemporary Leadership Theory 417
The GLOBE Leadership Project 420

Decision Making in International Business 421
Models of Decision Making 421
The Normative Model across Cultures 422
The Descriptive Model across Cultures 423

Groups and Teams in International Business 424
The Nature of Group Dynamics 424
■ VENTURING ABROAD: Mixing and Matching in a Joint Venture 424
Managing Cross-Cultural Teams 425

CHAPTER REVIEW 426 • Summary 426 • Questions for Discussion 427 • Building Global Skills 427

Endnotes 429
■ PART 3: CLOSING CASES: Reinventing Nissan 431
Unilever Matches Strategy and Structure 433
The European Cereal Wars 435

PART 4 Managing International Business Operations 436

Chapter 16 International Marketing 436
Conquering With Stalls 437

International Marketing Management 438
International Marketing and Business Strategies 438
The Marketing Mix 440
Standardization versus Customization 441
■ EMERGING OPPORTUNITIES: Pretty Garlic 441

Product Policy 444
Standardized Products or Customized Products? 445
Legal Forces 445
Cultural Influences 445
■ PEOPLE, PLANET, AND PROFITS: Milking Coconuts for Fun and Profit 446
Economic Factors 447
Brand Names 447

Pricing Issues and Decisions 448
Pricing Policies 448
Market Pricing 449

Promotion Issues and Decisions 451
Advertising 451
■ VENTURING ABROAD: Putting the Greek into Yogurt 452
Personal Selling 453
■ E-WORLD: ¿Qué Pasa in the Ad Agency? 454
Sales Promotion 455
Public Relations 455

Distribution Issues and Decisions 456
International Distribution 456
Channels of Distribution 457
Chapter 17  International Operations Management 464

Racing To Market 465

The Nature of International Operations Management 466

The Strategic Context of International Operations Management 467

PEOPLE, PLANET, AND PROFITS: Cooking up What’s Good for the World 468

Complexities of International Operations Management 468

Production Management 469

Supply Chain Management and Vertical Integration 469
Location Decisions 473

BRINGING THE WORLD INTO FOCUS: A Race to the Finish 473

International Logistics and Materials Management 476

BRINGING THE WORLD INTO FOCUS: When the Colonel Ran Out of Chicken 477

International Service Operations 479

Characteristics of International Services 479
The Role of Government in International Services Trade 480
Managing Service Operations 480

Managing Productivity in International Business 481
Managing Quality in International Business 482
Managing Information in International Business 484

CHAPTER REVIEW 485 • Summary 485 • Questions for Discussion 486 • Building Global Skills 486

CLOSING CASE: Out Supply-Chaining the King of Supply Chainers 487

Endnotes 488

Chapter 18  International Financial Management 490

Singapore Airlines’ Worldwide Financial Management 491

Financial Issues in International Trade 491

Choice of Currency 492
Credit Checking 492
Method of Payment 492
Financing Trade 499

Managing Foreign Exchange Risk 500

Transaction Exposure 500
Translation Exposure 503
Economic Exposure 503

Management of Working Capital 506

Minimizing Working Capital Balances 506
Minimizing Currency Conversion Costs 507
Minimizing Foreign-Exchange Risk 508

International Capital Budgeting 509

Net Present Value 509
Internal Rate of Return 510
Payback Period 510

Sources of International Investment Capital 511

External Sources of Investment Capital 511
Internal Sources of Investment Capital 512
Strategic Use of Transfer Pricing 513
Tax Havens 515

EMERGING OPPORTUNITIES: Sun, Sand, and Shells 516
Chapter 19  International Human Resource Management and Labor Relations  524
  An Emerging Voice for Workers  525
  The Nature of International Human Resource Management  526
    Strategic Significance of HRM  526
  International Managerial Staffing Needs  528
    Scope of Internationalization  528
    Centralization versus Decentralization of Control  529
    Staffing Philosophy  529
    EMERGING OPPORTUNITIES: Competing with Local Headhunters  530
  Recruitment and Selection  532
    BRINGING THE WORLD INTO FOCUS: Schlumberger Profits from Geocentric Staffing  532
    Recruitment of Managers  533
    Selection of Managers  534
    Expatriation and Repatriation Issues  535
  Training and Development  537
    Assessing Training Needs  537
    Basic Training Methods and Procedures  537
    Developing Younger International Managers  538
  Performance Appraisal and Compensation  539
    Assessing Performance in International Business  539
    Determining Compensation in International Business  540
    EMERGING OPPORTUNITIES: How about Moving to India?  543
  Retention and Turnover  544
  Human Resource Issues for Nonmanagerial Employees  545
    VENTURING ABROAD: Who Gets Paid … and Who Doesn’t?  546
    Recruitment and Selection  546
    Training and Development  547
    Compensation and Performance Appraisal  547
  Labor Relations  548
    Comparative Labor Relations  548
    Collective Bargaining  548
    Union Influence and Codetermination  549
  CHAPTER REVIEW  550  •  Summary  550  •  Questions for Discussion  550  •  Building Global Skills  551
  CLOSING CASE: Training for the World  551
Endnotes  552
  Part 4: CLOSING CASES: The Aramco Advantage  554
  The Power of Microfinance: The Grameen Bank  555
  The Elephant Bikers  555

Glossary  558
Name Index  571
Company Index  574
Subject Index  578
Maps

Map 1.1 China's Regional Challenges 15
Map 2.1 North America 27
Map 2.2 Western Europe 32
Map 2.3 The Former Soviet Union 35
Map 2.4 Asia 38
Map 2.5 Australia and New Zealand 39
Map 2.6 Africa and the Middle East 45
Map 2.7 The Middle East 46
Map 2.8 South America 48
Map 3.1 India 58
Map 4.1 World Languages 85
Map 4.2 Africa's Colonial Heritage 87
Map 4.3 Major World Religions 91
Map 4.4 A Synthesis of Country Clusters 97
Map 5.1 Social Responsibility Hot Spots 126
Map 5.2 Chad Pipeline 140
Map 6.1 Key Industrial Clusters in Western Europe 162
Map 7.1 The British Empire in 1913 178
Map 8.1 A Day of Foreign-Exchange Trading 208
Map 9.1 Argentina 233
Map 9.2 An Effect of the Jones Act 234
Map 9.3 Foreign Trade Zone on Mauritius 244
Map 10.1 The European Union 265
Map 10.2 Free Trade Agreements in Central and South America and the Caribbean 278
Map 10.3 The ASEAN Members 280
Map 10.4 Asia-Pacific Economic Cooperation Initiative (APEC) 280
Map 10.5 Free Trade Agreements in Africa 282
Map 12.1 Turkey: The Gateway to the Central Asian Republics and the Caucasus 328
Map 14.1 A Sampling of Nestlé's Global Holdings, Subsidiaries, and Affiliates 394
Map 14.2 Kenyan Rainfall 399
Map 18.1 Countertrade by Marc Rich 498
Map 18.2 Changes in Currency Values Relative to the U.S. Dollar, August 2018 versus August 2013 505
Map 18.3 The Cayman Islands 516
Map 19.1 Global Cost of Living Survey 541
Preface

New To This Edition

The ninth edition features new cases, boxes, and analyses reflecting the latest challenges and opportunities confronting international businesses. More specifically, the following content is new or revised to reflect the latest global trends:

- The pressures on multinational organizations to consider the impact of their actions on the natural environment and on the general welfare of society continue to increase. The context box, People, Planet, and Profits, addresses the challenges that international businesses face in promoting their triple bottom lines.
- The international business course at most colleges and universities encompasses both the external environment and the internal environment of international businesses. We have introduced several new boxes and cases and updated others that focus on changes in the external environment that create opportunities and challenges for firms competing in the international market place. These new and updated cases and boxes include discussions of territorial disputes in the South China Sea, China’s One Belt, One Road initiative, technology transfer controversies, upheavals in the world energy market as a result of fracking, the opening up of the fabled Northwest Passage, sustainable global sourcing, expansion of the Panama Canal, and growing concerns about cyber privacy.
- New and updated profiles of the challenges and opportunities provided international firms as they confront and master the complexities of the international marketplace, including new cases and boxes featuring Gulf air carriers, Huawei, Haier, Anglo American PLC, ENI, and McDonald’s, and updated treatments of LVMH, Alshaya, Tata, Toyota, Disney, Harley-Davidson, Unilever, and Danone, among others.
- New and updated analyses of the impact of globalization on competition within industries, including the global wine industry, the global flower industry, the coffee industry, the international cinema market, Germany’s Mittelstand, and the international airline industry.
- New and updated cases exploring how firms address cultural, legal, and technological differences among countries. Students gain deeper and more nuanced understandings of the politics, culture, and social problems of individual countries through in-depth examination of issues such as Russia and the rule of law, the impact on the European Union of Brexit, Japan and its cultural and demographic challenges, the hidden role of the Communist Party in Chinese businesses, China’s controversial technology transfer policies, Islamic finance, the GLOBE leadership project, and the growth of unionization activity in China.
- New and updated examples and cases assessing the ethical and social responsibilities of international businesses and international businesspeople, including direct trade coffee, disposal of e-waste, BP and the Gulf oil spill, green energy and free trade, DuPont’s quest for zero waste, Maersk and pollution in Hong Kong harbor, the Chad pipeline, the Siemens bribery scandal, and Grameen Bank.
- New and updated examples of international trade and investment conflicts and the challenges they present international business practitioners, including Huawei’s struggles to enter the U.S. market, the global taxation war, rare earths, tax shelters, jumbo jet subsidies, sovereign wealth funds, and trade in counterfeit goods.
- The ninth edition also provides up-to-date coverage of the impact of how recent natural disasters and political upheavals have affected international business. Examples include the earthquake and tsunami that shattered Japan and the resultant impact on global supply chains, Toyota’s massive recalls and quality problems, and the political unrest that swept through the Middle East beginning in 2011.
- All data and other statistical information in the book have been thoroughly updated, including international trade statistics, exchange rates, and expatriate costs of living in various global business centers.
Solving Teaching and Learning Challenges

We’ve taught International Business courses for 30 years and enjoyed every moment of the experience. From the instructor’s perspective, the joy and excitement of the course lies in its importance and dynamism. Its importance cannot be denied. The jobs, careers, and livelihoods of virtually every human being on the planet are affected by international commerce. For some, that commerce represents an opportunity; for others, a threat. Almost a third of the world’s economic activity is attributable to international trade, and foreign direct investment has surpassed $3 trillion. Nor can its dynamism be denied. Think of the changes that have occurred in the years between the publication of the eighth edition and the ninth edition of this text: the United Kingdom voting to withdraw from the European Union, the United States reversing its long-term policies toward free trade, China’s “One Belt, One Road” initiative, Russia’s meddling in U.S. elections, a complete upheaval in world energy markets as a result of hydraulic fracturing, Nokia’s shifting from mobile market leader to dead-in-the-water (at least in Wall Street’s view), and the #MeToo movement, to name but a few examples. We have incorporated many of these developments in Bringing the World into Focus and as examples in the text in this edition.

From the student’s perspective the dynamism of international business—and the sheer breadth of the subject matter—can be intimidating. We discuss every region of the world and draw on every business discipline—accounting, marketing, management, finance, supply chain management, MIS—and numerous liberal arts disciplines—economics, geography, anthropology, sociology, history, international relations, political science, and the law. It’s not surprising that students can feel overwhelmed by the magnitude of the course. We have striven to reduce students’ fears of not being able to master this extensive material by providing clear, concise discussions of the principle concepts and challenges of international business and by offering numerous examples of these issues in action.

The retained content boxes that highlight coverage of current issues related to technology, entrepreneurship, and conducting business with a global perspective for the students are:

- VENTURING ABROAD Exposes students to the opportunities and challenges of conducting business outside their home country.

- E-WORLD Provides insights into the impact of e-commerce on how business is conducted internationally.

- CYBER PRIVACY The Internet by its very nature transcends national boundaries. Yet national governments have very different policies when it comes to the privacy rights of their citizens. With its tradition of free speech and belief in free markets, the United States has generally adopted a laissez-faire approach to Internet content. Such is not the case in Europe, where the memories of the abuses of the Gestapo in Nazi Germany and the territory it occupied in World War II are still fresh and raw.

In many ways, the European Union has been the pacesetter in establishing and protecting personal cyber privacy. In 2018, the EU’s General Data Protection Regulation (GDPR) took effect. The GDPR regulates the collection, storing, and usage of personal data of EU residents by both EU and non-EU companies, regardless of where the data activity took place. The GDPR covers personal information like names and addresses, photos, financial and medical records, social media postings—even computer IP addresses. Failure to comply may expose
M05_GRIF8773_09_SE_C05.indd   124

CHAPTER 6 • INTERNATIONAL TRADE AND INVESTMENT

PART 1 • THE WORLD’S MARKETPLACES

IN PRACTICE

trade builds up the economies of foreign countries while weakening

because it benefits both parties to the transaction, the same logic

ecotourism as “Environmentally responsible travel to natural areas,

to serve global markets. On the other hand, global concerns about

PEOPLE, PLANET, AND PROFITS

pundits, and professors for centuries. Proponents of

FOREIGN TRADE POLICY HAS BEEN DEBATED BY POLITICIANS,

THE LINCOLN FALLACY

Foreign trade policy has been debated by politicians,

and professors for centuries. Proponents of

to serve global markets. On the other hand, global concerns about

the factors of production—needed to create the goods. When we buy

goods produced domestically, domestic factors of production, such

as “development which meets the needs of the present without compromising the ability of future

nations and local citizens to protect critical habitat.

The Nature Conservancy, a leading environmental NGO, defines

etic tourist programs develop incentives for local

residents, who are often desperately poor, to help protect habitat and

and the animals themselves. Consider the mountain gorillas of Rwanda,

which were made famous by Dian Fossey and her book Gorillas in the

Mist, later made into a movie of the same name starring Sigourney

Weaver. The mountain gorilla population is threatened by loss of habi-

tat by subsistence farmers encroaching on their territory and poachers

who killed the animals for their skins, heads, and hands. The rise of

ecotourism and the willingness of affluent foreigners to pay hundreds of
dollars a day to see the animals in the wild has allowed outfitters to

develop profitable business models that promote sustainability. One

such effort, the creation of the By’irwa Cultural Village by a safari

collective, hires former poachers to serve as guides, wardens, and staff

for trips to gorilla habitat. The project has led to a 40 percent decrease in poaching and a 40 percent increase in ecotourist revenues.

In Kenya, safari operators are leasing land from the local Masai tribes

and allowing the land to revert to traditional habitat, attracting wildlife

and tourists from around the world. The Masai, who once were nomadic

herders, now work as guides and game wardens at salaries higher than they would earn as farmers. The staff of Sandiebe, a safari lodge in Botswana, helped nearby villagers cultivate small plots of land and then taught them how to grow

EMERGING OPPORTUNITIES

LOCATION, LOCATION, LOCATION

Real estate agents are often quoted as saying that the

three most important considerations in selling property are “location, location, and location.” Three Middle Eastern airlines have

taken that saying to heart and are rapidly transforming them-

selves into major players in international civil aviation. The oldest

and largest of the three, Emirates, was founded in 1985. It is headquar-

tered and owned by the sovereign wealth fund of the government of

Dubai. Emirates flew 58 million passengers to 140 cities in 2017,

allowing it to claim the title of the fourth largest carrier in the world.

It is the world’s largest operator of the world’s largest commercial

airliner, the Airbus A-380, although Boeing aircraft are also part of its fleet. Its home port, Dubai International Airport, is now the third

largest airport in the world, serving 88 million passengers in 2017. The

second of the three carriers, Qatar Airways, commenced operations in 1994. Based at Doha’s new airport, Hamad International Airport, this

state-owned airline operates 196 aircraft. It generated $10.8 billion in

revenues in 2017 while serving more than 150 cities. The young-

est of the three, Etihad Airways, which began operations in 2003, is

EMERGING OPPORTUNITIES

Highlights challenges and opportunities in emerging

international markets.

PEOPLE, PLANET, AND PROFITS

LIONS AND TIGERS AND BEARS, OH MY!

Sick of his advisors responding, “on the one hand . . . on

the other hand . . . .” President Harry S. Truman famously

requested that someone should find him a one-armed economist. Tru-

man would no doubt be frustrated by the answers he would receive if

he asked whether globalization harms or aids the world’s threatened

and endangered wildlife. On the one hand, critical habitat has been

destroyed, turned into farm land, or paved over to build new factories
to serve global markets. On the other hand, global concerns about

greenhouse gas emissions and the rise of ecotourism have induced

nations and local citizens to protect critical habitat.

The Nature Conservancy, a leading environmental NGO, defines

etic tourist programs develop incentives for local

residents, who are often desperately poor, to help protect habitat and

the animals themselves. Consider the mountain gorillas of Rwanda,

which were made famous by Dian Fossey and her book Gorillas in the

Mist, later made into a movie of the same name starring Sigourney

Weaver. The mountain gorilla population is threatened by loss of habi-

tat by subsistence farmers encroaching on their territory and poachers

who killed the animals for their skins, heads, and hands. The rise of

ecotourism and the willingness of affluent foreigners to pay hundreds of
dollars a day to see the animals in the wild has allowed outfitters to

develop profitable business models that promote sustainability. One

such effort, the creation of the By’irwa Cultural Village by a safari

collective, hires former poachers to serve as guides, wardens, and staff

for trips to gorilla habitat. The project has led to a 40 percent decrease in poaching and a 40 percent increase in ecotourist revenues.

In Kenya, safari operators are leasing land from the local Masai tribes

and allowing the land to revert to traditional habitat, attracting wildlife

and tourists from around the world. The Masai, who once were nomadic

herders, now work as guides and game wardens at salaries higher than they would earn as farmers. The staff of Sandiebe, a safari lodge in Botswana, helped nearby villagers cultivate small plots of land and then taught them how to grow

In Practice

• Although many African countries have benefitted from rising commodity prices in the past decade, many Africans still engage in subsistence farming. A major task confronting African governments is wisely using the cash generated by commodity sales to improve the lives of their ordinary citizens.

• Many of the so-called petro-states, as well as some of the major Asian trading nations, such as China and Singapore, have constructed impressive state-controlled portfolios of foreign investments known as sovereign wealth funds. These sovereign wealth funds have grown so large that they have created significant political concerns.

For Further Consideration: This chapter’s closing case discusses the impact of hydraulic fracking on the world energy market. If you were the advisor to the government of an oil-rich country in Africa or the Middle East, what recommendations would you make as to how to respond to this technological change?
Applied Learning Opportunities Throughout

To improve student results, we recommend pairing the text content with MyLab Management, which is the teaching and learning platform that empowers you to reach every student. By combining trusted author content with digital tools and a flexible platform, MyLab personalizes the learning experience and will help your students learn and retain key course concepts while developing skills that future employers are seeking in their candidates. From Mini Sims to Assisted Graded Questions, MyLab Management helps you teach your course, your way. Learn more at www.pearson.com/mylab/management. Some of the features included in this MyLab Management are:

- **Mini Sims.** Mini Sims put students in professional roles and give them the opportunity to apply course concepts and develop decision-making skills through real-world business challenges. These branching Mini Sims strengthen a student’s ability to think critically, help students understand the impact of their decisions, engage students in active learning, and provide students with immediate feedback on their decisions.

- **Videos Exercises.** Video Exercises are available for select chapter topics to help engage students and hold them accountable for their learning. This is an example of a Video Exercise from Chapter 7. These engaging videos explore a variety of business topics related to the theory students are learning in class. The following Exercise Quizzes assess students’ comprehension of the concepts in each video.
● **Market Entry Strategy Project (MESP).** *MESP* is an interactive simulation that asks students to research a country as a future market for a new video game system. Students get an opportunity to evaluate the potential of a nation as a future market for a new video game system, ‘The M-Box’. Working as part of a team within a group, the students will select, research and analyze a country, followed by recommending a course of action to the producer of the M-Box, MES-Sim Corporation.

● **Study Plan.** *Study Plan* gives students personalized recommendations, practice opportunities, and learning aids to help them stay on track.

This allows students to focus their study time by pinpointing the precise areas they need to review, and allowing them to use customized practice and learning aids—such as videos, eTexts, tutorials, and more—to help students stay on track.

● **Homework and Test Manager.** A powerful tool that lets you create, import, and manage online homework assignments, quizzes, and tests that are automatically graded.
Our Book’s Vision

Our vision in writing this book is to prepare students to be effective participants in the worldwide marketplace. That was the vision we laid out in the preface of the first edition of this book, and it remains so in the ninth. We noted that many of the existing textbooks are written in needlessly technical terms and seem to be concerned only with students who are specializing in international business. However, all students—even those who will never have an overseas assignment—need to be knowledgeable about the global economy.

That is why we feel so strongly about our vision for this book. We want students to attain “cultural literacy” in international business. We want them, for example, to be able to speak comfortably with a visiting foreign exchange student or to ask insightful questions of a visiting executive from a foreign-headquartered multinational corporation. For many students, this textbook and the course that it accompanies is just the first step in a long journey to being an effective businessperson and an informed citizen in a globalizing world. We hope in writing this textbook that that first step will be made a bit easier, a bit more informed, and a bit more exciting.

Developing Employability Skills

Understanding and mastering the key concepts of international business is critical to career success in the twenty-first century, given the growing importance of international business activities in the economies of the world’s countries. Equally important is acquiring the skills that employer surveys have identified as the ones most vital to career development and success: critical thinking, communication, collaboration, knowledge application and analysis, business ethics and social responsibility, information technology applications and computing skills, and data literacy. To help you simultaneously master these concepts and acquire these critical skills, we’ve included a variety of exercises, cases, and projects to hone your skills identified by employer surveys as vital for your career development and success. So, in studying, don’t ignore the wealth of materials we’ve included in this book to enrich your understanding of international business and to develop these career skills: cases, boxes, review questions, discussion questions, and building global skills exercises, as well as the text itself.
# Instructor Teaching Resources

<table>
<thead>
<tr>
<th>Supplements available to instructors at <a href="http://www.pearsonhighered.com/irc">www.pearsonhighered.com/irc</a></th>
<th>Features of the Supplement</th>
</tr>
</thead>
</table>
| **Instructor’s Resource Manual** authored by John Capela | • Lecture outline  
• Teaching notes  
• Chapter-by-chapter summaries  
• Solutions to all questions and problems in the book |
| **Test Bank** authored by John Capela | 2,300 multiple-choice, true/false, and short-answer questions with these annotations:  
• Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis)  
• Skill  
• Learning Objective  
• AACSB learning standard (Written and Oral Communication; Ethical Understanding and Reasoning; Analytical Thinking; Information Technology; Interpersonal Relations and Teamwork; Diverse and Multicultural Work; Reflective Thinking; Application of Knowledge) |
| **Computerized TestGen®** | TestGen allows instructors to:  
• Customize, save, and generate classroom tests  
• Edit, add, or delete questions from the Test Item Files  
• Analyze test results  
• Organize a database of tests and student results. |
| **PowerPoints** authored by Ben Mammoun | Slides include graphs and tables in the textbook.  
PowerPoints meet accessibility standards for students with disabilities. Features include, but not limited to:  
• Keyboard and Screen Reader access  
• Alternative text for images  
• High color contrast between background and foreground colors |
Acknowledgments

The cover of this book identifies two authors by name. In reality, every edition represents a true team effort involving literally dozens of skilled professionals. Although any and all errors of fact, omission, and emphasis are solely our responsibility, we would be remiss if we did not acknowledge those who contributed to this and previous editions of this book.

We gratefully acknowledge the contributions of John Capela who wrote the Instructor’s Manual and the Test Bank questions and of Ben Mammoun who prepared the PowerPoint Slides to accompany this book.

Thanks go also to our colleagues at other universities who reviewed the manuscript for this edition and previous ones, contributed suggestions, and helped us make this the best international business textbook for students and teachers. We are grateful for their reviews and truly believe that their feedback was indispensable.

Mohammad Ali University of Maryland, Eastern Shore
John C. Anderson University of Tennessee
Madan Annavarjula Northern Illinois University
Anke Arnaud University of Central Florida
George Barnes University of Texas—Dallas
Mack Bean Franklin Pierce University
Darryl Brown Indiana University
Dr. Sri Beldona University of Dallas
Robert Desman Kennesaw State University
Dante DiGreorio University of New Mexico
Norb Elbert Eastern Kentucky University
Allan Ellstrand California State University—Long Beach
Dan Fogel Wake Forest University
Tao Gao Hofstra University
George Gonzales University of Wisconsin
Basil J. Janavaras Mankato State University
Sara L. Keck Pace University
John A. Lehman University of Alaska—Fairbanks
Lynette Mathur Southern Illinois University
Roderick J. Matthews University of Wisconsin—Madison
James McFillen Bowling Green State University
Claudio Milman Rollins College
Peter Ping Li California State University—Stanislaus
Jaime Ortiz Florida Atlantic University
Christopher J. Robertson Northeastern University
Carol Sanchez Grand Valley State University
Michael Shaner Saint Louis University
Richard M. Steers University of Oregon
Gregory K. Stephens Texas Christian University
Precha Thavikulwat Towson University
William Walker University of Houston

At Texas A&M University, we have had the good fortune to work with one of the finest groups of professional colleagues anyone could imagine. We also appreciate the support of other colleagues, past and present, whose expertise and insights have been incorporated into this manuscript. In addition, we would also like to express our appreciation to the fine team of professionals at Pearson, especially Sugandh Juneja and Stephanie Wall. Venkat Perla Ramesh and his colleagues at SPi Global were also instrumental in this edition.

Finally, we would also like to acknowledge the contributions made by our families: Glenda, Dustin, and Lura Griffin, Ashley and Mathew Hilgemeier, and Zandy Pustay, Scott Pustay, Sarah Murphy, and Kat and Scott Currie. They didn’t write a single word of the book or draw any of the maps or artwork, but their imprint can be found on everything we do. They support us, encourage us, and inspire us. They give our work—and our lives—meaning. It is with all our love and affection that we thank them.
About the Authors

**Ricky W. Griffin** holds the Blocker Chair in Business and is Distinguished Professor of Management in Mays Business School at Texas A&M University. He has previously served as head of the Department of Management, Executive Associate Dean, and Interim Dean of Mays Business School. After receiving his Ph.D. from the University of Houston in 1978, he joined the faculty at the University of Missouri–Columbia before moving to Texas A&M University in 1981. Professor Griffin teaches international management, organizational behavior, human resource management, and general management. He has taught both undergraduate and graduate students, participated in numerous executive training programs, and has lectured in London, Paris, Warsaw, Geneva, Berlin, Johannesburg, Tokyo, Hong Kong, and Sydney. A member of the Academy of Management, he has served as division chair of that organization’s Organizational Behavior division. He is also a Fellow of the Academy of Management.

Professor Griffin has written several successful textbooks, including *Management, Organizational Behavior* (with Jean Phillips) and *Business Essentials*. He is currently conducting research on talent management and how it is practiced in Canada, Japan, Europe, and the United States, and emergent leadership practices in South Africa.

**Michael W. Pustay** holds the Anderson Clayton Professorship in Business Administration and is Professor of Management at Texas A&M University. He currently serves as associate director of the Center for International Business Studies and as associate director of the Center for International Business Education and Research at Texas A&M. Professor Pustay, who has taught international business for more than three decades, focuses his teaching and research efforts on international business and business–government relations. His work has appeared in professional journals such as the *Journal of Management*, *Southern Economic Journal*, *Land Economics*, and *Transportation Journal*. He is currently researching the role of regional trading blocs on the world economy and the impact of domestic economic policies on international competition.

Professor Pustay is a member of numerous professional organizations, including the Academy of International Business, the American Economic Association, the Association for Canadian Studies in the United States, and the Transportation Research Forum. He has served as a consultant for a variety of public and private organizations, including the U.S. Department of Transportation, the Small Business Administration, the Civil Aeronautics Board, and Reliant Energy.