Third Edition
（第三版）

新编国际商务英语阅读教程

International Business Topics New Edition

胡英坤　孙宁　宫桓刚　主编

东北财经大学出版社
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前言

国际商务英语阅读是国际商务专业的学生的必修课。一本有价值、内容新颖的商务英语阅读教材可以帮助学生提高掌握商务英语文献的能力，使他们更多地了解国际商务知识和商务活动环境，对学生未来在工作岗位上透彻地理解国际商务问题、熟练地应用英语处理国际商务业务、成为具有国际竞争力的人才起到非常重要的作用。

基于这一认识，1994 年我们编写了《国际商务英语阅读教程》一书。该书被许多院校采用，收到了很好的效果。2000 年，我们在原来基础上编写了《新编国际商务英语阅读教程》，不仅更新了内容，还扩大了涉及的领域，信息量增加了 4 倍。今年我们对该书进行修订，保留了国际贸易理论、国际营销、国际技术转让、国际直接投资、国际商法、消费者行为管理、品牌管理、信息系统、组织行为学、公司重组以及企业家等内容，减掉了跨国公司财务管理、全球一体化和世界贸易组织等内容，增加了国际物流、网络营销和知识产权保护及网络法等内容。此外，根据变化，对保留的课文中的一些信息进行了更新。本书课文 A 的文章全部选自英美原版教材，有些地方进行了删减；课文 B 大多选自英美报刊。在此我们向原教材和文章的作者表示感谢。

本书列有生词表，并对专门术语进行了较详细的解释。同时，本书对课文难点进行了注释，以方便学生自学。练习部分由正误辨认、复习题、讨论题和短文阅读理解四个部分组成，侧重对课文内容的理解和掌握。此外，本书配有光盘，内容为课文 A 的译文和教学课件。参加译文翻译的有张羽、李聪、宫淑娜、马青、黄甜、杜丽丽、关淼、陈蕊。本书的目的在于培养学生在较短时间内阅读大量信息，掌握其基本内容和精神实质，并能运用所读到的东西分析和解决实际问题的能力。

本书是商务英语专业以及其他涉外专业高年级英语阅读课的首选教材之一，可供涉外经贸工作者进修商务英语和增加专业知识之用，也可帮助有志出国深造或想在国内进一步深造的人员打下良好的英语语言与商务知识基础。

由于本书涉猎内容广泛，而编者很难成为每一个方面的专家，故疏漏与错误在所难免，敬请同行与读者批评指正。

编　者

2006 年 2 月

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Unit 1

Text A International Trade Theory

(国际贸易理论)

Charles W. L. Hill

MERCANTILISM

The first theory of international trade emerged in England in the mid-16th century. Referred to as *mercantilism*, its principal assertion was that gold and silver were the mainstays of national wealth and essential to vigorous commerce. At that time, gold and silver were the currency of trade between countries; a country could earn gold and silver by exporting goods. By the same token, importing goods from other countries would result in an outflow of gold and silver to those countries. The basic mercantilist argument was that it was in a country's best interests to maintain a trade surplus, to export more than it imported. By doing so, a country would accumulate gold and silver and, consequently, increase its national wealth and prestige. As the English mercantilist writer Thomas Mun put it in 1630:

> The ordinary means, therefore, to increase our wealth and treasure is by foreign trade, wherein we must ever observe this rule: to sell more to strangers yearly than we consume of theirs in value.

Consistent with this belief, the mercantilist doctrine advocated government intervention to achieve a surplus in the balance of trade. The mercantilists saw no virtue in a large volume of trade per se. Rather, they recommended policies to maximize exports and minimize imports. In order to achieve this, imports were limited by tariffs and quotas, and exports were subsidized.

An inherent inconsistency in the mercantilist doctrine was pointed out by the classical economist David Hume in 1752. According to Hume, if England had a balance-of-trade surplus with France (it exported more than it imported) the resulting inflow of gold and silver would swell the domestic money supply and generate inflation in England. In France,

however, the outflow of gold and silver would have the opposite effect. France's money supply would contract, and its prices would fall. This change in relative prices between France and England would encourage the French to buy fewer English goods (because they were becoming more expensive) and the English to buy more French goods (because they were becoming cheaper). The result would be a deterioration in the English balance of trade and an improvement in France's trade balance, until the English surplus was eliminated. Hence, according to Hume, in the long run no country could sustain a surplus on the balance of trade and so accumulate gold and silver as the mercantilists had envisaged.

Hume's critique apart, the flaw with mercantilism was that it viewed trade as a zero-sum game (A zero-sum game is one in which a gain by one country results in a loss by another). It was left to Adam Smith and David Ricardo to show the shortsightedness of this approach and to demonstrate that trade is a positive-sum game in which all countries can benefit, even if some benefit more than others. We shall discuss the views of Smith next. Before doing so, however, we must note that the mercantilist doctrine is by no means dead. For example, Jarl Hagelstam, a director at the Finnish Ministry of Finance and a participant at the Uruguay Round of negotiations on the General Agreement on Tariffs and Trade (GATT), whose purpose is to create a more open and fair trading system, has observed that:

> The approach of individual negotiating countries, both industrialized and developing, has been to press for trade liberalization in areas where their own comparative competitive advantages are the strongest, and to resist liberalization in areas where they are less competitive and fear that imports would replace domestic production.

Hagelstam attributes this strategy by negotiating countries to a neomercantilist belief held by the politicians of many nations. This belief equates political power with economic power, and economic power with a balance-of-trade surplus. Thus the trade strategy of many nations is designed to simultaneously boost exports and limit imports.

ABSOLUTE ADVANTAGE

In his 1776 landmark book *The Wealth of Nations*, Adam Smith attacked the mercantilist assumption that trade is a zero-sum game. Smith argued that countries differ in their ability to produce goods efficiently. In his time, for example, by virtue of their superior manufacturing processes, the English were the world's most efficient manufacturers of textiles. On the other hand, due to the combination of favorable climate, good soils, and accumulated expertise, the French had the world's most efficient wine industry. Put another way, the English had an absolute advantage in the production of textiles, while the French had an absolute advantage in the production of wine. Thus, a country has an absolute advantage in the production of a product when it is more efficient than any other country in producing it.

According to Smith, countries should specialize in the production of goods for which they have an absolute advantage, and then trade these goods for the goods produced by other countries. In Smith's time this suggested that the English should specialize in the production of textiles while the French should specialize in the production of wine. England could get all the wine it needed by selling its textiles to France and buying wine in exchange. Similarly, France could get all the textiles it needed by selling wine to England and buying textiles in exchange. Smith's basic argument, therefore, is that you should never produce goods at home that you can buy at a lower cost from other countries. Moreover, Smith demonstrates that by specializing in the production of goods in which each has an absolute advantage, both countries benefit by engaging in trade.

COMPARATIVE ADVANTAGE

David Ricardo took Adam Smith's theory one step further by exploring what might happen when one country has an absolute advantage in the production of all goods. Smith's theory of absolute advantage suggests that such a country might derive no benefits from international trade. In his 1817 book *Principles of Political Economy*, Ricardo showed that this was not the case. According to Ricardo, it makes sense for such a country to specialize in the production of those goods that it produces most efficiently and to buy the goods that it produces less efficiently from other countries, even if this means buying goods from other countries that it could produce more efficiently itself.

The basic message of the theory of comparative advantage is that potential world production is greater with unrestricted free trade than it is with restricted trade. Moreover, Ricardo's theory suggests that consumers in all nations can consume more if there are no restrictions on trade. This occurs even in the case of countries that lack an absolute advantage in the production of any good. In other words, to an even greater degree than the theory of absolute advantage, the theory of comparative advantage suggests that trade is a positive-sum game in which all gain. As such, this theory provides a strong rationale for encouraging free trade. Indeed, so powerful is Ricardo's theory that it remains a major intellectual weapon for those who argue for free trade.

Some Simple Extensions of the Ricardian Model

Before moving on, let us explore the effect of relaxing two of the assumptions identified above in the simple comparative advantage model. We shall relax the assumption of constant returns to specialization and the static assumption that trade does not change a country's stock of resources or the efficiency with which it utilizes those resources.

Diminishing Returns

The simple comparative advantage model developed in the preceding subsection assumes

constant returns to specialization. That is, the units of resources required to produce a good (cocoa or rice) are assumed to remain constant no matter where one is on a country's production possibility frontier (PPF). Thus we assumed that it always took Ghana 10 units of resources to produce one ton of cocoa. However, it is more realistic to assume **diminishing returns** to specialization. The concept of diminishing returns is simply that the more of a good a country produces, the greater the units of resources that will be required to produce each additional item. In the case of Ghana, for example, whereas 10 units of resources may be sufficient to increase output of cocoa from 12 tons to 13 tons, 11 units of resources may be needed to increase output of cocoa from 13 to 14 tons, 12 units of resources to increase output of cocoa from 14 tons to 15 tons, and so on.

There are two reasons why it is more realistic to assume diminishing returns. First, not all resources are of the same quality. As a country tries to increase its output of a certain good, it is increasingly likely to draw upon more marginal resources whose productivity is not as great as those initially employed. The end result is that it requires ever more resources to produce an equal increase in output. For example, some land is more productive (fertile) than other land. As Ghana tries to expand its output of cocoa, it might have to utilize increasingly marginal land that is less fertile than the land it originally used. As yields per acre decline, Ghana must use ever more land to produce one ton of cocoa.

A second reason for assuming diminishing returns is that different goods typically use resources in different proportions. For example, imagine that growing cocoa uses more land and less labor than growing rice, and that Ghana tries to transfer resources from rice production to cocoa production. The rice industry will release proportionately too much labor and too little land for efficient cocoa production. To absorb the additional resources of labor and land, the cocoa industry will have to shift toward more labor-intensive methods of production. The effect is that the efficiency with which the cocoa industry uses labor will decline, returns will diminish.

The significance of diminishing returns is that it is not feasible for a country to specialize to the degree suggested by the simple Ricardian model outlined earlier. Diminishing returns to specialization suggest that the gains from specialization are likely to be exhausted before specialization is complete. In reality, most countries do not specialize, but instead, produce a range of goods. However, the theory predicts that it is worthwhile to specialize up until that point where the resulting gains from trade are outweighed by diminishing returns. Thus the basic conclusion that unrestricted free trade is beneficial still holds, although due to diminishing returns, the gains may not be as great as suggested in the constant returns case.

Dynamic Effects and Economic Growth

Our simple comparative advantage model assumed that trade does not change a country's stock of resources or the efficiency with which it utilizes those resources. This static

assumption makes no allowances for the dynamic changes that might result from trade. If we relax this assumption, it becomes apparent that opening up an economy to trade is likely to generate dynamic gains. These dynamic gains are of two sorts. First, free trade might increase a country's stock of resources as increased supplies of labor and capital from abroad become available for use within the country. This is occurring right now in Eastern Europe, where many Western businesses are investing large amounts of capital in the former Communist bloc countries.

Second, free trade might also increase the efficiency with which a country utilizes its resources. Gains in the efficiency of resource utilization could arise from a number of factors. For example, economies of large-scale production might become available as trade expands the size of the total market available to domestic firms. Trade might make better technology from abroad available to domestic firms. In turn, better technology can increase labor productivity or the productivity of land. (The so-called green revolution had just this effect on agricultural outputs in developing countries.) It is also possible that opening up an economy to foreign competition might stimulate domestic producers to look for ways to increase the efficiency of their operations. Again, this phenomenon is arguably occurring currently in the once protected markets of Eastern Europe, where many former state monopolies are having to increase the efficiency of their operations in order to survive in the competitive world market.

HECKSCHER-OHLIN THEORY

Ricardo's theory stresses that comparative advantage arises from differences in productivity (the efficiency with which a country utilizes its resources to produce outputs). Thus, whether Ghana is more efficient than South Korea in the production of cocoa depends upon how productively it uses its resources. Ricardo himself placed particular stress on labor productivity and argued that differences in labor productivity between nations underlie the notion of comparative advantage. Swedish economists Eli Heckscher (in 1919) and Bertil Ohlin (in 1933) put forward a different explanation of comparative advantage. They argued that comparative advantage arises from differences in national factor endowments. By factor endowments they meant the extent to which a country is endowed with such resources as land, labor, and capital. Different nations have different factor endowments, and different factor endowments explain differences in factor costs. The more abundant a factor, the lower its cost. The Heckscher-Ohlin theory predicts that countries will export those goods that make intensive use of those factors that are locally abundant, while importing goods that make intensive use of factors that are locally scarce. Thus the Heckscher-Ohlin theory attempts to explain the pattern of international trade that we observe in the world economy. Like Ricardo's theory, the Heckscher-Ohlin theory argues that free trade is beneficial. Unlike Ricardo's theory, however, the Heckscher-Ohlin theory argues that the

pattern of international trade is determined by differences in factor endowments, rather than differences in productivity.

The Heckscher-Ohlin theory also has common-sense appeal. For example, the United States has long been a substantial exporter of agricultural goods, reflecting in part its unusual abundance of large tracts of arable land. In contrast, South Korea has excelled in the export of goods produced in labor-intensive manufacturing industries, such as textiles and footwear. This reflects South Korea's relative abundance of low-cost labor. The United States, which lacks abundant low-cost labor, has been a primary importer of these goods. Note that it is relative, not absolute, endowments that are important; a country may have larger absolute amounts of land and labor than another country, but be relatively abundant in one of them.

THE PRODUCT LIFE-CYCLE THEORY

Raymond Vernon initially proposed the product life-cycle theory in the mid-1960s. Vernon's theory was based on the observation that for most of the 20th century a very large proportion of the world's new products had been developed by U. S. firms and sold first in the U. S. market (e. g. mass-produced automobiles, televisions, instant cameras, photocopiers, personal computers, and semiconductor chips). To explain this, Vernon argued that the wealth and size of the U. S. market gave U. S. firms a strong incentive to develop new consumer products. In addition, the high cost of U. S. labor gave U. S. firms an incentive to develop cost-saving process innovations.

Just because a new product is developed by a U. S. firm and first sold in the U. S. market, it does not follow that the product must be produced in the United States. It could be produced abroad at some low-cost location and then exported back into the United States. However, Vernon argued that most new products were initially produced in the United States. Apparently, the pioneering firms felt that it was better to keep production facilities close to the market and to the firm's center of decision making, given the uncertainty and risks inherent in new-product introduction. Moreover, the demand for most new products tends to be based on nonprice factors. Consequently, firms can charge relatively high prices for new products, which obviates the need to look for low-cost production sites in other countries.

Vernon went on to argue that early in the life cycle of a typical new product, while demand is starting to grow rapidly in the United States, demand in other advanced countries is limited to high-income groups. The limited initial demand in other advanced countries does not make it worthwhile for firms in those countries to start producing the new product, but it does necessitate some exports from the United States to those countries.

Over time, however, demand for the new product starts to grow in other advanced countries (e. g. Great Britain, France, Germany, and Japan). As it does, it becomes

worthwhile for foreign producers to begin producing for their home markets. In addition, U. S. firms might set up production facilities in those advanced countries where demand is growing. Consequently, production within other advanced countries begins to limit the potential for exports from the United States.

As the market in the United States and other advanced nations matures, the product becomes more standardized, and price becomes the main competitive weapon. As this occurs, cost considerations start to play a greater role in the competitive process. One result is that producers based in advanced countries where labor costs are lower than in the United States (e. g. Italy, Spain) might now be able to export to the United States.

If cost pressures become intense, the process might not stop there. The cycle by which the United States lost its advantage to other advanced countries might be repeated once more, as developing countries (e. g. South Korea and Thailand) begin to acquire a production advantage over advanced countries. Thus, the locus of global production initially switches from the United States to other advanced nations, and then from those nations to developing countries.

The consequence of these trends for the pattern of world trade is that over time the United States switches from being an exporter of the product to an importer of the product as production becomes concentrated in lower-cost foreign locations.

THE NEW TRADE THEORY

The new trade theory began to emerge in the 1970s. At that time a number of economists were questioning the assumption of diminishing returns to specialization used in international trade theory. They argued that in many industries, because of the presence of substantial **economies of scale**, there are **increasing returns** to specialization. Put another way, as output expands with specialization, the ability to realize economies of scale increases and so the unit costs of production should decrease. Economies of scale are primarily derived by spreading fixed costs (such as the costs of developing a new product) over a larger output. As an illustration, consider the commercial jet aircraft industry. The fixed costs of developing a new commercial jet airliner are astronomical. It has been estimated that Boeing will have to spend $3 billion to develop its new 777 before it sells a single plane. The company will have to sell at least 300 777 just to recoup these development costs and break even. Thus, due to the high fixed costs of developing a new jet aircraft, the economies of scale in this industry are substantial.

The new trade theorists further argue that due to the presence of substantial scale economies, in many industries world demand will only support a few firms. This is the case in the commercial jet aircraft industry; estimates suggest that, at most, world demand can profitably support only three major manufacturers. For example, the total world demand for 300-seater commercial jet aircraft similar to Boeing's 777 model will probably be only 1 500

aircraft over the 10 years between 1995 and 2005. If we assume that firms must sell at least 500 aircraft to get an acceptable return on their investment (which is reasonable, given the breakeven point of 300 aircraft), we can see that, at most, the world market can profitably support only three firms!

The new trade theorists go on to argue that in those industries where the existence of substantial economies of scale imply that the world market will profitably support only a few firms, countries may export certain products simply because they have a firm that was an early entrant into that industry. Underpinning this argument is the notion of **first-mover advantages**. Because they are able to gain economies of scale, the early entrants into an industry may get a lock on the world market that discourages subsequent entry. In other words, the ability of first-mover to reap economies of scale creates a **barrier to entry**. In the commercial aircraft industry, for example, the fact that Boeing, Airbus, and McDonnell Douglas are already in the industry and have the benefits of economies of scale effectively discourages new entry.

This theory has profound implications. The theory suggests that a country may predominate in the export of a good simply because it was lucky enough to have one or more firms among the first to produce that good. This is at variance with the Heckscher-Ohlin theory, which suggests that a country will predominate in the export of a product when it is particularly well endowed with those factors used intensively in its manufacture. Thus, the new trade theorists argue that the United States leads in exports of commercial jet aircraft not because it is better endowed with the factors of production required to manufacture aircraft, but because two of the first-mover in the industry, Boeing and McDonnell Douglas, were U. S. firms. It should be noted, however, that the new trade theory is not at variance with the theory of comparative advantage. Since economies of scale result in an increase in the efficiency of resource utilization, and hence in productivity, the new trade theory identifies an important source of comparative advantage.

How useful is this theory in explaining trade patterns? It is perhaps too early to say; the theory is so new that little supporting empirical work has been done. Consistent with the theory, however, a recent study by Harvard business historian Alfred Chandler does suggest that the existence of first-mover advantages is an important factor in explaining the dominance of firms from certain nations in certain industries. Moreover, it is true that the number of firms is very limited in many global industries. This is the case with the commercial aircraft industry, the chemical industry, the heavy construction-equipment industry, the heavy truck industry, the tire industry, the consumer electronics industry, and the jet engine industry, to name but a few examples.

Perhaps the most contentious implication of the new trade theory, however, is the argument that it generates for government intervention and **strategic trade policy**. New trade theorists stress the role of luck, entrepreneurship, and innovation in giving a firm first-mover advantages. According to this argument, the reason why Boeing was the first

mover in commercial jet aircraft manufacture—rather than firms like Great Britain's DeHavilland and Hawker Siddely, or Holland's Fokker, all of which could have been—was that Boeing was both lucky and innovative. One way Boeing was lucky is that DeHavilland shot itself in the foot when its Comet jet airliner, introduced two years earlier than Boeing's first jet airliner, the 707, was found to be full of serious technological flaws. Had DeHavilland not made some serious technological mistakes, Great Britain might now be the world's leading exporter of commercial jet aircraft! Boeing's innovativeness was demonstrated by its independent development of the technological know-how required to build a commercial jet airliner. Several new trade theorists have pointed out, however, that Boeing's R&D was largely paid for by the U. S. government; that the 707 was in fact a spinoff from a government-funded military program. Herein lies a rationale for government intervention. By the sophisticated and judicious use of subsidies, might not a government be able to increase the chances of its domestic firms becoming first movers in newly emerging industries, as the U. S. government apparently did with Boeing? If this is possible, and the new trade theory suggests it might be, then we have an economic rationale for a proactive trade policy that is at variance with the free trade prescriptions of the trade theories we have reviewed so far.

NATIONAL COMPETITIVE ADVANTAGE: PORTER'S DIAMOND

In 1990 Michael Porter of Harvard Business School published the results of an intensive research effort that attempted to determine why some nations succeed and others fail in international competition. Porter and his team looked at 100 industries in 10 nations. The book that contains the results of this work, *The Competitive Advantage of Nations*, seems destined to become a modern classic. Like the work of the new trade theorists, Porter's work was driven by a feeling that the existing theories of international trade told only part of the story. For Porter, the essential task was to explain why a nation achieves international success in a particular industry. Why does Japan do so well in the auto-mobile industry? Why does Switzerland excel in the production and export of precision instruments and pharmaceuticals? Why do Germany and the United States do so well in the chemical industry? These questions cannot be answered easily by the Heckscher-Ohlin theory, and the theory of comparative advantage offers only a partial explanation. The theory of comparative advantage would say that Switzerland excels in the production and export of precision instruments because it uses its resources very productively in these industries. Although this may be correct, this does not explain why Switzerland is more productive in this industry than Great Britain, Germany, or Spain. It is puzzle that Porter tries to solve.

Porter's basic thesis is that four broad attributes of a nation shape the environment in which local firms compete, and that these attributes promote or impede the creation of

competitive advantage (see Figure 1.1). These attributes are:

Factor endowments A nation's position in factors of production such as skilled labor or the infrastructure necessary to compete in a given industry.

Demand conditions The nature of home demand for the industry's product or service.

Relating and supporting industries The presence or absence in a nation of supporting industries and related industries that are internationally competitive.

Firm strategy, structure, and rivalry The conditions in the nation governing how companies are created, organized, and managed and the nature of domestic rivalry.

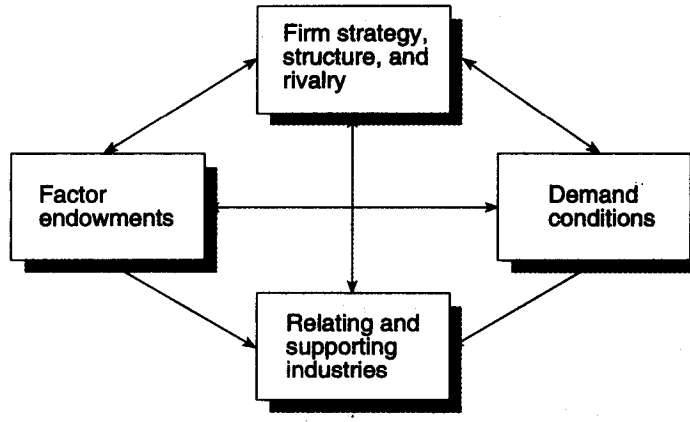

Figure 1.1 **Determinant of National Competitive Advantage: Porter's Diamond**

Source: Adapted from M. E. Porter, "The Competitive Advantage of Nations," Harvard Business Review, March-April 1999, *p.* 77.

Porter speaks of these four attributes as constituting "the diamond." He argues that firms are most likely to succeed in industries or industry segments where "the diamond is most favorable." He also argues that the diamond is a mutually reinforcing system. The effect of one attribute is contingent on the state of others. For example, Porter argues, favorable demand conditions will not result in competitive advantage unless the state of rivalry is sufficient to cause firms to respond to them.

Porter maintains that two additional variables can influence the national diamond in important ways: chance and government. Chance events, such as major innovations, create discontinuities that can unfreeze or reshape industry structure and provide the opportunity for one nation's firms to supplant another's. Government, by its choice of policies, can detract from or improve national advantage. For example, regulation can alter home demand conditions, antitrust policies can influence the intensity of rivalry within an industry, and government investments in education can change factor endowments.

IMPLICATIONS FOR BUSINESS

Why does all of this matter for business? There are perhaps three main implications of the

material discussed for international businesses: location implications, first-mover implications, and policy implications.

Location Implications

The first, and perhaps most important, way in which the material discussed in this unit matters to an international business concerns the link between the theories of international trade and a firm's decision about where to locate its various productive activities. 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 various 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 in China, that is where final assembly should be performed. The end result is a global web of productive activities, with different activities being performed in different locations around the globe depending on considerations of comparative advantage, factor endowments, and the like. Indeed, if the firm does not do this, it may find itself at a competitive disadvantage relative to firms that do.

For example, consider the process of producing a laptop computer, a process with four major stages: (1) basic research and development of the product design, (2) manufacture of standard electronic components (e. g. integrated circuits), (3) manufacture of advanced components (e. g. flat-top color display screens), and (4) final assembly. Basic R&D and design requires a pool of highly skilled and educated workers with good backgrounds in microelectronics. The two countries with a comparative advantage in basic microelectronics R&D and design are Japan and the United States, so most producers of laptop computers locate their R&D facilities in one, or both, of these countries. (Apple, IBM, Motorola, Texas Instruments, Toshiba, and Sony all have major R&D facilities in both Japan and the United States.)

The manufacture of standard electronic components is a capital-intensive process requiring semiskilled labor, and cost pressures are intense. The best locations for such activities today are places such as Singapore, and Malaysia. These countries have pools of relatively skilled, low-cost labor. Thus, many producers of laptop computers have standard components produced at these locations.

The manufacture of advanced components is a capital-intensive process requiring highly skilled labor, and cost pressures are less intense. Since cost pressures are not so intense at this stage of the process, these components can be—and are—manufactured in countries with high labor costs that also have pools of highly skilled labor (primarily Japan).