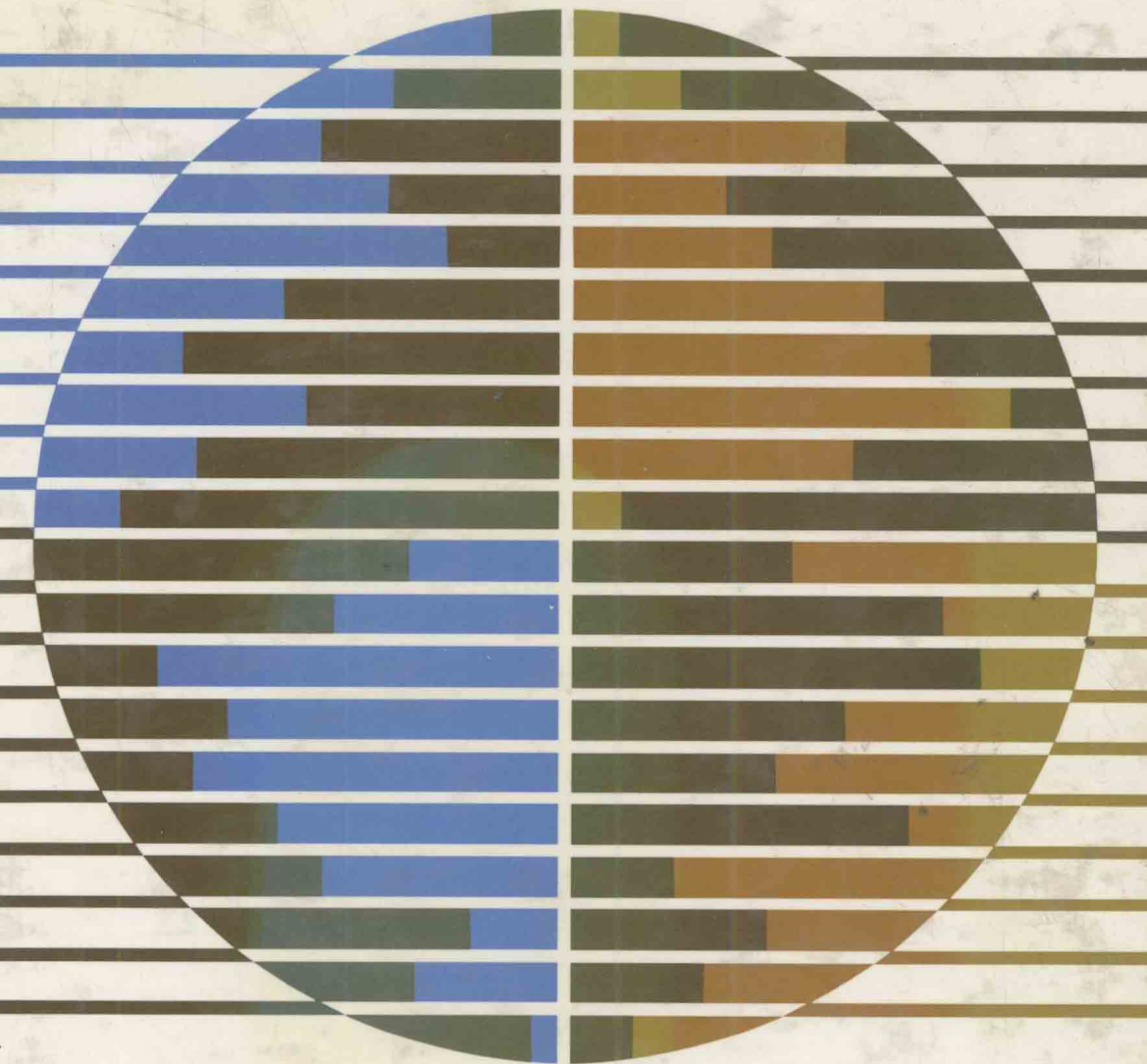


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Environment and Management

SECOND EDITION



second edition

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Environment and Management

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Preface

In the past twenty years the economies of the world have become more tightly intertwined than ever before. The devaluation of the U.S. dollar, soaring oil prices, severe trade imbalances, the impact of multinational corporations, the international debt crisis, and the widespread call for expanded controls on international trade are only a few of the major international economic developments that affect our everyday life.

For business firms, the world economy has similarly become much more important. International trade has grown very rapidly. Many more firms are involved in international trade than in the past, and such trade has often become a very significant part of the firm's operations. Commercial banks have become involved in international lending and foreign-exchange trading on an unprecedented scale. Foreign banks have become important financial institutions in most countries. More and more companies are investing abroad. Conversely, foreign companies, either via new investments or via acquisitions of existing local firms, have become major competitors to local producers in most countries.

As a direct result of these and other related changes that so greatly expand the significance of world business, in the business sector as well as among the awareness of the general public, international business has grown rapidly. Furthermore, the greatly enhanced role of international business and the unique problems and opportunities that it brings have stretched the horizons of economics and the various management

functions, such as finance, marketing, personnel, organization, control, and public relations. Unfortunately, the traditional business school courses generally offered in colleges and universities in these fields do not adequately prepare students for international business activities.

International business as a clearly defined field of *study*, one which long lagged behind the very rapid postwar growth of international business, has expanded in recent years at an even faster rate than has the international business phenomenon itself. It is still a very young field with many growing pains. An additional difficulty in the development of the study of international business arises from its scope, since, quite obviously, it is a wide-ranging field comprising elements of all the various business operations. However, since international business studies take prospective business managers beyond the borders of their native countries, whole new dimensions must be added to that already long list of variable factors concerning the familiar domestic environment. Aspects of the domestic environment that have always been constants are now becoming variables, for example, the political, business, and monetary systems; social customs; language. Thus a whole new sphere of study is required.

The study of business in most business schools is basically a study of domestic business. However, for a growing number of companies, large and small, such training is inadequate, since their managers and prospective managers also need to know the basics of managing international business operations—exporting; importing; licensing; foreign exchange; Euromarkets; foreign investments; and the special features of the world economic, social, and political environment in which the companies function. Indeed, even domestic companies with no international business operations are affected by many developments in the world environment and should understand them.

This book is designed to introduce business students to this expanded world; it is a survey of both levels of the international manager's world: the environment (economic, political, and social) within which he or she will be operating and the new international dimensions of traditional business operations. A survey of a very complex field cannot possibly concentrate on any particular segment of international business in any exhaustive detail. What is presented here, therefore, is a broad but concrete introduction for the general reader.

The reader with previous exposure to international business will find in this book a convenient integration of the diverse elements of the field. However, no attempt has been made to produce "the" definitive work in this field; indeed it is questionable if such an effort would even be possible for such a complex field. Rather, in this survey the reader is introduced to the entire scope of international business, both its environment and managerial functions, so that he or she may decide what field

to study in greater detail. The list of suggested readings at the end of each chapter offers a selection of worthwhile literature available in each specific subject area.

International business is very different from domestic business in many respects. Nevertheless, the study of international environments and international operations of business have been badly neglected in business schools. This is especially true in the United States. In order to overcome this tendency, the American Assembly of Collegiate Schools of Business (AACSB), the major accrediting agency for American business schools, has adopted a requirement that graduate and undergraduate curricula be internationalized. However, this has proven to be an elusive goal and business courses nonetheless tend to put overwhelming emphasis on the domestic, when they should be internationalized. This book is designed for a course that will at least begin the process of overcoming this deficiency.

THE STRUCTURE OF THE BOOK

International Business: Environment and Management is divided into the following five sections:

Part I. International Business—an overview of the scope of international business with a framework that identifies the role of the multinational corporation and provides an orientation for the entire book.

Part II. International Business: Opportunities and Barriers—the theoretical basis for and obstacles to international trade and investment.

Part III. International Economic Environment—a look at some of the most unique aspects of the economic environment of the multinational corporation—the world monetary system, foreign exchange markets, international money and capital markets, multinational organizations, and balance of payments.

Part IV. The Multinational Corporation and the Nation State—the special nature of the multinational corporation and the problems that arise from its relations with both its home and host governments.

Part V. International Business Operations—individual examinations of the international aspects of the major functional areas of business—organization, marketing, personnel, finance, and accounting, plus special discussions of exporting and importing, the management of foreign exchange, and taxation.

Every chapter concludes with a summary, a list of key words, questions relating to the chapter, and a list of additional suggested readings. Before reading each chapter, the reader is advised to read the summary, the vocabulary list, and the questions. This introduces the reader to both the general subject of the chapter and to the important, specific concepts that are introduced in the chapter.

At the end of the book is an extensive glossary of the most important terms introduced in the book.

The first edition of this text was entitled *International Business: An Introduction to the World of the Multinational Firm*. It was a combination of both text and readings and comprised eleven chapters. I had the benefit of two coauthors when writing that edition: Richard D. Hays and Manucher Roudiani. Unfortunately, neither of them was available to assist in the writing of this second edition.

This second edition is a complete rewriting: It has no readings and comprises twenty-two chapters. It is much more extensive than was the first edition.

I would like to thank those who contributed to the writing of this book. Special thanks are due to three colleagues of mine at the College of Business of the University of South Carolina each of whom contributed a chapter, which I revised as necessary to fit the needs, style, and content of the rest of the book: Brian Toyne (Chapter 17, "Marketing Management in International Operations"), Thomas Evans (Chapter 19, "Accounting for International Operations"), and Ronald Taylor (Chapter 22, "International Taxation"). In addition, among those many who contributed useful suggestions were Douglas Nigh, Jean Boddewyn, John Fayerweather, David Ricks, and John Daniels and William Hauworth, who offered detailed comments. I am also very grateful to a number of other academic and business colleagues who reviewed various chapters of the book and made valuable suggestions: Raj Aggarwal, Jeffrey Arpan, Richard Collister, Michael Dundorf, Richard Farmer, James Korth, Joseph Kvasnicka, John Mathis, Joseph Monahan, Lee Nehrt, Robert Shulman, William Sihler, Arnold Stebinger, Lee Travis, and Vern Terpstra. Last, but not least, I would like to thank my secretary, Dee Williams, and my wife, Shirley, for typing the numerous drafts.

Contents

Preface *xxiii*

PART

I

**INTRODUCTION TO INTERNATIONAL
BUSINESS**

1 The Nature of International Business 1

WHAT IS INTERNATIONAL BUSINESS? 1

International Business • Multinational Corporations

DOMESTIC VERSUS INTERNATIONAL BUSINESS 4

PATTERNS OF INTERNATIONAL BUSINESS 5

FOUR DEGREES OF CORPORATE
INTERNATIONALIZATION 6

Corporate Attitude

TYPES OF INTERNATIONAL BUSINESS OPERATIONS 11

Exports and Imports of Goods and Services • Exports and Imports of Portfolio Capital • Direct Investment

FRAMEWORK FOR STUDY 13

Study of International Business Administration • Framework of the Book

SUMMARY 17

KEY TERMS 18

REVIEW QUESTIONS 18

SUGGESTED REFERENCES 19

PART

II

INTERNATIONAL BUSINESS: OPPORTUNITIES AND BARRIERS

2 The Basis for International Trade 21

THE BASIS FOR TRADE 21

Availability of Productive Resources • Conditions of the Economic Environment • The Opportunity, the Ability, and the Effort of the Producer to Trade • Competitiveness of Local Producers Abroad

TRADE BY BARTER 27

Absolute and Comparative Advantage as the Bases for International Trade • Terms of Trade • Specialization • Production and Consumption Possibilities • Gains from Trade • Refinement of Trade Theory under Barter

MONETARY EXCHANGE 38

Currency Exchange Rates • Adjustment via Price Changes • Adjustment via Exchange Rate Changes

INADEQUACIES OF TRADITIONAL TRADE THEORIES 44

Product Life Cycle

SUMMARY	48
KEY TERMS	48
REVIEW QUESTIONS	48
SUGGESTED REFERENCES	49

3 The Basis for International Factor Movements 50

INTERNATIONAL FACTOR FLOWS 50

International Factor Flows versus International Trade Flows • Why Factor Flows Occur • Forms of Capital Movement • Sources of Capital

THE BASIS FOR INTERNATIONAL CAPITAL FLOWS 56

Classical Theory of International Capital Flows
• *Historical Developments Favoring Foreign Investment*
• *Motivation for Foreign Direct Investment • The New “Economic Man” • Monopolistic Competition in FDI*
• *Other Motivations for FDI*

LABOR FLOWS	72
FLOWS OF TECHNOLOGY	74
WHY MORE INTERNATIONAL FACTOR FLOWS DO NOT OCCUR	75
SUMMARY	75
KEY TERMS	76
REVIEW QUESTIONS	76
SUGGESTED REFERENCES	77

4 Barriers to International Business 79

MANAGERIAL BARRIERS 80

Limited Ambition • Unrecognized Opportunity • Lack of Skills • Fear • Inertia

GOVERNMENTAL BARRIERS TO FREE TRADE 83

Trade Controls • Tariffs • Nontariff Barriers (NTBs)
• Artificial Stimulation of Trade • Permanency of Trade
Barriers • The Reduction of Trade Barriers

GOVERNMENTAL BARRIERS TO FREE FACTOR
MOVEMENT 97

Exchange Controls • Capital Controls • Controls
over the Movement of People • Controls
over the Movement of Technology

SUMMARY	103
KEY TERMS	104
REVIEW QUESTIONS	104
SUGGESTED REFERENCES	105

PART

III INTERNATIONAL ECONOMIC ENVIRONMENT

5 The World Monetary System 106

MONEY 106

The Development of Money

MULTIPLE CURRENCIES 108

Pre-1930 • The 1930s

THE INTERNATIONAL MONETARY FUND: PHASE I 110

Bretton Woods • Goals of the IMF • Membership
in the IMF • Stability of Currency Exchange Rates

THE INTERNATIONAL MONETARY FUND: PHASE II 117

Floating Exchange Rates • Financial Assistance
Advisory Assistance

INTERNATIONAL LIQUIDITY 128

Primary Liquidity • Standby Liquidity • Potential Liquidity

EFFECTS OF CURRENCY-VALUE CHANGES 135

SUMMARY 137

KEY TERMS 138

REVIEW QUESTIONS 138

SUGGESTED REFERENCES 139

6 Foreign Exchange 140

FOREIGN EXCHANGE MARKETS 141

“Rules of the Game” • The Participants

EXCHANGE RATES 143

Sources of FX Information • Quotations of Exchange Rate • Determination of Exchange Rates: The Spot Market • Forward Exchange Rates • Currency Futures and Currency Options

SUMMARY 165

KEY TERMS 166

REVIEW QUESTIONS 166

SUGGESTED REFERENCES 168

7 Major Financial Centers and International Banking 169

MAJOR MONEY AND CAPITAL MARKETS 169

The United States • The United Kingdom • Other Major Money and Capital Markets • Offshore Money and Capital Markets

THE NATURE OF MONEY AND CAPITAL MARKETS 174

Domestic Money and Capital Markets at Home and Abroad • International Money and Capital Markets

INTERNATIONAL BANKING 179

*Range of International Activities • Overseas Banking
Facilities • The Spreading Integration of Banking Practices*

SUMMARY 184

KEY TERMS 185

REVIEW QUESTIONS 185

SUGGESTED REFERENCES 185

8 Euromarkets 187

THE NATURE OF EUROMARKETS 187

Eurobond Market • Eurocurrency Market

ORIGIN OF THE EUROMARKETS 192

MORE THAN EURODOLLARS 192

Other Eurocurrencies • Location of Euromarkets

EURODEPOSITS 195

Effects of Eurodeposits • Sources of Eurodeposits

EURO-INVESTMENTS 197

*Interbank Euroloans • Loans to Affiliates • Loans
to Corporations and Governments • Investment
in Negotiable Securities*

INTEREST RATES IN THE EUROMARKETS 202

DESTRUCTION OF EUROCURRENCIES 203

SUMMARY 203

KEY TERMS 204

REVIEW QUESTIONS 204

SUGGESTED REFERENCES 204

9 Multinational Economic Organizations 206

INTRODUCTION 206

DEVELOPMENT BANKS 208

International Bank for Reconstruction and Development (IBRD)

REGIONAL DEVELOPMENT BANKS 212

The Inter-American Development Bank (IDB) • Asian Development Bank (AsDB) • African Development Bank (AfDB) • Development Banks and International Businesses

ECONOMIC INTEGRATION 215

Basic Forms of Economic Integration • Advantages of Integration • Difficulties of Integration • Significance of Economic Integration for International Business

TRADE RESTRICTION AGREEMENTS 219

Cartel • International Commodity Price Agreement (ICA)

SUMMARY 222

KEY TERMS 223

REVIEW QUESTIONS 223

SUGGESTED REFERENCES 224

10 Balance of Payments 225

THE NATURE OF THE BALANCE OF PAYMENTS 226

Definition • Double-Entry Accounting • The Balance-of-Payments Format

CURRENT ACCOUNT 231

Balance of Trade (BOT) • Balance of Services (BOS)
• Unilateral Transfers • Balance on Current Account (BOCA)

CAPITAL ACCOUNT 237

Foreign Direct Investment • Foreign Portfolio Investment

RESERVE ACCOUNT 239

ERRORS AND OMISSIONS 240

SUMMARY 241

KEY TERMS 241

REVIEW QUESTIONS 241

SUGGESTED REFERENCES 242

PART

IV

THE MULTINATIONAL CORPORATION AND THE NATION STATE

11 The Domestic Company Looks Abroad 243

RESEARCH AND PLANNING FOR INTERNATIONAL OPERATIONS 245

*Export and Import of Merchandise • Export and Import
of Services • Foreign Portfolio Investment • Foreign
Direct Investment • Caveats*

ASSESSING FOREIGN MARKET AND SOURCE POTENTIAL 252

*Traditional Approaches Used to Assess Foreign
Potential • Assessment Techniques Using Secondary Data*

ANALYSIS OF COUNTRY RISK 259

*The Country Analysts • The Nature of Country
Risk • Country Risk versus Other Risks • Techniques
of Country Risk Analysis • Factors Influencing Country
Risk*

SUMMARY	271
KEY TERMS	272
REVIEW QUESTIONS	272
SUGGESTED REFERENCES	272

12 The Positive Impacts of Foreign Direct Investment 275

THE NATURE OF THE IMPACTS OF FOREIGN DIRECT INVESTMENT	275
--	-----

International and Domestic Investments • Perspectives of the Observers

FAVORABLE ECONOMIC IMPACTS OF FDI: HOST COUNTRY'S PERSPECTIVE	277
---	-----

*Positive Impacts of FDI on Basic Factors of Production
• Positive Economic Effects Resulting from the Basic Factors of Production*

FAVORABLE SOCIO-CULTURAL IMPACTS OF FDI: HOST COUNTRY'S PERSPECTIVE	292
---	-----

Positive Effects of FDI on the General Public • Positive Effects of FDI on Workers • Positive Effects of FDI on Consumers

FAVORABLE IMPACTS OF FDI ON THE GOVERNMENT: HOST COUNTRY'S PERSPECTIVE	295
--	-----

Positive Effects of FDI on the General Political System • Positive Effects of FDI on Governmental Finances • Positive Impact of FDI on International Relations

FAVORABLE IMPACTS OF FDI: HOME COUNTRY'S PERSPECTIVE	297
--	-----

*Positive Economic Effects of FDI on the Home Country
• Positive Socio-Cultural Effects of FDI on the Home Country • Positive Effects on the Government of the Home Country*

SUMMARY	301
KEY TERMS	302
REVIEW QUESTIONS	302
SUGGESTED REFERENCES	302

13 The Negative Impacts of Foreign Direct Investment 303

THE NATURE OF OPPOSITION TO FOREIGN DIRECT INVESTMENT	305
---	-----

Philosophies Challenged • The Viewpoint of the Host Country

NEGATIVE IMPACTS OF FDI: THE HOST COUNTRY'S PERSPECTIVE	308
---	-----

Negative Economic Effects of Direct Investment by Foreigners on Host Country • Negative Socio-Cultural Effects of FDI on the Host Country • Negative Politico-Legal Effects of FDI on the Host Country

NEGATIVE IMPACTS OF FDI: THE HOME COUNTRY'S PERSPECTIVE	326
---	-----

Negative Economic Effects of FDI on the Home Country • Negative Socio-Cultural Effects of FDI on the Home Country • Negative Politico-Legal Effects of FDI on the Home Country

SUMMARY	330
KEY TERMS	331
REVIEW QUESTIONS	331
SUGGESTED REFERENCES	332

14 The Mutual Dependency between the Multinational Firm and Its Host Country 333

A POSITIVE-SUM RELATIONSHIP	334
-----------------------------	-----

Bargaining Strength • Negotiations