



# preface

## The Proven Choice for International Business

Current. Application Rich. Relevant. Integrated.

*Global Business Today* is intended for the first international business course at either the Undergraduate or MBA level. As the market leader, my goal in creating this package has set a new standard for international business teaching. I have attempted to create resources that

- Are comprehensive and up-to-date.
- Go beyond an uncritical presentation and shallow explanation of the body of knowledge.
- Focus on rich applications of international business concepts.
- Tightly integrate progression of topics among chapters.
- Incorporate ancillary resources that turbo-charge your text and make it easier to teach your course.

Over the years, and through now eight editions, I have worked hard to adhere to these goals. It has not always been easy. An enormous amount has happened over the past decade, both in the real world of economics, politics, and business, and in the academic world of theory and empirical research. Often, I have had to significantly rewrite chapters, scrap old examples, bring in new ones, incorporate new theory and evidence into the material, and phase out older theories that are increasingly less relevant to the modern and dynamic world of international business. That process continues in the current edition. As noted later, there have been significant changes in this edition—and that will no doubt continue to be the case in the future. In deciding what changes to make, I have been guided not only by my own reading, teaching, and research, but also by the invaluable feedback I receive from professors and students around the world who use the product, from reviewers, and from the editorial staff at McGraw-Hill Education. My thanks go out to all of them.

## Comprehensive and Up-to-Date

To be comprehensive, an international business package must

- Explain how and why the world's countries differ.
- Present a thorough review of the economics and politics of international trade and investment.
- Explain the functions and form of the global monetary system.
- Examine the strategies and structures of international businesses.
- Assess the special roles of an international business's various functions.

I have always endeavored to do all of these things. Too many other products have paid insufficient attention to the strategies and structures of international businesses and to the implications of international business for firms' various functions. This omission has been a serious deficiency. Many of the students in these international business courses will soon be working in international businesses, and they will be expected to understand the implications of international business for their organization's strategy, structure, and functions. This package pays close attention to these issues.

Comprehensiveness and relevance also require coverage of the major theories. It has always been my goal to incorporate the insights gleaned from recent academic work into the work. Consistent with this goal, over the past eight editions, I have added insights from the following research:

- The new trade theory and strategic trade policy.
- The work of Nobel Prize–winning economist Amartya Sen on economic development.
- The work of Hernando de Soto on the link between property rights and economic development.
- Samuel Huntington’s influential thesis on the “clash of civilizations.”
- The new growth theory of economic development championed by Paul Romer and Gene Grossman.
- Empirical work by Jeffrey Sachs and others on the relationship between international trade and economic growth.
- Michael Porter’s theory of the competitive advantage of nations.
- Robert Reich’s work on national competitive advantage.
- The work of Nobel Prize winner Douglas North and others on national institutional structures and the protection of property rights.
- The market imperfections approach to foreign direct investment that has grown out of Ronald Coase and Oliver Williamson’s work on transaction cost economics.
- Bartlett and Ghoshal’s research on the transnational corporation.
- The writings of C. K. Prahalad and Gary Hamel on core competencies, global competition, and global strategic alliances.
- Insights for international business strategy that can be derived from the resource-based view of the firm.
- Paul Samuelson’s critique of free trade theory.

In addition to including leading-edge theory, in light of the fast-changing nature of the international business environment, I have made every effort to ensure that this product was as up-to-date as possible when it went to press. A significant amount has happened in the world since I first began work on this book. By 2011, more than \$3 trillion per day was flowing across national borders. The size of such flows fueled concern about the ability of short-term speculative shifts in global capital markets to destabilize the world economy. The World Wide Web emerged from nowhere to become the backbone of an emerging global network for electronic commerce. The world continued to become more global. Several Asian Pacific economies, most notably China, continued to grow their economies at a rapid rate. Outsourcing of service functions to places such as China and India emerged as a major issue in developed Western nations. New multinationals continued to emerge from developing nations in addition to the world’s established industrial powers. Increasingly, the globalization of the world economy affected a wide range of firms of all sizes, from the very large to the very small. And unfortunately, in the wake of the terrorist attacks on the United States that took place September 11, 2001, global terrorism and the attendant geopolitical risks emerged as a threat to global economic integration and activity.

## New in the Eighth Edition

The success of the first seven editions of *Global Business Today* was based, in part, on the incorporation of leading-edge research into the text, the use of the up-to-date examples and statistics to illustrate global trends and enterprise strategy, and the discussion of current events within the context of the appropriate theory. Building on these strengths, my goals for the eighth revision have been threefold:

1. Incorporate new insights from recent scholarly research wherever appropriate.
2. Make sure the content of the text covers all appropriate issues.
3. Make sure the text is as up-to-date as possible with regard to current events, statistics, and examples.

As part of the overall revision process, changes have been made to every chapter. All material and statistics are as up-to-date as possible as of 2011 or early 2012. I have added discussions of current events wherever appropriate. Most notably for this edition, detailed discussions of the 2008–2009 global financial crisis and the 2010–2011 sovereign debt crises and their implications for international business have been added to many chapters. Similarly, discussion of the unrest that swept across the Middle East in early 2011 has been added.

There have also been some significant organizational changes in this edition. Based on consistent feedback from reviewers, the old Chapter 2 has been split into two new chapters, one focusing on National Differences in Political Economy (new Chapter 2) and one on Economic Development issues (new Chapter 3). There was general agreement that the old Chapter 2 had become too long and that it was difficult for many students to absorb the large amount of information contained within.

## General Revision Philosophy

As always, when revising this material for the current edition I had endeavored to (1) add any significant new research insights and findings; (2) update all statistics, figures, and maps to incorporate most recently published data; and (3) discuss any recent developments that affect the world of international business. For example, new research on globalization and income distribution is included in Chapter 1; all data are updated based on what was available in early 2012; and there is significant discussion of current events such as the global financial crisis, the sovereign debt crisis in the Euro zone countries, and the political unrest in Egypt and other Middle Eastern States. I have used opening and closing cases, and chapter boxed features, to provide detailed background discussion of emerging events.

### Chapter 1: Globalization

- New Opening Case: Who Makes the Apple iPhone?
- All statistics, figures, and maps updated to incorporate most recently published data
- Discussion of new studies on income distribution and globalization added to section on Globalization, Jobs, and Income
- New Closing Case: Legal Outsourcing

### Chapter 2: National Differences in Political Economy

- Chapter constitutes the first part of old Chapter 2 in prior editions. This chapter focuses on how political, economic, and legal systems of nations differ. New Chapter 3 focuses on economic development issues.
- New Opening Case: Ghana: An African Dynamo
- New Country Focus: Corruption in the Philippines
- All statistics, figures, and maps updated to incorporate most recently published data
- New Closing Case: The Polish Surprise; looks at Poland's performance during and after the global financial crisis of 2007–2009

### Chapter 3: Political Economy and Economic Development

- New chapter to this edition. Draws on material that was in the second half of the old Chapter 2.
- New Opening Case: Revolution in Egypt
- All statistics, figures, and maps updated to incorporate most recently published data
- New Country Focus: India's Economic Transformation
- New Closing Case: Japan's Economic Malaise

### Chapter 4: Differences in Culture

- New Opening Case: Why Did Walmart Fail in Germany?
- New Closing Case: Culture and Business in Saudi Arabia

### Chapter 5: Ethics

- New Opening Case: Exporting Used Batteries to Mexico
- New Management Focus: Corporate Social Responsibility and the Rise of New Multinationals

- Section added on societal culture and ethics
- New Closing Case: Working Conditions in a Chinese Factory

#### **Chapter 6: International Trade Theory**

- New Opening Case: The Rise of India's Drug Industry
- New Management Focus: Korea and the Global Online Gaming Industry
- New Closing Case: The Rise of Bangladesh's Textile Trade

#### **Chapter 7: Political Economy of International Trade**

- New Opening Case: China Limits Exports of Rare Earth Metals
- New section on Protecting the Environment in the section on Political Arguments for Intervention
- New Management Focus: Patenting Basmati Rice
- All statistics, figures, and maps updated to incorporate most recently published data
- New Closing Case: U.S. Tariffs on Tire Imports from China

#### **Chapter 8: Foreign Direct Investment**

- New Opening Case: Foreign Retailers in India
- All statistics, figures, and maps updated to incorporate most recently published data
- New Closing Case: Walmart in Japan

#### **Chapter 9: Regional Economic Integration**

- New Opening Case: I Want My Greek TV!
- Detailed discussion of sovereign debt crisis added to section on the euro
- New Management Focus: The European Commission and Intel
- New Country Focus: The Greek Sovereign Debt Crisis
- New Closing Case: NAFTA and Mexican Trucking

#### **Chapter 10: The Foreign Exchange Market**

- New Opening Case: Curse of the Strong Yen
- New Country Focus Feature: Quantitative Easing, Inflation, and the Value of the U.S. Dollar
- New Closing Case: Billabong
- Updated data on foreign exchange rates, the Economist Big Mac Index, etc.

#### **Chapter 11: The International Monetary System**

- New Opening Case: Currency Trouble in Malawi
- All statistics, figures, and maps updated to incorporate most recently published data
- New Closing Case: Economic Turmoil in Latvia

#### **Chapter 12: The Strategy of International Business**

- New Opening Case: Ford's Global Strategy
- New Closing Case: Avon Products

#### **Chapter 13: Entering Foreign Markets**

- New Opening Case: JCB in India
- New Closing Case: General Motors in China

#### **Chapter 14: Exporting, Importing, and Countertrade**

- New Opening Case: SteelMaster Buildings
- New Country Focus: Export Processing Zones Authority of Pakistan
- New Closing Case: Vellus Products

#### **Chapter 15: Global Production, Outsourcing, and Logistics**

- New Opening Case: Making the Amazon Kindle
- New section on The Hidden Costs of Foreign Locations
- New section on Accumulating Dynamic Capabilities and their role in make-or-buy decisions
- New Closing Case: The Rise of the Indian Automobile Industry

## Chapter 16: Global Marketing and R&D

- New Opening Case: Burberry's Global Brand Strategy
- New Closing Case: Domino's Pizza

## Chapter 17: Global Human Resource Management

- New Opening Case: MMC China
- New Management Focus: Expatriate Managers
- New Closing Case: AstraZeneca

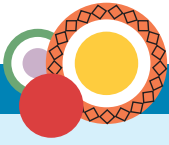
# Beyond Uncritical Presentation and Shallow Explanation

Many issues in international business are complex and thus necessitate considerations of pros and cons. To demonstrate this to students, I have adopted a critical approach that presents the arguments for and against economic theories, government policies, business strategies, organizational structures, and so on.

Related to this, I have attempted to explain the complexities of the many theories and phenomena unique to international business so the student might fully comprehend the statements of a theory or the reasons a phenomenon is the way it is. I believe that these theories and phenomena are explained in more depth in this work than they are in the competition, which seem to use the rationale that a shallow explanation is little better than no explanation. In international business, a little knowledge is indeed a dangerous thing.

# Focuses on Rich Applications of International Business Concepts

I have always believed that it is important to show students how the material covered in the text is relevant to the actual practice of international business. This is explicit in the later chapters of the book, which focus on the practice of international business, but it is not always obvious in the first half of the book, which considered many macroeconomic and political issues, from international trade theory and foreign direct investment flows to the IMF and the influence of inflation rates on foreign exchange quotations. Accordingly, at the end of each chapter in Parts Two, Three, and Four—where the focus is on the environment of international business, as opposed to particular firms—there is a section titled **Focus on Managerial Implications**. In this section, the managerial implications of the material discussed in the chapter are clearly explained.



### Focus on Managerial Implications

Why does all this matter for business? There are at least three main implications for international businesses of the material discussed in this chapter: location implications, first-mover implications, and policy implications.

**Location**

Underlying most of the theories we have discussed is the notion that different countries have particular advantages in different productive activities. Thus, from a profit perspective, it makes sense for a firm to disperse its productive activities to those countries where, according to the theory of international trade, they can be performed most efficiently. If design can be performed most efficiently in France, that is where design facilities should be located; if the manufacture of basic components can be performed most efficiently in Singapore, that is where they should be manufactured; and if final assembly can be performed most efficiently

Focus on Managerial Implications

Another tool that I have used to focus on managerial implications are **Management Focus** boxes. There is at least one Management Focus in most chapters. Like the opening cases, the purpose of these boxes is to illustrate the relevance of chapter material for the practice of international business.

Management Focus

**MANAGEMENT FOCUS**

**Korea and the Global Online Gaming Industry**

Won "PartinG" Lee Sak of Korea is hardly 20 years old, but his fans number in hundreds of thousands. His claim to fame? He is the current world champion of *Battle.net*, the most popular online game in South Korea.

Like *Lineage* and *Guild Wars*, *Battle.net* is a Massive Multiplayer Online Role-Playing Game (MMORPG)—now a billion-dollar global industry with nearly 50 percent of all video games played online. This sport got its start in South Korea through a most interesting series of events.

As the gaming industry—then mostly offline—took off, historical trade restrictions made it difficult for Koreans to gain access to Japanese handheld games or game consoles. The only viable alternative, in terms of costs, was to play on a personal computer. Add to this the fact that in the 1990s the new democratic government's emphasis was on cutting-edge technology, which it was able to convert into reality through the then state-owned telecommunications sector. By the end of the 1990s, many buildings in Korea were broadband-ready and soon most Korean households were using the Internet with ease and familiarity.

As many tried to recover from the Asian financial crisis of 1997, small businesses gained prominence—the most promising of them being gaming cafes, known locally as "PC Baangs." With nearly 30,000 of them having sprung up around Korea, about one in every 20 Koreans has played an online game.

NCSoft, the global leader in the online gaming industry today, got its start at around the same time. Incorporated in 1997, the company launched *Lineage*—a Multi-User

Dungeon (MUD) game—in 1998. Ten years later, its successor, *Lineage II*, had 100,000 concurrent active players in North America and Europe alone. Another game, *Guild Wars*, had sold over five million franchise units!

In the global competitive arena, one game alone has beaten the popularity of *Lineage II*—Blizzard Entertainment's *World of Warcraft* has nearly 12 million subscribers worldwide. The U.S.-based game provider is also the developer of globally popular games including *Battle.net* and *Diablo*. Unlike NCSoft, Blizzard had a presence in offline and console games before moving into the online and role-playing game sectors.

The most recent explosion of the online gaming phenomenon has taken place in China, with the online games market expected to be valued at \$6 billion in the next couple of years. China's top game operators Tencent, Shanda Games, and NetEase had annual revenues of \$792 million, \$704 million, and \$493 million, respectively, in 2009. Tencent's *Dungeon and Fighter* and *Cross Fire* and NetEase's *Fantasy Westward Journey* already boast more than one million concurrent peak users. It is then of no strange coincidence that the 2012 *Battle.net* World Championships was held in Shanghai, China.

Sources: Kevin Kwang, "China's Online Games Industry to Hit \$6B by 2012," *ZDNet Asia*, April 9, 2010, <http://www.ncsoft.net>; <http://us.blizzard.com>; and Jim Rossignol, "Sex, Fame and PC Baangs: How the Orient Plays Host to PC Gaming's Strangest Culture," *PC Gamer* magazine (UK), available at [www.rossignolcream.org](http://www.rossignolcream.org).

In addition, each chapter begins with an **Opening Case** that sets the stage for the chapter content and familiarizes students with how real international companies conduct business.

Opening Case

chapter 6

International Trade Theory

**The Rise of India's Drug Industry** opening case

One of the great success stories in international trade in recent years has been the strong growth of India's pharmaceutical industry. The country used to be known for producing cheap knockoffs of patented drugs discovered by Western and Japanese pharmaceutical companies. This made the industry something of an international pariah. Because they made copies of patented products, and therefore violated intellectual property rights, Indian companies were not allowed to sell these products in developed markets. With no assurance that their intellectual property would be protected, foreign drug companies refused to invest in, partner with, or buy from their Indian counterparts, further limiting the business opportunities of Indian companies. In developed markets such as the United States, the best that Indian companies could do was to sell low-cost generic pharmaceuticals (generic pharmaceuticals are products whose patent has expired).

In 2005, however, India signed an agreement with the World Trade Organization that brought the country into compliance with WTO rules on intellectual property rights. Indian companies stopped producing counterfeit products. Secure in knowledge that their patents would be respected, foreign companies started to do business with their Indian counterparts. For India, the result has been dramatic growth in its pharmaceutical sector. The sector generated sales of close to \$25 billion in 2010, more than double the figure of 2005. Driving this growth have been surging exports, which grew at 15 percent per annum between 2006 and 2011. In 2000 pharmaceutical exports from India amounted to around \$1 billion. By 2011, the figure was around \$11.5 billion!

Much of this growth has been the result of partnerships between Western and Indian firms. Western companies have been increasingly outsourcing manufacturing and packaging activities to India, while at the same time scaling back some of these activities at home and in places such as Puerto Rico, which historically has been a major manufacturing hub for firms serving the U.S. market. India's advantages in manufacturing and packaging include relatively low wage rates, an educated workforce, and the widespread use of English as a business language. Western companies have

There is also a **Closing Case** to each chapter. These cases are also designed to illustrate the relevance of chapter material for the practice of international business as well as to provide continued insight into how real companies handle those issues.


closing case

The Rise of Bangladesh's Textile Trade

Bangladesh, one of the world's poorest countries, has long depended heavily upon exports of textile products to generate income, employment, and economic growth. Most of these exports are low-cost finished garments sold to mass-market retailers in the West, such as Walmart. For decades, Bangladesh was able to take advantage of a quota system for textile exports that gave it, and other poor countries, preferential access to rich markets such as the United States and the European Union. On January 1, 2005, however, that system was scrapped in favor of one that was based on free trade principles. From then on, exporters in Bangladesh would have to compete for business against producers from other nations such as China and Indonesia. Many analysts predicted the quick collapse of Bangladesh's textile industry. They predicted a sharp jump in unemployment, a decline in the country's balance of payments accounts, and a negative impact on economic growth.

The collapse didn't happen. Bangladesh's exports of textiles continued to grow, even as the rest of the world plunged into an economic crisis in 2008. Bangladesh's exports of garments rose to \$10.7 billion in 2008, up from \$9.3 billion in 2007 and \$8.9 billion in 2006. Apparently, Bangladesh has an advantage in the production of textiles—it is one of the world's low-cost producers—and this is allowing the country to grow its share of world markets. As a deep economic recession took hold in developed nations during 2008–2009, big importers such as Walmart increased their purchases of low-cost garments from Bangladesh to better serve their customers, who were looking for low prices. Li & Fung, a Hong Kong company that handles sourcing and apparel manufacturing, stated its production in Bangladesh jumped 25 percent in 2009, while production in China, its biggest supplier, slid 5 percent.

Bangladesh's advantage is based on a number of factors. First, labor costs are low, in part due to low hourly wage rates and in part due to investments by textile manufacturers in productivity-boosting technology during the past decade. Today, wage rates in the textile industry in Bangladesh are about \$50 to \$60 a month, less than half the minimum wage in China. While this pay rate seems dimly low by Western standards, in a country where the gross national income per capita is only \$470 a year, it is a living wage and a source of employment for some 3 million people, 85 percent of whom are women with few alternative employment opportunities.

Another source of advantage for Bangladesh is that it has a vibrant network of supporting industries that supply inputs to its garment manufacturers. Some three-quarters of all inputs are made locally. This saves garment manufacturers transport and storage costs, import duties, and the long lead times that come with the imported woven fabrics used to make shirts and trousers. In other words, the local supporting industries help to boost the productivity of Bangladesh's garment manufacturers, giving them a cost advantage that goes beyond low wage rates.

Bangladesh also has the advantage of not being China! Many importers in the West have grown cautious about becoming too dependent upon China for imports of specific goods for fear that if there was disruption, economic or other, their supply chains would be decimated unless they had an alternative source of supply. Thus, Bangladesh has benefited from the trend by Western importers to diversify their supply sources. Although China remains the world's largest exporter of garments, with exports of \$120 billion in 2008, wage rates are rising quite fast, suggesting the trend to shift textile production away from China may continue. Bangladesh, however, does have some negatives; most notable are the constant disruptions in electricity because the government has underinvested in power generation and distribution infrastructure. Roads and ports are also inferior to those found in China.

Sources: K. Bradsher, "Jobs Vanish as Exports Fall in Asia," *The New York Times*, January 22, 2009, p. B1; "Knitting Pretty," *The Economist*, July 18, 2008, p. 54; K. Bradsher, "Competition Means Learning to Offer More Than Just Low Wages," *The New York Times*, December 14, 2004, p. C1; and V. Bajaj, "As Labor Costs Rise in China, Textile Jobs Shift Elsewhere," *The New York Times*, July 17, 2010, pp. 1, 3.

**Case Discussion Questions**

1. Why was the shift to a free trade regime in the textile industry good for Bangladesh?
2. Who benefits when retailers in the United States source textiles from low-wage countries such as Bangladesh? Who might lose? Do the gains outweigh the losses?
3. What international trade theory (or theories) best explains the rise of Bangladesh as a textile-exporting powerhouse?
4. How secure is Bangladesh's textile industry from foreign competition? What factors could ultimately lead to a decline?

Closing Case

To help students go a step further in expanding their application level understanding of international business, each chapter incorporates two **globalEDGE research tasks** designed and written by Tunga Kiyak and the team at Michigan State University's [globalEDGE.msu.edu](http://globalEDGE.msu.edu) site to dovetail with the content just covered.

http://globalEDGE.msu.edu

Research Task

**International Trade Theory**

Use the globalEDGE Resource Desk (<http://globaledge.msu.edu/Reference-Desk>) to complete the following exercises:

1. You work for a telecommunications company and your current project is to determine the 10 countries that—in your estimation—should have an advantage in Internet infrastructure. Use a resource that tracks *statistics on economic factors* such as the Internet use of each country worldwide. Develop a list and brief report on the top 10 countries of relative Internet users. Were you surprised by any countries listed? Why or why not?
2. Your coffee firm is looking to find new locations from which to source coffee to sustain growth as it internationalizes. Currently, your company only purchases green coffee beans from South America and is hoping to begin purchasing coffee from the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Panama. Applying the most current information from *FAOSTAT*, a United Nations agency website that gathers data on food and agricultural trade flows, determine which three countries have the highest export quantity of green coffee as well as growth of export quantity over the last year of data available.

globalEDGE Research Task



## Integrated Progression of Topics

A weakness of many texts is that they lack a tight, integrated flow of topics from chapter to chapter. In Chapter 1 of this book, students will learn how the book's topics are related to each other. I've achieved integration by organizing the material so that each chapter builds on the material of the previous ones in a logical fashion.

**PART ONE** Chapter 1 provides an overview of the key issues to be addressed and explains the plan of the book.

**PART TWO** Chapters 2, 3, and 4 focus on national differences in political economy and culture, and Chapter 5 examines ethical issues in international business. Most international business textbooks place this material at a later point, but I believe it is vital to discuss national differences first. After all, many of the central issues in international trade and investment, the global monetary system, international business strategy and structure, and international business operations arise out of national differences in political economy and culture. To fully understand these issues, students must first appreciate the differences in countries and cultures. Ethical issues are dealt with at this juncture primarily because many ethical dilemmas flow out of national differences in political systems, economic systems, and culture.

**PART THREE** Chapters 6 through 9 investigate the political economy of international trade and investment. The purpose of this part is to describe and explain the trade and investment environment in which international business occurs.

**PART FOUR** Chapters 10 and 11 describe and explain the global monetary system, laying out in detail the monetary framework in which international business transactions are conducted.

**PART FIVE** In Chapters 12 and 13, attention shifts from the environment to the firm. Here the book examines the strategies that firms adopt to compete effectively in the international business environment.

**PART SIX** Chapters 14 through 17 explain how firms can perform key functions—production, marketing, R&D, and human resource management to compete and succeed in the international business environment. Throughout the book, the relationship of new material to topics discussed in earlier chapters is pointed out to the students to reinforce their understanding of how the material comprises an integrated whole.

## Accessible and Interesting

The international business arena is fascinating and exciting, and I have tried to communicate my enthusiasm for it to the student. Learning is easier and better if the subject matter is communicated in an interesting, informative, and accessible manner. One technique I have used to achieve this is weaving interesting anecdotes into the narrative of the text, that is, stories that illustrate theory. Prepared by Samira Hussein of Johnson County Community College and Krishna Udayasankar of Nanyang Technological University of Singapore, the use of **Another Perspective** boxes also serves to provide additional context for the chapter topics.




**ANOTHER PERSPECTIVE**
**Australian SMEs Embrace the Chinese Currency**

In May 2012, Corlette Designs—a Sydney-based agency that specializes in signage, graphic design, and branding for the hotel and commercial industries—opened an office in Shanghai, China. Not only could the company cut costs by locating some production and technical functions there, it was allowed to issue invoices in the Chinese *yuan*—the official currency of the People’s Republic of China—after it had registered itself as a local company. Revenue from its China-based clients has grown 50 percent since May 2012, making up about half of the company’s revenue. By making it easier and cheaper for Chinese clients to pay for its services, this no doubt helps to expand its clientele. Corlette Designs is not the only company that has adopted the *yuan* for its transactions. Unlike larger firms, small and medium enterprises (SMEs) have been quick to adopt the Chinese currency as a method of payment. In a survey of more than 500 Australian SMEs on their global trade intentions by HSBC in 2013, the results have shown that, amongst other things, of those trading with China 31 percent plan to use both US dollars and the *yuan* to settle trade transactions and an additional 13 percent will exclusively use the *yuan* over the next 12 months.

Source: M. Bleby, *Australian SMEs Embracing China’s Currency*, April 2, 2013, [www.brw.com.au](http://www.brw.com.au).

In addition to the Another Perspective feature, most chapters also have a **Country Focus** box that provides background on the political, economic, social, or cultural aspects of countries grappling with an international business issue.


**COUNTRY FOCUS**
**Corruption in the Philippines**

The Republic of Philippines is an archipelago of over 7,000 islands in the Pacific Ocean. It is home to a highly diverse population and has a colorful political history. The country is in the medium–high level of human development category as classified by the United Nations, and inflation rates have been hovering at less than one percent per annum.

However, in a 2007 survey by the Hong Kong-based Political and Economic Risk Consultancy (PERC), it was reported that the Philippines had been perceived as the most corrupt nation in Asia by foreign businessmen. The survey further found that the high corruption levels served as a deterrent to business and foreign investment in the country. The United Nations Development Program estimates that nearly \$2 billion—amounting to over 10 percent of the Philippines’ annual budget—is lost each year due to corruption.

In 2007, the World Bank carried out a study to identify the reasons for corruption in the country. The study focused on the key corruption cases in the nation in the past years. It was found that the inefficacy of legal enforcement and judicial systems, as well as the low rate of prosecution and punishment in the event of such abuses, had led to low confidence in the legal system.

Tax avoidance was another significant problem and exacerbated corruption indirectly. The high level of procurement—resulting in civil service involvement in business dealings and contracts—also contributed to corruption, through both graft and bribery. The World Bank also reported that an average of 20 to 30 percent of the value of every contract had been lost due to corruption.

While there has been some degree of improvement in government and civil service corruption since the Government Procurement Reform Act was passed in 2003, the changes have been systemic rather than functional. The World Bank and other agencies note that significant change may come about only through civil service reform, including a review of civil service salaries.

As the poverty level in the Philippines has increasingly become a cause for concern, the need to address the issue of corruption has become more urgent. In addition to affecting the business environment and inhibiting investment in the country, corruption also directly depletes revenues.


Sources: Political and Economic Risk Consultancy, “Asian Risk Prospects,” 2006; C. H. Conde, “Philippines Most Corrupt,” *The New York Times*, March 13, 2007; World Bank, *Philippines Country Procurement Assessment Review*, 2007; and World Bank, *Accelerating Inclusive Growth and Deepening Fiscal Stability: Report for the Philippines Development Forum 2008*, 2007.

## Resources That Turbo-Charge Your Course

For instructors, there are a number of materials offered to help keep students active and engaged in the learning process.

The **Online Learning Center** (OLC) ([www.mheducation.asia/olc/hill](http://www.mheducation.asia/olc/hill)) is a one-stop place for several key instructor aids, as well as student resources to make more effective supplementary assignments. A password-protected portion of the book's website will be available to adopters of *Global Business Today*. The OLC includes:

- **Instructor's Manual.** Prepared by Veronica Horton, this manual contains course outlines; chapter teaching resources, including chapter overviews and outlines, teaching suggestions, chapter objectives, teaching suggestions for opening cases, lecture outlines, answers to critical discussion questions, teaching suggestions for the Closing Case, and two student activities (some with Internet components); and expanded video notes with discussion questions for each video. The answers to globalEDGE research tasks will also be included here.
- **Test Bank.** Approximately 100 true-false, multiple-choice, and essay questions per chapter are included in the Test Bank. We've aligned our Test Bank questions with Bloom's Taxonomy and AACSB guidelines, tagging each question according to its knowledge and skill areas. Each Test Bank question for *Global Business Today* also maps to a specific chapter learning objective listed in the text. You can use our Test Bank software, EZ Test, to easily query for learning objectives that directly relate to the learning objectives for your course. You can use the reporting features of EZ Test to aggregate student results in a similar fashion, making the collection and presentation of assurance-of-learning data quick and easy.
- **PowerPoint®.** Re-created for this edition by Veronica Horton, the PowerPoint program consists of one set of slides for every chapter, featuring original materials not found in the text in addition to reproductions and illuminations of key text figures, tables, and maps. Quiz questions to keep students on their toes during classroom presentations are also included, along with instructor notes.

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## Assurance of Learning Ready

Many educational institutions today are focused on the notion of *assurance of learning*, an important element of some accreditation standards. *Global Business Today* is designed specifically to support your assurance of learning initiatives with a simple, yet powerful solution. Each test bank question for *Global Business Today* maps to a specific chapter learning outcome/objective listed in the text. You can use our test bank software, EZ Test, to easily query for learning outcomes/objectives that directly relate to the learning objectives for your course. You can then use the reporting features of EZ Test to aggregate student results in similar fashion, making the collection and presentation of assurance of learning data simple and easy.

## AACSB Statement

McGraw-Hill Education is a proud corporate member of AACSB International. Understanding the importance and value of AACSB accreditation, this text recognizes the curricula guidelines detailed in the AACSB standards for business accreditation by connecting selected questions in the test bank to the six general knowledge and skill guidelines in the AACSB standards.

The statements contained in this text are provided only as a guide for the users of this textbook. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While *Global Business Today*, and the teaching package make no claim of any specific AACSB qualification or evaluation, we have—within *Global Business Today*—labeled selected questions according to the six general knowledge and skills areas.

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