МІЖРЕГІОНАЛЬНА
АКАДЕМІЯ УПРАВЛІННЯ ПЕРСОНАЛОМ

МАУП

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АНГЛІЙСЬКА ДІЛОВА МОВА. ПРАКТИКУМ INTERNATIONAL BUSINESS

Навчальний посібник

Київ 2004

ББК 81.2АНГ-923
Г85

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Схвалено Вченою радою Міжрегіональної Академії управління персоналом (протокол № 4 від 22.04.03)

Гринько О. В.
Г85 Англійська ділова мова. Практикум International Business: Навч. посіб. для студ. вищ. навч. закл. — К.: МАУП, 2003. — 216 с. — Бібліогр.: с. 212.
ISBN 966-608-350-7

Пропонований навчальний посібник складається з розділів, що вивчаються студентами в курсах основних дисциплін, і може бути використаний як додаткове джерело інформації з профілюючої дисципліни.

Для студентів 2—5 курсів очної та заочної форм навчання, що вивчають зовнішньоекономічну діяльність, міжнародний менеджмент, міжнародний маркетинг та рекламу, міжнародні відносини, а також для всіх, хто хоче удосконалити навички практичного застосування англійської мови.

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Вступ

Шлях України до європейської співдружності, зміцнення позицій нашої країни, розширення партнерських відносин із зарубіжними науковими установами, виробничими та посередницькими фірмами, збільшення міжвузівських обмінів та розширення культурних зв'язків неможливі без знання іноземних мов, насамперед англійської, яка зайняла провідне місце серед інших засобів міжнародного спілкування.

Вік інформаційного суспільства та комп'ютерних технологій ставить нові вимоги до рівня підготовки фахівців. Рівень, що пропонувався на початку 90-х років минулого століття, нині мало відповідає вимогам часу.

Навчальний посібник розрахований на тих, хто володіє основами граматики, навичками читання, розмовними навичками і вміє перекладати й переказувати тексти.

Практикум містить не лише різний цікавий автентичний інформаційний матеріал, а й обов'язкову перевірку розуміння прочитаного, вправи на закріплення лексичного матеріалу. В кінці подано додатковий матеріал у формі стислого тлумачення термінів (глосарій), що зустрічаються у текстах, список скорочень та абревіатур, список країн, їхні столиці та національні прапори, а також англо-український словник.

Автор висловлює подяку за практичну допомогу у створенні цього посібника чоловікові М. В. Гриньку та синові К. М. Гриньку, а також сприйме будь-які пропозиції щодо оновлення цифрової інформації та удосконалення змісту і вправ.

Contents

1. Levels of Economic Integration

1.1. Free Trade Area

Several levels of economic integration are possible in theory. From least integrated to most integrated, they are a free trade area, a customs union, a common market, an economic union, and, finally, a full political union.

In a free trade area all barriers to the trade of goods and services among member-countries are removed. In the theoretically ideal free trade area, no discriminatory tariffs, quotas, subsidies, or administrative impediments are allowed to distort trade between member-countries. Each country, however, is allowed to determine its own trade policies with regard to nonmembers. Thus, for example, the tariffs placed on the products of nonmember countries may vary from member-country to member-country.

The most enduring free trade area in the world is the European Free Trade Association (EFTA). Established in January 1960, EFTA currently joins three countries — Norway, Iceland, and Switzerland — down from six in 1995 (on January 1, 1996, three EFTA members, Austria, Finland, and Sweden joined the EU). EFTA was founded by those Western European countries that initially decided not to be part of the European Community (the forerunner of the EU). Its original members included Austria, Britain, Denmark, Finland, and Sweden, all of whom are now members of the EU. The emphasis of EFTA was free trade in industrial goods. Agriculture was left out of the arrangement, each member was allowed to determine its own level of support. Members were also free to determine the level of protection applied to goods coming from outside EFTA. Other free trade areas form the North American Free Trade Agreement (NAFTA).

Comprehension check

Complete the sentences using the words from the text. Translate all the alternatives.

1. In a free trade area all barriers to the trade of goods and services among member-countries are .....

a) dismissed b) taken away c) eliminated d) removed

2. In a free trade area, no discriminatory tariffs, quotas, subsidies, or administrative ..... are allowed to distort trade between member-countries.

a) obstructions b) impediments c) hindrances d) delays

3. The most ..... free trade area in the world is the European Free Trade Association.

a) lasting b) enduring c) lingering d) protracted

1.2. Customs Union

The customs union is one step further along the road to full economic and political integration. A customs union eliminates trade barriers between member-countries and adopts a common external trade policy. Establishment of a common external trade policy necessitates significant administrative machinery to oversee trade relations with nonmembers. Most countries that enter a customs union desire even greater economic integration down the road. The EU began as a customs union and has moved beyond this stage. Other customs unions around the world include the current version of the Andean Pact (between Bolivia, Colombia, Ecuador, and Peru). The aims of the Andean Pact are to establish free trade between member-countries and to impose a common tariff, of 5 to 20 percent, on products imported from outside.

1.3. Common Market

Like a customs union, the theoretically ideal common market has no barriers to trade between member-countries and a common external trade policy. Unlike in a customs union, in a common market factors of production also are allowed to move freely between member-countries. Thus labor and capital are free to move, as there are no restrictions on immigration, emigration, or cross-border flows of capital between member-countries. Hence, a much closer union is envisaged in a common market than in a customs union. The EU is currently a common market, although its goal is full economic union. Other than the EU, no successful common market has been established, although several

regional groupings have aspired to this goal. Establishing a common market demands a significant degree of harmony and cooperation on fiscal, monetary, and employment policies. Achieving this degree of cooperation has proven to be very difficult.

1.4. Economic Union

An economic union entails even closer economic integration and cooperation than common market. Like the common market, an economic union involves the free products and factors of production between member-countries and the adoption of a common external trade policy. Unlike a common market, a full economic union also requires a common currency, harmonization of the member-countries rates, and a common monetary and fiscal policy. Such a high degree of integration demands a coordinating bureaucracy and member-countries sacrificing significant amounts of their national sovereignties to that bureaucracy. There are no true economic unions in the world today, but the EU aims to establish itself as the one.

1.5. Political Union

The move toward economic union raises the issue of how to make a coordinating bureaucracy accountable to the citizens of member-nations. The answer is through political union. The EU is already on the road toward political union. The European Parliament, which is playing an ever more important role in the EU, has been directly elected by citizens of the EU countries since the late 1970s. In addition the Council of Ministers (the controlling, decision-making body of the EU) is composed of government ministers from each EU member-country. Canada and the United States provide examples of even closer degrees of political union; in each country independent states were effectively combined into a single nation. Ultimately, the EU may move toward a similar federal structure.

Comprehension check

1. What are the levels of economic integration?
2. What is Free Trade Area?
3. What is the most enduring free trade area in the world?
4. What is Customs Union?
5. What is Common Market?
6. What is Economic Union?
7. What is Political Union?

Ex. 1. Match a verb in A with a word or words in B.

A	B
1. Raise	barriers
2. Harmonize	trade
3. Require	trade policies
4. Involve	tariffs
5. Entail	trade barriers
6. Impose	a trade policy
7. Establish	administrative machinery
8. Desire	a union
9. Enter	integration
10. Necessitate	free trade
11. Adopt	a common tariff
12. Eliminate	integration and cooperation
13. Place	products and factors
14. Determine	a common currency
15. Distort	rates, and monetary and fiscal policies
16. Remove	the issue

Ex. 2. Write english sentences using the following phrases.

1. обирати торгову політику; 2. вступати до союзу; 3. бажати об'єднання; 4. встановлювати вільну торгівлю; 5. обкладати єдиним тарифом; 6. вимагати єдиної валюти; 7. порушувати питання; 8. усувати торгові перешкоди; 9. встановлювати тарифи; 10. визначати торгову політику; 11. перекручувати (спотворювати) торгівлю; 12. знімати бар'єри; 13. вимагати адміністративний механізм; 14. спричинити об'єднання та співпрацю; 15. узгоджувати розцінки, грошову та фінансову політику; 16. включати товари та фактори.

2. Regional Integration

The reason for regional integration is both economic and political and is typically not accepted by many groups within a country. It explains why most attempts to achieve regional economic integration have been contentious and halting.

2.1. The Economic Case for Integration

The economic case for regional integration is relatively straightforward. As economic theories of international trade predict that unrestricted free trade will allow countries to specialize in the production of goods and services that they can produce most efficiently. The result is greater world production than would be possible with trade restrictions. Opening a country to free trade stimulates economic growth in the country, which in turn creates dynamic gains from trade. Further, foreign direct investment (FDI) can transfer technological, marketing, and managerial know-how to host nations. Given the central role of knowledge in stimulating economic growth, opening a country to FDI also is likely to stimulate economic growth. In sum, economic theories suggest free trade and investment is a positive-sum game, in which all participating countries stand to gain.

Given this, the theoretical ideal is a total absence of barriers to the free flow of goods, services, and factors of production among nations. However, a case can be made for government intervention in international trade and FDI. Because many governments have accepted part or all of the case for intervention, unrestricted free trade and FDI have proved to be only an ideal. Although international institutions such as GATT and WTO have been moving the world toward a free trade regime, success has been less than total. In a world of many nations and many political ideologies, it is very difficult to get all countries to agree to a common set of rules.

Against this background, regional economic integration can be seen as an attempt to achieve additional gains from the free flow of trade and investment between countries beyond those attainable under international agreements such as GATT and WTO.

Undoubtedly, it is easier to establish a free trade and investment regime among a limited number of adjacent countries than among the world community. Problems of coordination and policy harmonization are largely a function of the number of countries that seek agreement. The greater the number of countries involved, the greater the number of different perspectives that must be reconciled, and the harder it will be to reach agreement. Thus attempts at regional economic integration are motivated by a desire to exploit the gains from free trade and investment.

Comprehension check

1. What do economic theories of international trade predict?
2. What does opening a country to free trade stimulate?
3. What is the role of FDI? What can it transfer?
4. What is the theoretical ideal?
5. Why is it difficult to get all countries to agree to a common set of rules?
6. Why can regional economic integration be seen as an attempt to seek agreement?

Complete the sentences using the words from the texts. Translate all the alternatives.

1. Most attempts to achieve regional economic integration have been ... and halting.

a) strifing b) contentious c) quarrelsome d) cantankerous

2. Regional economic integration can be seen as an attempt to achieve additional ... from the free flow of trade and investment between countries.

a) revenues b) benefits c) advantages d) gains

3. The greater the number of countries involved, the greater the number of different perspectives that must be ...

a) settled b) reconciled c) composed d) arranged

2.2. The Political Case for Integration

The political case for regional economic integration has also loomed large in most attempts to establish free trade areas, customs

unions, and the like. By linking neighboring economies and making them increasingly dependent on each other, incentives are created for political cooperation between the neighboring states. In turn the potential for violent conflict between the states can be reduced. By grouping their economies together, the countries can enhance their political weight in the world.

These considerations certainly underlay the establishment of the European Community (EC) in 1957. Europe had suffered two devastating wars in the first half of the century, both arising out of the unbridled ambitions of nation-states. Those who have sought a united Europe have always had at the forefront of their minds the desire to prevent another outbreak of war in Europe, to make it unthinkable. Many Europeans also believed that after World War II the European nation-states were no longer large enough to hold their own in world markets and world politics. The need for a united Europe to deal with the United States and the politically alien Soviet Union certainly loomed large in the minds of many of the EC's founders.

2.3. Impediments to Integration

Despite the strong economic and political arguments for integration, it has never been easy to achieve or sustain. There are two main reasons for this. First, although economic integration benefits the majority, it has its costs. Although a nation as a whole may benefit significantly as a result of entering into a regional free trade agreement, certain groups may lose. Moving to a free trade regime inevitably involves some painful adjustments. For example, as a result of the 1994 establishment of the NAFTA some Canadian and U.S. workers in such industries as textiles, which employ low-cost, low-skilled labor, will certainly lose their jobs as Canadian and U.S. firms move production to Mexico. The promise of significant net benefits to the Canadian and U.S. economies as a whole is little comfort to those who will lose as a result of the NAFTA. It is understandable then, that such groups were in the forefront of opposition to the NAFTA agreement and will continue to oppose any widening of the agreement.

A second impediment to integration arises from concerns over national sovereignty. For example, Mexico's concerns about maintaining control of its oil interests resulted in an agreement with Canada and the United States to exempt the Mexican oil industry from any liberalization of foreign investment regulations achieved under the

NAFTA. More generally, concerns about national sovereignty arise because close economic integration demands that countries give up some degree of their control over such key policy issues as monetary policy, fiscal policy (e. g., tax policy), and trade policy. This was a major stumbling block in the EU. To achieve full economic union, the EU is trying to reach agreement on a common currency to be controlled by a central EU bank. With most member-states agreeing in principle, Britain remains an important holdout. A politically important segment of public opinion in Britain opposes a common currency on the grounds that it would require relinquishing control of the country's monetary policy to the EU, which many British perceive as bureaucracy run by foreigners. In 1992 the British won the right to opt out of any single currency agreement.

2.4. The Case against Regional Integration

Although the tide has been running strongly in favor of regional free trade agreements in recent years, some economists have expressed concern that the benefits of regional integration have been oversold, while the costs have often been ignored. They point out that the benefits of regional integration to the participants are determined by the extent of trade creation, as opposed to trade diversion. Trade creation occurs when high — cost domestic producers are replaced by low-cost producers within the free trade area. Trade diversion occurs when lower-cost external suppliers are replaced by higher-cost suppliers within the free trade area. A regional free trade agreement will benefit the world only if the amount of trade it creates exceeds the amount it diverts.

For example, suppose the United States and Mexico imposed tariffs on imports from all countries, and then they set up a free trade area, scrapping all trade barriers between them but maintaining tariffs on imports from the rest of the world. If the United States began to import textiles from Mexico, would this change be for the better? If the United States previously produced all its own textiles at a higher cost than Mexico, then the free trade agreement has shifted production to the cheaper source. According to the theory of comparative advantage, trade has been created within the regional grouping, and there would be no decrease in trade with the rest of the world. The change would be for the better. If, however, the United States previously imported textiles from South Korea, which produced them

more cheaply than either Mexico or the United States, then trade has been diverted from a low-cost source — a change for the worse.

In theory, GATT and WTO rules should ensure that a free trade agreement does not result in trade diversion. These rules allow free trade areas to be formed only if the members set tariffs that are not higher or more restrictive to outsiders than the ones previously in effect. However, recent years have seen a proliferation of nontariff barriers not covered by GATT and WTO (e. g., voluntary export restraints, VERs). As a result, fear is growing that regional trade blocs could emerge whose markets are protected from outside competition by high nontariff barriers. In such cases, the trade diversion effects might well outweigh the trade creation effects. The only way to guard against this possibility, according to those concerned about this potential, is to increase the scope of WTO so it covers nontariff barriers to trade such as VERs. There is no sign that this will occur anytime soon, however, so the risk remains that regional economic integration will result in trade diversion of regional economic integration in Europe.

There are now two trade blocs in Europe: the European Union (EU) and the European Free Trade Association (EFTA). Of the two, the EU is by far the more significant, not just in terms of membership (the EU has 15 members, and EFTA has 3), but also in terms of economic and political influence in the world economy. Many now see the EU as an emerging economic and political superpower of the same order as the United States and Japan. Accordingly, we will concentrate our attention on the EU.

Comprehension check

1. What is the political case for regional economic integration?
2. When was the European Community established? What were the reasons?
3. What are the two impediments to integration?
4. When does trade creation occur?
5. When does trade diversion occur?
6. What are the two trade blocs in Europe?
7. Which of them is more significant? Why is it so?

Ex. 3. Give synonyms or equivalents to:

1. Adopt —
2. Desire —

3. Determine —
4. Distort —
5. Eliminate —
6. Entail —
7. Enter —
8. Establish —
9. Harmonize —
10. Impose —
11. Involve —
12. Necessitate —
13. Place —
14. Raise —
15. Remove —
16. Require —

Complete the sentences using the words from the texts. Translate all the alternatives.

1.The political case for regional economic integration has also ..... large in most attempts to establish free trade areas, customs unions, and the like.

a) impended b) loomed c) threatened d) appeared indistinctly

2.By grouping their economies together, the countries can enhance their political ..... in the world.

a) authority b) significance c) importance d) weight

3. Moving to a free trade regime inevitably involves some painful .....

a) corrections b) regulations c) adjustments d) adaptations

4. In theory, GATT and WTO rules should ..... that a free trade agreement does not result in trade diversion.

a) guarantee b) secure c) ensure d) assure

5.With most member-states agreeing in principle, Britain remains an important .....

a) holdback b) hold-up c) hold-over d) holdout

3. Evolution of the European Union

The EU is the product of two political factors; first, the devastation of two world wars in Western Europe and the desire for a lasting peace, and second, the European nations' desire to hold their own on the world's political and economic stage. In addition many Europeans were aware of the potential economic benefits of closer economic integration of their countries.

The original forerunner of the EU, the European Coal and Steel Community, was formed in 1951 by Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands. Its objective was to remove barriers to intragroup shipments of coal, iron, steel, and scrap metal. With the signing of the Treaty of Rome in 1957, the European Community (EC) was established. The name changed again in 1994 when the European Community became the European Union following the ratification of the Maastricht treaty.

The Treaty of Rome provided for the creation of a common market. This is apparent in Article 3 of the treaty, which laid down the key objectives of the new community. Article 3 calls for the elimination of internal trade barriers and the creation of a common external tariff and requires member-states to abolish obstacles to the free movement of factors of production among the member-states. To facilitate the free movement of goods, services, and factors of production, the treaty provides for any necessary harmonization of the member-states' laws. Furthermore, the treaty committed the EC to establish common policies in agriculture and transportation.

The first enlargement of the community occurred in 1973, when Great Britain, Ireland, and Denmark joined. These three were followed in 1981 by Greece, in 1986 by Spain and Portugal, and in 1996 by Austria, Finland, and Sweden bringing the total membership to 15 (East Germany became part of the EC after the reunification of

Germany in 1990). With a population of 350 million and a greater than that of the United States, these enlargements made the EU a potential global superpower.

3.1. Political Structure of the European Union

The economic policies of the EU are formulated and implemented by a complex and still-evolving political structure. The five main institutions in this structure are the European Council, the Council of Ministers, the European Commission, the European Parliament, and the Court of Justice.

3.1.1. The European Council

The European Council is composed of the heads of state of the EU's member nations and the president of the European Commission. Each head of state is normally accompanied by his or her foreign minister to these meetings. The European Council meets at least twice a year and as befits such an august body, it is the European Council that often resolves major policy issues and sets policy directions.

3.1.2. The European Commission

The European Commission is responsible for proposing EU legislation, implementing it, and monitoring compliance with EU laws by member-states. Headquartered in Brussels, Belgium, there are over 10,000 employees working for the Commission. The Commission is run by a group of 20 commissioners appointed by each member-country for four-year renewable terms. Most countries appoint only one commissioner, although the most populated states — Britain, France, Germany, Italy, and Spain — appoint two each. A president and six vice-presidents are chosen from among these commissioners for two-year renewable terms. Each commissioner is responsible for a portfolio that is typically concerned with a specific policy area. For example, there is a commissioner for agricultural policy and another for competition policy. Although they are appointed by their respective governments, commissioners are meant to act independently and in the best interests of the EU, as opposed to being advocates for a particular national interest.

The Commission has a monopoly in proposing European Union legislation. The Commission starts the legislative ball rolling by making a proposal that goes first to the Council of Ministers, and then to the

European Parliament. The Council of Ministers cannot legislate without a Commission proposal in front of it. The Treaty of Rome gave the Commission this power in an attempt to limit national infighting by taking the right to propose legislation away from nationally elected political representatives, giving it to "independent" commissioners.

The Commission is also responsible for implementing aspects of EU law, although in practice much of this must of necessity be delegated to member-states. Another responsibility of the Commission is to monitor member-states to make sure they are complying with EU laws. In this policing role the Commission will normally ask a state to comply with any EU laws that are being broken. If this persuasion is not sufficient the Commission can refer a case to the Court of Justice.

3.1.3. The Council of Ministers

The Council of Ministers is the body where the interests of member states are represented. It is clearly the ultimate controlling authority within the EU since draft legislation from the Commission can become EU law only if the council agrees. The council is composed of one representative from the government of each member-state. The membership, however, varies depending on the topic being discussed. When agricultural issues are being discussed it will be the agriculture ministers from each state that attend council meetings, when transportation is being discussed it is transportation ministers, and so on. Before 1993 all council issues had to be decided by unanimous agreement. As can be imagined, this often led to marathon council sessions and a failure to make progress or reach any agreement on proposals submitted from the Commission. In an attempt to clear the resulting logjams, the Single European Act formalized the use of majority voting rules on issues "which have as their object the establishment and functioning of a single market." Most other issues, however, such as tax regulations and immigration policy, still require unanimity among council members if they are to become law.

3.1.4. The European Parliament

The European Parliament, with about 630 members, is directly elected by the population of the member-states. It meets in Strasbourg, France, and is primarily a consultative rather than legislative body. It debates legislation proposed by the Commission and forwarded to it

by the council. It can proper amendments to that legislation, which the Commission and ultimately the council are not obliged to take up, but often will. Recently the power of the parliament has been increasing, although by not as much as parliamentarians would like. The European Parliament now has the right to vote on the appointment of commissioners, as well as veto power over some laws (such as the EU budget and single-market legislation). One of the major debates now being waged in Europe is whether the council, or the parliament, should ultimately be the most powerful body in the EU. There is concern in Europe over the democratic accountability of the EU bureaucracy. Some think that the answer to this apparent democratic deficit lies in increasing the power of the parliament, while others think that true democratic legitimacy lies with elected governments, acting through the Council of Ministers.

3.1.5 . The Court of Justice

The Court of Justice, which is comprised of one judge from each country, is the supreme appeals court for EU law. Like commissioners, the judges are required to act as independent officials, rather than as representatives of national interests. The Commission or a member-country can bring other members to the court for failing to meet treaty obligations. Similarly, member-countries, companies, or institutions can bring the commission or council to the court for failure to act according to an EU treaty.

Answer the questions.

1. What are the two political factors of creating the EU?
2. What was the objective of the European Coal and Steel Community?
3. When was the European Community established?
4. When did it change the name?
5. What were the objectives of a common market?
6. What is the structure of the EU?
7. Who is the European Council composed of?
8. What is the European Commission responsible for?
9. Where are the interests of the EU member-states represented?
10. What is the Court of Justice?

4. The Single European Act

Two revolutions occurred in Europe in the late 1980s. The first was the dramatic collapse of communism in Eastern Europe. The second revolution was much quieter, but its impact on Europe and the world may have been just as profound as the first. It was the adoption of the Single European Act by the member-nations of the EC in 1987. This act committed the EC countries to work toward the establishment of a single market by December 31, 1992.

4.1. The Stimulus for the Single European Act

The Single European Act was born of a frustration among EC member-countries that the community was not living up to its promise. By the early 1980s it was clear that the EC had fallen short of its objectives of removing barriers to the free flow trade and investment between member-countries and of harmonizing the wide range of technical and legal standards for doing business. At the end of 1982 the European Commission found itself inundated with 770 cases of intra-EC protectionism to investigate. In addition some 20 EC directives setting common technical standards for a variety of products ranging from cars to thermometers were deadlocked.

As far as many companies were concerned, the main problem with the EC was the disharmony of the member-countries' technical, legal, regulatory, and tax standards. The "rules of the game" differed substantially from country to country, which stalled the creation of a true single internal market.

Consider the European automobile industry. In the mid-1980s there was no single EC-wide automobile market analogous to the U.S. automobile market. Instead the EC market remained fragmented into 12 national markets. There were ***four main reasons*** for this:

1. Different technical standards in different countries required cars to be customized to national requirements (e. g., the headlights and

sidelights of cars sold in Great Britain must be wired in a significantly different way than those of cars sold in Italy, and the standards for car windscreens in France are very different from those in Germany).

2. Different tax regimes in the countries created price differentials that would not be found in a single market.

3. An agreement to allow automobile companies to sell cars through exclusive dealer networks allowed auto companies and their dealers to adapt their model ranges and prices on a country-by-country basis with little fear that these differences would be undermined by competing retailers.

4. In violation of Article 3 of the Treaty of Rome, each country had adopted its own trade policy with regard to automobile imports (e. g., whereas Japanese imports were not restricted in Belgium, they were limited to 11 % of the car market in Great Britain and to less than 2 % in France and Italy). The net result of these divisions was substantial price differentials between countries.

For example, in 1989 the prices of the same model of car were, on average, 31 % higher in Great Britain and 11 % higher in Germany than in Belgium.

Numerous other administrative barriers to intra-EC trade and investment had become apparent by the mid-1980s. French buildings were uninsurable unless tiled with French-standard tiles. Government procurement policies often favored local companies.

Local banking rules effectively inhibited the creation of a single EC banking industry. The French had persistently refused to abolish exchange controls, thereby limiting French companies' ability to invest in other EC countries and other EC countries companies' ability to repatriate profits to their home countries. Truck drivers traveling between EC countries had to carry some 35 documents for import-export declarations and community transit forms. Simply dealing with the paperwork could make a journey take three to five times longer than it would have needed to take, and the costs of the paperwork accounted for more than 3 % of the value of the sales involved.

In addition to the profusion of barriers to intra-EC trade, many member-countries were subsidizing national firms, thereby distorting competition. For example, in 1990 the French government decided to pump FFr 6 billion into Groupe Bull, a state-owned computer maker, and Thompson, a defense and electronics group. This brought protests from ICL, a British computer maker, on the grounds that

such a subsidy would allow Groupe Bull to capture more of the EC computer market.

Against this background, in the early 1980s many of the EC's prominent business-people mounted an energetic campaign to end the EC's economic divisions. Under the leadership of industrialists such as Wisse Dekker, CEO of the Dutch company Philips, the Roundtable of European Industrialists was established in 1983. Roundtable participants were chairmen, CEOs, and managing directors of large corporations with important manufacturing and technological commitments in the EC. Its principal objective was to foster the creation of a single market by encouraging the EC to harmonize the rules of the game and by encouraging the member-countries to remove their administrative barriers to trade within the EC. The roundtable members believed that a single EC market was absolutely essential if European firms were to be competitive with their U. S. and Asian rivals.

The EC responded to this stimulus by creating the Delors Commission. Under the chairmanship of Jacques Delors, the former French finance minister and president of the EC Commission, the commission produced a discussion paper in 1985. The discussion paper proposed that all impediments to the formation of a single market were to be eliminated by December 31, 1992. Two more years passed before the EC persuaded all member-countries to accept the proposals contained in the discussion paper. The result was the Single European Act, which was independently ratified by the parliaments of each member-country and became EC law in 1987.

4.2. The Objectives of the Act

The purpose of the Single European Act was to have a single market in place by December 31, 1992. The changes the act proposed included the following:

1. Frontier controls: Removing all frontier controls between EC countries would abolish delays and reduce the resources required for complying with trade bureaucracy.

2. Mutual recognition of standards: To harmonize the product standards of different EC members would be a huge task. Germany alone has some 20,000 standards, France 8,000, and Great Britain 12,000. Instead, the EC will apply the principle of "mutual recognition," which is that a standard developed in one EC country

should be accepted in another, provided it meets basic requirements in such matters as health and safety.

3. Public procurement: Opening procurement to non-national suppliers should reduce costs directly by allowing lower-cost suppliers into national economies and indirectly by forcing national suppliers to compete.

4. Financial services: The EC's retail banking and insurance businesses were split into national markets. The act proposed lifting barriers to competition, which should drive down the costs of financial services, including borrowing, throughout the EC.

5. Exchange controls: All restrictions on foreign exchange transaction between member-countries were to be removed by the end of 1992.

6. Freight transport: Restrictions on cabotage — the right of foreign truckers to pick up and deliver goods within another member-state's borders — were to be abolished by the end of 1992. This could reduce the cost of haulage within the EC by 10 to 15 percent.

7. Supply-side effects: All those changes should lower the costs of doing business in the EC, but the single-market program is also expected to have more complicated supply-side effects. For example, the expanded market should give EC firms greater opportunities to exploit economies of scale. In addition, the increase in competitive intensity brought about by removing internal barriers to trade and investment should force EC firms to become more efficient.

In an attempt to signify the importance of the Single European Act, the European Community also decided to change its name to the European Union once the act went into effect.

4.3. Implications of the Single European Act

The implications of the Single European Act are potentially enormous. It should be noted that, as long as the EU is successful in establishing a single market, the member-countries may expect significant gains from the free flow of trade and investment. These gains may be greater than those predicted by standard trade theory that accrue when regions specialize in producing those goods and services that they produce most efficiently. The lower costs of doing business implied by the Single European Act will benefit EU firms, as will the potential economies of scale inherent in serving a single market of 360 million consumers.

On the other hand, as a result of the Single European Act many EU firms are facing increased competitive pressure. Countries such as France and Italy have long used administrative trade barriers and subsidies to protect their home markets from foreign competition. Removal of these barriers has increased competition, and some firms may go out of business. Ultimately, however, both consumers and EU firms will benefit from this. Consumers will benefit from the lower prices implied by a more competitive market.

EU firms will benefit if the increased competitive pressure forces them to become more efficient, thereby transforming them into more effective international competitors capable of going head-to-head with U. S. and Asian rivals in the world marketplace.

The shift toward a single market has not been as rapid as many would like. Three years after the Single European Act became EU law, there have been a number of delays in applying the act to certain industries, often because countries have appealed to the Council of Ministers for "more time". The insurance industry, for example, was exempt until July 1994, and even now is moving slowly toward a single market.

Investment services were not liberalized until January 1996, and there was no compulsion to liberalize basic telephone services until 1998 (and until 2003 in poorer countries such as Greece to protect local telephone companies from being "crushed" by the likes of Britain's BT or America's AT&T). Moreover, many European countries have found their dreams of a single market dashed by the realities of deep and enduring cultural and language barriers between countries, which still separate many national markets, although not as effectively as formal barriers to trade once did. Still, the long-run prognosis remains very strong, and despite all the short-term setbacks the EU will probably have a reasonably well-functioning single market.

4.4. The Maastricht Meeting

In December 1991 leaders of the 12 EC member-states met in Maastricht, the Netherlands, to discuss the next steps for the EC. The results of the Maastricht meeting surprised both Europe and the rest of the world. For months the countries of the EC had been fighting over a common currency. Although many economists believed a common currency was required to cement a closer economic union, a deadlock had been predicted. The British in particular had opposed

any attempt to establish a common currency. Instead, the 12 members signed a treaty that not only committed them to adopting a common EC currency by January 1, 1999, but also paved the way for closer political cooperation and the possible creation of a European superstate.

The treaty laid down the main elements of European government: a single currency, a common foreign and defense policy, a common citizenship, and an EU parliament with teeth. The history took its course and a "United States of Europe" emerged. Of more immediate interest were the business implications of the plans to establish a single currency by 1999.

As with many of the provisions of the Single European Act, the move to a single currency should significantly lower the costs of doing business in the EU. The gains come from reduced exchange costs and reduced risk. The EU ad hoc committee has calculated that EU businesses converted roughly $8 trillion from one EU currency to another every year, which necessitated about $12 billion in exchange costs. A single currency would avoid these costs and help firms in other ways, as fewer resources would be required for accounting, treasury management, and the like. As for reduced risk, a single currency would reduce the risks that arise from currency fluctuations. The values of currencies fluctuate against each other continually. This introduces risks into international transactions.

For example, if a British firm builds a factory in Greece, and the value of the Greek currency subsequently declines against the British pound, the value of the British firm's Greek assets will also decline. A single currency would eliminate such risks. In turn, eliminating these risks would reduce the cost of capital. Interest rates would fall, and investment and output would increase as a consequence. The drawback, for some, of a single currency is that national authorities would lose control over monetary policy. Thus it is crucial to ensure that the EU's monetary policy is well managed.

Comprehension check

1. When was the original forerunner of the EU formed?
2. What was its objective?
3. When was the European Community (EC) established?
4. When did the European Community become the European Union?

5. How many countries are there in the EU? Name them.

6. What are the five main institutions in the political structure of the EU?

7. What two revolutions occurred in Europe in the late 1980s?

8. What were the administrative barriers to intra-EC trade and investment?

9. What were the results of the Maastricht meeting?

10. What was the purpose of the Single European Act?

11. What are the advantages of a single currency?

Ex. 4. Choose the best alternative.

1. The second revolution was much quieter, but its ..... on Europe and the world may have been just as profound as the first.

a) effect b) influence c) collision d) impact

2. This act ..... the EC countries to work toward the establishment of a single market.

a) cosigned b) engaged c) committed d) obliged

3.The "rules of the game" differed substantially from country to country, which ..... the creation of a true single internal market.

a) blocked b) delayed c) stalled d) prevent

4. Local banking rules effectively ..... the creation of a single EC banking industry.

a) restrained b) inhibited c) repressed d) hindered

5.The ..... of barriers to intra-EC trade distorted competition.

a) prodigality b) dissipation c) unthrift d) profusion

6. Opening ..... to non-national suppliers should reduce costs.

a) procurement b) acquisition c) obtainment d) gaining

7. All ..... on foreign exchange transaction between member-countries were to be removed.

a) restraints b) restrictions c) barriers d) moderations

8. The ..... of the Single European Act is potentially enormous.

a) inference b) application c) adumbration d) implication

9. There was no ..... to liberalize basic telephone services until 1998.

a) coercion b) enforcement c) press d) compulsion

10. As with many of the ..... of the Single European Act, the move to a single currency should significantly lower the costs of doing business in the EU.

a) provisions b) supplies c) reinforcement d) preparations

5. International Business

What is international business? To some people, it means "big business". These people see international business as dominated by giant corporations whose economic power is so great that it may even compromise the political autonomy of nation-states. Other people equate international business with international trade, thinking only in terms of exports and imports. Some of these people may work for firms that sell products to foreign markets; others may work for firms that are battling foreign-made products right here in their home market. For such people, international business can mean either big opportunities or big problems.

To get a better idea of what international business is let's look briefly at a few of these:

Exports — these are products and services a company in one country sells to customers in another country. To illustrate, Canadian Eskimo art may be exported to customers in San Francisco, California.

Direct investment — when the German company Volkswagen, A. G. puts up an assembly plant in Brazil, the investment is termed "direct".

Imports — these are products or services a customer in one country buys from a supplier in another country. A Japanese consumer may, for example, buy Scotch whisky from a distillery in Great Britain.

Licensing — when Germany's Volkswagen transfers robotics technology to its Brazilian plant, it licenses the Brazilian plant (i.e., a subsidiary's company) to use the robotics technology. It may also license the Brazilian company to use the VW trademark.

Portfolio investment — when Fidelity, the large U. S. mutual fund company, buys stock in British Telecom, a portfolio investment occurs.

Loans — these arise when a borrower in one country becomes indebted to a lender in another country. Chase Manhattan Bank's loan to the government of Hungary is a cross-border loan.

Unilateral transfers — when one receives a gift from someone from another country, a unilateral transfer occurs. The U. S. government's food aid to less developed countries is a type of unilateral transfer.

In addition to the activities, there are a few others, such as **turnkey projects**, **management contracts**, **franchising**, and so on. An example of a turnkey project occurred when Italy's Fiat built a truck plant for a Russian state-owned enterprise. Management contracts, which are common within multinational companies, involve charging an overseas subsidiary for services provided by the parent company. International franchising, which can be viewed as a licensing and management contract "package" involves a franchiser contracting with franchisees in foreign countries, such as Blockbuster Video contracting with a franchisee in Canada.

Comprehension check

1. Products and services a company in one country sells to customers in another country are called .....
2. The investment is termed "direct" when .....
3. Products or services a customer in one country buys from a supplier in another country are called .....
4. What is licensing?
5. When does a portfolio investment occur?
6. What is a loan?
7. When does a unilateral transfer occur?
8. What is a turnkey project?
9. What is a management contract?
10. What is franchising?

Complete the definitions. Translate into Ukrainian.

1. When a franchisee pays a franchisor for the right to use the franchisor's logo, procedures, materials, and advertising it is called .....
2. Manufacturing of a product or component by one company for another is .....
3. A sufficient investment to obtain at least some voice in management is called .....
4. Goods, services, ideas or people sent from one country to another to be sold are .....

5. A contractual arrangement (formal permission) in which one firm grants access to its patents, trademarks, or technology to another firm for a fee (royalty) is called .....

6. The purchase of financial instruments (stocks, bonds, bank deposits etc.) of a private person or financial organization is called .....

7. A contract for building facilities and putting them into operation is called .....

8. Something lent, usually money, on the condition it will be paid back after an agreed period with interest is called .....

6. International Business Terminology

In some ways, international business is an extension of domestic business; in other ways, it is quite different. International business, like every field of study, has its own terminology.

6.1. Multinational, Global, International and Transnational

As with any new discipline, definitions of anumber of words vary among users. For example, some people use the words world and global interchangeably with multinational to describe a business with widespread international operations; but others define a global firm as one that attempts to standardize operations in all functional areas but that responds to national market differences when necessary.

According to this definition, a global firm's management:

1. Searches the world for
(a) market opportunities,
(b) threats from competitors,
(c) sources of products, raw materials, and financing,
(d) personnel. In other words, it has global vision.
2. Seeks to maintain a presence in key markets.
3. Looks for similarities, not differences, among markets.

Those who use global in this manner are defining a multinational company as a kind of holding company with a number of overseas operations, each of which is left to adapt its products and marketing strategy to what local managers perceive to be unique aspects of their individual markets. Some academic writers suggest using terms such as multidomestic and multilocal as synonyms for this definition of multinational. You will also find those who consider multinational corporation to be synonymous with multinational enterprise and transnational corporation.

The United Nations and the governments of most developing nations have been using transnational instead of multinational for

decades to describe a firm doing business in more than one country. Recently, some academic writers have employed the term for a company that combines the characteristics of global and multinational firms: (1) trying to achieve economies of scale through global integration of its functional areas while at the same time (2) being highly responsive to different local environments (a newer name is multicultural multinational). You recognize, of course, that this is similar to the definition of a global company mentioned earlier. To be able to use this definition for transnational, these writers have simply redefined a global firm, as one that responds weakly to local environments.

Businesspeople, though, usually define a transnational as a company formed by a merger (not a joint venture) of two firms of approximately the same size that are from different countries. Among the largest are Unilever (Dutch-English), Shell (Dutch-English), Azko-Enka (Dutch-German), and ABB, a merger of ASEA (Swedish) and Brown-Bovari (Swiss). Binational is another name for this kind of company.

Perhaps the Japanese have the solution to the usage of terms with multiple definitions; they call the technique of adapting to local conditions, dochakuka, meaning "global localization". The word comes from Japanese agriculture where it means adjusting the planting, fertilizing, and harvesting methods to meet local soil conditions.

The term supranational corporation was described in a publication of the United Nations as one in which both the operation and ownership are multinational; yet many reserve this term for a corporate form that does not now exist — one that would be chartered by an international agency such as the United Nations.

Definitions used in this text are generally accepted by businesspeople. Although there are terms global, multinational, and international firms or companies, at times one may use multinational enterprise (**MNE**) interchangeably with international company (**IC**) inasmuch as both terms are employed in the literature and in practice.

1. *International business* is business whose activities involve crossing national borders. This definition includes not only international trade and foreign manufacturing but also the growing service industry in such areas as transportation, tourism, banking, advertising, construction, retailing, wholesaling, and mass communications.

2. *Foreign business* denotes the domestic operations within a foreign country. This term is sometimes used interchangeably with international business by some writers.

3. *Multinational company* (**MNC**) is an organization with multicountry affiliates, each of which formulates its own business strategy based on perceived market differences.

4. *Global company* (**GC**) is an organization that attempts to standardize operations worldwide in all functional areas.

5. *International company* (**IC**) refers to both global and multinational companies.

While international business as a discipline is relatively new, international business as a business practice is not.

6.2. Globalization: What is it?

"When there is too much competition to increase our sales, we'll have to sell outside the country. We have to globalize", said the owner of a small Ohio company that makes home barbecue grills. However, the president of Goodyear, remarking about his firm's global strategy, stated, "We have globalized our product line to service automakers and their customers no matter where they are. It doesn't matter if a car was built in Sydney or Sao Bernardo and then shipped to London or Laramie. When a replacement tire is needed, Goodyear will have one on hand locally to match the Goodyear already on the car".

Both are using the same term, but are they talking about the same thing?

Unfortunately, globalization and its root, global, are overused and misused in international business. For example, global marketing strategy for some people, such as the Ohio grill manufacturer, means a plan to sell in markets all over the world (where the company does business). For others, a global marketing strategy is one that focuses on customer similarities and uses large-scale manufacturing and superior quality to standardize products and services worldwide (how the company does business).

More recently, globalization is taking on a new meaning. After talking about having to be a multinational firm in order to gain a competitive advantage during the 1960s, management turned to the buzzword globalization in the 1980s as a strategy for beating their competitors. Over time, however, globalizing firms are becoming more significant than their predecessors, the multinationals, for *two reasons*.

One is that there are many of them. *Second*, they are placing production plants all over the world to gain the benefits of lower-cost labor and better-educated workers.

Management is removing the barriers within their companies to allow the free flow of ideas and people. For cultural diversity, many are offering top management positions to citizens from countries other than the home country.

There is already a new name for this type of company — multicultural multinational — that is based on two propositions:

1. Because innovation is the key to success, managers are looking everywhere in the global organization for new ideas, hence the name, multicultural. No longer do they treat foreign subsidiaries as pure factories subject to orders and ideas that come from the single culture at headquarters. Management speaks about eradicating the "not invented here" syndrome, meaning that the headquarters staff members are being educated to give serious consideration to ideas and suggestions that originate from overseas affiliates.

2. Communications technology is making it possible for people from subsidiaries around the world to work together on projects. For example, teleconferencing and computer networks enabled Ford designers in Europe and the United States to work jointly on the design of its new global car, the Mondeo.

The aims of the multicultural multinational are (1) to be responsive to local markets, (2) to produce and market its products globally, and (3) to exploit its technology on a global basis, an elusive objective attained by few companies so far.

There are three interrelated forces leading international firms to the globalization of their production and marketing:

1. Advances in computer and communications technology permit an increased flow of ideas and information across borders, enabling customers to learn about foreign goods. Cable systems in Europe and Asia, for example, allow an advertiser to reach numerous countries simultaneously, thus creating a regional and sometimes global demand. Global communications networks enable manufacturing personnel to coordinate production and design functions worldwide so that plants in many parts of the world may be working on the same product.

2. The progressive reduction of barriers to investment and trade by most governments are hastening the opening of new markets by international firms that are both exporting to them and building production facilities for local manufacture.

3. There is a trend toward the unification and socialization of the global community. Preferential trading arrangements, such as the North American Free Trade Agreement and the European Union, that group several nations into a single market have presented firms with significant marketing opportunities. Many have moved swiftly to enter, either through exporting or by producing in the area.

The impact of this rush to globalization had been an explosive growth in international business.

Mini-Nationals. Small and medium-sized firms of a special kind are entering world markets in growing numbers, not just by exporting as many small firms do, but by opening factories, research facilities, and sales offices overseas in the manner of the large multinational and global enterprises. Because not much is known about these firms called mini-nationals (also mini-multinationals, micro-multinationals, or mini-globals), Business Week analyzed hundreds of small internationally active firms and identified 50 that it considered the best. Business Week surveyed these companies and found that they had the following characteristics:

1. Products often unique because of their technology, design or cost.

2. Sharply focused. Their goal is to be the first or second globally in a technology niche.

3. Lean operations to save money and speed decision making. Because of relatively open trading regions and newer technologies, they are able to service the global market with a small number of manufacturing locations, resulting in a smaller bureaucracy.

4. Open to ideas and technologies from around the world. Many establish research laboratories in other countries.

5. Using foreigners to head foreign operations and also fill senior positions at headquarters.

Match a verb on the left with a phrase on the right then tell what you have learnt using these phrases.

Search for	— maintain a presence in key markets
	— similarities, not differences in key markets
	— threats from competitors
Seek to	— market opportunities
Look for	— sources of production

Complete the sentences and translate them into Ukrainian.

1. An organization that attempts to standardize operations worldwide in all functional areas is called .....
2. A kind of holding company with a number of overseas operations, each of which is left to adapt its products and marketing strategy to what local perceive to be unique aspects of their individual markets is defined as .....
3. A business of domestic operations within a foreign country is defined as .....
4. A transnational company is a firm .....
5. A multicultural multinational is to .....
6. Advances in computer & communications technology permit .....
7. A business that crosses national borders and includes not only international trade and foreign manufacturing, but also such areas as transportation, tourism, banking advertising, construction, retailing, wholesaling and mass communications is called .....
8. An organization with multicountry affiliates, each of which formulates its own business strategy based on perceived market differences is called .....
9. A marketing strategy that focuses on customer similarities, uses large-scale manufacturing and superior quality to standardize products and services worldwide is called .....

7. Why is International Business Different?

International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environments — domestic, foreign, and international. In contrast, a firm whose business activities are carried out within the borders of one country needs to be concerned essentially with only the domestic environment. However, no domestic firm is entirely free from foreign or international environmental forces because the possibility of having to face competition from foreign imports or from foreign competitors that set up operations in its own market is always present. Let us first examine these forces and then see how they operate in the three environments.

7.1. Forces in the Environments

Environment as used here is the sum of all the forces surrounding and influencing the life and development of the firm. The forces themselves can be classified as external or internal. Furthermore, management has no direct control over them, though it can exert influences such as lobbying for a change in a law, heavily promoting a new product that requires a change in a cultural attitude, and so on. The external forces are commonly called **uncontrollable forces** (forces over which management has no direct control, although it can exert an influence).

They consist of the following:

1. **Competitive** — kinds and numbers of competitors, their locations, and their activities.

2. **Distributive** — national and international agencies available for distributing goods and

services.

3. **Economic** — variables (such as GNP, unit labor cost, and personal consumption expenditure) that influence a firm's ability to do business.

4. **Socioeconomic** — characteristics and distribution of the human population.

5. **Financial** — variables such as interest rates, inflation rates, and taxation.

6. **Legal** — the many kinds of foreign and domestic laws by which international firms must operate.

7. **Physical** — elements of nature such as topography, climate, and natural resources.

8. **Political** — elements of nations' political climates such as nationalism, forms of government, and international organizations.

9. **Sociocultural** — elements of culture (such as attitudes, beliefs, and opinions) important to international businesspeople.

10. **Labor** — composition, skills, and attitudes of labor.

11. **Technological** — the technical skills, and equipment that reflect how resources are converted to products.

The elements over which management does have some command are the **internal forces**, such as the **factors of production** (capital, raw material, and people) and the **activities of the organization** (personnel, finance, production, and marketing). These are **the controllable forces** management must administer in order to adapt to changes in the uncontrollable environmental variables. Look at how one change in the political force — the passage of the North American Free Trade Agreement — is affecting all of the controllable forces of firms worldwide that do business in or with the three member-nations, the United States, Mexico, and Canada. Suddenly these companies must examine their business practices and change those affected by this new law. For example, some American concerns and foreign subsidiaries in the United States are relocating part of their operations to Mexico to exploit the lower wages there. There are European and Asian companies setting up production in one of the member-countries to supply this giant free trade region. By doing this, they will avoid paying import duties on products coming from their home countries.

The Domestic Environment is composed of all the uncontrollable forces originating in the home country that surround and influence the life and development of the firm. Obviously, these are the forces managers are most familiar with. Being domestic forces do not preclude their affecting foreign operations, however. For example, if the home country is suffering from a shortage of foreign currency the government

may place restrictions on overseas investment to reduce its outflow. As a result, management of multinationals finds that they cannot expand overseas facilities as they would like to do.

The forces in **the Foreign Environment** are the same as those in the domestic environment except that they occur in foreign nations.

The International Environment is the interaction (1) between the domestic environmental forces and the foreign environmental forces and (2) between the foreign environmental forces of two countries when an affiliate in one country does business with customers in another. This agrees with the definition of international business — business that involves the crossing of national borders.

Comprehension check

1. Why is international business different from domestic business?
2. What are the differences between international, global, and multinational companies?
3. Business is business, and every firm has to produce and market its goods. Why, then, cannot the managers apply the techniques and concepts they have learned in their own country to other in the world?
4. What forces are called uncontrollable?
5. What are the elements over which management does have some command?
6. Give the definition of international business.
7. What are the forces that are leading international firms to the globalization of their production and marketing?
8. What are some possible conflicts between host governments and foreign-owned companies?

Ex. 5. Translate into English.

1. Глобалізація — це посилення взаємозалежності національних економік, переплетення соціально-економічних процесів, які відбуваються в різних регіонах світу та змушують фірми шукати кращі умови діяльності. 2. Факторами глобалізації є подолання нерівномірного розміщення сировинних та енергетичних ресурсів; досягнення транспорту та комунікацій; прискорення темпів технологічних нововведень та виведення винаходів на ринок. 3. Природничо-кліматичні та економіко-географічні відмінності обумовлюють територіальне розділення праці і спеціалізацію країн та викликають розвиток і поглиблення

взаємозв'язків між ними. 4. Відмінності соціально-економічних систем, втручання держави в економіку та політика протекціонізму, коливання обмінних валютних курсів, релігійні обмеження, традиційні конфлікти гальмують процес глобалізації. 5. З посиленням конкуренції на національних ринках фірми починають шукати нових постачальників та замовників за кордоном.

8. Careers in International Business

Travelling, meeting new people with different customs, seeing and living in places you have only heard about — these exciting activities stir the imagination, and students want to partake in the experience. Of course living and working overseas is exciting and rewarding. However, with the possible exception of international banking, there are few opportunities for recent graduates to be assigned overseas even when they have the basic business skills and can speak at least one foreign language.

Why? They must first learn how their employer does business and become skilled in some functional area of the firm, such as marketing or finance. To rise in the firm, employees then need to acquire experience in various functional areas, not just in one. Furthermore, some of this experience should be international. Make sure that your employer knows you are interested in acquiring international experience. In fact, some firms screen out people who state they do not want an overseas assignment.

If you want immediate employment in international business, how can you get it? You realize, of course, this is not the same as asking how you can get a job working overseas. Why isn't it the same? Because there are many home-based jobs in international business, some of which require occasional international travel. There are also international jobs in the government.

Most home-based jobs in international business are connected with exporting. For example, every port city has banks with international departments that work with export financing; far fewer banks are involved in international lending. Here are some of the home-based jobs available in international business:

1. Export companies — office personnel and sales personnel who travel periodically to overseas markets.

2. International departments of banks — staff that handle clients' export financing.

3. Steamship companies — office and sales personnel.

4. International airlines — office and sales personnel.

5. Marine insurance firms — office and sales personnel to service exporters.

6. Container operators (own cargo containers) — office and salespeople.

7. Foreign freight forwarders and customhouse brokers — agents who facilitate export and import shipments.

After training, during which the trainees learn about the company and how work in the various functional areas is done, those wishing to work abroad may get the opportunity to do so.

Although some graduates who want to go abroad may be fortunate to find employment with the division or group in the home office that is responsible for foreign business, others may first have to acquire the technical expertise in the domestic operation. If you are in this second group, it is recommended that after working for the company for two to three years, you inform both the personnel department and the head of the international group in your functional area that you are interested in working with them. Meanwhile, you can study another foreign language or take a course related to international business. Not only will this improve your knowledge, but it will also demonstrate your continued interest in foreign business to your employer.

Some people have got into international business by first acquiring industrial experience in the domestic operations of one company and then obtaining employment in the international operations of another firm in the same industry. Note that Coca-Cola prefers from two to five years of marketing, finance, or engineering experience even for these training jobs.

As you can imagine, there is considerable competition for these jobs, but there are ways to improve your employment possibilities.

A way to enhance your employment possibilities is to enroll in an international business graduate program.

A way to show a prospective employer that you have had experience living overseas is to study for an MBA in a European management school such as INSEAD (France), IMEDE (Switzerland), the London Business School, or IESE (Barcelona). Some international firms are considering graduates from European schools for both domestic and overseas jobs. It makes sense that people running

international businesses have an international background, perspective, and focus.

The following positions: international trade specialist, trade specialist, trade assistant, commodity industry specialist, international economist, economist, and import compliance specialist require (1) a college degree (BA, BS, MA, MS, MBA) in international economics, international finance, international business, public administration, international trade, international relations, or business administration; or (2) appropriate work experience, which can qualify you for some positions such as market research, sales promotion, advertising, industrial production operations, or application of investigative skills in determining compliance with or violation of laws, rules, or regulations in the international arena.

Comrehension check

1. How to get jobs in international business?
2. How can you get immediate employment in international business?
3. What are home-based jobs in international business?
4. What positions require college degrees?
5. What positions require appropriate work experience?

Match a verb on the left with a phrase on the right.
Make up a story about yourself.

Acquire	— your knowledge — technical expertise in domestic operations
Enroll	— in an international business graduation program — continued interest in foreign business to your employer
Improve	— industrial experience in domestic operations — employment possibilities
Demonstrate	— college degree in ..... — appropriate work experience
Enhance	
Have	

9. How to Enter Foreign Markets

All of the means for supplying foreign markets may be subsumed in just two activities: (1) exporting to a foreign market or (2) manufacturing in it.

9.1. Exporting

Most firms began their involvement in overseas business by exporting — that is, selling some of their regular production overseas. This method requires little investment and is relatively free of risks. It is an excellent means of getting a feel for international business without committing any great amount of human or financial resources. If management does decide to export, it must choose between direct and indirect exporting.

Indirect exporting (The exporting of goods and services through various types of home-based exporters) is simpler than direct exporting because it requires neither special expertise nor large cash outlays. Exporters based in their home country will do the work. Management merely follows instructions. Among the exporters available are (1) manufacturers' export agents, who sell for the manufacturer; (2) export commission agents, who buy for their overseas customers; (3) export merchants, who purchase and sell for their own account; and (4) international firms, which use the goods overseas (e.g. mining, construction, and petroleum companies).

Indirect exporters, however, pay a price for such service: (1) they will pay a commission to the first three kinds of exporters; (2) foreign business can be lost if exporters decide to change their sources of supply; and (3) firms gain little experience from these transactions. This is why many managements that begin in this manner generally change to direct exporting.

To engage in *direct exporting* (The exporting of goods and services by the firm that produces them), management must assign the job of

handling the export business to someone within the firm. The simplest arrangement is to give someone, usually the sales manager, the responsibility for developing the export business. Domestic employees may handle the billing, credit, and shipping initially, and if the business expands, a separate export department may be set up. A firm that has been exporting to wholesale importers in an area and servicing them by visits from either home office personnel or foreign-based sales representatives frequently finds that sales have grown to a point that will support a complete marketing organization.

Management may then decide to set up a sales company (A business established for the purpose of marketing goods and services, not producing them) in the area. The sales company will import in its own name from the parent and will invoice in local currency. It may employ the same channels of distribution, though the new organization may permit the use of a more profitable arrangement. This type of organization can grow quite large, often invoicing several millions of dollars annually. Before building a plant in Mexico, for many years Eastman Kodak imported and resold cameras and photographic supplies while doing a large business in local film developing. Many firms that began with local repair facilities later expanded to produce simple components. Gradually, they produced more of the product locally until, after a period of time, they were manufacturing all of the components in the country.

A firm's foreign business may evolve sequentially over the path just traced, or a company may move directly to foreign production (non-sequentially) for a number of reasons, all of which are linked to the desire to either increase profits and sales or protect them from being eroded by competition.

Before examining foreign manufacturing, it is necessary to describe briefly the turnkey project, which is an export of technology, management expertise, and in some cases, capital equipment. The contractor agrees to design and erect a plant, supply the process technology, provide the necessary suppliers of raw materials and other production inputs, and then train the operating personnel. After a trial run, the facility is turned over to the purchaser.

The exporter may be a contractor that specializes in designing and erecting plants in a particular industry such as petroleum refining or steel production. It may also be a company in the industry that wishes to earn money from its expertise by delivering a plant ready to run

rather than merely selling its technology. Chemical companies sold numerous turnkey projects to the former communist countries, for example. Another kind of supplier of turnkey projects is the producer of a key input that sells a complete plant in order to obtain a contract to provide its product to the finished factory.

A businessman used to sell Goodyear latex to a U. S. manufacturer of paint dryers. The client found it could lock in contracts to supply its products overseas by selling investors in developing countries a complete paint factory. It designed the plant, hired a contractor to erect it, trained the people to operate it, and provided ongoing technical assistance after the factory was delivered to the owners. The company also acted as a distributor for American producers of other inputs and manufacturers of paint-making machinery.

9.2. Foreign Manufacturing

When management does decide to become involved in foreign manufacturing, it generally has six distinct alternatives available, though not all of them may be feasible in a particular country. These are:

1. **Wholly owned subsidiary.**
2. **Joint venture.**
3. **Licensing agreement.**
4. **Franchising.**
5. **Contract manufacturing.**
6. **Management contract**. (It is utilized by both manufacturing and service companies to earn income by providing management expertise for a fee).

9.2.1. Wholly Owned Subsidiary

The company that wishes to own a foreign subsidiary outright may (1) start from the ground up by building a new plant, (2) acquire a going concern, or (3) purchase its distributor, thus obtaining a distribution network familiar with its products. In this last case, of course, production facilities will have to be built. American companies certainly prefer wholly owned subsidiaries, but they do not have a marked preference for any of the three means of obtaining them.

However, this is not the case for foreign investors in the United States, who prefer to acquire going concerns for the instant access to the market they provide. Moreover, they also have one less competitor after the purchase.

Rather than build a U. S. plant, YKK, a leading Japanese zipper manufacturer, paid $50 million for Universal Fasteners, a competitor based in Kentucky. “They bought instant market share with no headaches”, said a banker familiar with the transaction.

Sometimes it is not possible to have a wholly owned foreign subsidiary. The host government may not permit it, the firm may lack either capital or expertise to undertake the investment alone, or there may be tax and other advantages that favor a joint venture.

9.2.2. Joint Venture

A joint venture (a cooperative effort among two or more organizations who share a common interest in a business enterprise or undertaking) may be (1) a corporate entity formed by an international company and local owners, (2) a corporate entity formed by two international companies for the purpose of doing business in a third market, (3) a corporate entity formed by a government agency (usually in the country of investment) and an international firm, or (4) a cooperative undertaking between two or more firms of a limited-duration project. Large construction jobs such as a dam or an airport are frequently handled by this last form.

A joint venture as a legal entity is jointly owned by two or more legally distinct organizations that share in the joint venture’s decision-making activities. The joint venture (JV) is a separate organization from those of its owners. Linkages, however, certainly exist between the JV and the owners (firms). The ownership linkage is evidenced by the composition of the JV board of directors. There are likely management contracts and licenses between the JV and its owners too. These contracts define the relationships among the different parties, including the allocation of control and the nature of any coordination mechanisms.

The challenge to those firms involved in international JVs is to have coordination and control (via contractual and/or more subtle coordination mechanisms as identified above) vis-a-vis the joint venture without burdening the JV with an administrative or organizational hierarchy whose costs (including inefficiencies introduced into the JV) outweigh the gains from the successful implementation of the JV’s strategy. Firms involved in JVs today are becoming increasingly aware of this challenge.

In 1987, Ford and Volkswagen formed a novel joint venture in which their operations in Argentina and Brazil were merged into a

holding company, Autolatina, in an effort to eliminate losses suffered by both. The joint venture, owned 51 percent by Volkswagen and 49 percent by Ford, assembled products based on VW and Ford designs, but both companies marketed the vehicles through their own distribution channels. Although 1993 sales reached $7.58 billion, the companies decided to terminate the operation. One industry expert says that Ford wanted to leave because Autolatina did not fit its new global strategy of having global vehicles. The two companies clashed about sharing models when they faced increasing pressure from General Motors, which sold so many of its Corsa subcompacts that it undertook an ad campaign telling consumers not to be in a hurry to buy the car. In 1994, Volkswagen dealers refused to share the company's new subcompact with Ford, prompting Ford to rush its program to produce the small Fiesta. In a news release, the companies said the termination of the joint venture reflected "the necessity of the companies to make better use of the force and resources of their worldwide organizations".

When the CEO of General Mills decided to enter the European market where a very tough rival, Kelloggs, was entrenched, he knew it would be very expensive to set up manufacturing facilities and a huge marketing force. However, he knew that another food giant, Nestle, the world's largest food company, has a famous name in Europe, a number of manufacturing plants, and a strong distribution system. It also lacked strong cereal brand names, something that General Mills, the number two American cereal company, has. Just three weeks after the initial discussions, General Mills and Nestle formed a joint venture, Cereal Partners Worldwide. General Mills provides the cereal technology, brand names, and its cereal marketing expertise. Nestle supplies its name, distribution channels, and production capacity. Cereal Partners Worldwide will distribute worldwide, except in the United States, where it is excluded.

When the government of a host country requires companies to have some local participation, foreign firms must engage in ajoint venture with local owners to do business in that country. In some situations, however, a foreign firm will seek local partners even when there is no local requirement to do so.

Strong nationalistic sentiment may cause the foreign firm to try to lose its identity by joining with local investors. Care must be taken with this strategy, however. Although a large number of people in many

developing countries dislike multinationals for “exploiting” them, they still believe, often with good reason, that the products of the foreign companies are superior to those of purely national firms. One solution to this ambivalence has been to form a joint venture in which the local partners are highly visible, give it an indigenous name, and then advertise that a foreign firm (actually the partner) is supplying the technology. Even wholly owned subsidiaries have followed this strategy.

Eastman Kodak has eliminated the word Kodak from the names of its 100-percent-owned subsidiaries in Venezuela, Mexico, Chile, Peru, and Colombia. Kodak-Venezuela has become Foto Interamericana, and Kodak’s large manufacturing company in Mexico is now called Industria Fotografica Interamericana.

Other factors that influence management to enter joint ventures are the ability to acquire an expertise that is lacking, special tax benefits some governments extend to companies with local partners, or the need for additional capital and experienced personnel.

Merck, the largest U.S. maker of ethical drugs, spent $313 million to acquire 50.5 percent of Banyu Pharmaceutical in Japan. Management had been dissatisfied with the performance of Merck’s Japanese subsidiary in the world’s second-largest ethical drug market. With this acquisition, the 600-person sales force of Merck-Japan was augmented by Banyu’s 350 sales representatives. Merck’s chairman said, “To bring new products effectively to market in Japan required a larger and more effective marketing organization. With a controlling interest in Banyu, I would hope for a better penetration of the Japanese market”.

To take advantage of Israel’s lower labor costs and the 1985 U. S. — Israel Trade Agreement, which (1) reduced import duties on Israeli — made shirts and (2) permitted them quota-free access to the United States, Van Heusen decided to buy the production facilities of an insolvent Israeli clothing manufacturer. When the government refused to sell on Van Heusen’s terms, the company formed a joint venture with another Israeli textile-and-apparel conglomerate. Van Heusen will purchase the plant’s output for five years, with the option to extend the agreement if satisfied with the local partner’s performance, and will have exclusive control over marketing. Although it has trained Israeli engineers and will maintain its own engineers at the operation, the Israeli partner has had to invest all of the capital to expand an existing plant.

Some firms, as a matter of policy, enter joint ventures to reduce investment risk. Their strategy is to enter into a joint venture with either native partners or another worldwide company. Still others, such as Ford and Volkswagen, have joined together to achieve economies of scale. Incidentally, any division of ownership in a joint venture is possible unless there are specific legal requirements.

Disadvantages. Although a joint venture arrangement offers the advantage of less commitment of financial and managerial resources, and thus less risk, there are some disadvantages for the foreign firm. One, obviously, is that profits must be shared. Furthermore, if the law allows the foreign investors to have no more than a 49 percent participation (common in developing countries), they may not have control. This is because the stock markets in these countries are either small or nonexistent, so it is generally impossible to distribute the shares widely enough to permit the foreign firm with its 49 percent to be the largest stockholder.

Lack of control over the joint venture is why many managements resist making such arrangements. They feel that they must have tight control of their foreign subsidiaries to obtain an efficient allocation of investments and production and to maintain a coordinated marketing plan worldwide. For example, local partners might wish to export to markets that the global company serves from its own plants, or they might want to make the complete product locally when the global company's strategy is to produce only certain components there and import the rest from other subsidiaries.

In recent years, numerous governments of developing nations have passed laws requiring local majority ownership for the purpose of giving control of firms within their borders to their own citizens. Despite these laws, control with a minority ownership is still feasible.

Control with Minority Ownership. There have been occasions when the foreign partner has been able to circumvent the spirit of the law and ensure its control by taking 49 percent of the shares and giving 2 percent to its local law firm or some other trusted national.

Another method is to take in a local majority partner, such as a government agency, an insurance company, or a financial institution, that is content to invest merely for a return while leaving the venture's management to the foreign partner. If neither arrangement can be made, the foreign company may still control the joint venture, at least in the areas of major concern, by means of a management contract.

9.2.3. Management Contract

The management contract (an arrangement by which one firm provides management in all or specific areas to another firm) is an arrangement under which a company provides managerial know-how in some or all-functional areas to another party for a fee that ranges from 2 to 5 percent of sales. International companies make such contracts with (1) firms in which they have no ownership (examples: Hilton Hotel provides management for non-owned overseas hotels that use the Hilton name, and Delta provides management assistance to foreign airlines), (2) joint venture partners, and (3) wholly owned subsidiaries. The last arrangement is made solely for the purpose of allowing the parent to siphon off some of the subsidiary's profits. This becomes extremely important when, as in many foreign exchanges — poor nations, the parent firm is limited in the amount of profits it can repatriate. Moreover, because the fee is an expense, the subsidiary receives a tax benefit used in joint ventures. Management contracts can enable the global partner to control many aspects of a joint venture even when holding only a minority position. If it supplies key personnel, such as the production and technical managers, the global company can be assured of product quality with which its name may be associated as well as be able to earn additional income by selling the joint venture inputs manufactured in the home plant. This is possible because the larger global company is more vertically integrated.

A local paint factory, for example, might have to import certain semi-processed pigments and dryers that the foreign partner produces in its home country for domestic operations. If these can be purchased elsewhere at a lower price, the local majority could insist on other sources of supply. This rarely happens, because the production and technical managers can argue that only inputs from their employer will produce a satisfactory product. They are the experts, and they generally have the final word.

Purchasing Commission is another source of income that a global or multinational company derives not only from firms with which it has a management contract but also from joint ventures and wholly owned subsidiaries. That source is a commission for acting as purchasing agent of imported raw materials and equipment. This relieves the affiliates of having to establish credit lines with foreign suppliers and assures them that they will receive the same materials

used by the foreign partner. The commission received for this service averages about 5 percent of invoice value and is in addition to the management contract fee.

9.2.4. Licensing Agreement

A contractual arrangement in which one firm grants access to its patents, trade secrets, or technology to another for a fee is called licensing.

Frequently, worldwide companies are called on to furnish technical assistance to firms that have sufficient capital and management strength. By means of a licensing agreement, one firm (the licensor) will grant to another firm (the licensee) the right to use any kind of expertise, such as manufacturing processes (patented or non-patented), marketing procedures, and trademarks for one or more of the licensor's products.

General Tire, for example, before being bought by Continental, the German tire manufacturer, was both a licensor and a licensee. It licensed some firms to use its tire technology and others to use its know-how to produce plastic film. At the same time, it made licensing agreements with manufacturers of conveyor belting, V belting, and car batteries to use their technology in General Tire plants overseas.

The licensee generally pays a fixed sum when signing the licensing agreement and then pays a royalty from 2 to 5 percent of sales over the life of the contract (five to seven years, with option for renewal). The exact amount of the royalty will depend on the amount of assistance given and the relative bargaining power of the two parties.

In the past, licensing was not a primary source of income for international firms. This changed in the 1980s, however, especially in the USA, because (1) the courts began upholding patent infringement claims more than they used to, (2) patent holders became more vigilant in suing violators, and (3) the federal government pressed foreign governments to enforce their patent laws.

This forced foreign companies to obtain licenses instead of making illegal copies. Texas Instruments, for example, sued nine Japanese electronics manufacturers for using its patented processes without paying licensing fees.

However, more than know-how is licensed. In the fashion industry, a number of designers license the use of their names. Pierre Cardin, the largest such licensor, had 840 licenses worldwide on everything

from skis to frying pans. These earned the company $75 million annually, including $12 million from 32 American licensees. Even Russia paid the firm three-quarters of a million dollars every year.

Are you giving Coca-Cola free advertising on your T-shirt? The company's manager for merchandise licensing expects the company to make millions from an agreement with the founder of Gloria Vanderbilt. He says the firm agreed to the arrangement because "clothes enhance our image. The money is not important".

Another industry, magazine publishing, is licensing overseas editions. You can buy Cosmopolitan in the native language in over 12 countries, Playboy in 10, and Penthouse in 5. For some reason, High Technology appears only in Japan.

Despite the opportunity to obtain a sizable income from licensing, many firms, especially those that produce high-tech products, will not grant licenses. They fear that a licensee will become a competitor upon expiration of the agreement or that it will aggressively seek to market the products outside of its territory. At one time, licensors routinely inserted a clause in the licensing agreement that prohibited exports, but most governments will not accept such a prohibition.

9.2.5. Franchising

It is a form of licensing in which one firm contracts with another to operate a certain type of business under an established name according to specific rules. In recent years, American firms have gone overseas with a new kind of licensing — franchising.

Franchising permits the franchisee to sell products or services under a highly publicized brand name and a well-proven set of procedures with a carefully developed and controlled marketing strategy. Of the thousands overseas outlets operated by American franchising companies, fast-food operations (such as McDonald's, Kentucky Fried Chicken, and Tastee-Freeze) are the most numerous — McDonald's alone has over 14,000 stores worldwide.

Other types of franchisers are hotels (Hilton, Holiday Inn), business services (Muzak, Manpower), soft drinks (Coca-Cola, Orange Crush), home maintenance (Servicemaster, Nationwide Exterminating) and automotive products (Midas).

Types of franchises:

restaurants (all kinds);

hotels, motels and campgrounds;

recreation, entertainment and travel;
automotive products and services;
construction, home improvement, maintenance and cleaning services;
educational products and services;
laundry and dry-cleaning services;
rental services (auto-truck);
retailing (nonfood);
retailing (food, non-convenience).

9.2.6. Contract Manufacturing

An arrangement in which one firm contracts with another to produce products to its specifications but assumes responsibility for marketing is called contract manufacturing. International firms employ contract manufacturing in two ways. One way is as a means of entering a foreign market without investing in plant facilities. The firm contracts with a local manufacturer to produce products for it according to its specifications. The firm's sales organization markets the products under its own brand, just as Montgomery Ward sells washing machines made by Norge.

When Gates Rubber licensed its V belt technology to General Tire's Chilean plant, it drew up a novel licensing agreement that included contract manufacturing. General Tire was obliged to produce part of its output with the Gates label. Gates executives knew that in Chile, once General Tire began production, the government would stop the importation of all V belts, including theirs. Gates would gain in a number of ways: (1) it would earn a royalty on all belts made in Chile, (2) it would have belts made in Chile to Gates specifications without making any investment in production facilities, and (3) competition from a dozen importers would be eliminated. There would be only one local competitor, General Tire. General Tire gained because it increased its product mix and offered another product to its present channels of distribution.

The second way is to subcontract assembly work or the production of parts to independent companies overseas. Although the international firm has no equity in the subcontractor, this practice does resemble foreign direct investment. When the international firm is the largest or only customer of the subcontractors, it has in effect created in another country a new company that generates employment and foreign

exchange for the host nation. Frequently, the international firm will lend capital to the foreign contractor in the same way that a global or multinational firm will lend funds to its subsidiary. Because of these similarities, this practice is called foreign direct investment without investment.

9.2.7. Strategic Alliances

Partnerships between competitors, customers, or suppliers that may take one or more of various forms are called strategic alliances.

Faced with (1) expanding global competition, (2) the growing cost of research, product development, and marketing, and (3) the need to move faster in carrying out their global strategies, many firms are forming strategic alliances with competitors (called competitive alliances), suppliers, and customers. Their aim is to achieve faster market entry and start-up; to gain access to new products, technologies, and markets; and to share costs, resources, and risks.

Alliances include various types of partnerships.Companies that want to share technology will cross-license their technology (each will license its technology to the other). If their aim is to pool research and design resources, they will form an R&D partnership. For example, Texas Instruments and Hitachi, which have had a technical information exchange since 1988, agreed in 1991 to develop together a common design and manufacturing process for 64-megabit DRAMs. Each firm would handle its own mass production and marketing.

Alliances may be joint ventures. Other companies carry the cooperation further by forming joint ventures in manufacturing and marketing. In 1986, Westinghouse and Toshiba formed an equity joint venture to produce color display tubes for computer terminals and picture tubes for TV sets. Westinghouse, which was making monochrome tubes, formed the alliance to get the technology to produce color tubes. The joint venture gave Toshiba an opportunity to be involved in a manufacturing facility that could supply tubes to its TV plant in Tennessee. The Japanese also expected that another U. S based venture would help deflect protectionist pressure from Toshiba. Toshiba provided the technology and Westinghouse provided a factory building and helped arrange financing, including $46 million in low-cost public loans. However, within just two years, Westinghouse had sold its interest to Toshiba, which then became the sole owner of the facility.

Alliances can be mergers and acquisitions. Swedish ASEA and Swiss Brown Bovari, both energy generation and transmission specialists, merged to form an $ 18 billion company. The reason, according to the CEO of the new firm, was that the two firms individually were too small to compete with U. S. and Japanese rivals such as Westinghouse, General Electric, Hitachi, and Toshiba.

There is no question that some alliances have accomplished what they set out to accomplish. CFM International, the alliance between General Electric and France's Snecma, has been producing jet engines for three decades. Airbus Industrie, an alliance among British, French, German, and Spanish aircraft manufacturers, is now one of the world's largest commercial aircraft producers.

Nevertheless, many alliances fail or are taken over by one of the partners. The management consulting firm, McKinsey & Co., surveyed 150 companies involved in alliances that had been terminated. It found that three-quarters of the alliances had been taken over by Japanese partners. An expert on Japan, warned, "I find the idea of joint ventures no longer makes any sense at all. They are a way for the Japanese to acquire technology".

Many large global and multinational firms with numerous manufacturing subsidiaries all over the world began their foreign operations by exporting. Once succeeding at this stage, they established sales companies overseas to market their exports. Where sales companies were able to develop sufficiently large markets, their firms set up plants to assemble imported parts. Finally, complete products were manufactured locally. However, this sequence does not represent the only way firms can enter foreign markets. In some countries, conditions may require a complete manufacturing plant as the means of initial entry. International companies today are simultaneously employing all of the methods we have discussed to reach their worldwide markets.

Gillette, in its 1992 annual report, stated that manufacturing operations were conducted at 57 facilities in 28 countries, and products were distributed through wholesalers, retailers, and agents in over 200 countries and territories.

Comprehension check

1. How to enter foreign markets?
2. What is Exporting?

3. What is the difference between direct and indirect exporting?
4. What are the six distinct alternatives available in foreign manufacturing?
5. How can a company have a wholly owned subsidiary?
6. What is Joint Venture?
7. What are the advantages and disadvantages of entering a JV?
8. What is Management Contract? Give examples.
9. What source of income is Purchasing Commission?
10. What is called Licensing?
11. What does the licensee generally pay?
12. What is Franchising? What are the types of franchises?
13. What is called Contract Manufacturing?
14. Why does the firm contract with a local manufacturer?
15. What is called foreign direct investment without investment?
16. What do the firms face with?
17. Who are strategic alliances formed with? Why are they formed?
18. What can alliances be?
19. Why do many alliances fail?
20. How did many large multinationals start?

10. Trade Restrictions

International trade occurs primarily because of relative price differences among nations. These differences stem from differences in production costs, which result from:

1. Differences in the endowments of the factors of production.
2. Differences in the levels of technology that determine the factor intensities used.
3. Differences in the efficiencies with which these are utilized.
4. Foreign exchange rates.

However, taste differences, a demand variable, can reverse the direction of trade predicted by the theory.

International trade theory clearly shows that nations will attain a higher level of living by specializing in goods for which they possess a comparative advantage and importing those for which they have a comparative disadvantage. Generally, trade restrictions that stop this free flow of goods will harm a nation's welfare. If this is true, why is every nation in the world surrounded by trade restrictions?

This apparent contradiction occurs because government officials who make decisions about import restrictions are particularly sensitive to the interest groups that will be hurt by the international competition. These groups consist of a small, easily identified body of people — as contrasted to the huge, widespread number of consumers who gain from free trade. In any political debate over a proposed import restriction, the protectionist group will be united in exerting pressure on government officials, whereas pro-trade consumers rarely mount an organized effort. For example, steel companies and steelworker unions have protested vehemently to government officials about lower-priced imported steel, yet consumer organizations have said nothing. In other words, if you are employed by a chemical manufacturer, you probably are not going to fight for unrestricted steel imports even though you may believe they contribute to a lower price for your automobile. Special interest groups play an important role.

10.1. Arguments for Trade Restrictions and their Rebuttal

One argument for trade restrictions involves national defense.

10.1.1. National Defense

Certain industries need protection from imports because they are vital to the national defense and must be kept operating even though they are at a comparative disadvantage with respect to foreign competitors. If competition from foreign firms drives these companies out of business and leaves this country dependent on imports, those imports may not be available in wartime.

One problem with this argument is that the armed forces require hundreds of products, ranging from panty hose to bombs.

In 1984, the U. S. shoe industry, after failing to obtain relief from imports with arguments about loss of jobs, requested Congress to impose restrictions based on the fact that growing reliance on imported footwear is "jeopardizing the national security of the United States". In the event of war, shoemakers claim that there would be insufficient manufacturing capacity in this country.

A Defense Department spokesman said he knew of no plan to investigate the prospects of a wartime shoe crisis. Furthermore, federal law already requires the armed forces to buy U. S.-made footwear exclusively.

Critics of the defense argument claim it would be far more efficient for the government to subsidize a number of firms to maintain sufficient capacity for wartime use only. The output of these companies could be varied according to the calculated defense needs. Moreover, a subsidy would clearly indicate to taxpayers the cost of maintaining these companies in the name of national security — something, however, that some interests do not want known. Currently, most American steamship companies receive government subsidies without which they could not remain in business because of the competition from foreign firms with lower operating costs. In this way, they have a merchant marine ready in case of hostility, and they know what this state of readiness costs them.

10.1.2. Protect Infant Industry

Advocates for the protection of an infant industry may claim that in the long run, the industry will have a comparative advantage,

but that its firms need protection from imports until the labor force is trained, production techniques are mastered, and they achieve economies of scale. When these objectives are met, import protection will no longer be necessary. Without the protection, they argue, a firm will not be able to survive because lower-cost imports from more mature foreign competitors will underprice it in its local market.

The protection is meant to be temporary; but realistically, a firm will rarely admit it has matured and no longer needs this assistance. Protected from foreign competition by high import duties, the company's managers have little reason to improve efficiency or product quality.

International businesspeople will find that the infant-industry argument is readily accepted by the governments of most developing nations. The first firm in an industry new to the country generally gets protection with no date stipulated for its removal. However, some of the larger developing nations, such as Brazil and Mexico, have been reducing their protection to force these companies to lower their prices and become more competitive in world markets.

10.1.3. Protect Domestic Jobs from Cheap Foreign Labor

The protectionists who use this argument will compare lower foreign hourly wage rates to those paid in the country and conclude that exporters from foreign countries can flood the country with low-priced goods and put this country out of work. The first fallacy of this argument is that wage costs are neither all of the production costs nor all of the labor costs. In many less developed countries, the legislated fringe benefits are a much higher percentage of the direct wages than they are in this country. In Mexico, the base pay of the typical worker is the peso equivalent of US$1.80, less than half of the American minimum wage. This is deceiving, however, as the base pay is less than 30 percent of the total hourly pay, whereas in the United States, it amounts to over 70 percent. The difference is due to the pay supplements. The Mexicans receive a month's pay for Christmas, up to 80 percent extra pay at vacation time, and punctuality bonuses. With these supplements, the hourly rate rises to around US$6.00 per hour. In addition, Mexican employers are required to pay workers for 365 days annually, even though they do not work weekends; that is, their weekly income is the US$6.00 hourly rate times eight hours daily times

seven days, not five. This raises the hourly rate on a weekly basis to about US$8.40.

Furthermore, the productivity per worker is frequently so much greater in developed countries because of more capital per worker, superior management, and advanced technology that the labor cost is lower even though wages are higher.

The second fallacy results from failure to consider the costs of the other factors of production. Where wage rates are low, the capital costs are usually high, and thus production costs may actually be higher in a low-wage nation. Ironically, one of the arguments for protection used by manufacturers in developing nations is that they cannot compete against the low-cost, highly productive firms in the industrialized countries. Those who might be persuaded by this argument to stop imports to save domestic jobs should remember that, for example, American exports create jobs — every $1 billion in exports creates 25,000 new jobs. If a country's imports stop, its government may retaliate with greater import duties on the exports. The result could be anet loss of jobs rather than the gain that was anticipated.

10.1.4. Scientific Tariff or Fair Competition

Supporters of this argument say they believe in fair competition. They simply want an import duty that will bring the cost of the imported goods up to the cost of the domestically produced article. This will eliminate any "unfair" advantage that a foreign competitor might have because of superior technology; lower raw material costs, lower taxes, or lower labor costs. It is not their intent to ban exports; they wish only to equalize the process for "fair" competition. If this were law, no doubt the rate of duty would be set to protect the least efficient local producer, thereby enabling the more efficient domestic manufacturers to earn large profits. The efficient foreign producers would be penalized, and, of course, their comparative advantage would be nullified.

10.1.5. Retaliation

Representatives of an industry whose exports have had import restrictions placed on them by another country may request their government to retaliate with similar restrictions. An example of how retaliation begins is the ban by the European Union (EU) on imports of hormone — treated beef from the United States on January 1, 1989.

Because the use of hormones is considered a health hazard in the EU, it closed the market to $100 million worth of beef (12 percent of total U. S. meat exports). American beef producers complained that no scientific evidence supports the claim, and the United States promptly retaliated by putting import duties on about $100 million worth of EU products, including boneless beef and pork, fruit juices, wine coolers, tomatoes, French cheese, and instant coffee. The EU then threatened to ban U. S. imports of honey, canned corn, walnuts, and dried fruit worth $140 million. In reply, the United States announced that it would follow the EU ban with a ban of all European meat. If that had happened, about $500 million in U. S.-EU trade would have been affected.

In late 1989, a joint EU/U. S. hormones task force agreed to "lift retaliation on EU products to the extent that U.S. meat exports to the EU resumed". Two small reductions were made in 1989 on that basis. In 1994, the EU requested in writing that the United States make a further reduction. The American government replied that after examining the trade data, it did not consider an adjustment of retaliation measures to be warranted. The EU raised the issue again during the final GATT negotiations, but the United States was not prepared to give a commitment to reduce the retaliation.

10.1.6. Dumping

Retaliation will also be made for dumping. This is the selling of a product abroad for less than (1) the cost of production, (2) the price in the home market, or (3) the price to third countries.

A foreign manufacturer may take this action because it wishes to sell excess production without disrupting prices in its domestic market, or it may have lowered the export price to force all domestic producers in the importing nation out of business. The exporter expects to raise prices in the market once that objective is accomplished. This is predatory dumping.

In the United States, when a manufacturer believes a foreign producer is dumping a product, it can ask the Office of Investigation in the Department of Commerce to make a preliminary investigation. If Commerce finds that products have been dumped, the case goes to the International Trade Commission (a government agency that provides technical assistance and advice to the president and Congress on matters of international trade and tariffs) to determine

if the imports are injuring U. S. producers. If the commission finds that they are, U. S. Customs is authorized to levy antidumping duties.

Most governments retaliate when dumping injures local industry. The EU, for example, levied dumping duties ranging from 23 to 43 percent on Japanese computer printers when investigators found that they were priced 20 percent lower in the EU than in Japan. In fact, antidumping suits have become the favorite means of manufacturers in the EU, the United States, and increasingly, other nations to protect themselves from less expensive imports. In 1980, only 8 nations had antidumping laws, but now over 40 countries (including the EU as one nation) have them.

Mexico's Cemex is the fourth-largest cement producer in the world. It has bought cement plants in the United States, Spain, and more recently, Venezuela. Cemex cement from Mexico is subject to American antidumping duties imposed by the Bush administration to protect American producers whose costs are 30 percent higher. In spite of the North American Free Trade Agreement and a GATT ruling in favor of Cemex, the Clinton administration continued the duties. However, the company is avoiding the antidumping duties by supplying the United States from its Spanish plants. Cemex increased its sales by 45 percent in the first quarter of 1994 compared with the same period in 1993.

10.1.7. New Types of Dumping

There are at least four new kinds of dumping for which fair-trade lobbies consider sanctions to be justified in order to level the playing field for international trade. In reality, these special interest groups calling for the level playing fields are seeking to raise the production costs of their overseas competitors to protect their local high-cost manufacturers. The classes of dumping are:

1. Social dumping — unfair competition by firms in developing nations that have lower labor costs and poorer working conditions.
2. Environmental dumping — unfair competition caused by a country's lax environmental standards.
3. Financial services dumping — unfair competition caused by a nation's low requirements for bank capital/asset ratios.
4. Cultural dumping — unfair competition caused by cultural barriers aiding local firms.

10.1.8. Subsidies

Another cause of retaliation may be subsidies that a government makes to a domestic firm either to encourage exports or help protect it from imports. Some examples are cash payments, government participation in ownership, low-cost loans to foreign buyers and exporters, and preferential tax treatment. For example, Airbus, the European consortium that produces passenger jet aircraft, has, according to a U. S. Department of Commerce study, received over $13.5 billion in government subsidies, without which the company could not have been established nor survived. Airbus did not make a profit during its first 20 years of operation.

Competitors in importing nations frequently request their governments to impose countervailing duties (Additional import taxes levied on imports that have benefited from export subsidies) to offset the effects of a subsidy. In the United States, when the Department of Commerce receives a petition from an American firm claiming that imports from a particular country are subsidized, it first determines if a subsidy actually was given. If the findings are positive, Commerce proceeds to impose countervailing duties equal to the subsidy's amount. In most cases involving GATT members, another independent government agency, the U. S. International Trade Commission, must determine if the firm has been injured by the subsidy before Commerce assesses the duty.

Other arguments include the use of protection from imports to (1) permit diversification of the domestic economy or (2) improve the balance of trade. Protection from imports generally serves the narrow interests of a special group at the expense of many. Although their application can sometimes buy time for the protected industry to modernize and become more competitive in the world market, a real danger exists that a nations trading partners will retaliate with restrictions causing injury to industries that have received no protection.

10.2. Kinds of Restrictions

Import restrictions are commonly classified as tariff (import duties) and nontariff barriers.

Tariff Barriers	**Non-tariff Barriers**
Import Duties	Quantitative Quotas
Ad valorem	— Tariff-rate quotas

Specific	— Global
Compound	— Discriminatory
Variable levies	— Voluntary export restrains
Official prices	— Orderly marketing arrangements
	Non-quantitative
	Direct government participation in trade
	• Subsidy
	• Buy domestically
	• Import licenses
	• Manipulation of exchange rates
	• Local content
	Customs and other administrative procedures
	• Tariff classifications
	• Documentation requirements
	• Product valuation
	Standards
	• Health, safety, and product quality
	• Packaging and labeling
	• Product testing methods

10.2.1. Tariff Barriers

(Taxes on imported goods for the purpose of raising their price to reduce competition for local producers or stimulate their local production). Tariffs, or import duties, are taxes levied on imported goods primarily for the purpose of raising their selling price in the importing nation's market to reduce competition for domestic producers. A few smaller nations also use them to raise revenue on both imports and exports. Export of commodities such as coffee and copper are commonly taxed in developing nations.

10.2.2. Ad Valorem, Specific, and Compound Duties

Import duties are either (1) ad valorem, (2) specific, or (3) a combination of the two called compound. An ad valorem duty (An import duty levied as a percentage of the invoice value of imported goods) is stated as a percentage of the invoice value. For example, the U. S. tariff schedule states that flavoring extracts and fruit flavors not containing alcohol are subject to a 6 percent ad valorem duty.

Therefore, when a shipment of flavoring extract invoiced at $10,000 arrives in the United States, the importer is required to pay $600 to U. S. Customs before taking possession of the goods. A specific duty (A fixed sum levied on a physical unit of an imported good) is a fixed sum of money charged for a physical unit. A company importing dynamite in cartridges or sticks suitable for blasting would have to pay $.37 per pound, irrespective of the invoice value. When the flavoring extracts and fruit flavors mentioned above contain over 50 percent alcohol by weight, they are charged $.12 per pound plus 3 percent ad valorem. On a $10,000 shipment weighing 5,000 pounds, the importer would have to pay a compound duty (A combination of specific and ad valorem duties) of $900 ($.12 x 5,000 pounds + 0.03 x $10,000 = $600 + $300). Note that a specific duty, unless changed frequently in an inflationary period, soon loses its importance, whereas the amount collected from an ad valorem duty increases as the invoice price rises. Sometimes, however, an exporter may charge prices so much lower than domestic prices that the ad valorem duty fails to close the gap. Some governments set official prices or use variable levies to correct this deficiency.

10.2.3. Official Prices

These prices are included in the customs tariff of some nations and are the basis for ad valorem duty calculations whenever the actual invoice price is lower. The official price guarantees that a certain minimum import duty will be paid irrespective of the actual invoice price. It thwarts a fairly common arrangement that numerous importers living in high-duty nations have with their foreign suppliers whereby a false low invoice is issued to reduce the amount of duty to be paid. The importer sends the difference between the false invoice price and the true price separately.

10.2.4. Variable Levy

One form of variable levy (An import duty set at the difference between world market prices and local government-supported prices), which guarantees that the market price of the import will be the same as that of domestically produced goods, is used by the EU for imported grains. Calculated daily, the duty level is set at the difference between world market prices and the support price for domestic producers.

10.2.5. Lower Duty for More Local Input

Import duties are set by many nations in such a way as to encourage local input. For example, the finished product ready for sale to the consumer may have a 70 percent ad valorem duty. However, if the product is imported in bulk so that it must be packaged in the importing nation, the duty level may be at 30 percent. To encourage some local production, the government may charge only 10 percent duty on the semifinished inputs. These situations can provide opportunities for foreign manufacturers of low-technology products, such as paint articles and toiletries, to get behind a high tariff wall with very modest investments.

10.2.6. Non-tariff Barriers

All forms of discrimination against imports other than import duties. As nations have reduced duties, non-tariff barriers, which are either quantitative or non-quantitative, have assumed greater importance. They include licensing requirements, prior deposits, bureaucratic delays, etc. Constraints on imports such as quotas, product standards, orderly marketing arrangements, customs and administrative procedures, and government participation in trade.

10.2.7. Quantitative Quotas

One type of quantitative barrier are numerical limits for a specific kind of goods that a country will permit to be imported without restriction during a specified period. If the quota is absolute, once the specified amount has been imported, further importation for the rest of the period (usually a year) is prohibited.

China is the biggest clothing supplier of the American market, a market ruled by quotas. And when it comes to evading quotas, China has no equal. For example, China is notorious for overshipping; that is, sending goods after the quota is filled. Because of overshipping, China's quotas are often filled after only six months into the new year.

Another kind of quota evasion — transshipping — is plain fraud. Chinese producers ship finished goods to other countries with unfilled quotas where they are labeled as a product of that country. This deceptive labeling scheme brings $2 billion in illegal clothing imports from China into the United States annually. Gitano, for example, pled guilty to charges of fraud for importing Chinese blouses labeled "Made in the Maldive Islands". The firm was expected to pay $2 million in fines.

Some goods are subject to tariff-rate quotas, which permit a stipulated amount to enter the country duty free or at alow rate, but when that quantity is reached, a much higher duty is charged for subsequent importation. This process is repeated annually.

Quotas are generally global; that is, a total amount is fixed without regard to source. They may also be allocated, in which case the government of the importing nation assigns quantities to specific countries. For example, the United States allocates quotas for specific tonnages of sugar to 25 nations. Because of their nature, allocated quotas are sometimes called discriminatory quotas.

Recently, because of the general agreement among nations against imposing quotas unilaterally, governments have negotiated voluntary export restraints (VERs) — export quotas imposed by the exporting nation — with other countries. Although a VER is a generic term for all bilaterally agreed measures to restrict exports, it has a stricter legal definition in the United States: "an action unilaterally taken to restrict the volume or number of items to be exported during a given period and administered by the exporting country. It is "voluntary" in the sense that the country has a formal right to eliminate or modify it". It is also voluntary in that the exporting nation may prefer its consequences to any trade barriers the importing nation might impose.

To avoid having the United States place quotas on imports of Japanese automobiles, the Japanese government has limited its annual exports to the United States. However, because of the expensive yen, U. S. imports from Japan have dropped considerably. Honda, for example, announced it to cut exports to the U. S. A. by 20 percent in the 1994 fiscal year. A Honda official said that with the exchange rate at 105 yen to the dollar, it made no sense to make cars in Japan and send them to the United States. For every one yen the dollar falls, Honda will lose $62 million in export sales. In 1993, Honda exported 41,000 cars from its American plants, including 23,000 to Japan. It exported 321,000 cars to the United States from Japan.

10.2.8. Orderly Marketing Arrangements

Formal agreements between exporting and importing countries that stipulate the import or export quotas each nation will have for a commodity — are VERs consisting of formal agreements between governments to restrict international competition and preserve some of the national market for local producers. They differ from unilaterally

imposed quotas and other trade barriers in that they result from negotiations between exporting and importing countries. Usually, they stipulate the size of import or export quotas that each nation will have for a particular product. Arrangements that involve industry participation are often called voluntary restraint agreements.

The largest and oldest such arrangement is the Multifiber Arrangement (MFA), which began in 1973 and has subsequently been renewed every four years. The pact included 54 exporting and importing nations. It regulates about 80 percent of the world's textile and clothing exports to the industrialized nations.

In 1986, Japanese computer chip manufacturers slashed prices on a common chip, the DRAM, because of high inventories. The two American producers appealed to the government for help, and an accord was made that fixed minimum prices and established voluntary import quotas. Although the American chip manufacturers increased their profits, the makers of products containing the chips and the consumers who bought those products lost. The Brookings Institution, a famous "think tank", estimates that the DRAM's price rose from $2.50 in 1986 to $10 in 1988 and, as a result, added more than $100 to the price of a $500 personal computer. The arrangement helped American firms, but it benefited Japanese chipmakers much more. Instead of having to cut their prices to compete, they were able to put their monopoly profits into research on higher-technology products where Americans still lead. "What we did was pretty stupid", said a trade analyst at the Institute for International Economics.

In 1991, a new five-year semiconductor accord between Japan and the United States specified that sales of foreign-made semiconductors in Japan should reach at least a 20 percent market share by the end of 1992. Japan finally reached that goal the last quarter of 1992. The United States and other foreign computer chip producers captured a record 21.9 percent of the Japanese market during 1994.

10.2.9. Non-quantitative Non-tariff Barriers

Many international trade specialists claim that the most significant non-tariff barriers are the non-quantitative type. Governments have tended to establish non-tariff barriers to obtain the protection formerly afforded by import duties. A study of the non-quantitative barriers revealed over 800 distinct forms, which may be classified under three major headings: (1) direct government participation in trade, (2) customs and other administrative procedures, and (3) standards.

The most common form of direct government participation is the subsidy. Besides protecting industries through subsidies, as mentioned earlier, nearly all governments subsidize agriculture. The EU, for example, paid European farmers an export refund of $ 150 per ton to get them to sell their wheat in the export markets for the world price of $80 per ton when the government-guaranteed price within the EU was $230. In 1992, the total of EU farm subsidies amounted to $85.4 billion, 47 percent of the total farm output.

Comprehension check

1. Why does international trade occur?
2. What does international trade theory show?
3. Why is every nation in the world surrounded by trade restrictions?
4. What are the arguments for trade restrictions and their rebuttal?
5. Why is the productivity per worker much greater in developed countries?
6. Why may production costs actually be higher in a low-wage nation?
7. What "unfair" advantage might a foreign competitor have?
8. What is retaliation?
9. What is dumping?
10. Why may a foreign manufacturer dump a product?
11. What do most governments do when dumping injures local industry?
12. What are the new types of dumping?
13. What is subsidy?
14. What are the kinds of restrictions?
15. What import restrictions are commonly classified as tariff (import duties)?
16. What are classified as nontariff barriers?
17. Why are import duties set?

Ex. 6. Complete the definitions.

1. Tariff barriers are _____

_____

2. An ad valorem duty is _____

_____

3. A specific duty is _____

_____

4. A compound duty is _____

_____

5. An official price is _____

_____

6. A variable levy is _____

_____

7. Non-tariff barriers are _____

_____

8. Quantitative quotas are _____

_____

9. Orderly marketing arrangements are _____

_____

10. Non-quantitative non-tariff barriers are _____

_____

11. Underground Economy

Many goods and services are bartered in both low-income nations (because people have little cash) and high-income countries (because they wish to reduce reported income and thus pay less income tax).

Transactions of this type are said to be part of the underground economy — the part of a nation's income that, because of unreporting or underreporting, is not measured by official statistics. Much has been written about the part of the national income that is not measured by official statistics because it is either underreported or unreported. Included in this underground (black, parallel, submerged, shadow) economy are undeclared legal production, production of illegal goods and services, and concealed income in kind (barter).

As a rule, the higher the level of taxation and the more onerous the government red tape, the bigger the underground economy will be. They vary widely because of different methodologies used to compile them; also, people who have undeclared income will not likely admit it and be liable to prosecution for tax evasion. But there are many humorous incidents that people tell about others.

In Bonn, a gardener completed a large landscaping job and when asked for a bill replied, "If you want one, it will be DM 1,500 plus 14 percent tax. If you don't need one, just pay me DM 1,400 cash". In Greece, when a patient tried to pay with a check, the physician was reluctant to accept one or to give a receipt, and when he opened his desk drawer, it was crammed with cash. A visitor to an Italian company was talking to the chief executive when his secretary announced the unexpected arrival of a tax inspector. He told her to stall the inspector and then called the company's financial director. A few minutes later, the visitor looked out the window and saw the financial director running across the field with an armload of ledgers.

In addition to reducing the total taxes paid to government, the underground economy is responsible for all kinds of distortions of

economic data. In Italy, for example, there was no record that a single pair of gloves was produced in Naples, yet it is now known that Naples is one of Italy's biggest glove-making centers-the unreported output is produced by small groups of workers in kitchens and garages. The official government statistical agency estimates that the GDP is at least 15 percent greater than the official figure. Italians are proud to say that, because of their underground economy, their per capita income has now overtaken that of the British. The black work in France is believed to be the reason 50 percent of all the cement produced vanishes into thin air as far as official records are concerned. Mexico's underground economy involved 23 percent of the work force in 1990, up from 13 percent in 1986. The value of enterprises working without records and paying no taxes accounted for 10 percent of Mexico's GNP in 1990.

11.1. Currency Conversion

Another problem with GNP estimates is that to compare them, the GNPs in local currency must be converted to a common currency — conventionally the dollar — by using an exchange rate. If the relative values of the two currencies accurately reflected consumer purchasing power, this conversion would be acceptable. However, the World Bank recognizes that "the use of official exchange rates to convert national currency figures to U. S. dollars does not reflect domestic purchasing powers of currencies".

The UN International Comparison Program (ICP) has developed a method of comparing the GNP based on purchasing power parity (PPP) rather than on the international demand for currency (exchange rates). PPP is the number of units of a currency required to buy the same amounts of goods and services in the domestic market as one dollar would buy in the United States. Here is how purchasing power parity rates are calculated.

Suppose Thailand reports to the World Bank that its GNP per capita for last year is 46,370 baht/capita. The Bank must translate this value to U. S. dollars. It uses the current exchange rate of 25.2 baht = $1 to convert 46,370 baht to $1,840 (46,370/25.2). How well does this measure Thailand's welfare? What can a Thai citizen consume with the 46,370 baht as compared with what an American can consume with the $23,240 per capita income of the United States?

Compare local prices in both countries of the same basket of goods:

Goods	Thailand (baht)	U. S.($)
Soap (bar)	15	0.45
Rice (Ib.)	10	0.30
Shoes (pair)	450	60.00
Dress	350	45.00
Socks (pair)	25	2.00
	850	$107.75

850 baht buys in Thailand what $107.75 buys in the United States. Therefore comparing purchasing power of the currencies, 850 baht/ $107.75 = 7.9 baht per $1. Using the exchange rate of 7.9 baht per dollar, Thailand's GNP/capita is now 46,370/7.9 = $5,870. At the official exchange rate of 25.2 baht/$l, Thailand's GNP is $1,840. At the purchasing power parity rate of 7.9 baht/$l, Thailand's GNP is $5,870.

This illustrates that comparisons based on purchasing power parity result in GNP/capita that are considerably higher than those regularly given for developing nations and lower for most developed nations. That is, when considering purchasing power, the differences between the GNPs of developing and developed nations are smaller than those generally published. Note how the smaller buying power of the hryvnia compared to that of the U. S. dollar affects the GNP/capita based on PPP.

Comprehension check

1. Why are many goods and services bartered?
2. What is underground economy?
3. What is the underground economy responsible for?
4. What are the problems with GNP estimates?
5. What is purchasing power parity?
6. How does the buying power of the hryvnia compared to that of the U. S. dollar affect the GNP/capita based on PPP?

12. Why Study International Business?

The answer to this question should be fairly obvious by now. We need to study international business because:

1. Almost all of the large enterprises in the United States, Western Europe, and Japan are multinational in character.

2. Many small and medium-sized firms are also involved internationally. This may take the form of export or import operations, support activities directly related to international trade (e. g., freight forwarders, customs brokers), professional services pertaining to international trade or multinational operations (e. g., accounting/ auditing, banking, legal counsel), and so on. Some of these firms may also be involved in overseas plant investment or licensing arrangements with foreign firms.

3. Competitive environments are typically industry specific, and industries today are very often competitive internationally. Overseas investment, incidentally, is not a requirement for international competitiveness. International trade, or the potential for such, can also link markets.

4. Today, more and more personal investments are being placed internationally. The Japanese are often big buyers of U. S. Treasury Bills; Americans are investing more and more funds in European and Pacific-Basin mutuals. International financial markets are increasingly behaving as a single market. Even retirement investments are often buffeted by events in foreign markets. The Tokyo exchange's downfall sours the mood on Wall Street and may cause London's markets to tumble.

5. Public policy issues often relate to international trade, investment, and finance. Today, any country's economic policies must consider the foreign sector. These policies are directly concerned with structuring business-to government and business-to-business

relationships in ways consistent with national interests.Many domestic public issues and policies also have important spillover effects for international business.

For example, the British manufacturer of Austin-Healey sports cars abandoned exporting to the United States when it felt that it was in no position to meet U. S. auto safety requirements while remaining competitive. What have air quality standards done to the competitiveness of domestic versus imported steel in the U. S. market?

Clearly, international business is important to managers. The Wall Street Journal, Business Week, Forbes, and other business periodicals typically include articles and commentary on global business activities and on the changing global environment affecting business. Academe also recognizes the importance of international business.

To ensure that people study international business, the U. S. business school-accrediting agency, the American Assembly of Collegiate Schools of Business (AACSB), now requires that all bachelor's — and master's-level degree programs include a "worldwide business component". From the student's personal perspective, however, the study of international business should also be important. Many business school graduates are or will be employed by firms engaged in international business. Even more business school graduates are or will be employed by firms in industries characterized by, or at least influenced by, international trade or investment. All business school graduates, as business practitioners, will be influenced by public policies pertinent to national interests and the dynamics of a world economy. Business practitioners have a responsibility to operate in a manner consistent with these policies and to work constructively to influence them."Good citizenship", when viewed in this perspective, means good business tool.

It is necessary to investigate the environments and the institutional and theoretical frameworks within which international business is conducted. It includes international trade and foreign direct investment patterns and theories, the commentary on their relevance to business decisions; international financial markets and how firms dealing in these markets operate; and the more important business/government issues, such as trade and investment barriers (e. g. tariffs, quotas, exchange restrictions), the partial elimination of these barriers.

13. The Strategy of Foreign Direct Investment

As companies continue to seek better strategies for their businesses in different countries, and as governments change their views on foreign direct investment (through elections and other changes of power), the forces shaping FDI decisions shift over time. Since companies are the central decision makers in FDI their views of the investment process are considered first.

Why does a firm undertake foreign direct investment? The most important reason for entering a foreign market is to sell products that the firm already sells successfully in its home country. A reason that has grown in importance as international transportation costs have fallen substantially is to lower production costs by producing in a low-cost country for sales in other countries (often called "offshore assembly" or "foreign sourcing").

The reasons are grouped into supply-side and demand-side categories. While a company may focus on a particular reason as the basis for a given FDI decision, both kinds of factors should be considered when making the decision. Beginning with the supply side, each reason is discussed below.

Supply-side

1. To lower production costs.
2. To lower delivery costs (costs of transportation, insurance, tariffs, etc.).
3. To acquire a necessary raw material.
4. To do offshore assembly.
5. To establish a "portfolio" of production sources.
6. To obtain technology and skills.

Demand Side

1. To explore new markets, and to serve a "portfolio" of markets.
2. Because an export market was closed by a prohibitive tariff or quota.

3. To establish a local presence with service and product availability.
4. To meet “buy national” rules or preferences in the host country.
5. To gain visibility as a “local” firm, employing local people, paying local taxes, etc.

13.1. The Supply Side

13.1.1. Lower Production Costs

On the basis of national comparative advantage, a company may discover that its product can be produced at less cost in the foreign country than at home, because of lower wages, cheaper real estate, or other differences in cost conditions. One strategy is to import the product from the country in which it can be produced more cheaply. Another strategy is to establish operations in the lower-cost country. Such a foreign direct investment may be used to produce and sell in the local, host country market or to export to the home country and elsewhere.

13.1.2. Lower Delivery Costs

The appropriate cost to use in choosing among production locations is delivered cost — so the cost of transporting products to the market should be considered along with the production cost. If the distance is long or tariffs are high between the home and host countries, perhaps local production in the host country will minimize the delivered cost, even if the production costs of the home and host countries are equal or somewhat favorable to the home country. Notice that delivery costs are defined to include both the cost of transportation and regulatory costs such as tariffs.

13.1.3. Acquisition of a Raw Material

If Japanese manufacturers want to obtain a secure source of oil for their plants, they must look offshore to suppliers, since no oil has been found domestically. Rather than contract with other companies for the purchase of oil, the Japanese firms may decide to invest in oil production abroad, through direct investment. Similarly, U. S. aluminum companies have invested in Jamaica and Brazil to mine bauxite for their manufacturing in the United States. Generally, a firm may look at foreign countries not only as targets for the sale of its products but also as potential sources of needed raw materials.

13.1.4. Offshore Assembly or Foreign Sourcing

This category is really a subhead of the first one, focusing on production for sales outside the host country. Like FDI to obtain raw materials, FDI to do offshore assembly is used to gain access to a factor of production, namely labor, that is cheaper or more productive than the home country supply. Many U.S. electronics manufacturers utilize offshore assembly in Taiwan, Singapore, or Hong Kong to assemble their radios, TVs, stereos, calculators, and so on. They produce components in the United States, ship them to the Far East for assembly into final products, and then reexport the products to the United States for sale. Alternatively, a firm may choose to carry out its entire production process in the foreign country, using that site as a source from which to sell to the home country (and elsewhere) — hence the second label, foreign sourcing.

13.1.5. Portfolio of Production Sources

Firms that produce any kind of product or service may discover that it is advantageous to have multiple sources of supply. Having several sources of inputs lessens the danger of problems with any one supplier company or type of material. To reduce the risk of bottlenecks in production or distribution caused by problems that may arise in any one country (e. g., strikes, civil unrest, poor quality), it also makes sense to have suppliers in different countries.

13.1.6. Access to Technology and Skills

When proprietary technology and/or management skills are key competitive advantages in an industry, firms may choose to establish operations in markets where those skills are readily available. Thus, direct investment can be expected to flow to locations where high-tech firms are concentrated and where managerial skills are superior. This investment may be in the form of new subsidiaries set up by the foreign investors or joint ventures that tie foreign firms to local firms.

Comprehension check

1. Why does a firm undertake foreign direct investment?
2. How can a product be produced at less cost in the foreign country than at home?
3. What are the strategies?
4. What should be considered along with the production cost?

5. Does a firm look at foreign countries only as targets for the sale of its products?
6. What is foreign sourcing?
7. Why is it advantageous to have multiple sources of supply?
8. How can a firm get access to technology and skills?

13.2. The Demand Side

13.2.1. New Markets

The most common justification for undertaking FDI is to use local production as a means for establishing new national markets for a product. The firm may choose among FDI, export from the home country, or some other strategy of serving the foreign market (e.g., licensing, franchising, a turnkey venture). If the foreign market appears large enough and local production appears feasible, then FDI can be used to enter the market. Even if the firm already sells one product through exports in the host country, direct investment and local production may be used to sell additional products there.

13.2.2. Restriction of Exports

If a national market is closed by a prohibitive tariff or a quota, direct investment may provide an acceptable alternative. Because we are talking about a limitation on the quantity that can be sold in the foreign market, this is a demand-side constraint, not a price or cost constraint. Even if production in and export from the home country are less costly, a quota or total embargo will limit or eliminate sales through exports. In such situations, foreign direct investment and local production can fill the demand of the foreign market. This clearly was a major factor in attracting Japanese auto firms to set up production in the United States.

13.2.3. Local Presence

Many times, a local production presence will enable a firm to sell greater quantities of its products, because customers have confidence that the firm is accessible for service and additional product supply. A firm that sells only through imports may not provide as good after-sale service or as great availability of additional products. Visibility as a local producer may convince buyers that the firm is seriously committed to the host country market and can be counted on to

deliver contracted orders. Also, local production permits the firm to adapt products more closely to local demand conditions — a flexibility that does not exist for firms that simply export.

13.2.4. "Buy National" Rules

Under certain conditions, most countries, including the United States, restrict purchases by government agencies to local, home country suppliers. The United States requires government agencies to buy from U. S. suppliers if their product quality is acceptable and if their prices are competitive with those of foreign bidders for the same contract. Many other countries simply close contracts to foreign bidders, regardless of quality or availability. To avoid such restrictions a firm may choose to establish a local production presence and thus become a local supplier in the eyes of government buyers.

A constraint similar to the "buy national" rules of governments may exist when local customers maintain a preference for buying from local suppliers, again effectively shutting out non-local producers from the market. (In the 1960s and early 1970s, many U.S.-based multinationals changed their subsidiaries' names in Latin American countries to local-sounding names, in order to avoid the negative connotation of being North American.) Japanese consumers have long demonstrated this preference.

13.2.5. Good Corporate Citizen

Another reason for establishing local manufacture or local provision of services is to gain respectability as a good corporate citizen in the host country by employing local people, paying local taxes, and otherwise participating in the host society. Such respectability may lead to more favorable perception by local buyers, and even to more favorable treatment by the host government. For this reason, sales may be higher through FDI and local production than through exports from the home country. The decisions by Toyota, Nissan, and other Japanese automotive manufacturers to set up plants in the United States in the late 1970s and early 1980s were substantially an effort to present themselves as good corporate citizens in the country (with positive effects on their car sales) — and to avoid having penalizing quotas and other potential barriers placed on their exports from Japan.

13.2.6. Response to Rivals' Threats

If a rival firm enters some national market with local production, a firm may respond by similarly entering that market, to avoid being shut out through tariff or other protection by the host government. A firm would also enter that market to avoid giving its rival an advantage from experience in producing locally. By entering the host market in this way, the firm precludes its rival from building a strong, monopolistic position there, from which the rival could expand into other markets as well.

Each of these bases for deciding to undertake foreign direct investment may be used to justify such a decision, but it should not be the manager's sole justification; in every case, a full analysis is needed to compare direct investment with alternatives for accomplishing the same purpose.

Comprehension check

1. Why can FDI be used?
2. What may FDI provide if a national market is closed by a prohibitive tariff or a quota?
3. What does local production permit the firm?
4. Why do many countries close contracts to foreign bidders, regardless of quality or availability?
5. Why is it important to gain respectability as a good corporate citizen in the host country?
6. How can a firm respond to rivals' threats?

14. Patterns of Foreign Direct Investment

The vast majority of foreign direct investment that has occurred historically has been made in the period since World War II. This is the result of the growth in national markets, coupled with the continued willingness of developed-country governments to permit foreign ownership of local companies. In addition, such investment (and exports) has been facilitated by the tremendous decline in international transportation costs and improvement in transportation availability that have occurred in the postwar period.

After rebuilding their economies from war damage, both German and Japanese firms have shown the most rapid growth in FDI during the postwar period. In fact, both of the traditional powers of the early 20th century, the United States and the United Kingdom, have seen a decline in their shares of global FDI, though firms from both countries continue to invest abroad and their FDI shares still lead those of other countries. (The recent trend has simply been for Japanese and German firms to invest abroad at a greater rate of growth.) Investment flows occur between developed countries, and mostly toward Europe, though the United States has been the largest single target country for FDI in the whole period-and in the 1980s the balance of the flow had shifted toward the United States.

The composition of foreign direct investment across industries has favored a few very large industries. In highly aggregated terms, these industries are manufacturing, raw materials extraction, and trade services.

There has been one major shift in FDI among these categories, namely the relative increase in service sector activity, which includes banking, insurance, hotels, and other services. FDI has been growing over time in every sector for each country, with the perhaps anomalous exception of service sector FDI from Italy. The trend in service sector FDI appears to follow the worldwide increase in white-

collar, office-type employment, and especially the decreasing growth rate of manufacturing relative to services in the industrial countries.

Studies carried out during the past two decades have regularly found that the most important direct investors are large, technology-intensive firms from the main industrial countries. This means that an examination of the world's largest firms in major industries is likely to present a clear view of the main MNEs in those industries as well. In virtually all cases, these firms are also leading direct investors.

The largest direct investors tend to be firms that carry out extractive ventures overseas (for example, oil exploration, copper and bauxite mining) and producers of capital — intensive goods (such as automobiles and chemicals). Also the largest direct investors tend to be large exporters as well. They export machinery, parts, and components to their foreign facilities, as well as filling out product lines with domestically produced and exported products.

Comprehension check

1. When has the vast majority of foreign direct investment occurred?
2. What has the composition of foreign direct investment across industries favored?
3. What are the most important and the largest direct investors?

15. The Foreign Exchange Market

Exchange risk exists whenever the firm's prices and costs cannot be exactly adjusted to offset changes in the exchange rate. There is a group of alternatives that will allow a firm to minimize (or at least reduce) its exchange risk. These alternatives fall into four categories:

1. Risk avoidance. 2. Risk adaptation. 3. Risk transfer. 4. Diversification.

15.1. The Strategy of Risk Avoidance

Exchange risk avoidance is the strategy of trying to escape foreign currency transactions. A purely domestic firm can try to make all of its purchases from local suppliers of locally produced goods and to make all of its sales to local buyers in competition only with other domestic firms. Obviously, this strategy is impractical, if only because all firms are affected by goods priced in foreign currency — automobiles, chemicals, steel, and so on. Also, there are very few industries that do not use imported materials, or export some of their output, or compete with imported products.

15.2. The Strategy of Risk Adaptation

Exchange risk adaptation offers a more realistic alternative for protecting the firm against exchange risk. This strategy includes all methods of "hedging" against exchange-rate changes. In the extreme, exchange risk calls for protecting all liabilities denominated in foreign currency with equal-value, equal-maturity assets denominated in that foreign currency. An illustration can best clarify this point.

Assume that a French firm has contracted to buy SI00.000 of machinery from a foreign supplier for use in its manufacturing operations. The purchase is payable in six months in U. S. dollars. To eliminate foreign exchange risk completely, the firm may do two things. First, it may raise its own prices to customers once the six months pass, in order to equate franc devaluation to price increase. (Note that this

does not involve a foreign currency hedge.) If this option is not available, which is often the case, the firm may look to its other option: obtain some equal-value dollar asset maturing in 180 days. This may be as simple as depositing funds in a dollar-denominated bank account for six months or as arcane as arranging a swap of the dollar liability for some other firm's franc liability. Fairly standard methods of hedging an exposed dollar liability include:

1. Obtaining a dollar-denominated financial asset (e. g., a time deposit or a CD) that matures when the liability comes due.
2. Finding a buyer for your firm's products and agreeing to receive payment in U.S. dollars for the same value and time as the liability.
3. Finding a bank that will contract to buy francs from you and sell you dollars at a price fixed today for exchange when the liability comes due. (This is called a "forward contract".)
4. Agreeing with another (foreign) firm to exchange your dollar liability for that firm's (i.e., its French subsidiary's) franc liability.
5. Contracting for any other equal-value, equal-maturity dollar-denominated asset that will offset the exposed liability.

The firm's goal in choosing among these methods is to minimize the cost of protection against exchange-rate risk.

15.3. The Strategy of Risk Transfer

The third strategy for reducing exchange risk is exchange risk transfer. This strategy involves the use of an insurance contract or guarantee, which transfers the exchange risk to the insurer or guarantor. In many countries, the central bank offers exchange risk guarantees to importers and exporters of some products, according to the bank's policies. Technically, though perhaps not realistically, any firm or government agency could issue a guarantee covering exchange rate changes to a local importer — at a price that would presumably reflect the risk.

15.4. The Strategy of Diversification

The final strategy for reducing exchange risk is currency diversification. That is, a firm can reduce the risk of unexpected local currency devaluation by spreading its assets and liabilities across several currencies (e. g., deutsche marks, Swiss francs, and pounds, in addition to U. S dollars). This strategy simply means: "Don't put all of your eggs in one basket''. Domestically, a firm should deal with

several suppliers and a variety of customers in order to reduce risk through diversification. Internationally, a firm should hold assets (and liabilities) in several currencies in order to reduce the impact of unexpected exchange-rate changes.

The strategy that is probably most useful to the majority of firms is risk adaptation, or hedging. A key point is to recognize that other alternatives may be used in many instances when hedging would be more expensive or otherwise less desirable. Nonetheless, the central problem in exchange risk management is hedging, and corporate treasurers should always be on the lookout for new instruments and techniques.

The foreign exchange market is a central part of international business. That market is really several distinct markets, including spot transactions as well as forward contracts, futures, options, and other instruments that may vary from country to country.

The participants in the foreign exchange market include commercial banks — the most important participants in terms of the value of transactions undertaken — and many other actors in the private and public sectors, such as corporations, individuals, and governments. The main forces determining exchange rates tend to be the large banks that trade billions of dollars worth of currency daily.

Exchange rates are determined by government choice in each country. When, as in most industrialized countries today, the government allows the free market to operate, such economic factors as inflation differentials and interest-rate differentials tend to determine exchange rates. Even so, forecasting exchange rates is a highly uncertain activity, because of the wealth of factors that influence these rates.

Finally, protection against exchange-rate variations is possible through many kinds of hedging strategies. Generally, companies, banks, and individuals want to find foreign currency liabilities to balance against their existing foreign currency assets, and vice versa. The ultimate decision to hedge or not hedge (i. e., speculate) is a matter of policy for the firm; there is no “right” answer.

Comprehension check

1. What are the alternatives that will allow a firm to minimize its exchange risk?
2. How can a firm avoid exchange risk?
3. What does the strategy of risk adaptation include?

4. What do standard methods of hedging an exposed dollar liability include?

5. What does the strategy of risk transfer involve?

6. What strategy means: “Don’t put all of your eggs in one basket’’? Explain why.

7. What does the foreign exchange market include? Who are the participants?

8. How are exchange rates determined?

9. What is the difference between the forward exchange rate and the future spot exchange rate?

10. How do foreign exchange brokers function in the Ukrainian foreign exchange market?

11. How would you hedge the value of your export sale of UaH 10 thousand of heaters to a Norwegian customer? You will be paid in 180 days in crowns. On what basis would you choose among hedging methods?

16. Managing the MNE

Developing a global strategy depends on the importance of strategy and control to competitive advantage, the assignment of strategy to strategic business units (SBUs), and multinational firms' four basic, generic strategies — i. e., broad-line competition, global focus, national focus, and protected niche. The strategy and organization structure, that is, the manner in which firms — at both the MNE and SBU levels — group activities and allocate authority for decision making among different, specified operating units or among levels of management within units.

There is a need to define strategy; the basic nature strategic management process; the kinds of decisions typically taken at the MNE level that impact organization structure significantly; the generic types of strategy and structure combinations employed by firms involved in international business; the evolution of organizational structure within the MNE, and important organizational issues confronting MNEs in an increasingly competitive operating environment.

Strategy involves goal setting and the planning needed to attain goals. It also involves translating plans into programs and monitoring programs to make sure they remain goal directed. Strategy is pertinent to two levels within the enterprise: the corporate level and the strategic business unit (SBU) level.

At the corporate level, two primary considerations in setting strategy are synergy and balance. The different SBUs in the corporate "portfolio" must realize some operational benefit, or synergy, derived from their common corporate parentage. For example, automatic welding technology (including the use of robots) developed for use in Nissan's plants in Japan is also used at the Nissan plant in Tennessee.

Alternatively, or in addition, different SBUs may complement, or balance, one another in terms of cash needs or cash flows. For example, stable and profitable cigarette sales produce substantial revenues for the tobacco operations at RJR Nabisco that provide the financial resources needed to implement the firm's current global product diversification strategy. In this sense, tobacco sales in the United States can be seen as enabling the food products group to expand in Europe or Latin America.

For the corporate level to serve some competitively meaningful role, either synergy or balance must be present. If synergy or balance were not present, the SBU would bear the burden of sustaining the corporate level without receiving any benefit in return. In such circumstances, the corporate structure, serving economic or commercial purpose, would be forced by a competitive marketplace to disintegrate. Strategy at the SBU level is operations driven. It is concerned with competition, technology, production, logistics, marketing, taxes, and so on. Scale economies, learning curve effects, and similar phenomena are especially pertinent. Managers at the SBU levels are more market driven, more concerned with the typical management functions, and are typically responsible for the "bottom line".

16.1. Strategy and Organization Structure of MNE

Strategic management is a process that can be conceptualized in terms of six fundamental steps:

- Formulating the mission statement
- Determining strategic objectives
- Formulating master strategy
- Setting the organization
- Implementing the plan
- Control-Monitoring implementing/Measuring performance.

Formulating the mission statement defines why the organization exists. Business organizations exist to make profits, but typically their mission statements go beyond this purpose and indicate how the firm will pursue profits compared to how other firms might do so. "Flying the friendly skies of United" suggests, for example, that United Airlines wants to compete on the basis of high-quality service. The mission statement thus begins to define the firm.

Determining strategic objectives and formulating the master strategy answer three basic questions: Where are we? Where do we

want to be? How do we get there? These answers, in turn, build on a detailed analysis of the firm's internal strengths and weaknesses and of the external opportunities and threats that confront it. (The literature refers to this as the SWOT analysis.) Consistent with the mission statement and in light of the SWOT analysis, the firm then sets its strategic objectives and its master strategy — the basic blueprint on how to accomplish the strategic objectives.

Setting the organization and implementing the operating plan constitute the implementation phase of the strategic management process. Setting the organization involves organizational structuring. It allocates the tasks that must be done to implement the master strategy, and it defines responsibilities and allocates power within the organization. Implementing the operating plan involves short-term planning, setting operating targets, determining budgets, and so on.

Control, the final step in the strategic management process, consists of monitoring strategy implementation, measuring performance against pre-established standards, and taking corrective action when necessary.

Thus strategy consists of two main parts: formulation and implementation. Formulation is based on SWOT analysis. Implementation requires people, money, organization, and so on — the structure through which strategy operates. Strategy involves setting goals and doing the planning necessary to attain goals. It operates at the corporate and SBU levels. At the former level, the main concerns are synergy and balance; at the latter level, operating effectiveness and efficiency are the main concerns. Structure, at its best, is the institutional embodiment of strategy implementation.

The strategic management process is defined as consisting of six components: formulating the mission statement, determining strategic objectives, formulating the master strategy, setting the organization, implementing the operating plan, and applying a control system. There are various strategic issues pertinent to the MNE. Some of these issues arise because the MNE crosses countries, markets, and cultural boundaries. Such issues are market selection, entry strategy, and ownership strategy. Others arise because the MNE is operating through international markets with characteristics peculiar to themselves, such as the foreign exchange and capital markets. The complexity of operating multinationally presents the MNE with both

a challenge and an opportunity. It makes success difficult, but it also makes success defensible (at least over some intermediate period).

There are three classic strategies or structures. The ethnocentric organization relies on scale economies and learning curve effects to develop and sustain a low-cost competitive strategy. The polycentric organization, on the other hand, lacks opportunities for scale economies and learning curve effects because it has to deal with diverse and distinctive geographically defined markets. This often results in multiple power centers within the MNE and, as time and technology unfold, in resistance to changes that are necessary to meet competitive threats. The geocentric organization is an alternative to both ethnocentrism and polycentrism. It balances market needs favoring distinctive approaches against the firm's multiproduct capabilities and its desire to benefit from scale economies and learning curves. The geocentric organization is typically a matrix organization.

The evolution of the MNE provides an illustrative, and relevant, example of the interplay between strategy and structure. Highlights of this evolution — process included fortuitous exports and the development of an operating — financial dependence on foreign markets. Deliberate exporting followed, means that foreign sales have become an objective in their own right. By this time, an export department is established to facilitate logistics matters. Afterward, in many cases, exporting become more significant and product modifications, special pricing strategies, and the like are developed to enhance foreign sales. The export department then gives way to the international division — a more internally influential unit. Exports are now affecting the bottom line in a substantial way.

As competition expands in both domestic and foreign markets, firms implement several defensive strategies, including product line expansion at home (and later abroad) and direct investment in foreign markets. This latter strategy enables the MNE to produce within tariff walls and to eliminate heavy shipping costs. Moreover, it allows product modification — the fine-tuning of product specifications to the incomes, tastes, and use conditions peculiar to the foreign market. Drastic organizational change accompanies foreign direct investment. Within the MNE, not only are marketing and logistics changed, but production, engineering, personnel, accounting, finance, and so on, are redefined to include multinational operations. Initially, the

geographic definition of operations gives rise to geographically defined organizational structures.

As the mature multinational evolves, as product lines expand overseas (in the same way that they expand domestically), and as competitive conditions become increasingly difficult, many firms move to the global matrix structure — a team — based approach to blending company capabilities with market opportunities.

MNEs are developing more complex, informal internal control and coordination mechanisms in the face of increasing competition and other factors. Joint ventures are typically formed for strategic reasons, and that offer distinctive challenges to the owners in terms of organizational fit and coordination.

Despite legal uncertainties, it is to the credit of international business that, with the exception of the recession years world trade grows each year, most international contracts are performed fairly satisfactorily. Historically, trade contracts deal mostly with merchandise trade, but in recent years, trade in services has grown rapidly, and of course, it is the subject of international contracts.

Comprehension check

Topics for discussion

1. Of what relevance to strategy are synergy and balance? Can you give examples of synergy in MNEs? Of balance? If neither synergy nor ballance were present in a particular MNE, could the corporate level be justified? Could it be sustained?
2. What are the six components of the strategic management process? Why are they important?
3. What is the driving force behind the ethnocentric organization?
4. Give examples of companies that behave ethnocentrically.
5. What is the driving force behind the polycentric organization?
6. Give the theoretical argument behind the statement that global profit maximization is most likely to occur in the polycentric organization.

16.2. Accounting

Accounting and tax matters are typically seen as administrative concerns. Financial reporting requires adherence to a set of prescribed procedures and standards. Tax laws mandate a certain type of record-keeping and reporting and the payment of taxes to the appropriate

authorities. For the purely domestic firm, accounting and tax matters do not usually result in competitive advantages — although every manager certainly wants to keep as much profit as possible by minimizing taxes.

Because accounting systems deal with numbers, they are perceived as being precise. And in the sense that they report specific numerical measurements, they are precise. But the purpose of an accounting system is to convey information — and measurement of activity in monetary terms is simply the mechanism used to achieve this purpose. What is to be measured, how it is to be measured, and how often it is to be measured are important questions that an accounting system must address. Answering them involves people and judgments. An accounting system is thus a contrived system. Its objectives, rules, and methods are established by people with needs that they hope the system will fulfill. It is, in brief, place specific.

Theory, practice, and social, political, and economic conditions come together to determine an accounting system. There have been identified 15 such conditions, some of which follow.

1. Type of Economy Involved. Inventory methods, audit functions, and cost accounting techniques are affected by whether the economy involved is agrarian, extractive, or industrialized.

2. Legal System. Code law countries favor codification of accounting principles and procedures; common law countries are typified by private, professional organizations that establish accounting policies.

3. Political System. In centrally controlled economies, profit and the private ownership of fixed assets and land may not even exist. Political systems are also known to have exported accounting practices, as in the British Commonwealth countries and in former Dutch and French possessions.

4. Social Climate. Concepts of public disclosure and social responsibility have had considerable influence on accounting practices in the United States; in Switzerland, which requires substantially less public disclosure than the United States, the influence of such concepts is far smaller. In some Latin countries, accounting is equated with bookkeeping and seen as socially unimportant.

5. General Levels of Education and Facilitating Processes. People need to know mathematics if the quantitative information in an accounting system is to be used effectively. Computerization requires the presence of electronic data processing installations.

As expected, accounting practices are found to vary country by country. For example, disclosure of the cost of sales is a reporting requirement in Brazil and the United States, a minority practice in the United Kingdom, seldom found in Sweden, and not permitted in Germany. (Periodic report? published by major accounting firms and available in most university libraries present highlights of accounting practices in selected countries.)

Accounting for international transactions have some peculiarities. Firms active in international business often deal in foreign currencies. Exports and imports, for example, may well be denominated in foreign currency and entail trade credit of 30, 60, or 90 days or longer. Dividends paid by a foreign subsidiary are denominated in the home currency of that subsidiary and are usually declared weeks prior to actual payment. Debt denominated in foreign currency entails predictable servicing requirements that involve purchasing foreign currency for delivery at some known future date. Such international transactions have to be reflected in the company's accounting records. The alternatives involved may be: immediate payment and trade credit.

Complete the sentences and translate them into Ukrainian.

1. Developing a global strategy depends on. .....
2. There is a need to define .....
3. The strategy involves .....
4. The six fundamental steps in strategic management are .....
5. The three basic questions are .....
6. Setting the organization involves .....
7. Control consists of .....
8. The issues pertinent to the MNE are .....
9. Accounting and tax matters are .....
10. Financial reporting requires. .....
11. Tax laws mandate .....
12. Every manager wants .....
13. The purpose of accounting system is. .....
14. An accounting system is determined by .....
15. Accounting practices are .....
16. Accounting for international transactions .....
17. Firms active in international business often. .....
18. Debt denominated in foreign currency entails .....

17. Technology and the MNE

The technology of a society is the mix of the usable knowledge that the society applies and directs toward the attainment of cultural and economic objectives. It also exists in some form in every cultural organization.

Technologies are sometimes separate from the mainstream of the firm's production and sales activities. However, the firm supports them in order to maintain an active presence in R&D. One means to develop technology is skunk works. By remaining small, the skunk works allow the project teams to function more or less as entrepreneurs, though with potential substantial backing from the corporation in the event of a promising development. Because the skunk works generally focus on clearly defined new products or processes, they can be viewed as incremental builders on existing technology.

Another means of utilizing a technological advantage is through a strategic alliance such as a coproduction agreement, joint research project, or turnkey venture. Both Westinghouse Electric Company (USA) and Siemens, A.G. (Germany) possess advanced technology in factory automation; they formed a joint production agreement in 1988 to manufacture more than 20 such products, including robots. This strategic alliance is intended to give each company greater access to the other's home market, while leaving both free to compete in other product areas.

Joint research projects have proliferated in the computer industry in recent years, as firms increasingly choose to pool R&D resources to reduce the in-house cost of designing new memory chips, processor chips, and other equipment. IBM, AT&T, and MIT have formed a research consortium to explore the field of high-temperature superconductivity, for example. Turnkey ventures are less frequent,

though they similarly leverage the technology of the possessor firm by contracting with an outside supplier of some other key ingredient to the business. The example of Exxon's coal project in Colombia illustrates a venture in which Exxon supplies the technology and international marketing of the coal, while Colombia provides access to the natural resources, manpower for local facilities, and an agreement to take over the entire project in 30 years.

All of these strategic alliances enable a firm that possesses technology to enjoy some benefit from, while allowing the partner access to, that technology in exchange for some key input such as funding, additional technology, market access, etc. The crucial consideration in such alliances is to avoid jeopardizing the firm's competitive advantages through sharing the technology. If the partner gains enough from the joint project, that firm may in the future become a competitor against the original partner, unless the technology is protected adequately.

17.1. Control of Proprietary Technology

The use of advanced technology is a competitive advantage in international business. An important aspect of this advantage is its ability to be dissipated, that is, to be acquired by other firms and thus reduced in value to the original possessor. The problem is the protection of proprietary technology.

Whether the knowledge in question is production or management technology, there is a potential for rival firms to copy it. In some cases, the rival firm may assimilate the technology by simply looking at the innovation. In other cases, the technology may be complex or difficult to transfer, so the rival firm needs to spend substantial money to obtain it. In any case, the technology can be dissipated and the competitive advantage lost. A protection method is needed.

Once again, the appropriate strategy depends on the type of technology. If the knowledge possessed by the firm is a manufacturing process that produces a new product, that process and the product can be protected with a patent in most countries. If the knowledge is embodied in a book or manual that can be sold, then a copyright will protect the document against copying, though knowledge itself will need patent protection as well. If the knowledge is embodied in the product, and it implies a high standard of quality or service, then often a trademark can be obtained for protection.

Three of the legal devices that protect proprietary technology are defined below.

"A technical trademark is a distinctive mark, word, design, or picture which is affixed to goods so that purchasers may identify their general sight. A trademark must be fanciful, arbitrary, unique, and non-descriptive".Trademarks and trade names are designs and names, often officially registered by which merchants or manufacturers designate and differentiate their products.

A copyright protects literary, musical, dramatic, pictorial, audiovisual works, but it is only the form of the work that is protected rather than ideas, concepts, or methods of operation. The copyright holder is given exclusive right to reproduce, perform, or display the work, subject known as "fair use". The life of a copyright under U.S. law is 50 years beyond the death of the last surviving author. Copyrights are exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and dispose of their works.

Patent law represents a balancing of society's interest in promoting free competition against its interest in encouraging innovation by rewarding inventors with temporary monopoly rights. A patent may be granted to any person on any new and useful invention of (1) a process, (2) a machine, (3) a product, (4) a composition of matter, (5) a new and useful improvement of a prior patented invention, (6) a growing plant, or (7) a design. Briefly speaking, a patent is a government grant giving the inventor of a product or process the exclusive right to manufacture, exploit, use, and sell that invention or process.

The trademark, copyright, and patent laws offer protection to innovating firms if their technology fits into one of the categories stated above. They do not protect all kinds of innovation, and in different countries the rules and enforcement vary widely even for technology of these three types.

Other methods for protecting technology include hiding it from competitors. This strategy works especially well when the key aspect of the technology is simple to understand but embodied in the product in a complex manner. Then, unless competitors can obtain the "formula" for using the technology, the proprietor can preserve its advantage. Another method is to require employees developing new products to sign an agreement prohibiting their use of the new technology outside the firm, so that they cannot leave the proprietor

firm and use their knowledge of the new technology to compete against it.

Yet another method for protecting technology is simply to exploit it quickly, gain a large market share where it is used, and thereby discourage market entry by other firms. This strategy enables the firm to move quickly along the experience curve, lowering costs and creating a larger entry barrier as the time passes.

Patents, trademarks, trade names, copyrights, and trade secrets are intellectual properties.

Trade secrets are any information that a business wishes to hold confidential. All are referred to as intellectual properties. Trade secrets can be of great value, but each country deals with and protects them in its own fashion. The duration of protection differs, as do the products that may or may not be protected. Some countries permit the production process to be protected but not the product. Therefore, international companies must study and comply with the laws of each country where they might want to manufacture, create, or sell products.

In the field of patents, some degree of standardization is provided by the International Convention for the Protection of Industrial Property, sometimes referred to as the Paris Union. Some 90 countries, including the major industrial nations, have adhered to this convention.

Most Latin American nations and the United States are members of the Inter-American Convention. The protection it provides is similar to that afforded by the Paris Union.

A major step toward the harmonization of patent treatment is the European Patent Organization (EPO). Members are the EU countries and Switzerland. Through EPO, an applicant for a patent needs file only one application in English, French, or German to be granted patent protection in member-countries. Prior to EPO, an applicant had to file in each country in the language of that country. The World Intellectual Property Organization (WIPO) is a UN agency that administers 16 international intellectual property treaties. It is an open question whether WIPO will work with or compete with a new organization created in the Uruguay GATT negotiations, which is called TRIPS for “trade -related aspects of intellectual property”. TRIPS will operate under the aegis or the World Trade Organization.

WIPO’s activities are increasing. Patent Cooperation Treaty, enables investors to apply for registration in several countries with a single

application. WIPO advises developing countries on such matters as running patent offices or drafting intellectual property legislation. Interest in LDCs about intellectual property matters has been growing.

At the UN, representatives of the developing nations have been mounting attacks on the exclusivity and length of patent protection. They want to shorten the protection periods from the current 15 to 20 years down to 5 years or even 30 months. But companies in industrialized countries that are responsible for the new technology eligible for patents are resisting the changes. They point out that the only incentives they have to spend the huge amounts required to develop the technology are periods of patent protection long enough to recoup their costs and make profits.

Trademark protection varies from country to country, as does its duration, which may last from 10 to 20 years. Such protection is covered by the Madrid Agreement of 1891 for most of the world, though there is also the General American Convention for Trademark and Commercial Protection for the Western Hemisphere. In addition, protection may be provided on a bilateral basis in friendship, commerce, and navigation treaties.

An important step in harmonizing the rules on trademarks was taken in 1988 when regulations for a European Union trademark were drafted. A single European Trademark Office is to be responsible for the recognition and protection of proprietary marks in all EU countries, including trademark belonging to companies based in non-EU member-countries.

Trade names are protected in all countries adhering to the Industrial Property Convention, which was mentioned above in connection with patents. Goods bearing illegal trademarks or trade names or false statements on their origin are subject to seizure at importation into these countries.

Copyrights get protection under the Berne Convention of 1886, which is adhered to by 55 countries, and the Universal Copyright Convention of 1954, which has been adopted by some 50 countries. The United States did not ratify the Berne Convention until 1988, by which time it was driven to do so by the need for greater protection against pirating of computer software.

Trade secrets are protected by laws in most nations. Employers everywhere use employee secrecy agreements, which in some countries are rigorously enforced.

17.2. Industrial Espionage

Industrial espionage among companies that develop and use high technology is not unusual, but 1983 saw the end of an extraordinary example of corporate warfare between two of the world's mightiest and most technologically advanced corporations. Hitachi tried to obtain trade secrets of IBM, and in June 1982, two Hitachi employees were arrested by the FBI. IBM and the FBI had cooperated in what Fortune called "a superbly executed sting". In February 1983, Hitachi and two of its employees pleaded guilty to an indictment of conspiring to transport stolen IBM property from the United States to Japan.

Malaysia and Thailand have accused other Japanese companies, including Mitsubishi, of being too slow to transfer intellectual properties and technology to them.But aJapanese diplomat in Bangkok says that is a myth. More telling is this Japanese businessman's perspective: "The Thais think they can sit behind their desks and the technology will fall on them from the sky. If they want the technology, they should have the guts to do what we did, which is to go out and steal it".

17.3. Problems of Protecting

Despite the methods of protection discussed above, there are still many situations in which adequate protection may not be available. For example, the Four Tigers of Asia (China, South Korea, Singapore, and Taiwan) are notorious for producing imitations of branded, patented, copyrighted, and otherwise protected products. From computers to videodiscs, from audio cassettes to textbooks, a huge market exists in every country, particularly since interpretation of the law is required to judge whether an imitation is legal or not.

A problem that often thwarts the firm's efforts to protect its technology is industrial espionage. This method of obtaining technology from the possessor firm is also illegal, and it also occurs frequently. In a highly publicized case, IBM successfully sued Hitachi Corporation for stealing company documents containing proprietary information about a new mainframe computer introduced in 1981. A scientist who had left his employment at IBM enabled Hitachi to obtain extensive documentation about the computer, thus placing Hitachi in a substantially better competitive position. While the espionage was detected and prosecuted in this case, much undetected espionage undoubtedly takes place.

A problem with which multinational firms in particular have to deal is the difference in rules on technology use and technology transfer in different countries. Less developed countries often afford foreign MNEs less protection on their technology than is afforded by industrialized countries. The Andean Pact countries in Latin America, for example, do not allow patents for many proprietary products brought in by MNEs, and these countries do not allow local subsidiaries to pay royalties to parent companies for the use of technology.

A problem for firms involved with joint ventures or other contractual links with other firms is the difficulty of constraining partners to apply shared knowledge only to the application under contract. In this type of situation, the firm supplying its technology to a joint project often finds that the partner is able to appropriate the technology for uses that the supplier cannot control or profit from. Thus, some of the value of the technology is lost to the supplier firm.

A final problem related to the protection of proprietary technology is the mobility of employees. Even if a firm successfully uses patents and copyrights on its technology, its competitive advantage may be lost if key employees (such as the scientists or managers who introduced the technology) leave the firm to work elsewhere. Since these people cannot leave their brains behind when they leave one company to join another, a tremendous amount of technology transfer takes place at relatively low cost through job mobility.

Answer the questions.

1. What is technology?
2. Why do firms support technologies?
3. What do skunk works allow to do?
4. What is one of the means to utilize a technological advantage?
5. Why have joint research project proliferated in the computer industry?
6. How can turnkey ventures leverage the technology of the possessor?
7. What do all strategic alliances enable a firm to do?
8. What may happen it the partner gains enough from the joint project?
9. Why is it necessary to protect proprietary technology?
10. What are the legal devices to protect proprietary technology?

11. What is trademark?
12. What can copyright protect?
13. What does patent law represent?
14. When can you protect technology by hiding it?
15. How can employees be prohibited from using the new technology outside the firm?
16. What strategy enables a firm to move quickly along the experience curve, lowering costs and creating a larger entry barrier?
17. What are trade secrets? How do countries deal with and protect them?
18. What organization provides protection?
19. What are the protection periods? Are there any attempts to shorten the protection periods?
20. Is industrial espionage among companies unusual?
21. What happened in 1983?
22. What are the problems of protecting proprietary technologies?

Comprehension check

Ex. 7. Choose the best alternative to complete each sentence.

1. The company took out an ..... to prevent the newspaper from publishing the story.
a) incentive b) injunction c) inducement d) induction
2. Every business must operate within the legal ..... of the country.
a) pattern b) standard c) framework d) requirement
3. They have changed the wording on the packing to ..... the new regulations.
a) comply with b) come to c) call up d) take up
4. An employer is not allowed to discriminate ..... an employee because of race or colour.
a) for b) between c) with d) against
5. You realise that you will be ..... for any debts incurred if you sign this agreement.
a) likely b) apt c) liable d) bound
6. If you fail to deliver on time you will be in ..... of contract.
a) break b) failure c) fault d) breach
7. The company threatened to ..... the newspaper for libel unless an immediate apology was published.
a) court b) sue c) subject d) slander

8. Until you can prove you have a legal ..... to the property, we are not prepared to do business with you.

a) claim b) responsibility c) action d) status

9. As this is the first case of its kind it really depends on how the court ..... the law.

a) interprets b) translates c) explains d) performs

10. They proved that the accident was the result of his .....

a) negligent b) responsibility c) negligence d) competence

11. They paid £1 million in ..... because of those faulty components.

a) damage b) compensation c) harm d) errors

12. We can't use that name because it's a registered .....

a) trademark b) patent c) logo d) copyright

13. I think we should ..... our lawyers before signing any agreement.

a) confirm b) contract c) consign d) consult

14. The new law will strengthen ..... against unfair dismissal.

a) safeguards b) prevention c) grants d) avoidance

15. Litigation is on the ..... as consumers become more conscious of their rights.

a) surge b) escalation c) development d) rise

18. Sociocultural Forces

18.1. Six Rules of Thumb for Doing Business in Another Culture

Knowing your customer is just as important anywhere in the world as it is at home, whether aiming to sell computers in Abidjan or soft drinks in Kuala Lumpur. Each culture has its logic, and within that logic are real, sensible reasons for the way foreigners do things. If the salesperson can figure out the basic pattern of the culture, he or she will be more effective interacting with foreign clients and colleagues. The following six rules of thumb are helpful.

1) Be prepared. Whether traveling abroad or selling from home, no one should approach a foreign market without doing his or her homework. A mentor is most desirable, complemented with endless reading on social and business etiquette, history and folklore, current affairs (including current relations between your two countries), the culture's values, geography, sources of pride (artists, musicians, sports), religion, political structure, and practical matters such as currency and hours of business. An exporter who trades primarily in Indonesia, says, "Whenever I travel, the first thing I do in any town is read the newspaper. Then when I meet my customer, I can talk about the sports or the news of the day. He knows that I am interested in the things he is interested in, and he will want to do business with me".

2) Slow down. Americans are clock-watchers. Time is money. In many countries, they are seen to be in a rush, in other words, unfriendly, arrogant, and untrustworthy. Almost everywhere, one must learn to wait patiently.

3) Establish trust.Often American-style crisp business relationships will get the sales representative nowhere. Product quality, pricing, and clear contracts are not as important as the personal relationship and

trust that is developed carefully and sincerely over time. The marketer must be established as sympathetic, worthy of the business, and dependable in the long run.

4) Understand importance of language. Obviously, copy must be translated by a professional who speaks both languages fluently, with a vocabulary sensitive to nuance and connotation, as well as talent with idioms and imagery in each culture. An interpreter is often critical and may be helpful even where one of the parties speaks the other's language.

5) Respect the culture. Manners are important. The travelling sales representative is a guest in the country and must respect the hosts' rules. As a Saudi Arabian official states in one of the Going International films, "Americans in foreign countries have a tendency to treat the natives as foreigners and they forget that actually it is they who are the foreigners themselves!"

6) Understand components of culture. A region is a sort of cultural iceberg with two components: surface culture (fads, styles, food, etc.) and deep culture (attitudes, beliefs, values). Less than 15 percent of a region's culture is visible, and strangers to the culture must look below the surface. Consider the British habit of automatically lining up on the sidewalk when waiting for a bus. This surface cultural trait results from the deep cultural desire to lead neat and controlled lives.

18.2. Attitudes and Beliefs

Every culture has a set of attitudes and beliefs that influence nearly all aspects of human behavior and help bring order to a society and its individuals. The more managers can learn about certain key attitudes, the better prepared they will be to understand why people behave as they do, especially when their reactions differ from those that the managers have learned to expect in dealing with their own people.

Among the wide variety of subjects covered by attitudes and beliefs, some are of prime importance to the businessperson. These include attitudes toward time, toward achievement and work, and toward change.

Attitudes toward time. This cultural characteristic probably presents more adaptation problems for Americans overseas than any other.Time is important in the United States, and much emphasis is placed on it.

If the Americans must wait past the appointed hour to see an individual, they feel insulted. This person is not giving their meeting the importance it deserves. Yet the wait could mean just the opposite elsewhere. Latin American or Middle Eastern executives may be taking care of the minor details of their business so that they can attend their important visitor without interruption.

An American who has worked in the Middle East for 20 years explains the Middle Eastern concept of time this way: "A lot of the misunderstandings between Middle Easterners and foreigners are due to their different concepts of time and space. At worst, there is no concept at all of time in the Middle East. At best, there is a sort of open-ended concept". The head of Egypt's Industrial Design Center, an Egyptian, states. The simple wristwatch is, in some respects, much too sophisticated instrument for the Middle East. One of the first things a foreigner should learn in Egypt is to ignore the second hand. The minute hand can also be an obstacle if he/she expects Egyptians to be as conscious as he/she of time ticking away.

Probably even more critical than short-term patience is long-term patience. American preoccupation with monthly profit and loss statements is a formidable barrier to the establishment of successful business relationships.

18.3. Economic Motivation

In these times of rising expectations, economic motives can be a strong influence for accepting change. Thus, if factory workers can be shown that their income will increase with a new machine or housewives can be convinced that a new frozen food will enable them to work and still provide satisfactory meals for their families, they can be persuaded by the gain in their economic welfare to accept ideas that they might otherwise oppose.

1. Why is it important to know your customer?
2. What are the six rules for doing business in another country?
3. What should you be prepared for?
4. What must one learn almost everywhere?
5. How is it possible to establish trust?
6. Do you have to speak a foreign language or you need to hire an interpreter?

7. Which rule does a saying “When in Rome, do as the Romans do” refer to?

8. What influences nearly all aspects of human behavior?

9. Can economic motives be a strong influence for accepting change? Why?

19. Religion and Work Ethics

Religion, an important component of culture, is responsible for many of the attitudes and beliefs affecting human behavior. Knowledge of the basic tenets of some of the more popular religions will contribute to a better understanding of why people's attitudes vary so greatly from country to country.

The marked differences in the attitudes toward work and achievement have already been mentioned. Europeans and Americans generally view work as a moral virtue and look unfavorably on the idle. This view stems in part from the Protestant work ethic as expressed by Luther and Calvin, who believed it was the duty of Christians to glorify God by hard work and the practice of thrift.

In Asian countries where Confucianism is strong, this same attitude toward work is called the Confucian work ethic, and in Japan, it's called the Shinto work ethic after the principal religion of that nation. Interestingly, because of other factors — such as a growing feeling of prosperity and a shift to a five-day workweek (with two days off, workers develop new interests) — Japanese employers are finding that younger workers no longer have the same dedication to their jobs that their predecessors had. Workers rarely show up early to warm the oil in their machines before their shifts start, and some management trainees are actually taking all of their 15 days' vacation time. A representative of the Employers Association states, "Our universities are leisure centers." A recent college graduate claims, "Students ski in winter and play tennis in summer. What the companies sometimes find out is that some new employees like skiing better than working".

Asian Religions. People from the Western world will encounter some very different notions about God, man, and reality in Asian religions. In the Judeo-Christian tradition, this world is real and significant because it was created by God. Human beings are likewise

significant; so is time, because it began with God's creation and will end when His will has been fulfilled. Each human being has only one lifetime to heed God's word and achieve everlasting life.

In Asian religions, especially in the religions of India, the ideas of reality are different. There is a notion that this world is an illusion because nothing is permanent. Time is cyclical, so all living things, including humans, are in a constant process of birth, death, and reincarnation. The goal of salvation is to escape from the cycle and move into a state of eternal bliss (nirvana). The notion of karma (moral retribution) holds that evil committed in one lifetime will be punished in the next. Thus, karma is a powerful impetus to do good so as to achieve a higher spiritual status in the next life. Asians who hold these views cannot imagine that they have not had past lives when they may have been plants, animals, or human beings. Of the seven best-known religions that originated in Asia, four came from India (Hinduism, Buddhism, Jainism, and Sikhism), two from China (Confucianism and Taoism), and one from Japan (Shintoism).

Hinduism. This is a conglomeration of religions, without a single founder or a central authority, which is practiced by more than 80 percent of Indian population. Although there is great diversity among regions and social classes Hinduism has certain characteristic features. Most Hindus believe that even thing in the world is subject to an eternal process of death and rebirth (samsura) and that individual souls (atmans) migrate from one body to another. They believe one can be liberated from the samsura cycle and achieve that state of eternal bliss (nirvana) by (1) yoga (purification of mind and body), (2) devout worship of the gods, or (3) good works and obedience to the laws and customs (dharmas) of one's caste.

A knowledge of the caste system is important to managers because the castes are the basis of the social division of labor. The highest caste, the Brahmins or priesthood, is followed by the warriors (politicians, landowners), the merchants, the peasants, and the untouchables. An individual's position in a caste is inherited, as is that person's job within the caste, and movement to a higher caste can be made only in subsequent lives. Although the government of India has officially outlawed discrimination based on the caste system, and in fact has worked to improve the situation of those in the lower castes, such discrimination still exists. The manager who places a member of a lower caste in charge of a group of people from a higher one does so at a considerable risk of employee dissatisfaction.

Buddhism. This religion began in India as a reform movement of Hinduism. At the age of 29, Prince Gautama rejected his wife, son, and wealth and set out to solve the mysteries of misery, old age, and death. After six years of experimenting with yoga, which brought no enlightenment, he suddenly understood how to break the laws of karma and the endless cycle of rebirth (samsura). Gautama emerged as the Buddha (the Enlightened One).

He renounced the austere self-discipline of the Hindus as well as the extremes of self-indulgence, both of which depended on a craving that locked people into the endless cycle of rebirth. Gautama taught that by extinguishing desire, his followers could attain enlightenment and escape the cycle of existence into nirvana. By opening his teaching to everyone, he opposed the caste system.

Because Buddhist monks are involved in politics in the areas where their religion is prevalent and because they are a mobilizing force for political and social action, managers working in these areas need to be aware of what these religious leaders are doing.

A Buddhist teaching is that if people have no desires, they will not suffer. This is important to marketers and production managers because if Buddhists and Hindus have no desires, they have little motive for achievement and for the acquisition of material goods.

Jainism. This religion was founded by Mahavira, a contemporary of Buddha. The Jain doctrine teaches that there is no creator, no god, and no absolute principle. Through right faith, correct conduct, and right knowledge of the soul, Jains can purify themselves, become free of samsura, and achieve nirvana. Although relatively few in number, Jains are influential leaders in commerce and scholarship. Their greatest impact on Indian culture is manifested in the widespread acceptance of their nonviolence doctrine, which prohibits animal slaughter, war, and even violent thoughts.

Sikhism. This is the religion of an Indian ethnic group, a military brotherhood (baptism into the Sikh brotherhood requires all members to take Singh as a second name) and a political movement that was founded by Nanek, who sought a bridge between Hinduism and Islam. Sikhs believe there is a single god, but they also accept the Hindu concepts of samsura, karma, and spiritual liberation. The Sikh's holiest temple was partly destroyed by Indian troops who suppressed their movement for self-government. More than 80 percent of all Sikhs live in the Indian state of Punjab, which thzey hope to make an autonomous state.

Confucianism. The name of Confucius is inseparable from Chinese culture and civilization, which were already well developed when he set out to master ancient traditions and transform them into a rational system capable of guiding his people's personal and social behavior. Confucianism may be considered a religion inasmuch as Confucius built a philosophy on the notion that all reality is subject to an eternal mandate from heaven; however, he refused to speculate on the existence of Chinese folk deities and was agnostic on the question of life after death.

Confucius taught that each person bears within himself the principle of unselfish love for others, and the cultivation of which is its own reward. A second principle prescribes a gentle decorum in all actions and accounts for the Chinese emphasis on politeness, deference to elders, and ritual courtesies such as bowing.

Taoism. This is a mystical philosophy founded by Lao-tzu, a contemporary of Confucius. Taoism, which means "philosophy of the way", holds that each of us mirrors the same forces, the male and the female energies (yin and yang) that govern the cosmos. The aim of Taoist meditation and rituals is to free the self from distractions and become empty so as to allow the cosmic forces to act.

Fung Shui. This ancient custom, with roots in Taoism and nature worship is based on a simple concept. If buildings, furniture, roads, and other man-made objects are placed in harmony with nature, they can bring good fortune. If not, they will cause a disaster. Although the Chinese government discourages fung shui in China, Chinese people around the world practice it, and foreigners living in cities such as Hong Kong and Singapore frequently find fung shui can impact their lives.

Shortly after arriving in Hong Kong, a Citibank vice president moved to a new office building. To please his staff, he called a fung shui man to analyze the omens of the office. The man examined the office with a compasslike instrument and then gave the vice president the bad news. He would be harmed seriously unless he installed an aquarium with six black fish and put his desk in an inconvenient spot near his office door. The executive ignored the warnings and within days developed a back problem, caused — he thought — by stretching exercises. A physician found two discs had slipped and said the vice president would be paralyzed for life if he didn't spend two weeks in traction. While he was in the hospital, his secretary installed the fish

tank and rearranged the furniture. Today, he sits by the door, near the fish. He says his health is better than ever, and he is frightened of fung shui.

Shintoism. This is the indigenous religion of Japan. It has no founder or bible. Shinto legends define the founding of the Japanese empire as a cosmic act, and the emperor was believed to have divine status. As a part of the World II settlement, the emperor was forced to renounce such a claim. Shintoism has no elaborate theology or even an organized weekly worship. Its followers come to the thousands of Shinto shrines when they feel moved to do so.

Islam. About 950 million followers make this youngest universal faith the second largest after Christianity (which has 1.8 billion adherents). Islam means "to submit" in Arabic; and Muslim, meaning "submitting", is the present participle of the same verb. This faith accepts as God's eternal word the Koran, a collection of Allah's (God's) revelations to Muhammad, the founder of Islam. Unlike the founders of the other major religions, the prophet Muhammad was not only the spokesman of Allah but also the founder of what became a vast temporal and ecclesiastical empire; in other words, he was a head of state as well as a prophet of God. In Muslim nations, there is no separation of church and state.

The basic spiritual duties of all Muslims consist of the five pillars of faith: (1) accepting the confession of faith ("There is no God but God, and Muhammad is the Messenger of God"); (2) making the five daily prayers while facing Mecca Muhammad's birthplace, where he was inspired to preach God's word in the year a. d. 610); (3) giving charity; (4) fasting during the daylight hours of Ramadan, a 29- or 30-day month in Islam's lunar calendar; and (5) making a pilgrimage to Mecca at least once in their lifetime. Some Muslims claim there is a sixth duty, jihad, which refers to the various forms of striving for the faith, such as the inner struggle for purification. However, this term is often translated as "the holy war".

The split that occurred between the Sunnis and the Shiites over the succession to Muhammad's authority is as important as the division that took place in Christendom with the Reformation. Muhammad's survivors decided that his successors (called caliphs) should be elected by members of the Islamic community, and they were — four times. But after the fourth successor, Ali (Muhammad's cousin), was murdered, the caliphate passed to the monarchical house of Ummaya.

Ali's son, Hussayn, claimed the caliphate was his, as Muhammad's heir, and he started a rebellion to confirm his claim. Hussayn was killed in abattle by aSunni caliph.

This split of the Muslim world between the Sunnis (followers of the Prophet's Path) and the Shiites (Party of Ali). After their defeat, the Shiites, feeling they had been wrong, became dissenters within the Arab empire who were given to violence against authority. Although the Shiites and the Sunnis agree on the fundamentals of Islam, they differ in other respects. The Sunnis are an austere sect that is less authoritarian and more pragmatic than the Shiites. In their view, as long as Muslims accept Allah, they are free to interpret their religion as they like. The Shiites, on the other hand, insist that those claiming to be Muslim must put themselves under the authority of a holy mar (ayatollah).

This has created a clergy that wields enormous temporal and spiritual power; with the result that religious leaders impact business as well as religion. Consider two harmless consumer products, Coca-Cola and Pepsi-Cola. Both were banned from Iran for 15 years after the Islamic revolution in 1979, but returned in 1993 and are now extremely popular with Iranians. However, Iran's spiritual leader, Ayatollah Ali Khomenei, has ruled that Coca-Cola and Pepsi-Cola contribute to the enhancement of Zionism and therefore are forbidden. Business leaders wonder what the Ayatollah will condemn next.

Salmon Rushdie. An example of the Shiite's political power occurred in the early 1989, when a book, The Satanic Verses, precipitated what some Islamic experts regard as the most incendiary literary fight in Islamic history. Although Salman Rushdie, the author, denied that his novel was antireligious, nearly all Muslims considered it blasphemous. On February 14, Ayatollah Khomeini, Iran's late spiritual ruler, announced that the author must die for the sin of insulting Islam and promised martyrdom for anyone who killed him. Another cleric announced that a bounty of $2.6 million had been offered. The following day, the bounty was doubled.

In November 1993, Rushdie met with President Clinton and the U.S secretary of state, apparently to pressure the Iranian government to lift the death sentence. Although Rushdie has escaped harm, several of his translators and editors involved in the book's publication have been killed or seriously wounded. Another author, Taslima Nasrin, has been living in Sweden since she fled from her home in Bangladesh, where she, like Rushdie, faces a death threat from Muslim

fundamentalists who have denounced her writings as blasphemous. At the same time in Egypt, Nobel Prize-winning author Naguib Mahfouz, also under a death sentence since 1989 from Islamic radicals for a book written in 1959, was stabbed several times in the neck but managed to live.

Sunni-Shia Conflict. Businesspeople doing business with Muslim countries should understand the Sunni-Shia conflict, because much of what occurs in these countries is the result of it. Although most Muslim countries are Sunni governed, many of them, such as Kuwait, the Emirates, Bahrain, and other small states in the Gulf, have substantial Shia populations. Furthermore, small Shia minorities can cause trouble for the government. For example, Saudi Arabia's Shia population is very small — only 250,000 — and is concentrated in the eastern oil fields. Iran's Shia government continually broadcasts appeals to the Saudi Shiites to overthrow the regime. In Iraq, the ruler Saddam Hussein and his army were Sunnis, but 52 percent of the population are Shiites. This division gave rise to violent clashes between religious dissidents and government forces. On the other hand, Syria is predominantly Sunni, but its government is controlled by a Shia sect.

Even where the Sunni-Shia conflict is not a problem, two of the five pillars of faith can be bothersome to Western managers. The dawn-to-dusk fasting during the month of Ramadan causes workers' output to drop sharply, and the requirement to pray five times daily also affects output, because when they hear the call to prayer, Muslim workers stop whatever they are doing to pray where they are.

An American manager in Pakistan for the purpose of getting a new factory into production came to the plant the first day, saw that production had started as it should, and went into his office to do some work. Suddenly, all of the machinery stopped. He rushed out, expecting to find a power failure. Instead, he found workers on their prayer rugs. The manager returned to his office and lowered his production estimate.

Animism. In a number of African and Latin American countries, animism, a kind of spirit worship that includes magic and witchcraft, is a major religion. It is often combined with Catholicism to present a strange mixture of mysticism, taboos, and fatalism. Animists believe their dead relatives are ever present and will be pleased if the living act in the same way as their ancestors. The resultant strong tendency to perpetuate traditions makes it extremely difficult for marketers and

production managers to initiate changes. To be accepted, these changes must relate to the animists' beliefs. The foreign manager must also be cognizant of the proper religious protocols in situations such as factory and store dedications. If the evil spirits are not properly exorcised, they will remain to cause all sorts of problems, such as worker injuries, machinery breakdowns, and defective products.

Evil spirits wreaked havoc in an American-owned semiconductor factory in Kuala Lumpur, Malaysia. The plant consists of an enormous room filled with hundreds of women looking into microscopes and television monitors.

One afternoon, a girl claimed she saw an ugly woman in her microscope. The operator was pulled screaming to the first-aid room. The manager admitted that was a mistake: "Before I knew it, we had girls all over being held down by supervisors. It was like a battlefield".

The factory was evacuated, but when the night crew arrived, the spirit returned. "Word had gone out that evil spirits were loose in the factory because of a dance we had the previous weekend. At night, it was worse. All we could do was hold them down, carry them out to the buses, and send them home".

The next morning, a licensed healer was brought in. His recommendation — sacrifice a goat. That afternoon, a goat was killed and its blood was sprinkled on the factory floor. It was cooked in the cafeteria and eaten by the workers. "Next morning, we started up, and everything was fine".

Comrehension check

Ex. 8. Complete the sentences.

1. Europeans and Americans generally view work as .....
2. The duty of Christians is to glorify God by .....
3. In Asian countries the attitude toward work is called .....
4. In Japan it's called the .....
5. In the Judeo-Christian tradition, this world is .....
6. In the religions of India, this world is .....
7. Of the seven best-known religions that originated in Asia ..... came from India, ... from China, and ..... from Japan.
8. Most Hindus believe that .....
9. A Buddhist teaching is that .....

10. The Jain doctrine teaches that .....
11. Sikhs believe there is. .....
12. Confucius taught that .....
13. Taoism holds that .....
14. According to Fung Shui .....
15. Shinto legends define .....
16. The basic spiritual duties of all Muslims consist of .....
17. The Sunnis are .....
18. The Shiites insist that .....
19. Even where the Sunni-Shia conflict is not a problem, two of the five pillars of faith can be bothersome to managers: .....
20. Animism is .....

19.1. The Importance of Religion to Management

Religions have a pervasive influence on business. How effective can offers to pay time and a half for overtime and bonuses based on productivity are in a company whose workers are mainly Buddhists or Hindus? Strict adherents to these religions attempt to rid themselves of desires, and thus they have little need for an income beyond that which permits them to attain the basic necessities of life. When their incomes begin to rise, they have a tendency to reduce their efforts so that personal incomes remain unchanged.

Religious holidays and rituals can affect employee performance and work scheduling. When members of different religious groups work together, there may even be strife, division, and instability within the work force. Managers must respect the religious beliefs of others and adapt business practices to the religious constraints present in other cultures. Of course, to be able to do this, they must first know what those beliefs and constraints are. Material culture refers to all man-made objects and is concerned with how people make things (technology) and who makes what and why (economics).

Comrehension check

Topics for discussion

1. Why is it helpful for international business-people to know that a national culture has two components?

2. Knowledge of culture has been responsible for Disney's success in Tokyo, and ignorance of culture has been responsible for the company's large losses in Paris. Discuss.

3. Why do international businesspersons need to consider aesthetics when making marketing decisions?

4. How can the demonstration effect be used to improve productivity? To improve sales?

5. Some societies view changes differently than do others. What impact does this have on the way foreign marketers operate in those markets? The way foreign production people operate?

6. Why must international businesspeople be acquainted with the beliefs of the major religions in the areas in which they work?

7. What Buddhist belief would cause foreign marketing and production managers to think carefully before transferring their marketing plans or bonus plans to an area where Buddhists are present in large numbers?

8. Why is technological superiority especially significant for international firms?

Ex. 9. Translate into English.

1. Європейське економічне співтовариство (або Спільний ринок) було утворено в 1957 році на основі Римського договору.

2. Метою об'єднання 15 західноєвропейських країн було створення митного союзу в рамках цієї міжнародної організації, формування спільного ринку робочої сили, послуг та капіталів, проведення єдиної торгової політики щодо інших країн.

3. Створення економічного та валютного союзу, проведення спільної політики в галузі сільського господарства та транспорту, зближення економічного законодавства учасників — також було метою об'єднання.

4. В основі лежить прагнення фінансової олігархії країн ЄЕС розширити ринки збуту та територіальну сферу діяльності.

5. Виконавчими органами ЄЕС є Рада та Комісія. Рада складається з міністрів держав-учасниць. Комісія працює на основі рішень Ради та покликана проводити єдину політику ЄЕС. Їй підпорядковано ряд комітетів управління та інших допоміжних органів.

6. Економічний успіх будь-якої країни базується на зовнішній торгівлі.

7. Жодна країна не спроможна створити здорову економіку, якщо ізолює себе від світової економічної системи.

8. Завдяки торгівлі країни отримують можливість спеціалізуватися в кількох провідних сферах економіки та імпортувати ту продукцію, яку самі не виробляють.

9. Крім того, торгівля сприяє поширенню нових ідей та технологій — якщо в якійсь країні з'являється важливе відкриття, міжнародні торгові зв'язки "розносять" його по всьому світу.

10. Інтенсивність зовнішньої торгівлі є надійним показником перспектив економічного розвитку.

11. Важливе місце в системі регулювання міжнародних економічних відносин займає ГАТТ, в діяльності якої беруть участь близько 140 країн світу.

12. Основною формою діяльності ГАТТ є проведення тарифних конференцій і консультацій щодо зниження митних тарифів та ліквідації інших перешкод у торгівлі.

13. ГАТТ — це своєрідний "клуб" країн, що прагнуть розширити торгові відносини між собою. Членство в ній добровільне, але для того, щоб стати членом, будь-яка країна має визнати діючі правила міжнародної торгівлі та переконати членів організації, що вона "гратиме за правилами".

14. Країни — члени організації надають одна одній статус найбільшого сприяння в торгівлі.

15. Зниження торгових бар'єрів між країнами-членами здійснюється шляхом переговорів.

16. Система ГАТТ та система вільної торгівлі не одне й те саме: навіть держави, що входять до ГАТТ, зберігають ряд тарифів на імпорт.

17. За виняткових умов країни-члени ГАТТ мають право запроваджувати надзвичайні торгові обмеження, якщо імпорт завдає великої шкоди їх промисловості, але такі обмеження мають накладатися справедливим та недискримінаційним чином.

18. Умови ГАТТ зобов'язують країни-члени користуватися не квотами, а тарифами, через те що останні краще узгоджуються з ринковими цінами та ринковою конкуренцією.

19. Надання імпортним товарам національного режиму полягає в тому, що після того як товар завезено в країну, на нього мають поширюватися ті ж закони та податки, що й на товари, вироблені у межах країни.

20. В умовах сегментації ринку та верховенства інтересів споживачів багато підприємств заради виживання змушені перебу-

довувати структуру і організацію робіт, видозмінювати стратегію і тактику поведінки в діловому світі.

21. З посиленням конкуренції на національних ринках фірми почали налагоджувати контакти з новими постачальниками та замовниками за кордоном, що привело до розширення географії міжнародних поставок.

22. Глобальний менеджер повинен мати здібності бачити взаємозв'язки в промисловості та бізнесі на великій території або в кількох регіонах.

23. Глобальний менеджер повинен порівняти інформацію про галузі, конкурентів, покупців та замовників у багатьох країнах та вибрати дані, необхідні для прийняття рішень у конкретній країні.

24. Стратегічний менеджмент конкретизує основну мету підприємства, приймаючи рішення про те, яку продукцію і яким споживачам необхідно поставити, яким чином закупати та використовувати ресурси, щоб підприємство могло успішно працювати в обстановці, що швидко змінюється.

25. Сучасний менеджер має бути висококваліфікованим професіоналом, знати ринок і володіти сучасними інформаційними технологіями; повинен вміти адаптуватися до швидких змін ринку та особистих ситуацій, сприймати та застосовувати нові форми роботи, що безпосередньо пов'язано з гнучкістю інтелекту; повинен мати автономний, творчий розум, бути готовим до ризику з усвідомленням того, як далеко він може зайти в рамках структури корпорації.

26. Інтеграція України у європейські та світові ринкові структури буде тим успішнішою, чим оптимальнішою буде відповідність між кращими зразками світового досвіду, рекомендаціями науки, з одного боку, та особливостями українського внутрішнього середовища, національних традицій та мислення — з другого.

27. В епіцентрі усіх сучасних концепцій управління перебуває людина — від її поведінки залежить успіх діяльності будь-якої компанії.

28. Надійність управління людьми в будь-яких організаційних структурах визначається точним встановленням співвідношення мотивів та мотивацій.

29. Це сторіччя називають сторіччям підприємців. По суті, підприємець нікому не підпорядкований, над ним немає вищестоящих начальників, він сам управляє справами та залученими людьми, є новатором та генератором ідей.

30. Підприємець підзвітний спеціальним державним органам, що здійснюють нагляд та контроль, але з точки зору підприємця, ведення власної справи, управління нею є самоуправлінням.

Keys

Ex. 1. remove barriers; distort trade; determine trade policies; place tariffs; eliminate trade barriers; adopt a trade policy; necessitate administrative machinery; enter a union; desire integration; establish free trade; impose a common tariff; entail integration and cooperation; involve products and factors; require a common currency; harmonize rates, and monetary and fiscal policies; raise the issue.

Ex. 4. 1d, 2c, 3c, 4b, 5d, 6a, 7b, 8d, 9d, 10a.

Ex. 7. 1b, 2c, 3a, 4d, 5c, 6d, 7b, 8a, 9a, 10c, 11b, 12a, 13d, 14a, 15d.

Glossary

Absolute Advantage or Absolute Cost Advantage. The advantage enjoyed by a country because it can produce a product at a lower cost than can other countries; the production cost advantage that one country may have over another when one (or both) of two products is cheaper to produce in the first country.

Accidental Exposure. Export business obtained through no effort of the exporter.

Accounting Exposure. The total net of accounting statement items on which loss could occur because of currency exchange rate changes.

Adjustment Assistance. Financial and technical assistance to workers, firms, and communities to help them adjust to import competition.

Accounting System. A numerically based method for keeping track of assets, how assets are funded, sales, expenses, and so on.

Accounts Receivable Management. The strategy used by some MNEs to adjust their A/R to reduce exchange risk and to accelerate funds transfers.

Ad valorem Tariff or Duty. Literally "according to the value". A method in which customs duties or tariffs are established and charged as a percentage of the value of imported goods.

Advertising paid Nonpersonal presentation of ideas, goods, or services by an identified sponsor.

Advising Bank. The bank that notifies the beneficiary of the opening of a letter of credit. The advising bank makes no payment commitment.

Aesthetics. A culture's sense of beauty and good taste.

Affiliated Company. May be a subsidiary or a company in which an IC has less than 100 percent ownership.

Agency Office. An office of a foreign bank in the United States that cannot accept domestic deposits. It seeks business for the bank when U. S. companies operate internationally.

Airway Bill. A document analogous to the bill of lading but used for air transport.

Alienation. The problem in industrial societies that some workers become dissatisfied with their jobs due to boredom, lack of stimulation, and impersonality.

Allowance. Extra payments to expatriate employees to meet the higher costs they incur abroad.

Andean Pact. A regional integration group formed in 1967 that today includes Bolivia, Colombia, Ecuador, Peru, and Venezuela.

Antitrust. The concern of governments that a firm or firms may gain excessivemarket power and act to monopolize markets and potentially harm consume interests. Antitrust policy, often called competition policy, is used by governments to deal with this issue. Laws to prevent business from engaging in such practices as price-fixing or market sharing.

Appreciation. An increase in the value of one asset in terms of another.

Apprenticeship Program. Enables a person to learn a job skill by working with a skilled worker.

Appropriability. The nature of a technology that enables the innovator to protect it from use by competitors and to obtain economic rents from it.

Appropriate Technology. Technology that is suitable for the distribution of factors of production in the country where it is used. The technology — advanced, intermediate, or primitive — that most fits the society using it. In countries where labor is relatively abundant, for example, appropriate technology would be relatively labor-intensive.

Arbitrage. The simultaneous purchase and sale of something in two (or more) markets at a time when it is selling (being bought) at different prices in the markets. Profit is the price differential minus the cost.

Arbitration. The settlement of a dispute between parties by a third, presumably unbiased, party, not a court of law.

Arm's-length Transaction. A transaction between two or more unrelated parties. (A transaction between two subsidiaries of an IC would not be an arm's-length transaction.)

Association of Southeast Asian Nations (ASEAN). A regional integration group formed in 1967 that includes Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

Automatic Adjustment Mechanism. The economic response that occurs when a BOP imbalance arises. When a trade deficit exists under flexible exchange rates, a currency devaluation usually occurs to stimulate exports and reduce imports. Under fixed exchange rates, domestic inflation is expected to be lower than foreign inflation, leading to relatively lower domestic prices and again increased exports and reduced imports.

Back-to-Back Letter of Credit. A form of pretrade financing in which the exporter uses the importer's letter of credit as a basis for seeking credit from a bank. The bank in turn backs its letter of credit to the exporter with the demonstrated likehood of ability to repay that the importer's L/C represents; a paying bank that will pay the exporter opens a back-to-back L/C based on the underlying L/C the exporter's supplier (a manufacturer,e.g.) may be paid.

Back-to-Back Loans. A unit of one İC lends to a unit of a second İC; and at the same time and in equivalent amount, another unit of the second IC lends to another unit of the first.

Backward Vertical Integration. Establishing facilities to manufacture inputs used in the production of a firm's final products.

Balance of Payments (BOP). The financial record of all transactions between residents of one country and the rest of the world for some given time period. A financial statement that compares all reported payments by residents of one country to residents of other countries with payments to domestic residents by foreign residents. If more money has been paid out than received, the BOP is in deficit. If the opposite condition exists, the BOP is in surplus.

Balance of Payments Accounting. A double-entry bookkeeping system that is used to record transactions that appear in the balance of payments.

Balance of Payments Adjustment. The automatic response of an economy to an imbalance in a country's international transactions. If a trade deficit occurs, it usually leads to a currency devaluation and/or reduction of domestic prices relative to prices in other countries.

Balance Sheet Hedging. The MNE strategy of using financial hedges (such as forward contracts) to avoid translation risk that would potentially adversely affect the firm's balance sheet.

Bank Draft. The means of payment for an export/import transaction. The draft may be a sight draft, i. e. payable when received, or a time draft, payable at the time specified on the document itself.

Banker's Acceptance. A form of posttrade credit for the exporter, in which the exporter sells the account receivable to a bank at a discount in exchange for immediate payment. A draft drawn, for example, by an exporter on an importer's bank. If the bank accepts the draft, the bank has agreed to pay in accordance with its terms.

Bank Swaps. To avoid currency exchange problems, a bank in a soft-currency country will lend to an İC subsidiary there. The İC or its bank will make hard currency available to the lending bank outside the soft-currency country.

Bargaining Unit. All employees in a group that are covered by the same labor contract.

Barter. The exchange of goods or services for goods or services. No money is used.

Basic Balance. A balance of payments that measures all of the current account items plus the country's net exports of long-term capital during some time period.

Bill of Exchange. (draft) An unconditional written order calling on the party to whom it is addressed to pay on demand or at a future date a sum of money to the order of a named party or to the bearer. Examples are acceptances or the commercial bank check.

Bill of Lading. A shipping document that is used as evidence of a contract for shipping merchandise and as aclaim of ownership of the goods.A receipt given by acarrier of goods received and contract for their delivery. Usually a B/L is made to the order of someone and is negotiable. The B/L is also a document of title with which the holder may claim the goods from the carrier.

Board of Supervision. A group of employee-elected and shareholder-elected representatives that has major control over management decisions and that appoints the top managers. Usually found in Germany, Benelux, and Northern Europe.

Bonuses. Extra payments to expatriates because of hardships and inconveniences encountered in some foreign postings.

Boomerang Effect. Refers to the fact that technology sold to companies in another nation may be used to produce goods that will then compete with those of the seller of the technology.

Bottleneck. Operation in production system whose output sets limit for entire system's output.

Bottom-up Planning. Planning process that begins at the lowest level in the organization and continues upward.

Brain Drain. The loss by a country of its most intelligent and best-educated people.

Branch. An office or extension of the parent company in a foreign country that is not incorporated in the foreign country.

Branch Office. An office or department of a company at a location away from headquarters. It is a part of the company and not a separate legal entity, as is a subsidiary, an affiliate, or a joint venture.

Brand or Trade Name. A name, often protected by a trademark, used by a firm.The name may, over time, come to connote high quality, good service or some other favorable attribute that attracts purchasers away from similar products made by other firms.

Breadline Global Competition. The competitive strategy that implies production of a wide range of products in one or more industries with sales in many countries.

Bretton Woods. A resort in New Hampshire at which bank and treasury officials of the major allied powers met near the end of World War II. There they established the International Monetary Fund, the World Bank, and an international monetary system.

Bribes. Gifts or payments to induce the receiver to do something illegal for the giver.

Brokers' Market. The market for exchange of financial instruments between any two parties using an intermediary (broker) similar to an auctioneer to unite buyers and sellers.

Buffer Stock. A supply of a commodity that the executive of a commodity agreement tries to accumulate and hold so that when the price of the commodity begins to rise above desirable levels, sales can be made from that stock to dampen the price rise.

Buy-Back Agreement. A form of counter trade in which the initial export sale is for a capital good that is used to produce products which are subsequently used as payment by the importer.

Call Option. An option contract that entitles the purchaser to buy a fixed amount of foreign exchange at a fixed price in the future.

Capital Controls. Limits on access to foreign exchange. These controls limit not only capital outflows but also imports, which cannot be paid for if capital controls disallow the payments.

Capital Flight. The export of financial resources by residents of a country, typically in response to a situation of economic or political crisis.

Caribbean Basin Initiative (CBI). A U. S. government policy begun in 1983 that attempts to stimulate private-sector business in the Caribbean and Central America through tariff reductions and other incentives.

Caribbean Common Market (Caricom). A regional integration group formed in 1973 that includes former British colonies in the Eastern Caribbean.

Cartel. A group of producers of a product that attempts to monopolize the product and fix prices and quantities to maximize their gains. OPEC is the most successful cartel of countries in history. To be successful a cartel should have relatively few members who control most of the export supply of the commodity; the members must observe the cartel rules; and the commodity must be a necessity with a price-inelastic demand.

Caste System. An aspect of Hinduism by which entire society is divided into four groups plus the outcasts, and each is assigned a certain class of work.

Central Banks. Government institutions with authority over the size and growth of the national monetary stock. Central banks frequently regulate commercial banks and usually act as the government's fiscal agent.

Centrally Planned Economy. Governments plan indirectly almost all economic activities and usually own the factors of production.

Centrally Planned Markets. Markets in which there is almost no free market activity and the government owns all major factors of production, controls labor, and tries to plan all activity.

Central Reserve Assets. Gold, SDRs, ECUs, or hard foreign currencies held in a nation's treasury.

Certificate of Review. Legal document issued by U.S.Department of Commerce that grants immunity from state and federal antitrust prosecution to export trading companies.

Certificate of Origin. A shipping document that states the country of origin of the merchandise.

Chaebol. Large South Korean conglomerates, mostly family-owned and directed, that have succeeded worldwide in such fields as microchips, electronics, construction, and shipbuilding. Korean law prohibits banks from being part of chaebol.

Code of Conduct on Transnational Corporations. An intergovernmental agreement sponsored by the United Nations that is intended to spell out

rules of good corporate behavior for MNEs in host and home countries.

Codetermination. A system in which representatives of labor participate in the management of acompany.

Collection Documents. All documents submitted to a buyer for the purpose of receiving payment for ashipment.

Collective Bargaining. Bargaining between an employer and a labor union about employee wages and working conditions.

Commodity Agreement. An agreement between the producers and consumers of a commodity (for example, tin, cocoa, or rubber) to regulate the production, price, and trade of the commodity.

Common External Tariff. Under an agreement reached by a group of nations, such as the EU, the same level of tariffs is imposed by these nations on all goods imported from other nations.

Combined Transport Document. A document analogous to the bill of lading but used for shipping when there is more than one form of transport involved.

Commercial Invoice. The exporter's bill of sale that describes precisely the merchandise and terms of sale.

Common Market. A customs union that additionally allows freedom of movement of capital and labor (i. e., factors of production) between member countries.

Comparative Advantage. Unless a country has the same absolute advantage in producing all goods and services, there would be some goods and services in which it had less relative advantage. It would gain by importing those and exporting the ones in which it had an absolute advantage, or the greatest relative advantage.

Compensation. A form of counter trade involving payment in goods and cash.

Compensatory Financing. A program to assist countries in financial difficulties due to drops in export earnings because of natural causes, such as drought, or because of international market price decreases. The IMF and the EU have compensatory financing programs.

Compensatory Trade. Any transaction that involves asset transfer as a condition of purchase.

Competitive Alliance. Cooperation between competitors for specific purposes.

Competitive Analysis. Process in which principal competitors are identified and their objectives, strengths, weaknesses, and product lines are assessed.

Competitor Intelligence System. Procedure for gathering, analyzing, and disseminating information about a firm's competitors.

Competitive Advantage. Any characteristic possessed by a firm that enables it to achieve lower costs, higher revenues, or lower risk than its competitors.

Competitors Rival Firms. Companies based domestically or overseas that compete against the firm in question in a given market.

Compound Duty. A form of import duty consisting of an ad valorem duty and a specific duty.

Concession. A legal agreement between a host country and a firm in which the country gives the firm the right to explore, extract, and sell oil in exchange for specified taxes, fees, and other charges.

Confucian Work Ethic. Same as the Protestant work ethic. The term is used in Asian nations where Confucianism is a major religion.

Consignment. A legal form of sale in which the recipient of a producer's goods takes possession of the goods but does not own them. Payment is made for sale to customers when the goods are sold rather than upon shipment from the producer to the consignee.

Consolidated Report. A financial report such as an income statement or balance sheet that presents an international firm's total (global) including overseas subsidiaries, licenses, and other activities.

Consolidated Statement. An accounting statement showing the combined operations of parent and subsidiaries.

Contingent Liability. A contractual commitment that requires the issuer to deliver whatever instrument is specified (for example, foreign exchange) if the buyer chooses to exercise it.

Contingency Plan. Plan for the best- or worst-case scenarios or for critical events that could have a severe impact on the firm.

Continuous R&D. A strategy under which the firm develops new technology incrementally, based on extensions of its existing technology. This can be contrasted with R&D in new areas where the firm is not already active.

Contract Manufacturing. Manufacturing of a product or component by one company for another company. The two companies may or may not be related by stock ownership, common parent, or otherwise.

Control. Monitoring operations, taking decisions to conform to plans and, when necessary, taking decisions to change plans or behaviors to eliminate variations from plans in any organization.

Controlled Foreign Corporation. A foreign corporation 50 percent or more owned by U. S. shareholders, that is, U. S. citizens or corporations holding at least 10 percent of the common stock each.

Conversion Loss. Receipt of lower revenues than expected because the exchange rate has changed and the foreign-currency receivable was originally worth more of the home-country currency than was ultimately received. Conversion losses may also arise from an increase in foreign currency payables and are realized losses.

Coproduction. A form of industrial cooperation in which two or more factories produce components for a final product.

Copyright A legal contract under which a government agrees to protect the originator of a literary, musical, dramatic, or other work from unauthorized use by outsiders.

Cost Method. A method used in preparing a parent company's non-consolidated accounting reports that treats income at the affiliate's level as being received by the parent only when the affiliate's dividends are actually received by the parent.

Cost Minimization. An operating strategy under which the firm or SBU attempts to compete based on low prices and low costs.

Cottage Industry. Production away from a central factory, typically in the worker's own home or cottage. Workers are paid on a piece-rate basis, or so much for each unit produced.

Counterfeiting. Illegal use of a well-known manufacturer's brand name on copies of the firm's merchandise.

Counterpurchase. A form of countertrade in which the initial export sale is paid for by later shipments of goods by the importer.

Countertrade. A means of posttrade financing that involves payment in goods rather than money for an export sale. Barter of one product for another is the simplest form of countertrade.

Countervailing Duty. An additional amount of tariff levied on an import that is found to have benefited from an export subsidy.

Country Risk Assessment. Evaluating the risks before lending or investing in a country.

Covered Investment or Interest Arbitrage. Investment in a second currency that is "covered" by a forward sale of that currency to protect against exchange rate fluctuations. Profit depends on interest rate differentials minus the discount or plus the premium on a forward sale.

Covering. Buying or selling foreign currencies in amounts equivalent to future payments to be made or received. A means of protection against loss due to currency exchange rate fluctuations.

Currency Diversification. The strategy of reducing the impact of unexpected currency fluctuations by undertaking activities in a variety (portfolio) of different currencies.

Currency Inconvertibility. The situation that arises when a firm is unable to gain access to foreign exchange in the normal market(s) of a country. This was generally the case in the former communist countries and often occurs in LDCs when economic crises rise.

Current Account Balance. A balance of payments that measures a country's exports of goods and services, minus its imports of goods and services, plus its net receipts of unilateral transfers during some time period.

Customhouse Broker. Independent business that handles import shipments for compensation.

Customs Union. A regional economic integration group that uses both unrestricted trade between member countries and a common policy toward trade with outside countries.

An arrangement between two or more countries whereby they eliminate tariffs and other import restrictions on one another's goods and establish a common tariff on the goods from all other countries.

Debt Capital. Money raised by selling bonds, the principal and interest on which must be repaid.

Debt Default. When a debtor fails or refuses to pay a debt.

Debt Rescheduling. Defaulted debt is renegotiated, giving the debtor a longer time to pay, a lower interest rate, or both.

De Facto Protectionism. Non-tariff forms of protection used by countries to restrict imports. The United States uses "voluntary" quotas on Japanese autos and has tried to "jawbone" other countries to reduce their exports to the United States and to increase their imports of U. S. goods.

Debt/Equity Ratio The capital structure of a firm. The average debt/equity ratio differs from country to country.

Delayering. Removing levels of middle management.

Delivered Cost. The cost of producing and shipping aproduct to the target market. This includes total production cost, cost of insurance and freight, tariff cost, and any other cost involved in getting the product to the market.

Demand Patterns. Measures of the characteristics of goods and services purchased by consumers in different countries. Demand patterns tend to be similar in countries at the same stage of economic development.

Demonstration Effect. The result of having seen others with desirable goods.

Demurrage. Charge assessed by a carrier on an exporter or an importer for excess time taken to unload or load a vessel.

Depreciation of a Currency. A decline in the value of a currency in terms of another currency or in terms of gold. Depreciation and devaluation are used interchangeably.

Derivatives. A contract, the value of which changes in concert with the price movements in a related or underlying commodity or financial instrument. The term covers standardized exchange-traded futures and options as well as over-the-counter swaps, options, and other customized instruments.

Devaluation. Depreciation of a currency by official government action.

Developed. A classification for all industrialized nations; that is, those that are more developed technically.

Developed Countries. (DCs) Industrialized countries.

Developing. A classification for the world's lower-income nations that are less technically developed.

Development Banks. Banks that aid less developed countries (LDCs) in economic development. They may lend or invest money and encourage local ownership They may be worldwide, regional, or national.

Differentiation Advantage. A competitive advantage obtained by a firm that is able to successfully convey the quality or cost differences of its products or services compared to those of rival firms.

Diffusion. The spread of new technology throughout the market.

Direct Investment. Sufficient investment to obtain at least some voice in management. The U. S. government considers 10 percent or more equity in a foreign company to be direct investment.

Discretionary ncome. The amount of income remaining after paying taxes and making essential purchases.

Disinvestment Divestiture. Disinvestment occurs when a firm sells or otherwise disposes of a foreign direct investment.

Disposable ncome. The amount of income remaining after taxes.

Distributors. Independent importers who supply goods for a producer or manufacturer to shops, etc.

Diversification. Entry into a different business activity outside of the firm's traditional business. This may be a different product, stage of the production process, or country.

Documentary Collection. A means of paying for an export/import transaction that uses only a draft and other informational documents, but not a letter of credit.

Documentary Draft. Drafts accompanied by such documents as invoices, bills of lading, inspection certificates, and insurance papers. A sight or time draft that is accompanied by instructions and other documents but no L/C.

Domestication. Term used to indicate process in which a host government brings pressure to force foreign owner to turn over partial ownership to the host country government or host country citizens.

Domestic Environment. All the uncontrollable force soriginating in the home country that surround and influence the firm's life and development.

Domestic nternational Sales Corporation (DISC). A subsidiary corporation of a U. S. company that is incorporated in a state of the United States for the purpose of exporting from the United States. DISCs are given certain tax advantages. Generally, they have been superseded by foreign sales corporations.

Double Taxation. Taxation of the earnings of a multinational firm by two countries. This occurs when a foreign subsidiary pays tax in the host country, and then the same profits are taxed (usually with a credit or deduction) by the home country of the parent firm.

Drafts. (bills of exchange) Orders drawn by a drawer that order a second party, the drawee, to pay a sum of money to a payee. The payee may be the same party as the drawer.

Drawback. The reimbursement of the tariff paid or an imported component that is later exported. When a component is imported into the United States, a tariff is levied on it and paid by the importer. If that component is later exported, the exporter is entitled to get 99 percent of the tariff amount from U. S. Customs.

Dual Economy. The economy in a less developed country in which some of the firms and households (for example, in cities) participate in the market sector with links to other countries. The other part of the economy is isolated from the international economy (on the periphery) and often operates at asubsistence level (for example, in rural areas).

Dumping. Selling at an unfairly low price in an import market; selling below the cost of production or selling below the price in the firm's domestic market. Selling abroad at prices lower than those charged in the home or other markets.

Duties. (tariffs) Amounts charged when goods are imported into a country. If such duties are based on the values of the goods, they are called ad valorem. If are based on the number of items imported, they are called specified.

Earned Income. Income derived from efforts, labor, sales or active participation in business. Salaries, wages, bonuses, and commissions are examples. Unearned income is a return on investment of money or time. Examples are interest, dividends, and royalties. The distinction is important for purposes of taxation of residents abroad.

Eclectic View. Dunning's theory of international business that explains MNE activities based on their ownership advantages, their use of internalization, and on location factors.

Economic Integration. Expansion of commercial and financial ties among nations. It is expected that greater economic integration of the world will lead to more efficient production and greater output, thus potentially making all countries better off.

Economic Risk. The foreign exchange risk that future cash flows of the firm will be unexpectedly affected by future changes in exchange rates.

Embargo. A quota with maximum imports of zero units. That is a total disallowance of imports of the product being embargoed (or on all imports from the country being embargoed).

Employee Facilities. Schools, cafeterias, housing, recreation, or other employer-provided facilities.

Enterprise Union. A union comprised of employees at a single company. Typical to Japan.

Entry Strategy. A method used by an MNE for entering a foreign market. These include exports, direct investment, licensing, franchising, turn-key ventures, and other contractual forms.

Environment. All the forces surrounding and influencing the life and development of the firm.

Environmental Scanning. Procedure in which a firm scans the world for changes in the environmental forces that might affect it.

Equity Capital. Money raised by selling corporate stock that represents ownership of the corporation.

Equity Method. A method used in preparing a parent company's nonconsolidated accounting reports that treats income at the foreign entity's level as being received by the parent (for reporting purposes) when it is earned by the foreign entity.

Equity-Related Bonds. Bonds that are convertible at the option of the holder into other securities of the issuer, usually common stock-type equity. Called convertibles in the United States.

Escape Clause. A legal provision concerning products whose tariffs have been reduced. If, thereafter, imports increase and threaten the domestic producers of those products, the escape clause permits the tariffs to be put back up.

Estimation by Analogy. Using a market factor that is successful in one market to estimate demand in a similar market.

Ethnocentricity. A belief in the superiority of one's own ethnic group.

Eurobond. A bond denominated in any currency other than that of the country where it is issued.

Euromarkets. Markets for short- or long-term financial instruments in any country in which the instruments are denominated in currencies other than the local one.

European Community (EC, or Common Market). The association of Western European countries formed in 1957 that has eliminated most tariffs among members,established a common external tariff, harmonized some fiscal and monetary policies, and broadly attempts to increase economic integration among the member countries.

European Currency Unit (ECU). A composite currency similar to the SDK, whose value is based on a weighted average of the currencies of the European Community.

European Monetary System (EMS). A mini-IMF organized by the members of the European Community. The EMS observes exchange rate fluctuations between member-country currencies and makes loans to member governments, primarily to serve the goal of balance of payments stability.

Exchange Controls. Government-imposed limits on use of foreign exchange, generally used to restrict outflows of funds from a country. They include limited access to foreign currency at the Central Bank, and multiple exchange rates for different users, among other methods.

Exchange Rate. The price of one currency in terms of another.

Exchange Risk. The possibility that a firm will not be able to adjust its prices and costs to exactly offset exchange rate changes. Not only must exchange rates be able to vary, but the variations must not be fully anticipated.

Exchange Risk Adaptation. The strategy of adjusting the firm's activities to reduce the potential impact of unexpected exchange rate

changes. This may be done through financial hedging or other adjustments in the foreign currency activities of the firm.

Exchange Risk Avoidance. The strategy of avoiding dealings in currencies that are viewed as having high exchange risk, and/or charging higher prices when exchange risk appears to be higher.

Exchange Risk Transfer. The strategy of eliminating or reducing exchange risk by contracting with insurance providers to cover possible exchange rate-induced losses.

Exercise Price. The price at which an option may be used to buy/sell foreign exchange.

Eximbank. The Export-Import Bank of the country, the main bank responsible for assisting exporters via loans and loan guarantees.

Export Draft. An unconditional order drawn by the seller to the buyer to pay the draft's amount on presentation (sight draft) or at an agreed future date (time draft) that must be paid before the buyer receives shipping documents.

Export Incentives. Subsidies or tax rebates paid by governments to companies to encourage them to export.

Export Licenses. A government document that permits the exporter to export designated goods to certain destinations. Export license can be either a general export license or a validated export license.

Export Management Company. A company that acts as the export department for other companies. It performs all export-related services for its customers except supplying the product.

Export Processing Zones. Specific and limited areas into which imported components may be brought for further processing. The finished product must be reexported to avoid payment of import duties.

Export Promotion. A strategy for economic development that focuses on increasing a country's exports to generate foreign exchange and stimulate domestic production This is an outward-looking development model.

Export/Import Transaction. The basic activity of international trade.

Export Trading Company. A firm established principally to export domestic goods and services and help unrelated companies export their products.

Expropriation. The forced takeover of a company's assets by the host government without compensation (or with inadequate compensation).Seizure by a government of foreign-owned assets. Such seizure is not contrary to international law if it is followed by prompt, adequate, and effective compensation. If not, it is called confiscation.

Externalization. The opposite of internalization. A market or production process is externalized when the firm stops carrying out the activity itself and contracts with an outside firm or agent to do it.

Extortion. The demand for payments to keep the receiver from causing harm to the payer.

Extractive FDI. Direct investment used by the MNE to obtain raw materials such as oil, copper, or other metals, agricultural products, etc.

Extraterritorial Application of Laws. Attempts by a government to apply its laws outside its territorial borders.

Factor. A buyer, at a discount, of a company's receivables with short-term maturities of no longer than a year.

Factor Endowment. A country is or is not endowed with one or more of the factors of production, capital, labor, and natural resources.

Factoring. Discounting without recourse an account receivable, i. e. selling an account receivable at a discount to an intermediary company called a factor. The exporter receives immediate (discounted) payment, and the factor receives eventual payment from the importer.

Factory Door Cost. The production cost of a good or service to which marketing and general administrative costs have not been added.

Fair Value. The portion of a firm's activities that can be determined to be carried out in a given jurisdiction. The fair value is crucial to efforts by governments to tax MNE activities.

Financial Accounting Disclosure. The presentation of the consolidated statements, showing both income and balance sheet accounts.

Financial Transfers. Methods used by MNEs to move funds internationally, such as profit remittances, fee payments, payments for intracompany shipments, and loans.

Firm Surveillance. The IMF has the power to monitor the exchange rate policies of member-nations.

Fiscal Policies. Government policies about the collection and spending of money.

Fixed Exchange Rates. A system under which the values of currencies in terms of other currencies are fixed by intergovernmental agreement and by governmental intervention in the currency exchange markets.

Fixed Interest Rate. An interest rate that is set when a loan is made and remains the same for the life of the loan regardless of whether other interest rates rise or fall.

Flexible Multi-Item Factory. A factory that is usually labor intensive and thus capable of producing several different products without large capital costs.

Floating Exchange Rates. A system in which the values of currencies in terms of other currencies are determined by the supply of and demand for the currencies in currency markets. If governments do not intervene in the markets, the float is said to be clean. If they do intervene, the float is said to be dirty.

Floating nterest Rates. A loan situation in which the interest rate set when a loan is made may rise or fall as the interest rates of some reference, such as LIBOR or the prime rate, vary. Sometimes they are called variable rates.

Floating-Rate Notes. (or bonds) Debt instruments with floating or variable interest rates. The interest rates are pegged to a fluctuating interest rate, such as the six-month LIBOR rate.

Fluctuating Exchange Rates. See floating exchange rates.

Follow-the-Leader Strategy. The strategy of oligopolistic reaction. It implies that the follower waits to see how an industry leader operates (e. g., in introducing new technology), and then pursues a copycat strategy in areas that appear profitable.

Foreign-Base Company. A controlled foreign corporation that derives a substantial portion of its income from investments, sales, services, or shipping.

Foreign Corrupt Practices Act of 1977. An American law against making questionable payments when American companies do business abroad, it prohibits certain kinds of bribes and questionable payments, requires internal accounting control procedures regarding such payments, and the imprisonment of company officials guilty of evading these requirements.

Foreign Currency Option. An option contract that gives the holder the right but not the obligation to exercise it to purchase a given amount of foreign currency at a fixed price during a fixed time period. Contract specifications are similar to those of futures contracts, except that the option requires a premium payment to purchase (and it does not have to be exercised).

Foreign Direct Investment. The extension of controlling ownership by a firm from one country over a firm in another country through new investment or acquisition.

Foreign Exchange. A financial instrument that carries out payment from one currency to another. Common instruments of foreign exchange include bank drafts, wire transfers, forward and futures contracts, and cash.

Foreign Exchange Market. The market(s) in which financial instruments denominated in one currency are traded for instruments denominated in other currencies. Typically, a country's main foreign exchange market is carried out through the commercial banking system.

Foreign Freight Forwarder. Independent business that handles export shipments for compensation.

Foreign Investment Controls. Government-imposed limits on the ability of firms to undertake foreign direct investment. These typically restrict FDI unions, though they have been used to try to limit the outflow of FDI as well.

Foreign National Pricing. Local pricing in another country.

Foreign Sales Corporation (FSC). A legal entity through which a firm can channel exports and derive special income tax benefits.The FSC replaces the domestic international sales corporation (DISC) as a tax incentive for exporters.

Foreign Sourcing. Producing or purchasing products or production inputs from a foreign location, typically to lower costs. Many electronics firms source their memory chips in their own plants or through contracts with local firms in Taiwan or Singapore to lower the costs.

Foreign Tax Credit. The credit an American taxpayer may take against American income tax for tax levied on the same income by a foreign government.

Foreign Trade Zone (FTZ). American version of a free trade zone. In an FTZ, goods may be imported and manufactured or handled and changed in any way. No tariff is needed to be paid unless and until the goods are removed from the FTZ into the country where the FTZ is located.

Foreignness. The characteristics of a firm or person that cause it to be viewed as different from domestic firms or people. Foreignness is often associated with foreign ownership, foreign styles, and different languages.

Forfeiting. A means of posttrade financing analogous to factoring.Forfeiting is used primarily for large capital goods exports

to Eastern European countries. Although it has the same purposes and procedures as factoring, there are two important differences: (1) factoring involves credit terms of no more than 180 days, while forfeiting may involve years; (2) factoring does not usually cover political and transfer risks, while fortfeiting does.

Forward Foreign Exchange Market (Forward Market). The contractual form used by commercial banks to offer their clients the opportunity to fix an exchange rate for future delivery of one currency for another.

Forward Contract. A contract to exchange one currency for another currency at an agreed exchange rate at a future date, usually 30, 90, or 180 days. May be used to hedge. See forward rate.

Forward Rate. The cost today for a commitment one party to deliver to or take from another pan-agreed amount of a currency at a fixed future date. This rate is established by the forward contract.

Franc Area. The group of former French colonies that continue to use the French franc as an acceptable currency and/or tie their currency values to the franc.

Franchising. A franchisee pays a franchisor for the right to use the franchisor's logo, procedures, materials, and advertising.

Free-Trade Area. A regional economic integration group that implements policy for unrestricted trade between member countries, but leaves each country free to set its own policy with outside countries.

Free Trade Zones. An area designated by the government of a country for duty-free entry of any non-prohibited goods.

Friendship, Commerce, and Navigation (FCN) Treaties. The basic agreements between nations about such matters as treatment of each others' citizens or companies.

Fringe Benefits. Payments or other benefits given to employees over and above base wages.

Futures Contract. An agreement between a buyer and a seller to exchange a particular good for a particular price at a specified future date.

Functional Currency. The "home country" currency of the parent or the subsidiary which is used in preparing and presenting accounting reports at the operations level.

Futures Foreign Exchange Contract (Futures Contract). A legal contract similar to a forward contract, except that it is traded on a

securities exchange and has fixed specifications such as maturity date, contract size, and trading limitations during the contract's life.

Gain-Sharing Agreement. An agreement between management and labor (typical in the United Kingdom) to share economic gains, usually because of new equipment being installed.

GATT. The General Agreement on Tariffs and Trade, the world's main intergovernmental organization that seeks to reduce barriers to international trade. GATT currently has about 140 member governments.

Generalized Systems of Preference (GSP). An agreement under the auspices of WTO under which many products of developing nations are provided duty-free access to developed nations.

General Trading Companies. Exist in many countries, including the United States, though the Japanese versions of these companies, called sogo shosha in Japan are the best known. For many years, the sogo shosha have imported and distributed products for use by Japanese industries and consumers, sought foreign customers for Japanese companies, and exported to other companies.

Geocentric. Hiring and promoting employees because of their abilities without reference to their nationality or race.

Gilts. Technically, British and Irish government securities, though the term also includes issues of local British authorities.

Global Company. A company that markets a standardized product worldwide and allows only minimum adaptations to local conditions and tastes from country to country. Its financial, marketing, and advertising strategies are global with little differentiation among countries or areas as to product. Other authors, particularly when writing about the automobile industry, mean the company's ability to source parts and components from subsidiaries in several countries for assembly in the market country or area.

Global Focus. A generic competitive strategy in which the international firm sells one market segment in multiple countries.

Global International. An organization of trade unions from countries around the world.

GmbH. Gesellschaft mit beschrankter Haftung (organization with limited ability). A German form of business organization.

GNP/capita. The gross national product of a nation divided by its population (an arithmetic mean).

Gold Exchange Standard. The system established at Bretton Woods whereby the value of one currency (the U. S. dollar) was set in terms of gold. The United States held gold and agreed that when another country accumulated U. S. dollars, it could exchange them for gold at the set value.

Gold Standard. A system under which currency values are set in terms of gold and each country agrees that if a second country accumulates more of a first country's currency than it wants for other purposes, the second country can exchange the first country's currency for that amount of the first country's gold.

Gold Tranche. The amount of gold paid by a country as its contributed capital in the International Monetary Fund.

Government Relations. That part of a firm's activity that involves dealing with home and host governments.

Gray Market. Where goods are sold, that are either legal but unauthorized imports bearing domestic manufacturers' trade names or are exports diverted to the domestic market.

Gross Domestic Product (GDP). The market value of a country's output attributable to factors of production located in the country's territory. It differs from GNP by the exclusion of net factor income payments, such as interest and dividends received from, or paid to, the rest of the world.

Gross National Product (GNP). The market value of all the final goods and services produced by a national economy over a period of time, usually a year.

Group of 5. The term used for meetings of the finance ministers and central bank governors of France, the Federal Republic of Germany, Japan, the United Kingdom, and the United States.

Group of 7. The Group of 5 plus Canada and Italy.

Group of 10. The Group of 7 plus Belgium, the Netherlands, and Sweden.

Group of 77. 75 developing countries met in 1964 to prepare for UNCTAD. After the first UNCTAD meeting, their number grew to 77.

Groups (grupos in Spanish-speaking countries). Conglomerates or a number of firms that together form a vertically integrated marketing and production system. Groups are common in Europe and Latin America. Frequently owned by immediate family members or a small investment combine. See chaebol.

Guest Workers. Foreign workers who are brought into a country by legal means to perform needed labor.

Grossed-Up Dividend. The dividend received by the parent, plus the withholding tax on the dividend plus the amount of income taxes paid by the subsidiary on the income that generated the dividend.

Hard Currency. A currency that is freely convertible into other currencies.

Hard Loans Loans that must be repaid in a hard currency at market interest rates.

Hedging. Selling forward currency exchange, borrowing, or using other means to protect against losses from possible currency exchange rate changes that affect the values of assets and liabilities.

Hierarchy. A system in which there are several layers of authority between the lowest rank (say, the peasants or untouchables) to the highest rank (say, king, commissar, or brahmin).

Hollowing Out. Refers to the practice of firms that close their production facilities and become marketing organizations for other producers, mostly foreign.

Home Country. The country in which the MNE is headquartered, and usually where most of the shareholders live.

Horizontal Integration. Entry by a firm into a similar business activity in a new location. Restaurant chains, for example, are horizontally integrated providers of food service.

Host Country. Any other country, except the home country, where the MNE does business.The country in which foreign investment is made.

Human Needs Approach. A way to economic development that includes the elimination of poverty and unemployment as well as an increase in income.

Hybrid Organization. A structure organized by more than one dimension at the top level.

Hypermarkets. Huge combination supermarkets and discount stores where soft and hard goods are sold.

Import Substitution. A strategy for economic development that focuses on creating domestic industries to replace imported products and services. This is an inward-looking development model; an industrialization policy followed by some developing nations by which the government encourages the local production of substitutes for

imported goods. High import duties protect local producers from import competition.

Incentive Pay Plans. Plans that pay employees more for achieving certain goals.

Income Distribution. A measure of how a nation's income is apportioned among its people. It is commonly reported as the percentage of income received by population quantities.

INCOTERMS. A publication of the International Chamber of Commerce setting forth recommended standard definitions for the major trade terms used in international trade.

Indexing. Taking into account the effect of inflation on assets and liabilities and adjusting the amounts of these items to preserve their original relationships.

Indicative Planning. Planning done by governments in collaboration with industry. It is essentially to forecast what direction of the economy is expected to take. An indicative plan does not control economic activity as in centrally planned economies, and firms are free to make their own decisions.

Indirect Exporting. The exporting of goods and services through various types of home-based exporters.

Industrial Cooperation. A long-term relationship with acompany in a DC in which an LDC produces products for its own market, exports to the West, or both.

Industrial Espionage. The effort by an outsider to illegally obtain protected technology from its originator. Stealing trade, process, customer, pricing, or technology secrets from a business.

Industrial International. An affiliate of a global international representing workers' interests within a specific industry.

Industrial Relations. Employer-employee relationships where employees are treated as groups rather than individuals.

Industrial Relations Staff. The company's management group concerned with labor-management affairs.

Industrial Relations System. An overall perspective on how the interests of workers, management, and societies come together in determining employment terms and conditions.

Industrial Targeting. Government practice of assisting selected industries to grow.

Industrialized Countries (ICs). Nations whose economies are dominated by industrial production rather than agriculture or raw

materials, whose per capita incomes are high relative to the rest of the world, and who use market economies.

Information Disclosure. Provision of data about company activities to governments in countries where the firm operates.

Information Glut. There is too much information to absorb or it is not properly classified or organized.

Information Transfer. The transmission of information from one country to another within an MNE. This issue is important in government relations, since some types of information being transferred are considered sensitive by the governments.

Infrastructure. The fundamental underpinnings of an economy — roads, railroads, communications, water supplies, energy supplies, and so forth. Basic economic underpinning of a business system such as roads, accessible electric power, telephone service, and other utilities, that are important to a firm that wants to operate locally.

In-house Training Programs. Programs provided by an employer on its own property.

Innovation. A technology change that is successfully introduced into the marketplace, that is, a new product.

Insurance Certificate. A shipping document that demonstrates insurance coverage for the merchandise, naming the exporter and the insurer. Evidence that marine insurance has been obtained to cover stipulated risks during transit.

Interbank Market. The market for exchange of financial instruments between commercial banks. Most foreign exchange is traded in the interbank market.

Interest Arbitrage. Lending in another country to take advantage of higher interest rates. Such arbitrage tends to equalize interest rates.

Interest Parity. The condition that investment in a domestic financial instrument or hedged investment in a foreign-currency instrument of similar risk, maturity, and other characteristics yields the same return.

Internalization. Extension of ownership by a firm to cover new markets, new sources of materials, and new stages of the production process. Internalization is the business strategy counterpart to the economics terms vertical integration and horizontal integration.

International Contractor. A firm that does international business; that is, a firm involved in exports, direct investment, international licensing, or any other form of business that crosses national boundaries.

International Distribution. The shipment of products or services between countries. This is a source of potential competitive advantage for multinational as opposed to domestic firms.

International Diversification. An ability that exists for MNEs to reduce the firm's risk by operating facilities in more than one country, thus lowering the risk of problems in any one country.

International Division. A division in the organization that is at the same level as the domestic division in the firm and is responsible for all non-home-country activities.

International Environment. The interaction between the domestic and foreign environmental forces.

International Finance Center. A multinational's or global's office that handles most of the International money transactions for all the firm's units.

International Financing. Occurs when a borrower raises capital in the Eurocurrency or Eurobond markets, outside the restrictions that are applied to domestic or foreign offerings. See foreign financing.

International Fisher Effect. The condition that an interest rate differential on similar instruments between two countries is eliminated by an offsetting exchange rate change between their currencies.

International Labor Office. A United Nations affiliate with representation from employers, unions, and governments concerned about employment terms and conditions.

International Law. A body of principles and practice-that have been generally accepted by countries in their relations with other countries and with citizens of other countries.

International Management Information System. Organized process of gathering, storing, processing, and disseminating information about international operations to managers to assist them in making business decisions.

International Monetary Fund (IMF). The organization of 182 national governments that seeks to maintain balance of payments stability in the international financial system. The IMF observes exchange rate regimes and fluctuations (but does not set rates), lends funds to member governments to help in balance of payments crises, and performs other functions toward achieving international financial stability. The headquarters are in Washington DC.

International Monetary System. The agreement of practices, laws, customs, and institutions that deal with money (debts, payments, investments) internationally.

International Product Life Cycle. A theory that explains both trade flows and foreign direct investment on the basis of a product's position in the four stages: (1) exports of an industrialized nation, (2) beginning of foreign production, (3) foreign competition in export markets, and (4) import competition in the country where the product was introduced originally.

International Status. Confers extra perquisites and privileges on a multinational's top employees.

Internet. A global web of computer networks winsome millions host computers. It has created a new form of communication but is neither organized by any organization nor regulated by any government agency.

Intervention Currency. A currency bought or sold by a country (not necessarily the one issued by it). It influences the value of its own currency.

International Transaction. A purchase or sale that involves a seller and a buyer in different countries.

International Union. A union with regionals or locals in more than one country.

Intertemporal (or Interest) Arbitrage. Exchange arbitrage that involves buying foreign exchange in the spot market, investing in a foreign currency asset, and converting back to the initial currency through a forward contract. This is done when interest parity does not hold.

Intraenterprise Transaction. A transaction between two or more units of the same IC.

Invention. The creation of new knowledge that may have application to business or industry.

Inventory Management. The strategy used by some MNEs to reduce inventories by pooling different affiliates' stocks and to reduce political and or exchange risk by holding inventories in less risky countries.

Irrevocable Letter of Credit (L/C). A letter of credit that cannot be canceled.

Islam A religion found primarily in North Africa and the Middle East. Moslems believe their future is ordained by Allah (God). The Koran, a collection of Allah's revelations to Muhammad, the founder of Islam, is accepted as God's eternal word.

J Curve. A curve illustrating the theory that immediately after a country devalues its currency, its imports become more expensive and

its exports cheaper, thus worsening a BOP deficit. As the country's exports increase, it earns more money and the deficit bottoms out and becomes a surplus up the right side of the J.

Joint Venture. May be (1) a corporate entity between an IC and local owners, (2) a corporate entity between two or more ICs that are foreign to the area where the joint venture is located, or (3) a cooperative undertaking between two or more firms for a limited-duration project.

Just-in-Time Delivery. A balanced system in which there is little or no delay time or inventory.

Keiretsu. Networks of large numbers of suppliers, intermediaries, and other related firms that formed industrial power centers in Japan after World War II.

Labor Agreement. Same as the labor contract.

Labor Contract. The terms and conditions of employment as negotiated between management and a union.

Labor Force Composition. The different sorts of available laborers, differentiated in terms of skill, age, race, or gender.

Labor Intensive. Describes products whose production requires a relatively large amount of labor and a relatively small amount of capital. Also describes the manufacturing process.

Labor Market. The labor available in an area.

Labor Mobility. The movement of labor from one location to another.

Labor Productivity. How much a labor force produces in a given time period.

Labor Quality. The skill and industriousness of labor.

Labor Quantity. The number of available laborers.

Labor Unions. Organizations of laborers that represent and negotiate for workers.

Lags. Delaying conversion when payment is to be made in another currency in the belief the other currency will cost less when needed.

Landlocked. Refers to a nation bordered on all of its frontiers by land.

LASH (Lighter abord ship). Specially designed oceangoing vessel for carrying barges.

Leads. Converting immediately when payment is to be made in another currency in the belief the other currency will cost more when needed.

Leontief Paradox. The surprising finding by Wassily Leontief that the United States in 1947 had a higher capital/labor ratio in production of import-competing products than in exports. That is, U. S. exports are relatively more labor-intensive, and imports more capital-intensive, despite the relatively greater availability of capital in the U. S. than in other countries.

Letter of Credit (L/C). A contract between an importer and its bank that transfers liability for paying the exporter from the importer to the importer's bank. A letter issued by a bank indicating that the bank will accept drafts (make payments) under specified circumstances.

LIBOR. The London interbank offered rate. This interest rate is a daily average of those quoted by major banks in London to accept deposits of at least $US 1 million from other banks or high-quality clients.

Licensing. A contractual arrangement in which one firm, the licensor, grants access to its patents, trademarks, or technology to another firm, the licensee, for a fee, usually called a royalty.

Lingua Franca. A foreign language used to communicate among diverse cultures that speak different languages.

Lockout. Management not allowing a group of employees to work.

Long-Term National Financial Markets. Capital markets in different countries, that is, markets for long-term financial instruments such as stocks and bonds in different countries.

Low Cost Unit Factory. The production location with lowest costs, either because of low wages or large capital investment (and production scale economies).

Macrorisk. The political risk that exists for all firms (or all foreign firms) in a particular country.

Make-Versus-Buy Decision. The choice for a firm either to produce a product or input for itself or buy it from an outside supplier. By producing them within the firm, internalization of those inputs' production takes place.

Management Contract. An agreement by which one firm provides management in all or specific areas to another company for a fee.

Management Information System (MIS). The computerized system through which multinational or global executives get timely, relevant information about all the company's units.The accumulation and presentation of data and information pertinent to the effective management of the multinational enterprise.

Management Technology. The knowledge used to operate a business, that is, the managerial skills that enable a firm to compete by using its resources efficiently.

Market Allocation. The strategy used by MNEs to restrict activities of each affiliate in specified markets, to avoid competition among these units.

Market Sector. That part of a dual economy that is marked-based and is connected to international business with the industrial countries.

Market Segmentation. An operating strategy under which the firm or SBU attempts to compete based on defining and pursuing a niche or segment of the total market, such as the highest quality segment, or the smallest size segment, and so on.

Market-Serving FDI. Direct investment used by the MNE to produce and sell its products or services in the host country.

Material Culture. Refers to all man-made objects and is concerned with how people make things (technology) and who makes what and why (economics).

Matrix Organization. An organizational structure composed of one or more organizational structures superimposed over one another in an attempt to mesh product, regional, functional, and other expertise.

Matrix Overlay. An organization whose top-level divisions are required to heed input from a staff composed of experts of another organizational dimension. It attempts to avoid the double-reporting difficulty of a matrix organization but still mesh two or more dimensions.

Maturing Product. A product which is produced by several firms, whose technology is no longer monopolized by the innovating firm, and which faces increasing price elasticity of demand.

Mercantilism. The economic philosophy that equates the possession of gold or other international monetary assets with wealth. It also holds that trade activities should be directed or controlled by the government.

Merchant Banks. Combined long- and short-term financing with the underwriting and distributing of securities.

Microrisk. The political risk that exists for a particular firm or industry in a given country.

Minority. A group of people of one race or religion living in an area populated by a larger number of people of a different race or religion.

Mission Statement. A broad statement defining an organization's scope.

Mitbestimmung. German for code termination. The Germans pioneered code termination, and their word for it is frequently used.

Monopoly Power. The economic strength that MNEs possess relative to other firms and relative to governments because of their size, their availability of information, and their multinationality.

***Most-Favored-Nation* (MFN).** A principle in international trade regulation that is used by members of GATT. If a trade barrier is reduced between any two members of GATT, that same benefit is automatically extended to all other GATT members under the most-favored-nation principle.The policy of nondiscrimination in international commercial policy, extending to all nations the same customs and tariff treatments as are extended to the most favored nation.

Multinational Economic Union. A group of nations that have reduced barriers to intergroup trade and are cooperating in economic matters.

***Multinational* Company or Enterprise (MNC or MNE).** Terms used by some authors to mean an organization consisting of a parent company in a home country that owns relatively autonomous subsidiaries in various host countries.

Multilateral Netting. The strategy used by some MNEs to reduce international funds flows between affiliates by canceling redundant cash flows and transferring only the net amounts necessary.

Multinational Sourcing. A capability that exists for MNEs to find or set up production sources in more than one nation, thus enabling the firm to lower its costs relative to firms that produce or buy in only one country.

Multinationality. The essence of the MNE. By operating simultaneously in several countries, the MNE is able to transfer information about prices and demand conditions, move funds and products to safer or otherwise preferable locations, and generally escape the limitations imposed by the environment in a single country.

National (Macro) Competition. Ability of a nation's producers to compete successfully in the world markets and with imports in their own domestic markets.

National Economic Plans. Plans prepared by governments that state their economic goals and means for reaching them for periods of usually up to five years.

Nationalism. A strong attachment to and support of one's country.

Nationalization. Government takeover of private property. The forced takeover of a company's assets by the host government with compensation. Sometimes this is achieved by requiring sale of controlling ownership to local investors, still leaving the MNE with some partial ownership.

National Focus. The competitive strategy that implies adaptation of products to each national market in which the firm operates.

National Money Markets. The short-term financial markets in individual countries. These include markets for instruments such as treasury bills and short-term bank deposits as well as commercial paper, banker's acceptances, and other instruments that mature in less than one year.

Non-Tariff Barriers (NTBs). Government-imposed restrictions on imports other than tariffs which also limit imports. They include licensing requirements, prior deposits, bureaucratic delays, and many more restrictions. Constraints on imports other than import duties, such as quotas, product standards, orderly marketing arrangements, customs and administrative procedures, and government participation in trade.

Non-quantitative Non-tariff Barriers. May be classified under three major headings: (1) direct government participation in trade, (2) customs and other administrative procedures, and (3) standards.

Obsolescing Bargain. The situation that exists after an MNE commits its capital and human resources to an investment project in a host country. The MNE's bargaining position relative to the host government diminishes (obsolesces), since it has important resources at risk in the host country. Over time, the government typically gains even greater ability to force the firm to follow its desired goals as the firm becomes more integrated into the local economy.

Off-Premises Training. The employer sends workers away from its property to a school or other site to be trained.

Offshore Assembly. The overseas production of goods whose inputs are fabricated in one country, typically done to reduce labor costs. That is, basic materials are made in one country, they are shipped abroad for assembly or processing, and then the final products are shipped to the target market for sale.

Offshore Banking. The use of banks located in other countries particularly tax havens like the Caymans and the Bahamas.

Offshore Funds. Investment funds whose shares are usually denominated in U.S. dollars but located and sold outside the United States. There are tax and securitiies-registration reasons for such funds.

Offshore Production. Either offshore sourcing or offshore assembly.

On-the-Job Training. Employees learn a job by performing it under supervision.

Opening Bank. The bank that opens a letter of credit (L\C). This bank will honor (pay) drafts drawn under the L\C if specified conditions are met.

Operating Strategy. The day-to-day method of doing business that an MNE must tailor to conditions in each host country. Operating strategy is dependent on the degree and kind of government regulation, competitive conditions, and other factors.

Opportunity Cost. The potential gain foregone in any business activity that is given up by hedging against the risk of loss on that activity. The opportunity cost of a forward contract is the lost foreign exchange earnings that would have occurred if the contracts were not used and the exchange rate had changed favorably to the firm. For a country the opportunity cost of using resources in one activity is the cost of foregoing the next best alternative use of those resources.

Orderly Marketing Agreements (OMAs). An intergovernmental agreement to limit import of a product(s). These agreements are usually made when imports are visibly hurting the domestic industry and the importing country cannot demonstrate that the importing firms are dumping or otherwise operating illegally. Compacts negotiated between two or more nations under whose terms the exporting nation or nations agree to limit exports of specified goods to the importing nation. They are sometimes called voluntary export restrictions agreements (**VERs**).

Organization of Petroleum Exporting Countries (OPEC). The multinational cartel of oil producing countries.

Organization for Economic Cooperation and Development. An intergovernmental organization that has as members the industrialized countries (the first world).The OEC is concerned with economic and social issues.

Overall Objectives. The broad goals of a firm at the highest level. This could all be called the mission of the firm.

Paper Gold. See special drawing rights (SDRs).

Parallel Importing. The importing of a product by an independent operator that is not part of the manufacturer's channel of distribution.

The parallel importer may compete with the authorized importer or with a subsidiary of the foreign manufacturer that produces the product in the local market.

Parent Company. A company that owns subsidiary companies.

Par Value. The value that a government, by agreement or regulation, sets on its currency in terms of other currencies. At Bretton Woods, other currencies were assigned par values in terms of the U.S. dollar.

Patent. A legal contract under which a government agrees to protect a possessor proprietary technology from use of the technology by unauthorized outside users.

Paternalism. A system in which a chief, sheik, or other authority figure cares for all the people as if he were their father.

Pattern Bargaining. An industry-wide bargaining strategy characterized by a contract settlement with one company that establishes a basis for other firms in the industry to follow.

Pegged Exchange Rate. An exchange rate in which a country's currency is fixed in terms of another country's currency. Frequently, the other country is a major trading partner or a country with which there was acolonial relationship.

Peril Point. In law, a point below which a tariff cannot be lowered without causing or threatening serious injury to producers of competitive products.

Periphery. That segment of a country's population that is least advantaged economically. Also, the periphery countries of the world are the LDCs.

Personnel Evaluation. Measurement of performance of company employees done for the purpose of salary determination, job assignment, and other uses.

Political Union. A type of economic integration that calls for full political integral between countries, that is, creation of a single political jurisdiction (country).

Political Risks. The risks to a business and its employees that stem from political unrest in an area. As a result of such unrest, the markets or supplies of the business may be disrupted or the business may be nationalized and its employees may lose their jobs or be kidnapped, injured, or even killed.

Population Density. A measure of the number of inhabitants per area unit (inhabitants per kilometer or mile).

Portfolio Investment. The purchase of financial instruments such as stocks, bonds, bank deposits, and so forth, by an investor; in our context the investor would be from one country and the investment in another country.

Posttrade Financing. Credit extended to the exporter or importer after shipment but before this firm receives its payment for the goods.

Pretrade Financing. Credit extended to an exporter to enable that firm to produce the goods that will be exported. This is a form of working capital financing.

Product Differentiation. An operating strategy under which the firm or SBU attempts to compete based on non-price factors such as quality, service, and other product characteristics.

Product Liability. Liability of a product's manufacturer for damage caused by the product.

Pro Forma Invoice. Exporter's formal quotation containing a description of the merchandise, price, delivery time, method of shipping, terms of sale, and points of entry.

Product Technology. The knowledge used to produce any product, that is, the information that specifies the product's characteristics and uses.

Production Allocation. Assigning production that is needed globally to various subsidiaries.

Production Smoothing. Allocating production to various subsidiaries with the intention of maintaining relatively steady output levels at all locations.

Programmed-Management Approach. A middle-ground advertising strategy between globally standardized and entirely local programs.

Promotion. All forms of communication between a firm and its publics.

Promotional Mix. A blend of the promotional methods a firm uses to sell its products.

Proprietary Technology Knowledge about how to make a product (or service), how to operate a production process, or how to run a business, that one firm possesses and that other firms do not. The innovating firm is able to protect this technology for itself, either through legal means (e. g., patent or trademark) or by secrecy.

Protected Niche. The competitive strategy that implies obtaining government protection for the firm's activities in the countries where it operates.

Protestant Work Ethic. The duty of Christians to glorify God by hard work and the practice thrift.

Public Good. A product that can be used repeatedly without being used up.

Technology is a public good, because using it does not deplete it.

Public Relations. Various methods of communicating with the firm's publics to secure a favorable impression.

Purchasing Power Parity. The condition that an inflation differential between any two countries is eliminated by an offsetting change in the exchange rate between their currencies. The relative ability of one unit of two countries' currencies to purchase similar goods. From this relative ability is derived an indication of what the market exchange rate between the two currencies should be.

Put Option. An option contract that entitles the purchaser to sell a fixed amount of foreign exchange at a fixed price in the future.

Quota. A quantity restriction on imports. (1) A limitation on imports by number or by weight; for example, only so many of a given item or only so many pounds or kilos may be imported. (2) At the IMF, each member-nation has a quota that determines the amount of its subscription and how much it can borrow.

Quantitative Quotas. Numerical limits placed on specific classes of imports.

Regional Economic Integration. Expansion of commercial and financial ties among countries in a regional group, leaving the rest of the world outside of the group. Five forms of regional economic integration have been identified during the post-World War II period, ranging from free trade areas to full economic and political unions.

Regional International. An organization of trade unions from a specific region of the world, for example, Western Europe.

Reporting Currency. The parent company's currency used in preparing and presenting accounting reports at the parent level.

Revocable letters of credit (L/Cs). L/Cs that the opening bank may revoke at any time without notice to the beneficiary.

RO-RO. Specially designed oceangoing vessel that permits any equipment on wheels to be rolled on board.

Rural-to-Urban Shift. Describes the movement of a nation's population from rural areas to cities.

Sales Company. A corporate entity established in a foreign country by the parent company to sell goods or services imported from the parent company and other foreign affiliates.

Sales Promotion. Selling aids, including displays, premiums, contests, and gifts.

Scale Economies in Advertising. The condition where the incremental costs of each unit of advertising expenditure are declining, for example, where fixed costs of advertising copy preparation can be allocated to an increasingly large total market as additional ads are placed in different markets.

Scale Economies in Distribution. Cost reductions achieved by shipping large quantities of products, thus lowering the unit shipping costs relative to competitors that ship lower quantities.

Scale Economies in Financing. Cost reductions gained by borrowing large quantities of funds at lower interest and other cost than charged to borrowers of smaller quantities.

Scale Economies in Production. Cost reductions achieved by a large size production facility. When large-scale output is achieved, low unit costs result (relative to competitors operating smaller-scale facilities).

Scale Economies in Purchasing. Cost reductions gained by buying large quantities of inputs at lower unit costs than those paid by buyers of smaller quantities.

Seasonal Factory. A factory that can handle large variations in employment and capacity usage over the year, for example, at Christmas time.

Sequential Entry Strategy. An MNE strategy that implies market entry through a relatively inexpensive step such as exports or licensing, and abuildup of commitment into joint venture ownership and/or full subsidiary ownership. Seven Sisters (or the Major Multinationals), the world's largest oil companies. In the late 1980s they included: Royal Dutch Shell, EXXON, Mobil, British Petroleum. Texaco, Chevron (Socal), and Amoco.

Shunto. The "spring wage offensive" in Japan characterized by coordinated collective bargaining by enterprise unions seeking wage increases that mainly pertain to cost-of-living and industry productivity concerns.

Sight Draft. A means of payment for an export contract in which the draft (essentially a check) is payable upon delivery to the exporter. The draft is often used in conjunction with a letter of credit. A bill of

exchange that is payable immediately on presentation or demand. A bank check is a sight draft.

Skunk Works. A think-tank environment used by some MNEs to encourage researchers to pursue new projects in small teams without excessive bureaucracy front the mainstream business of the firm.

Social Benefit/Cost Ratio. The sum of all social benefits generated by a potential project divided by the sum of all social costs generated by the project. If the ratio is greater than one, the project should be undertaken from the host country's perspective.

Sogo Shosha. The Japanese trading companies, such as Mitsubishi Shoji and Mitsui Bussan.

Sourcing FDI. Direct investment used by the MNE to produce its products or input overseas for eventual sale back in the home country (or in other countries).

Sovereignty. Control over the national economy.

Special Drawing Right (SDR). The official currency of the IMF. The SDR is a composite currency based on the weighted values of the dollar, yen, mark, French franc, and the British pound. New SDKs are issued infrequently by the IMF, and this currency is used as the unit of account for transactions with the IMF.

Specialized International. A component of an intergovernmental agency which represents workers' interests and views within that agency.

Spillover Benefits. Positive externalities. To a country, spillover benefits accrue when a business activity is undertaken and it has positive impact beyond the success of the venture itself (such as additional employment, improved balance of payment etc.). To a company, spillover benefits accrue when an activity is undertaken that has a positive impact on the rest of the firm's business in addition to the activity's own success.

Spot Rate or Spot Quotation. The rate of exchange between two currencies for delivery, one for the other within two business days.

Standardized Product. A product that is produced by many firms, whose technology is well known, and which faces very price-sensitive demand. Commodities are generally standardized products.

Sterling Area. The group of former members of the British Commonwealth that continue to use the British pound as an acceptable currency and/or tie their currency values to the pound.

Stewards' Council. An elected group of worker representatives, not a union, to negotiate with management on labor agreements and the

solving of workers' problems. The Stewards' Council is more commonly found in the United Kingdom.

Strategic Alliance. A cooperative agreement between two or more firms. Such alliances range from joint ventures with mutual part-ownership of a venture to cross-licensing, joint marketing, joint research, and other types of contractual arrangements.

Strike. A group of employees' refusal to work.

Subsidiary. A foreign corporation whose stock is more than 50 percent owned by the parent company and is therefore controlled by the parent company.

Subsidy. Financial contribution provided directly or indirectly by a government and which confers a benefit. Include grants, preferential tax treatments, and government assumption of normal business expenses. As refers to international trade, a subsidy is some cost-reducing privilege offered by the government to domestic firms to stimulate their competitiveness so that they may be more successful against imports.

Superstores. Name given to hypermarkets in Japan and in some parts of Europe and the United States.

Swaps. Are of two basic kinds: interest rate swaps and currency swaps. Interest rate swaps typically exchange fixed-rate for floating-rate payments. Currency swaps are accords to deliver one currency against another currency at certain intervals.

Swing. In a bilateral trade agreement, the leeway provided for mutual extension of credit.

Switch Trade. A type of countertrade utilized when a country lacks sufficient hard currency to pay for its imports. When it can acquire from a third country products desired by its creditor country, it switches shipment of those products to the creditor country. Its debt to the creditor country is thereby paid.

Tariff. A tax placed on imports that thereby raises the price and restricts the quantity of imports.

Tariff Barriers. Taxes on imported goods for the purpose of raising their price to reduce competition for local producers or stimulate their local production

Tariff Quota. A tariff that has a lower rate until the end of a specified period or until a specified amount of the commodity has been imported. At that point, the rate increases.

Technology Advantage. A competitive advantage gained from creation or obtaining of proprietary technology.

Technology Intensity. The amount of technology used relative to capital and labor in production of a product or service.

Technology Intensive. Depending more on research and development (i. e. technology) than other firms in the same or other industries. A technology intensive firm is generally one that spends more on research and development or has more scientific and technical staff than other firms in a given context.

Technology Transfer. The passage of product or process technology, or management skills, from one firm to another, or between affiliates of a multinational firm.

Terms of Sale. Conditions of asale that stipulate the point where all costs and risks are borne by the buyer.

Terms of Trade. The real quantities of exports that are required to pay for a given amount of imports.

Territorial Tax Jurisdiction. The levying of tax on taxpayers while living and working in the territory of the taxing government. Income earned while living and working elsewhere is not taxed or is taxed at a lower rate.

Terrorism. The use by non-government forces of murder, kidnapping, and destruction to publicize or gain political goals or money.

Time Draft. A means of payment for an import/export transaction The time draft is payable after delivery at the time stated on the draft. It is often accompanied by a letter of credit guaranteeing the payment.

Total Product. What the customer buys; it includes the physical product, brand name, after-sale service, warranty, instructions for use, the company image, and the package.

Total Quality Control System. A system that integrates the development, maintenance, and improvement of quality among all functional areas of the firm.

Trade Acceptance. A draft similar to a banker's acceptance, the difference being that no bank is involved. The exporter presents the draft to the importer for its acceptance to pay the amount stated at a fixed future date.

Trade Balance. Comparison of the value of merchandise exports minus the value of merchandise imports for a given country for a given time period. A surplus trade balance implies exports greater than imports; a trade deficit implies imports greater than exports.

Trade Creation. Generation of new exports between members of an economic integration group, due to lowering of trade barriers between them.

Trade Diversion. Replacement of exports from non-members of an economic integration group because of increased internal trade among the members.

Trade Financing. Credit extended to an importer by the exporter or a commercial bank or some other intermediary, that enables the importer to pay for the merchandise, presumably until it is sold and the importer receives funds to pay.

Trademark. A legal contract under which a government agrees to protect the originator of the distinctive mark, word, design, or picture, from unauthorized use by outsiders.

Traditional Sector. The poorer pan of a dual economy that is based on traditional agriculture, hunting, or fishing, and is weakly connected to the market sector.

Transaction Efficiencies. The gains of economic welfare generated by operation of MNEs because they are (sometimes) more efficient than smaller, uninational firms.

Transaction Risk. The possibility that a foreign currency-denominated transaction will be worth less (or more) than expected in local currency when the transaction is completed in the future.

Transfer Price. The price for products, components, and so forth, traded among units within the same multinational enterprise.

Translation Loss. An accounting loss reflected in adjustments to accounting statements at the end of an accounting period to record changes in home-country currency values caused by changes in foreign currency based on receivables, payables, or other assets or liabilities.

Translation Risk. The possibility that a firm's balance sheet entries will be changed in domestic currency due to changes in exchange rates that affect foreign-currency accounts.

Transnationals. Used by the UN and some others to connote organizations variously called global, multinational, worldwide companies, or IC.

Treaty of Rome. Established the EU.

Twin Plants. Along the Mexican-American border, the plant on the U. S. side does the high-tech, capital-intensive part of production, while the Mexican plant, also called maquiladoras, does the labor-intensive part.

Unbundling. A strategy of governments to try to force MNEs into sharing more of their benefits with the local country; for example, through shared ownership, required technology transfer, local content requirements, and so forth.

Uncontrollable Environmental Forces. The external forces in the domestic and foreign environments over which management has no direct control.

Underground Economy. The part of a nation's income that, underreported or unreported, is not measured by official statistics.

Undervalued Currency. A currency that has been oversold because of emotional selling, or a currency whose value a government tries to keep below market to make its country's exports less expensive and more competitive.

Unit Labor Costs. The labor cost to produce one unit of output.

Universal MIS. A management information system that is common to all operations, whether at the parent or subsidiary levels.

Untouchables. Lowest-caste Indians. Mahatma Gandhi called them harijans, the children of God.

Value-Added Tax (VAT). A tax levied at each stage in the production of a product. The tax is on the value added to the product by that stage.

Variable Levy. Import duties set at the differences between world market prices and local government-supported prices. Used by the European Union on grain imports to ensure that they have no price advantage over locally grown grains. A tax applied on the value added by each manufacturer or distributor during the production and marketing of a product.

Vertical Integration. Entry of a firm into a different stage of production in its own industry. The auto company, Ford, not only produces cars, but it is vertically integrated into steel production.

Voluntarism. A tradition among British workers that their interests in unions is a fundamental right, and that they will respect each individual's right to work or not work to secure benefits from management.

Voluntary Quota (or **VERA**). An orderly marketing agreement under which the exporting country agrees to limit exports to some predetermined level or some percentage of the importing country's market in order to restrict international competition and preserve some of the national market for local producers.

Weighted-Average Cost of Capital. The firm's cost of funds, measured as the cost of each source of funds weighted for that source's part in total funding.

Weighted-Average Exchange Rate. The exchange rate used in translating income and expense accounts at the end of an accounting period. It takes into account the relative movement of exchange rates during the period and adjusts the consolidated statement to reflect some weighted mean rate.

Works Council. An elected group of employee representatives that have legal rights to certain company information and to co-determine with management certain issues, especially those pertaining to safely. The Works Council is more commonly found in continental Europe.

Worldwide Companies. Used by some authors to connote the organizations referred to by others as globals, multinationals, transnationals, or ICs.

Zaibatsu. The pre-World War II Japanese holding companies that controlled major industrial empires.Centralized, family-dominated, monopolistic economic groups that dominated the Japanese economy until the end of World War II when they were broken up. As time passed, however, the units of the old zaibatsu drifted back together, and they now cooperate within the group much as they did before their dissolution.

Zero-Coupon Bonds. Bonds that are issued at a heavy discount and pay no interest but are redeemable at par at a future date.

The List of the Countries and the Capitals

1. Afghanistan ..... Kabul
2. Albania ..... Tirane
3. Algeria ..... Algiers
4. Andorra ..... Andorra la Vella
5. Angola ..... Luanda
6. Antigua and Barbuda ..... St. John's
7. Argentina ..... Buenos Aires
8. Armenia ..... Yerevan
9. Australia ..... Canberra
10. Austria ..... Vienna
11. Azerbaijan ..... Baku
12. Bahamas ..... Nassau
13. Bahrain ..... Manama
14. Bangladesh ..... Dhaka
15. Barbados ..... Bridgetown
16. Belarus ..... Minsk

17. Belgium ..... Brussels 

18. Belize ..... Belmopan 

19. Benin ..... Porto-Novo 

20. Bhutan ..... Thimphu 

21. Bolivia ..... La Paz 

22. Bosnia and Herzegovina ..... Sarajevo 

23. Botswana. ..... Gaborone 

24. Brazil. ..... Brasilia 

25. Brunei ..... Bandar Seri Begawan 

26. Bulgaria ..... Sofia 

27. Burkina Faso ..... Ougadougou 

28. Burundi ..... Bujumbura 

29. Cambodia ..... Phnom Penh 

30. Cameroon ..... Yaounde 

31. Canada ..... Ottawa 

32. Cape Verde ..... Praia 

33. Central African Republic ..... Bangul 

34. Chad ..... N'Djamena

35. Chernogoria ..... Podgorica

36. Chile ..... Santiago

37. China ..... Beijing

38. Colombia ..... Bogota

39. Comoros ..... Moroni

40. Congo ..... Brazzaville

41. Costa Rica ..... San Jose

42. Cote d'lvoire ..... Abidjan (Yamoussoukro)

43. Croatia ..... Zagreb

44. Cuba ..... Havana

45. Cyprus ..... Nicosia

46. Czech Republic ..... Prague

47. Denmark ..... Copenhagen

48. Democratic Republic of Congo ..... Kinshasa

49. Djibouti ..... Djibouti

50. Dominica ..... Roseau

51. Dominican Republic ..... Santo Domingo 

52. Ecuador ..... Quito 

53. Egypt ..... Cairo 

54. El Salvador ..... San Salvador 

55. Equatorial Guinea ..... Malabo 

56. Eritrea ..... Asmera 

57. Estonia ..... Tallinn 

58. Ethiopia ..... Addis Ababa 

59. Federated States of Micronesia ..... Kolonia 

60. Fiji ..... Suva 

61. Finland ..... Helsinki 

62. France ..... Paris 

63. Gabon ..... Libreville 

64. Gambia ..... Banjul 

65. Georgia ..... Tbilisi 

66. Germany ..... Berlin 

67. Ghana ..... Accra 

68. Great Britain ..... London 

69. Greece ..... Athens 

70. Grenada ..... St. George's 

71. Guatemala ..... Guatemala City 

72. Guinea ..... Conakry 

73. Guinea-Bissau ..... Bissau 

74. Guyana ..... Georgetown 

75. Haiti ..... Port-au-Prince 

76. Honduras ..... Tegucigalpa 

77. Hungary ..... Budapest 

78. Iceland ..... Reykjavik 

79. India ..... New Delhi 

80. Indonesia ..... Jakarta 

81. Iran ..... Tehran 

82. Iraq ..... Baghdad 

83. Ireland ..... Dublin 

84. Israel ..... Tel Aviv 

85. Italy ..... Rome

86. Jamaica ..... Kingston

87. Japan ..... Tokyo

88. Jordan ..... Amman

89. Kazakhstan ..... Astana

90. Kenya ..... Nairobi

91. Kiribati ..... Bairiki

92. Korea, South ..... Seoul

93. Korea,North ..... Pyongyang

94. Kuwait ..... Kuwait City

95. Kyrgyzstan ..... Bishkek

96. Laos ..... Vientiane

97. Latvia ..... Riga

98. Lebanon ..... Beirut

99. Lesotho ..... Maseru

100. Liberia ..... Monrovia

101. Libya ..... Tripoli

102. Liechtenstein ..... Vaduz

103. Lithuania ..... Vilnius

104. Luxembourg ..... Luxembourg

105. Macedonia ..... Skopje

106. Madagascar ..... Antananarivo

107. Malawi ..... Lilongwe

108. Malaysia ..... Kuala Lumpur

109. Maldives ..... Male

110. Mali ..... Bamaco

111. Malta ..... Valletta

112. Marshall Islands ..... Majuro

113. Mauritania ..... Nouakchott

114. Mauritius ..... Port Louis

115. Mexico ..... Mexico City

116. Moldova ..... Chisinau

117. Monaco ..... Monaco

118. Mongolia ..... Ulaanbaatar

119. Morocco ..... Rabat

120. Mozambique ..... Maputo

121. Myanmar ..... Yangon

122. Namibia. ..... Windhoek

123. Nauru ..... No

124. Nepal ..... Kathmandu

125. New Zealand ..... Wellington

126. Nicaragua ..... Managua

127. Niger ..... Niamey

128. Nigeria ..... Abuja

129. Norway ..... Oslo

130. Oman ..... Muscat

131. Pakistan ..... Islamabad

132. Palau ..... Koror

133. Panama ..... Panama City

134. Papua New Guinea ..... Port Moresby

135. Paraguay ..... Asuncion

136. Peru ..... Lima 

137. Philippines ..... Manila 

138. Poland ..... Warsaw 

139. Portugal ..... Lisbon 

140. Qatar ..... Doha 

141. Romania ..... Bucharest 

142. Russia ..... Moscow 

143. Rwanda ..... Kigali 

144. Saint Kitts & Nevis ..... Basseterre 

145. Saint Lucia ..... Castries 

146. Saint Vincent and the Grenadines ..... Kingstown 

147. San Marino ..... San Marino 

148. Sao Tome and Principe ..... Sao Tome 

149. Saudi Arabia ..... Riyadh 

150. Senegal ..... Dakar 

151. Serbia ..... Belgrade 

152. Seychelles ..... Victoria 

153. Sierra Leone ..... Freetown

154. Singapore ..... Singapore

155. Slovakia ..... Bratislava

156. Slovenia ..... Ljubljana

157. Solomon Islands ..... Honiara

158. Somalia ..... Mogadishu

159. South Africa ..... Pretoria

160. Spain ..... Madrid

161. Sri Lanka ..... Colombo

162. Sudan ..... Khartoum

163. Suriname ..... Paramaribo

164. Swaziland ..... Mbabane

165. Sweden ..... Stockholm

166. Switzerland ..... Bern

167. Syria ..... Damascus

168. Taiwan ..... Taipei

169. Tajikistan ..... Dshanbe

170. Tanzania ..... Dar-es-Salaam

171. Thailand ..... Bangkok

172. The Netherlands ..... Amsterdam

173. Togo ..... Lomo

174. Tonga ..... Nukualofa

175. Trinidad and Tobago ..... Port-of-Spam

176. Tunisia ..... Tunis

177. Turkey ..... Ankara

178. Turkmenistan ..... Ashgabat

179. Tuvalu ..... Funafuti

180. Uganda ..... Kampala

181. Ukraine ..... Kyiv

182. United Arab Emirates ..... bu Dhabi

183. United States of America ..... Washington. DC

184. Uruguay ..... Montevideo

185. Uzbekistan ..... Tashkent

186. Vanuatu ..... Port Vila

187. Vatican City .....

188. Venezuela ..... Caracas

189. Vietnam ..... Hanoi

190. Western Samoa ..... Apia

191. Yemen ..... Sanaa

192. Zambia ..... Lusaka

193. Zimbabwe ..... Harare

ABBREVIATIONS

AFDB ..... African Development Bank
AFIC ..... Asian Finance and Investment Corporation
AFTA ..... Asian Free Trade Agreement
ASEAN ..... Association of Southeast Asian Nations
ATPA ..... Andean Trade Preference Act
BIS ..... Bank for International Settlements
BOP ..... Balance of Payments
CIM ..... Computer-Integrated Manufacturing
CIS ..... Commonwealth of Independent States
CISC .... UN Convention on Contracts for the International Sale of Goods
COMECON ..... Council for Mutual Economic Assistance
CRA ..... Country Risk Assessment
DB ..... Development Bank
DC ..... Developed Country
DFIs ..... Development Finance Institutions
DISC ..... Domestic International Sales Corporation
EBRD ..... European Bank for Reconstruction and Development
ECOWAS ..... Economic Community of West African States
EMU ..... Economic and Monetary Union
EEA ..... European Economic Area
EFTA ..... European Free Trade Association
EMs ..... Export Management Companies
EMCF ..... European Monetary Cooperation Fund
EMS ..... European Monetary System
EPO ..... European Patent Organization
ETC ..... Export Trading Company
ETUC ..... European Trade Union Confederation
EU ..... European Union
FCPA ..... Foreign Corrupt Practices Act
FDI ..... Foreign Direct Investment
FSC ..... Foreign Sales Corporation
FTAA ..... Free Trade Agreement of the Americas
FTZ ..... Foreign Trade Zone
Fx. ..... Foreign Exchange
G7 ..... Group of Seven
GATT ..... General Agreement on Tariffs and Trade

GC ..... Global Company
GDP ..... Gross Domestic Product
GNP ..... Gross National Product
GSP ..... Generalized System of Preferences
IAC ..... International Anti-counterfeiting Coalition
IC ..... International Company
IDA ..... International Development Association
IDB ..... Inter-American Development Bank
IEC ..... International Electrotechnical Commission
IFC ..... International Finance Corporation
IMF ..... International Monetary Fund
ISO ..... International Organization for Standardization
IPLC ..... International Product Life Cycle
IRC ..... International Revenue Code
ISA ..... International Seabed Authority
ITA ..... International Trade Administration
JIT ..... Just-in-Time
JV ..... Joint Venture
LAIA Latin American Integration Association (formerly LAFTA)
LDC ..... Less Developed Country
LIBOR ..... London Interbank Offer Rate
LOST ..... Law of the Sea Treaty
MNC ..... Multinational Company
MNE ..... Multinational Enterprise
NAFTA ..... North American Free Trade Agreement
NATO ..... North Atlantic Treaty Organization
NIC ..... Newly Industrializing Country
NTBs ..... Nontariff Barriers
OECD ..... Organization for Economic Cooperation & Development
OPEC ..... Organization of Petroleum Exporting Countries
PPP ..... Purchasing Power Parity
PRC ..... People's Republic of China
PTA ..... Preferential Trade Area for Eastern and Southern Africa
SACC Southern African Development Co-ordination Conference
SBA ..... Small Business Administration
SBC ..... Strategic Business Center
SBU ..... Small Business Unit
SDR ..... Special Drawing Rights

SEZ ..... Special Economic Zone
TQM ..... Total Quality Management
UN ..... United Nations
UNCTAD ..... UN Conference on Trade and Development
VAT ..... Value Added Tax
VER ..... Voluntary Export Restraint
VRAs ..... Voluntary Restraints Agreements
WEC ..... World Energy Council
WIPO ..... World Intellectual Property Organization
WTO ..... World Trade Organization

English-Ukrainian Vocabulary

A

abolish obstacles — скасувати перешкоди

accountable *a.* — відповідальний, підзвітний; бути причиною, може бути пояснено

to be accountable to smb. for one's actions — відповідати за чиїсь вчинки перед ким

to be accountable to smb. for the money one spends — звітувати (перед ким) про гроші

accrue *v.* — накопичувати, нарощувати (%)

ad hoc — *лат.* для цього випадку

ad hoc committee — спеціальний комітет, тимчасовий комітет

administrative machinery — адміністративний апарат

adopt *v.* — приймати, визнавати; висувати як кандидата на виборах; брати на озброєння (військ.)

to adopt another course of action — змінити тактику

to adopt the attitude of an onlooker — зайняти позицію стороннього спостерігача

to adopt smb.'s ideas — запозичувати чиїсь ідеї

afore-mentioned *adj.* — раніше згаданий

adjacent *adj.* — прилеглий, суміжний, сусідній

allege *v.* — стверджувати, заявляти (голослівно); наводити як виправдання чи пояснення; виправдувати (чим); посилатися (на що); приводити як доказ, на підтвердження

they are alleged to have (signed a secret treaty) been bribed — стверджують, що вони (підписали таємну угоду) підкуплені

to allege an authority — посилатися на авторитет

to allege repeatedly (insistently) — заявляти неодноразово (наполегливо)

to allege smth. as a fact — заявляти про щось як про безсумнівний факт

he is alleged to be untrustworthy — на нього нібито не можна покластися

to allege smth. as a reason for not doing the work — посилатися на щось, як на причину того, що робота не виконана

allocate *v.* — виділяти, призначати, асигнувати; розподіляти, встановлювати місце, локалізувати

to allocate funds for — асигнувати кошти на

to allocate duties to smb. — зобов'язувати кого-небудь, покладати обов'язки на кого-небудь

allow *v.* — дозволяти, надавати можливість, допускати

to be allowed to do smth. — мати дозвіл на виконання чогось

to allow oneself (to do) smth. — дозволяти собі (робити) щось

allow for — передбачити; враховувати; брати до уваги; робити виправлення на (щось)

to allow for other expenses (future development) — враховувати інші витрати (можливі події)

to allow an inch for shrinkage — припустити дюйм на усадку

to allow a gallon for leakage — скинути галон на витік

it will take thirty minutes to get to the station, allowing for traffic delays —з урахуванням дорожніх заторів (пробок), 30 хвилин знадобиться для того, щоб дістатися вокзалу

evidence that allows of only one conclusion — дані, на основі яких можна зробити лише один висновок

to allow smth. regularly (lavishly, intermittently) — виплачувати щось регулярно (щедро, нерегулярно)

to allow a claim (an argument) — визнавати (справедливою) претензію (вимогу)

to allow smb. a discount — надавати комусь знижку

to allow a shilling in the pound — надавати знижку в один шилінг з кожного фунта

to allow as how — визнавати, вважати, робити висновок (амер. розм.).

ambivalence *n.* — роздвоєння (почуттів), подвійність (відносин)

amendment *n.* — виправлення; покращення, доповнення; усування недоліків

to make (to insert, to reject) an amendment — зробити (внести, відхилити) виправлення

to second an amendment — виступити на захист виправлення, підтримати пропозицію про виправлення

amplify *v.* — розширювати, посилювати, підвищувати

to amplify the demand for a product by advertising — підвищувати попит на товар за допомогою реклами

to amplify a story — розповісти історію докладніше

to amplify on (upon) smth. — поширюватися

to amplify difficulties — перебільшувати труднощі

apparel *n.* — одяг, убрання,

apparent *adj.* — очевидний, видимий, явний,

apparent to the most casual observer — (легко) виявлений випадковим спостерігачем

apparent error (deceit, contradiction) — явна помилка (обман, суперечність)

apparent sense of a law — абсолютно зрозумілий зміст закону

apparent cause — уявна (удавана) причина

apparent indifference — удавано байдужий; такий, що здається байдужим

apparently *adv.* — очевидно, безсумнівно; як видно, із зовнішнього вигляду

he apparently likes this work — йому явно подобається ця робота

he is apparently friendly — він справляє враження дружелюбної людини

apply *v.* – прикладати, застосовувати, відноситися, звертатися, подавати заяву

to apply for a rise (*амер.* raise) — просити підвищення

to apply to smb. for smth. — звертатися до когось за чим-небудь

to apply for a job (for the vacant office) — подавати заяву про прийом на роботу

to apply as a — подавати заяву на посаду

to apply a sum of money to the payment of a debt — віддати гроші щоб сплатити борг

to apply economic sanctions — застосувати економічні санкції

to apply an embargo — накласти ембарго

to apply pressure to get what one wants — чинити тиск, щоб досягти бажаного

this rule does not always apply — це правило не завжди застосовується

that argument does not apply in this case — цей аргумент у даному випадку не застосовують

what I said does not apply to you — я не мав на увазі вас, мої слова не про вас

to apply one's mind to a task — уважно виконувати задачу

appreciate *v.* — оцінювати; (високо) цінувати, бути вдячним; дорожчати

to appreciate the difficulty (the risk) — вірно оцінювати труднощі (небезпеку)

to appreciate the true force (the full meaning) — оцінити справжню силу (усе значення)

the land will appreciate greatly — земля різко подорожчає

arbitrage *n.* — *фін.* скуповування цінних паперів, тощо, для перепродажу

arrangement *n.* — приводити до порядку; розміщення в певному порядку, підготовка, класифікація, систематизація; домовленість, угода; *ком.* домовленість між боржником і кредиторами про пільги за зобов'язаннями на підставі компромісної угоди; вирішення (спору); врегулювання; *тех.* монтаж; *спец.* компонування; схема розташування; планування

arrangement by size — розміщення за розміром

to come to an arrangement — дійти згоди

to make arrangements for — організувати, влаштувати; вживати заходів; робити приготування

arrangement of conflict — врегулювання конфлікту

aspire *v.* — (to, after, at) прагнути, домагатися; підніматися, підніматися, височіти

to aspire to a career in medicine — мріяти стати лікарем

aspire to honours (to riches) — прагнути почестей (багатства)

to aspire after glory — гнатися за славою

assemble *v.* — збирати, монтувати; скликати; складати

to assemble an audience — зібрати аудиторію

Parliament has assembled — зібрався парламент

to assemble information for a report — підбирати дані для доповіді

to assemble a book — складати книгу; робити збірник

assembly *n.* — складання, вузол, монтаж; збір, збори, суспільство

assembly of stockholders — збори акціонерів

unlawful assembly — юр. незаконне збіговисько

to convoke (to summon) (to hold) an assembly — скликати (проводити) збори

constituent assembly — установчі збори

United Nations General Assembly — Генеральна Асамблея Організації Об'єднаних Націй

Assembly — законодавчі збори; нижня палата законодавчого органу штату (у США)

assembly drawing — монтажне креслення

assembly shop (plant) — складальний цех (завод)

assembly line — складальний конвеєр, лінія потокового складання

to come off the assembly line — сходити з конвеєра

assembly jig — а) *тех.* складальний стенд; б) *мор.* стапель

assembly area — район зосередження

assembly point — збірний пункт

pans and assemblies of the machine — частини та вузли машини

assets *n.* — *pl. фін.* активи (балансу); *ек.* майно; надбання; засоби; авуари, актив; капітал; фонди

assets and liabilities — актив і пасив (балансу)

personal assets — особисте майно, власність; рухоме майно

real assets — нерухоме майно

tangible assets — матеріальні активи (реальний основний капітал)

attain *v.* — досягати, домагатися; здобувати, одержувати

to attain aim (freedom, power) — досягти мети, одержати волю, владу

attainable *adj.* — досяжний

augment *v.* — збільшувати, збільшити; додавати; посилювати

august body — велична особа

austere *adj.* — сувора, поштива, статечна (поведінка)

aware *a.* — *predic.* що усвідомлює (щось), що знає; обізнаний (у чомусь); свідомий, підготовлений; чуйний, розуміючий

we became aware (of) — нам стало відомо (що)

to be aware of danger — усвідомлювати небезпеку, відомий, підготовлений

he is politically aware — він політично грамотний

B

back- to-back *adj.* — компенсаційний

backward *adj.* — відсталий, пізній, спізнілий, запізнілий

balance of payments — платіжний баланс

bank draft — банківська тратта

befit *v.* — годити, підходити; личити

to befit the occasion — підходити для даної нагоди

benefit *v.* — приносити користь, мати зиск; *n.* перевага, привілей, користь, благо; вигода; грошовий прибуток; благодіяння, милість, добра справа; пенсія, допомога (страхова, по безробіттю, через хворобу, тощо); *юр.* непідсудність

public benefit — суспільне благо

for the benefit of smb. — на благо (на користь)

for your special benefit — (тільки) заради вас

to give smb. the benefit of one's experience (knowledge) — поділитися з кимось своїм досвідом (знаннями)

the book wasn't of much benefit to me — книга не дала мені особливої користі

to get (to derive) benefit from smth. — мати користь (вигоду) з чогось

bias *n.* — відхилення, тенденція, упередження, систематична помилка

bill of exchange — переказний вексель (письмовий наказ виплатити певну суму)

bill of lading — коносамент (документ, що підтверджує відправку товарів морем)

bottleneck *n.* — вузьке місце, перешкода, завада

bounty *n.* — заохочувальна премія, щедрість

breadline *n.* — скрутне матеріальне становище

bring about *v.* — викликати, бути причиною, призводити; повертати навкруги

it may bring about a change of the Cabinet — це може спричинити відставку кабінету

buffer stock — буферний запас (товару)

buffet *v.* — бити, кидати, штовхати

they were buffeted by the crowd — їх заштовхали у натовпі

the buffets of fate — удари долі

buzzword *n.* — модне слівце

C

call option — право купити цінні папери тощо за фіксованою ціною; угода, що укладається в очікуванні зростання цін

case *n.* — випадок; обставина; положення (справ), стан

the case in point — даний випадок; випадок, що стосується справи; придатний приклад; доводи, докази, аргумент

in any case — у всякому разі; за будь-яких обставин

in that case — у такому разі

in no case — ні в якому разі

in the case of — стосовно, що стосується

that's the case — так, це так

it (that) is not the case — це не так; справа не в цьому, нічого подібного

this is especially the case (when) — це особливо правильно (коли, у тому разі, якщо)

if that's the case — за таких обставин, якщо це правильно (правда)

as was formerly the case — як це бувало (було) раніше

such being the case — у такому разі; оскільки це так

as the case may (might) be — залежно від обставин (справи); залежно від обставин

should this be the case — якщо вийде (трапиться) так

as the case stands — за такого стану справ; за умов, що склалися

to meet the case — задовольняти, підходити, відповідати вимогам; розв'язати питання

as the case may require — як можуть зажадати обставини; у разі потреби

the case with me is the reverse — у мене навпаки, а в мене не так

this is a case for the government — цим має займатися держава

suppose the case were yours — уявіть, що справа стосувалася б вас

this (it) is another case — це інша справа

an unanswerable case — незаперечні докази

the case for (against) — аргументи за (проти)

a case exists for revision of tariffs — є розуміння на користь перегляду мита

there is the strongest case for self-government — є найвагоміші аргументи на користь самоврядування

to have a case — мати що сказати на своє виправдання, на захист своєї точки зору

you have a case here — у цьому з вами можна погодитися

to have a good case — мати гарну аргументацію

you have a good case — це звучить переконливо

to make out a case — довести (щось)

to state one's case — викласти свої доводи (у суді)

to make out one's case — довести свою правоту; обгрунтовувати свою точку зору; навести аргументи на користь своєї пропозиції

to base one's case on smth. — обгрунтовувати свою аргументацію чимось; у своїй аргументації виходити з (чого)

to put (the) case — навести приклад

to put one's case over — провести свою пропозицію, свій план (щодо чого)

to press one's case — нав'язувати свою точку зору, домагатися свого

out of case — у поганому (фізичному) стані, нездоровий, не у формі

in case for smth. — готовий до чогось

to be in a sorry case — мати жалюгідний вигляд, бути у жалюгідному стані

a case of conscience — моральна проблема; справа совісті

to get down to cases — перейти до (дістатися) суті справи

a gone case — безнадійний випадок; пропаща справа

charter *v.* — користуватися переважним правом, пільгою; дарувати (привілей); здавати в оренду, прокат (автомобіль, літак); фрахтувати

circumvent *n.* (the spirit of the law) — обійти, перехитрити закон

clash *v.* — стикатися, збігатися; не підходити

collective bargaining — укладання колективного трудового договору

commitment *n.* — зобов'язання; передача, доручення; *парл.* передача законопроекту в комісію; прихильність; переконання; вчинення (злочину, самогубства)

treaty commitments — договірні зобов'язання

to meet commitments — виконувати зобов'язання

to make no commitments — не зв'язувати себе зобов'язаннями

political (religious) commitment — політичні (релігійні) погляди (переконання)

commitment to action — *військ.* введення в бій

commodity *n.* — *екон.* товар; сировинні товари (зерно, кава, бавовна, каучук); с/г продукти

compact *n.* — домовленість, угода, згода

comparative advantage — порівняльна перевага

comply *v.* — виконувати; (with) підкорятися; поступатися, погоджуватися

to comply with smb.'s request (smb.'s wish) — виконати чиєсь прохання (побажання)

to comply with users' demand — задовольняти попит споживачів

to comply with the rules — підпорядковуватися правилам, діяти відповідно до правил

to comply with an order — коритися наказу

to comply with requirements — відповідати вимогам

in compliance with — згідно з

adequate assurance of compliance with the obligations assumed — *дип.* достатня впевненість у виконанні взятих зобов'язань

to coerce compliance with the conditions of a contract — домогтися виконання умов контракту

peace contingent upon compliance with the proffered terms — мир, що залежить від прийняття запропонованих умов

non-compliance with orders — *військ.* невиконання наказу

token compliance with order — формальне підпорядкування наказу

to verify compliance with the obligations — здійснювати контроль за виконанням зобов'язань

compete *v.* — змагатися, брати участь у змаганні, конкурувати

to compete against other countries in trade — конкурувати з іншими країнами в торгівлі

compound duty — складений податок

comprise *v.* — включати, містити в собі, складатися; охоплювати; складатися з

the Board comprises several members — комісія складається з кількох членів

consequence *n.* — наслідок; результат; важливість, значення, висновок

the consequences of an action — наслідки вчинку

to take the consequences of smth. — відповідати (нести відповідальність) за наслідки

in consequence — отже

in consequence of — внаслідок, у результаті (чого); завдяки (чому)

it follows as a logical consequence that ... — логічним висновком цього є те, що ...; звідси випливає, що ...

a matter of great consequence — справа великої ваги

it is of no consequence — це неважливо (несуттєво), це не має значення

person of consequence — впливова особа

consignment *n.* — партія товару, відправлення

consolidated *adj.* — об'єднаний

contingent *adj.* — випадковий, непередбачуваний

contingent liability — умовне зобов'язання

contingency plan — план на випадок непередбачуваних обставин

countervailing duties — компенсуючий митний збір, компенсуюче мито

cost *n.* — вартість, (*pl*) витрати, видатки

cost minimization — зменшення витрат до мінімуму

create dynamic gains — створювати, робити динамічний прибуток (досягнення)

crucial *adj.* — вирішальний; ключовий; критичний

crucial test — вирішальний іспит

crucial period (moment) — критичний період (момент)

a crucial point in the talks — переломний момент у переговорах

crucial experiment — вирішальний дослід

crucial problem — ключова проблема

D

dam *n.* — дамба, гребля, загата; перемичка, мол; водосховище

dash *v.* — жбурляти, розбивати, руйнувати; накидати (ескіз), нестися, мчати

deadlock *v.* — глухий кут, безвихідь

to break (ease) the deadlock — знайти вихід з глухого кута

debt to equity ratio — відношення заборгованості до власного капіталу компанії

deceive *v.* — обманювати, свідомо вводити в оману; спантеличувати (про явища, події, факти); *розм.* розчаровувати, не виправдати сподівань

to deceive smb. into the belief that — вселити помилкову думку, начебто...

to deceive smb. as to one's intentions — вводити в оману щодо своїх намірів

deflect *v.* — відхиляти (від прямого напрямку); відхилятися; змінювати напрямок

to deflect smb.'s thoughts from smth. — відвернути чиїсь думки від чогось

to deflect to the right — відхилятися вправо

to deflect smb.'s judgement — змусити когось змінити свою думку

demurrage *n.* — простій, оплата простою, оплата за зберігання вантажу надстроково

determine *v.* — визначати, встановлювати, вирішувати; зумовлювати, підштовхувати; зважуватися, приймати рішення; робити вибір; закінчувати, *юр.* минати (про термін дії), обмежувати (поняття)

to determine smb.'s duties — окреслити коло чиїхось обов'язків

demand determines prices — попит зумовлює рівень цін

to determine smb. to smth. — спонукати когось до чогось

to determine the case of — встановити причину

to determine (up) on (to be determined on) a course of action — визначити лінію поведінки

devastation *n.* — спустошення, руйнування

devout *adj.* — благочестивий, відданий, вірний

diffusion *n.* — поширення

discretionary *adj.* — відданий на власний розсуд

disinvestment *n.* — скорочення капіталовкладень, вилучення інвестиції

dispose *v.* — (of) позбутися, звільнитися, відбутися, спекатись

disseminate *v.* — розповсюджувати, поширювати

dissipate *v.* — розсіювати, розпорошувати, розтрачувати

distort *v.* — спотворювати; псувати, пересмикувати; перекошувати; деформувати

to distort facts — викривляти (пересмикувати) факти

disrupt *v.* — підривати, руйнувати, зривати

diversion *n.* — відхилення, відхід, відступ; зволікання; розвага, забава; відвід, обхідний напрямок

to create (to make) a diversion — створити відвертаючий фактор

to seek diversion from smth. — намагатися відвернутися

cultural diversions — культурні розваги

indoor diversions — розваги (ігри) у приміщенні

outdoor diversions — ігри на відкритому повітрі

the diversions of youth — утіхи (витівки) молодості

diversion of traffic — відвід руху; об'їзд

diversity *n.* — розмаїття; різниця, відмінність

divestiture (**divestment**) *n.* — позбавлення прав

drawback *n.* — повернення (мита)

E

ecclesiastical *adj.* — духовний, церковний

economies of scale — економія на масштабі

eliminate *v.* — усувати, виключати; знищувати, ліквідувати; ігнорувати, не брати до уваги

to eliminate errors — усувати помилки

to eliminate a possibility — виключити можливість

to eliminate smb. from an organization — виключити когось з організації

to eliminate war — усунути можливість виникнення війни

to eliminate poverty — ліквідувати (викорінити) бідність, злиденність

endow *v.* — забезпечувати (постійним доходом), робити внесок, призначати дохід

endowment *n.* — дар, пожертвування, дарований фонд

enduring *adj.* — тривалий, довгочасний, витриманий до кінця

encounter *v.* — зустрічатися, зіштовхнутися, стикатися

enlargement *n.* — розширення, збільшення; прибудова; розвиток, ріст; репродукція в збільшеному масштабі

the enlargement of the mind — духовне зростання

job enlargement — укрупнення (збільшення) технологічних операцій

ensure *v.* — забезпечувати; гарантувати; страхувати; завіряти, запевняти

to ensure independence — забезпечити незалежність

to ensure success — гарантувати успіх

in order to ensure prompt and effective action — для забезпечення швидких і ефективних дій

entail *v.* — спричинювати (передбачати)

entrench *v.* — оточити окопами, окопатися

customs entrenched by tradition — звички, закріплені традицією

envisage *v.* — розглядати, передбачати; дивитися в обличчя (небезпеки)

to envisage changes — передбачити зміни

a programme envisaged by the government — програма, намічена урядом

the plan envisages use of automatic equipment — план передбачає використання автоматичного устаткування

the proposals envisage no land reforms — земельні реформи в цих пропозиціях не передбачені

you must envisage realities — потрібно дивитися на факти (в очі реальності)

equate *v.* — вважати рівним; рівняти, дорівнювати; встановлювати рівність

to equate art with success — ототожнювати майстерність і успіх

erode *v.* — роз'їдати, руйнувати (поступово); підривати, псувати; вивітрювати; розмивати; зазнавати ерозії

constant worry erodes the nerves — постійні хвилювання підривають нервову систему

escape clause — умова в контракті про можливість відмови (виконання зобов'язань)

evasion *n.* — відхилення (від виконання боргу тощо); обхід (закону тощо); виверт; відмовка; вигаданий привід; ухильна відповідь

tax evasion — ухиляння від сплати податків

evasions and delays — відмовки (відмагання) та зволікання

to resort to (to use) evasions — удатися до вивертів

ethical drugs — етичні наркотики (ліки); продукти, якими насичений ринок (неходові товари)

evolve *v.* — розвивати, розгортати, розробляти; розвиватися, еволюціонувати; розкривати, виявляти

to evolve the powers of (the) mind — розвивати розумові здібності

to evolve a secret — розкрити таємницю

exert *v.* — втілювати, чинити вплив; напружувати (сили); додавати (зусилля); виявляти

to exert all one's strength — напружити всі сили

to exert every effort — докласти всіх зусиль

to exert one's leadership abilities intelligently — розумно використовувати свої організаторські здібності

expiration *n.* — видихання; закінчення (терміну)

expiration date — *спец.* термін придатності; термін зберігання

expiration of lease — закінчення терміну оренди

expiration of service — *військ.* закінчення терміну служби

the copyright will run until the expiration of fifty years after the author's death — термін дії авторського права мине лише через 50 років після смерті автора

extortion *n.* — вимагання, шантаж

F

facilitate *v.* — полегшувати, допомагати, сприяти

to facilitate economic recovery — сприяти відновленню економіки

modern inventions facilitate housework — сучасні пристосування полегшують роботу по дому

factor *n.* — компанія, що стягує борги за дорученням торгової фірми; агент, комісіонер

fad *n.* — захоплення, повір'я

fallacy *n.* — помилка, омана; помилковість; обманливість; софізм, помилковий аргумент; софістика; помилковий висновок (у статистиці)

a statement based on fallacy — помилкове твердження

popular fallacy — поширена помилка

the fallacy of friendship — ненадійність дружби

feasible *a.* — здійсненний, придатний; можливий, ймовірний

feasible plan — здійсненний план

feasible for cultivation — придатний для обробки (про грунт)

an explanation feasible enough — цілком придатне пояснення

flee *v.* — уникати, утікати, зникати

flee the country — втікати з країни

flight *n.* — утеча, втеча, утікання

fluctuation *n.* — коливання, нестійкість

fluctuation of prices — нестійкість (коливання) цін

fluctuation of population — плинність населення

fluctuation of opinion — відсутність сталої думки

forfeit *n.* — штраф, вилучення, конфіскація, втрата, розплата

formidable *adj.* — який (що) лякає, жахливий, застрашливий, грізний, неймовірно (надзвичайно) важкий

fortuitous *adj.* — випадковий

foster *v.* — виходжувати; доглядати; плекати, харчувати; сприяти розвитку; заохочувати

to foster hope — плекати надію

to foster a talent — сприяти розвитку таланту

to foster smb.'s interest in smth. — прищепити комусь зацікавленість у чомусь

fringe benefits *n.* — додаткові виплати; пільги та привілеї

freight forwarder — ескпедитор вантажу, агенція з перевезення партій вантажу

frustration *n.* — розлад, зрив, розрив; *психол.* фрустрація; розчарування; зневіра у своїх силах; *юр.* припинення зобов'язання внаслідок неможливості його виконання

the frustration of one's opponents — розгром супротивників

the frustration of one's hopes — крах сподівань

frustration of contract — неможливість належного виконання договору

G

given *n.* — *книжн.* щось дане, вихідний факт; *a.* даний, визначений, заданий; виконаний; датований (про документ); *prep.* за наявності; з урахуванням, беручи до уваги

these are the givens of our times — це те, що притаманне нашому часу

to take it as a given of life — сприймати це як (непорушний, незаперечний) життєвий факт

pursuit of happiness is a human given — прагнення щастя — це сутність людського буття

given that... — при тому, що...

in a given time — через певний час; протягом установленого терміну (within a given period)

at a given time — у визначений час

given under my hand and seal this 17th day of May — мною підписано і скріплено печаткою травня 17-го дня

under the given conditions — за даних умов

of a given size — установленого розміру

given good will, the proposal could be carried into effect — за наявності доброї волі пропозицію можна було б здійснити

glut *n.* — надлишок, надмірність, затовареність, пересиченість

H

halt *n.* — зупинка; привал

dead halt — різка (раптова) зупинка (двигуна)

halt sign — дорожній знак "стоп"

at the halt — на місці

to come to a halt — зупинитися

to bring to a halt — (різко) зупинити

to call a halt to smth. — покласти край чому-небудь

hasten *v.* — поспішати, квапитися; підганяти; прискорювати

to hasten one's steps — прискорити ходу

to hasten the climax — прискорити (наблизити) розв'язку

to hasten the coming of peace — сприяти найшвидшому встановленню миру

haulage *n.* — перевезення; підвоз; буксирування; транспортування; вартість доставки, транспортування; плата за доставку, транспортування

haulage constructor — перевізник

road haulage − автодорожнє вантажне перевезення

havoc *n.* — розгром, спустошення, хаос

hedge *v.* — укладати компенсаційну угоду, страхувати себе (від ринкової кон'юнктури); перестраховуватися, страхувати себе (від втрат); ухилятися (від ризику, відповідальності, прямої відповіді); виявляти нерішучість, баритися; вичікувати; ховатися; *n.* рамки; обмеження; компенсаційна угода, страховка, гарантія

to hedge against inflation — страхувати від інфляції

a hedge of etiquette — рамки етикету

a hedge of convention — пута умовностей

hedge clause — пункт (контракту) про гарантії

by hedge or by stile — будь-якими шляхами, будь-яким способом

over hedge and ditch — навпростець, прямо, не розбираючи дороги

to sit on the hedge — вичікувати; дивитися, куди вітер подме

to be on the right (wrong) side of the hedge — займати правильну (неправильну) позицію; вийти переможцем (бути переможеним)

hollow out *v.* — видобувати, викопувати, занурюватися

I

impediment *n.* — перешкода, затримка; *pl* = impedimenta

an impediment to progress — перешкода на шляху до прогресу

to breed impediments — чинити перешкоди

to brush aside (to remove) impediments — усунути перешкоди (перепони)

implication *n.* — передумова, умова, значення, висновок; причетність

historical implication — історичний зміст

social implication — соціальне (суспільне) значення

financial implications — фінансові наслідки

by implication — за змістом

either expressly or by implication — прямо чи побічно

impose *v.* — (on, upon) обкладати (податком, митом); накладати; вводити; нав'язувати

to impose a fine (a penalty) on smb. — накласти штраф (стягнення) на когось

to impose limitations on smth. — накладати обмеження на щось

to impose a duty (a task) on smb. — покласти обов'язок (завдання) на когось

to impose silence upon smb. — змусити когось замовчати

to impose one's views on smb. — нав'язувати комусь свої погляди

to impose inferior goods on smb. — нав'язувати комусь неякісні товари

to impose conditions on smb. — нав'язувати умови

to impose upon a simpleton — обдурити простака

to impose on smb.'s good nature — скористатися добродушністю

to be easily imposed upon — легко піддаватися на обман

to impose upon one's hearers — справляти сильне враження на слухачів

inasmuch as *adj.* — оскільки, з огляду на, зважаючи на, у зв'язку з

incentive *n.* — стимул, спонукання, заохочення

incentive bonus — заохочувальна премія, стимул, спонукання

the true incentive to scientific research — справжній стимул до наукової праці

to have much incentive (many incentives) to hard work (to work hard, to working hard) – мати великий стимул для того, щоб багато працювати

group incentive — колективна форма заохочення

increment *n.* — зростання, приріст, прибуток, надбавка, збільшення

indigenous *adj.* — туземний, місцевий; (to) природний, уроджений

indigenous population — корінне населення

emotions indigenous to human beings — почуття, властиві людям

indulgence *n.* — потурання, попускання примхам, поблажливість, милостивість

in other ways — в інших випадках

in the way — поперек дороги, заважати

in-fighting *n.* — міжусобна бійка, внутрішній конфлікт, внутрішня боротьба

infringement *n.* — порушення, посягання

inhibit *v.* — стримувати, пригнічувати, сковувати; забороняти, накладати заборону; зупиняти, придушувати, заважати, перешкоджати

to inhibit smb. from smth. (doing smth.) — заборонити комусь щось робити

to inhibit the use of smth. — заборонити використання (застосування)

to inhibit one's desire to do smth. — придушити (у собі) бажання зробити щось

to inhibit oneself — стримувати себе

insolvent *adj.* — неплатоспроможний, неспроможний, банкрут

inundate *v.* — затопляти, затоплювати, наводнювати, наводнити, засипати, обсипати

to be inundated with letters (invitations) — бути засипаним листами (запрошеннями)

to be inundated with visitors — бути переповненим відвідувачами

J

jeopardize *v.* — ризикувати, піддавати небезбеці
judicious *adj.* — із здоровим глуздом, розсудливий
junk mail *n.* — реклама, що розсилається поштою

K

keelage *n.* — гроші, які судновласник сплачує за швартування судна в порті
kickback *n.* — *розм.* "відкат", хабар

L

lean operations — убогі (нікчемні) дії, погані (брудні) операції
legitimacy *n.* — законність (особ. влади)
leverage *n.* — дія важеля, засіб впливу; співвідношення між власними ти позиченими грошима
advertising leverage — тиск на суспільну думку під дією реклами
financial leverage — показник використання позичених коштів
leverage lease — часткова оренда
leveraged *adj.* — з великою часткою позичених коштів; з використанням кредиту
lift retaliation — відмінити заходи, скасувати
likely *adj.* — імовірний, можливий, багатообіцяючий
loan *n.* — позика; позичка; кредит; працівник, тимчасово переведений в іншу організацію
government loans — державні позики
domestic and foreign loans — внутрішні й іноземні позики
on loan — (даний) у борг; наданий на час (про експонат для виставки)
to have the loan of smth., to have smth. on loan — одержати у борг; одержати у тимчасове користування
logjam *n.* — залом, затор (при сплавлянні лісу); завал (на дорозі); мертва точка, глухий кут (у переговорах)
loom *v.* — нечітко вимальовуватися, з'являтися (у тумані), маячити (loom up); набувати загрозливих розмірів; загрожувати
to loom large — виглядати грізним, загрозливим
the examinations are looming up — насуваються іспити

M

maintain *v.* — підтримувати, зберігати; обслуговувати; тримати в гарному стані (дороги, машини тощо)

to maintain contact — підтримувати зв'язок (контакт)

to maintain prices — зберігати (підтримувати) ціни на певному рівні

to maintain one's rights — захищати (відстоювати) свої права

to maintain one's ground — стояти на своєму; не відступати

he maintains his car himself — він сам ремонтує свою машину

to maintain that ... — стверджувати (запевняти), що; дотримуватися тієї думки, що ...

management expertise *n.* — компетентність управління

merger *n.* — об'єднання (банків, підприємств), злиття; поглинання однією компанією іншої; *юр.* новація

industrial merger — промислове об'єднання

outright merger — пряме злиття

stock-swap merger — злиття з обміном акцій між учасниками

N

necessitate *v.* — робити необхідним, вимагати; змушувати; неминуче спричиняти, викликати

increase in population necessitates a greater food supply — ріст населення потребує збільшення виробництва продовольства

sacrifices necessitated by war — злигодні (поневіряння), викликані війною

O

obsolescence *n.* — моральна застарілість, зношення, спрацювання

occur *v.* — зустрічатися, траплятися, відбуватися, спадати на думку; збігатися з іншим святом (часто про християнські свята)

delays are liable to occur — можливі затримки

it occurs to me that he is wrong — мені здається, (що) він не правий

onerous *adj.* — тяжкий, обтяжливий; заморочливий, клопітливий, клопіткий

opt out *v.* — відмовитися від участі в чомусь; усунутися; вийти з гри

to opt out of a task — ухилитися від виконання завдання

outright *n.* — валютний курс за строковими угодами, що включає премію або знижку; *adj.* прямий, відкритий (не обтяжений доповненнями), досконалий; *adv.* раз і назавжди

hearty, outright manner — відкрита, щира манера

an outright refusal — пряма (категорична) відмова

outright supporter (opponent) — відкритий прихильник (супротивник)

outright rogue — страшенний шахрай

the outright gift — справжній подарунок

an outright loss — цілковита втрата

to give an outright denial — категорично заперечувати щось

outweigh *v.* — переважити, бути важчим, перевищувати у вазі

the advantages outweighed the drawbacks — переваг було більше, ніж недоліків

oversee *v.* — наглядати, спостерігати за (чим, ким); здійснювати нагляд

to oversee work — спостерігати за роботою

to oversee a factory — керувати фабрикою

P

pave the way — прокладати шлях, підготувати підстави (грунт); створити умови

the agreement paves the way to a lasting peace — угода прокладає шлях до тривалого миру

par *n.* — номінал, номінальна вартість, паритет

peg *v.* — "заморожувати" (ціни), фіксувати

per capita *adv.* — *екон.* на душу (населення); на людину

production of milk per capita — виробництво молока на душу населення

perceive *v* . — розуміти, усвідомлювати; осягати, відчувати

to perceive the futility of the attempt — розуміти всю даремність спроби

whatever sense perceives or thought divines — те, що сприймається почуттям чи осягається думкою

perquisites *n.* — побічні переваги; привілеї, прерогативи

persistent *adj.* — завзятий, наполегливий; стійкий, постійний

persistent thought — невідступна думка

to be persistent in one's intentions — бути наполегливим у своїх планах, намірах

persistent demand — постійний попит

persistent attacks — нескінченні нападки

persuasion *n.* — переконання; переконливість; пильність; віросповідання

by force or persuasion — силоміць чи переконанням

the art of persuasion — мистецтво переконання

full persuasion — цілковита переконаність

they are of the same persuasion — вони належать до одного віросповідання

the Methodist persuasion — секта методистів

the male persuasion — чоловіча стать

a man of French persuasion — француз за національністю

persuade *v.* — переконувати; схиляти, умовляти

to persuade smb. of smth. — переконувати когось у чомусь

to be persuaded of smth. — бути переконаним у чомусь

I am thoroughly persuaded that — я абсолютно переконаний, що

pertain *v.* — належати; стосуватися (чого); підлягати (чому); бути властивим; підходити, личити

this does not pertain to my office — це не входить до моєї компетенції

pertinent *adj.* — доречний, до речі, до діла; придатний; відповідний, слушний

pertinent remark — (слушне) доречне зауваження

to say smth. pertinent — сказати щось до діла

books pertinent to the question — книги, що стосуються цього питання

questions pertinent to the matter in hand — питання, що стосуються цієї справи

portfolio investment — портфель інвестицій (банку); investment portfolio (securities portfolio)

preclude *v.* — запобігати, виключати, вилучати

to preclude any chance of failure — запобігти (виключити) усяку можливість невдачі, провалу, виходу з ладу

to be precluded from an opportunity — бути позбавленим можливості

this precluded me from performing my task — це перешкодило мені виконати моє завдання

procurement policies — політика матеріально-технічного забезпечення, постачання, спорядження

profusion of barriers — величезна кількість (численність) бар'єрів (обмежень)

proliferation *n.* — кількісне збільшення; різке нарощування; поширення

proliferation of states (embassies) — збільшення кількості держав (посольств)

proliferation of nuclear weapons — поширення (нарощування) ядерної зброї

nuclear non-proliferation treaty — договір про нерозповсюдження ядерної зброї

proper *adj.* — властивий, підходящий, потрібний, пристойний, вірний, повний

feelings proper to mankind — почуття, притаманні людству

proper receipt — належна (складена за формою) квитанція (розписка)

in the proper way — належним чином

to put smth. to its proper use — розумно (правильно) використовувати щось

to administer proper punishment — покарати належним чином

everything will come in its proper time — усе прийде у свій час

they got it good and proper — вони одержали по заслузі (чого заслужили)

proper word — потрібне (доречне) слово

proper behaviour — гідна поведінка

Greece proper — власне Греція

electronics proper doesn't interest me — електроніка як така мене не цікавить

proper fraction — правильний дріб

provided *adv.* — за умови (що), якщо тільки, у тому разі, якщо

pump *v.* — працювати насосом, качати; нагнітати

to pump over — перекачувати

pump off, pump out — викачувати, відкачати; вивідувати, випитувати; висмоктувати (гроші)

to pump for information — випитувати

to pump ship — братися за згубне діло, прирікати себе на невдачу

pump priming *n.* — "бюджетне накачування", дефіцитне фінансування

Q

quota *n.* — частка, частина, квота, норма

inspection quota — *дип.* квота інспекцій (у системі контролю над роззброюванням)

export (import) quota — експортна (імпортна) квота

to take up a quota — вибрати (використати) квоту

taxable quota — частка товарів або прибутків, що обкладаються податком

R

raise *v.* — піднімати (= raise up); підвищувати; викликати, збуджувати; породжувати; підвищувати, збільшувати; *амер. ком.* підробка позначеної на документі суми на вищу; підвищувати по службі; *мат.* підносити до степеня; ростити, виховувати (дітей); вирощувати, виводити (рослини); розводити (худобу, птаха); збирати, добувати (гроші); знімати (обмеження)

to raise controversy — викликати полеміку, суперечки

to raise difficulties — чинити перешкоди

to raise a disturbance — учинити скандал (неприємність); підняти галас

to raise smb. to defend (to the defence of) smth. — підняти (кого) на захист (чого)

to raise prices — підвищити ціни

to raise production to a maximum — довести випуск продукції до максимуму

to raise the market — *ком.* підвищити ціни

to raise a question (an issue, a point) — поставити (порушити, висунути) питання

to raise a matter (a subject) with smb. — заговорити з кимось на тему

to raise objections — заперечувати, висувати заперечення

to raise a claim (a demand) — пред'явити претензію (вимогу)

to raise one's voice against smth. — протестувати проти чогось

to raise taxes (rent, rates) — збирати (стягувати) податки (квартплату, збори)

to raise asubscri ption — збирати (гроші) за передплату

to raise a loan — зробити позику

to raise a unit — формувати частину (підрозділ)

to raise an embargo (a quarantine) — скасувати ембарго (карантин)

to raise the blockade — зняти чи прорвати блокаду

to raise the wind — *сл.* роздобувати гроші

rebuttal *n.* — спростування; подання контрдоказів; заперечування

reconcile *v.* — мирити, помирити; заладнати; улагоджувати, врегулювати; погоджувати

to reconcile quarrels (disagreements) — улагоджувати сварки (суперечки)

to reconcile a dispute (differences) — врегулювати конфлікт (розбіжності)

to reconcile smb. to (with) smth. — примирити (когось з чим)

to reconcile two opposite arguments (two points of view) — примирити (погодити) два протилежних доводи (дві точки зору)

to reconcile duty and pleasure — поєднувати приємне з корисним

with regard — що стосується

with due regard — з належною увагою

public opinion is very touchy with regard to international events — громадська думка дуже чутливо реагує на міжнародні події

with (in) regard to, with reference to, with relation to, with respect to — що стосується, щодо; з приводу; стосовно

require *v.* — мати потребу, потребувати, вимагати, наказувати

you are required to obey — від вас вимагають покори, вам наказують коритися

the court requires you to attend — суд потребує вашої присутності

the situation requires calmness — ситуація потребує спокою

one is not required to be a specialist to — немає необхідності бути фахівцем, щоб ...

as circumstances may require, as occasion shall require — у разі потреби, якщо потребуватимуть обставини

if required — у разі необхідності

when required — коли буде потрібно

repatriate *v.* — репатріювати, повертатися на батьківщину

receivables *n.* — дебіторська заборгованість

resolve issues — вирішувати питання, залагодити спірне питання; приймати остаточні рішення; вирішувати проблеми; пояснювати

to resolve all doubts — розвіяти всі сумніви

to resolve a dispute — розв'язати суперечку

to resolve smth. into its elements — розкласти щось на складові частини

the session resolved itself into a number of working committees — сесія розбилася на ряд робочих комітетів

to resolve (itself) into smth. — перетворюватися у щось

the question resolves itself into this — питання зводиться до такого

restriction *n.* — обмеження

without restriction — без обмеження

restrictions on the sale of liquor — обмеження на продаж спиртних напоїв

to impose (to place) restrictions on smth. — запроваджувати обмеження на щось

to lift restrictions — знімати обмеження

result in *v.* — закінчуватися, призводити

the talks have resulted in a lessening of tension — переговори закінчилися зменшенням напруженості

revelation *n.* — відкриття, *церк.* одкровення, відвертість, щирість

Revelation(s) — *бібл.* апокаліпсис

retaliation *n.* — контрзахід; захід-відповідь, відплата; контрудар

in retaliation for smth. — у відповідь на ...

rival *n.* — суперник, конкурент

business rivals — конкуренти

without a rival — немає суперників; не має собі рівних, чудовий, неперевершений; поза конкуренцією

royalty *n.* — аторський гонорар (з продажу, використання на виробництві), відрахування *(pl.)* власнику патента або авторського права

S

sacrifice *v.* — жертвувати, приносити жертву; *ком.* продавати на збиток

to sacrifice to the gods — робити жертвопринесення богам

scope *n.* — розмах, оточення, межі (можливостей, розуміння, знань); масштаб, сфера, поле (діяльності)

the scope for investment — можливості для капіталовкладень

the scope of smb.'s knowledge (of smb.'s interests) — широта чиїхось знань (інтересів)

to be beyond the scope of smb.'s mind — бути незбагненним для розуму

to be outside the scope of authority — бути поза компетенцією

that is beyond (outside) my scope — це не входить до моєї компетенції

the scope of an inquiry — сфера дослідження

the scope of the convention — *юр.* сфера застосування (цієї) конвенції

an undertaking of wide scope — велике підприємство

work within the scope of an amateur — робота, доступна і неспеціалісту в цій галузі

to be excluded from the scope of work — не входити в план (не передбачатися планом) роботи

the scope of the negotiations — рамки (цих) переговорів

to offer more (better) scope for smth. (for doing smth.) — надавати більше можливостей для виконання чогось

to seek scope for one's energies — шукати сферу застосування своєї енергії

his position affords him ample scope — його посада дає йому повну волю дій

scrap *v.* — здавати, перетворювати в брухт; викидати через непридатність

to scrap an old machine — пустити на злам стару машину

to scrap outworn methods — відмовитися від застарілих методів

to scrap with smb.— *розм.* посваритися (зчепитися) з кимсь

screen out — відводити (кандидата на посаду); відраховувати, звільняти (співробітника, особ. через неблагонадійність); не допускати на літак (пасажира, підозрюваного в терористичних намірах)

sentiment *n.* — почуття; думка, точка зору

we are often influenced by sentiment — нами часто керують емоції

you don't indulge in sentiment in business — у діловому світі немає місця сантиментам

public sentiments — громадська думка

unity of sentiment — єдність думки

to sound out sentiment diplomatically — дипломатично з'ясувати настрій

sequentially *adv.* — послідовно

set policy directions — встановлювати (затверджувати) напрямки політики

setback *n.* — затримка (розвитку тощо); перешкода; *ек.* регрес; спад

to suffer a setback — зазнати невдачі

siphon off *v.* — викачувати; перекачувати, направляти в інше русло, на інші нестатки (про кошти); поглинати

agood deal of the campaign fund has been siphoned off into private pockets — значна частина фонду компанії перейшла (перекочувала) у кишені приватних осіб

military spending siphons off half of federal funds — військові витрати поглинають понад половину державного бюджету

slaughter *v.* — побиття, різня, різанина, масове вбивство, забій (худоби, скота)

sought-after person — надзвичайно популярна особа

to be much sought after — мати велику популярність, бути нарозхват

to seek after smth. — прагнути чогось

to seek an explanation of smb.'s conduct — шукати пояснення вчинкам (поведінки)

the cause is to be sought in — причину варто шукати (причина криється) у ...

the reason is not far to seek — причина ясна, за поясненням далеко ходити не треба

you will not have far to seek — вам не доведеться довго шукати

to seek smb.'s approval (smb.'s help (smb.'s aid) — домагатися схвалення (допомоги)

to seek one's fortune — шукати щастя

a prize much sought after by the contestants — приз, якого завзято домагаються учасники змагання

to seek advice — просити поради, звертатися за порадою

to seek to do smth. — намагатися (прагнути) щось зробити

to seek smb.'s life — зазіхати на чиєсь життя

to be (much) to seek — бути відсутнім, не бути

politeness is much to seek among them — вони не відзначаються ввічливістю

to be sought for in — одержати пропозицію про (на)

sour the mood — псувати настрій

spillover n — надлишок, побічний результат, *(pl)* зовнішні ефекти (*ек.* діяльності)

split into *v.* — розколотися на, розділити на, розбити на

the crowd split (up) into several groups — натовп розділився на кілька груп

the party split into two groups — партія розкололася на два угруповання

spot n. — дійсний, реальний товар; купівля з негайною поставкою

spot cash — готівка, що одразу сплачується при купівлі

spot currency market — ринок готівкової валюти

spot goods — наявні товари

stall *v.* — затримувати, тягнути (час), марудити, марнувати (час), заважати; *спорт.* навмисно грати нижче своїх можливостей, грати на програш (за хабар); зупиняти, стопорити; застрявати, грузнути (у бруді, снігу)

he stalled the police for 15 minutes so his accomplices could get away — він затримав поліцію на п'ятнадцять хвилин, щоб його спільники встигли утекти

stand *v.* — терпіти, виносити, витримувати; зазнавати, наражатися

stand to gain — how do I stand to gain from it? — яка мені від цього користь? (який мені з цього зиск)

statement *n.* — звіт, виписка, відомість, рахунок, кошторис, баланс

still-evolving — що спокійно (тихо) розвивається

stipulate *v.* — обумовлювати, ставити умовою, домовлятися

the treaty stipulates that ... — договір передбачає, що ...

it is stipulated that delivery shall be effected this year — обумовлено постачання в поточному році

straightforward *adj.* — прямий, чесний, простий

straightforward person — пряма (чесна) людина

straightforward answer — пряма відповідь

to be straightforward about smth. — бути відвертим щодо чогось

strife *n.* — боротьба, ворожнеча, суперечка

subcompact *n.* — субконтракт, субдоговір

submit *v.* − підкоряти(ся), скорятися, підпорядковувати

subsequently *adv.* — згодом, потім

subsidiary *n.* — дочірня, підконтрольна компанія (subsidiary company); *pl* допоміжні кошти

sufficient *adj.* — достатній, який підходить, придатний

this is amply sufficient to show ... — цього більш ніж досить, щоб показати ...

sufficient reason — *філос.* причина, через яку усе існуюче є таким, як воно є, а не іншим

support *v.* — підтримувати, спиратися, утримувати, надавати підтримку, витримувати; забезпечувати; обслуговувати

to support a family — утримувати родину

to support an institution (a hospital) — жертвувати на установу (на лікарню)

to support life — забезпечувати існування

to support oneself — самостійно заробляти на життя

to be supported by — жити на кошти (на утриманні), мати підтримку кого

to support logistically — забезпечувати в матеріально-технічному відношенні

to support the spirits — підтримувати дух

sustain *v.* — підтримувати; витримувати; підтверджувати, задовольняти; перенести; не дати припинитися, обірватися, згаснути

food sustains life — їжа підтримує життя

to sustain a conversation — підтримувати розмову

to sustain efforts — не припиняти зусиль

to sustain life — підтримувати життя

to sustain a shock — перенести потрясіння

to sustain a loss (losses) — зазнати збитків; зазнати втрат

to sustain a siege — витримати облогу

to sustain an objection — підтримувати заперечення

to sustain a claim — підтримувати претензію

surveillance *n.* — нагляд, перевірка

swap *n.* — обмін

swiftly *adv.* — швидко; скоро, хутко

events followed swiftly on one another — події швидко відбувалися одна за одною

swift-acting *adj.* — швидкодіючий

synergy *n.* — механізм ро́бота, синергія

T

take up *v.* — піднімати; приймати, підтримувати, займати, зайнятися

to take up arms — взятися за зброю

he is entirely taken up with his business — він з головою поринув у свою справу

to take up history (modern languages) — взятися за вивчення історії (сучасних мов)

to take up one's duties again — повернутися до своїх обов'язків

to take up the lead — наслідувати приклад

appeals will be taken up in the Court of Appeal — скарги будуть розбиратися в апеляційному суді

his resignation will be taken up — його відставка буде прийнята

to take smb. up sharply (short) — різко узяти в шори, шпетити, вичитати

to take up the burdens of office — звалити на себе тягар службових обов'язків

to take up residence — в'їхати (у квартиру, номер); розташуватися

to take up quarters — оселитися; *військ.* зупинитися на постій

to take up the mortgage — викупити заставу

to take up the wear — компенсувати знос

to take up with smb. — водити дружбу з ким

tax regulations — податкові інструкції

tile *n.* — черепиця

to be (out) on the tiles *(sl.)* — гуляти, гульнути

think-tank — *розм.* "мозковий центр"

threat *n.* — загроза, погроза

idle threats — пусті (даремні, марні) погрози

threats and counterthreats — взаємні погрози

to use (to utter) threats (against smb.) — загрожувати (комусь)

to carry out a threat — виконати погрозу

to pose a threat to the cause of peace — становити загрозу для справи миру

poverty and disease are threats to society — злиденність і хвороби загрожують (становлять загрозу) суспільству

thrift *n.* — бережливість, ощадливість, економність

transaction *n.* — (ділова) угода; справа; операція (торгова); ведення (ділових операцій); акт господарської діяльності; *pl.* праці, протоколи

the transaction of affairs — ведення справ

business transactions — ділові операції

profitable transaction — вигідна угода

cash transaction — угода за готівку

mixed up in shady transactions — замішаний у сумнівних угодах

turnkey project — контракт на будівництво та введення в експлуатацію об'єкта "під ключ"; завершений об'єкт (в будівництві)

U

ultimately *adv.* — зрештою; в остаточному підсумку, остаточно

unbridled *adj.* — нічим не стриманий, розбещений, розгнузданий, неприборканий, невгамовний

underlay *v.* — лежати в основі; залягати; прокладати; *юр.* користуватися переважним правом (на задоволення претензії)

undermine *v.* — підкопувати, руйнувати; підривати; розхитувати

to undermine smb.'s authority — підривати чийсь авторитет

underpin *v.* — підтримувати, підкріпляти, підпирати, підводити фундамент

unilateral transfer — одностороння угода

uninsurable *adj.* — що не підлягає страхуванню; не здатний бути застрахованим

unthinkable *adj.* — неймовірний; надзвичайний; немислимий; неуявлюваний

unthinkable joy — надзвичайна радість

it seems unthinkable that — здається неймовірним, що ...

V

vary *v.* — міняти, змінювати; вносити зміни; урізноманітнити щось

to vary directly (inversely) — *мат.* змінюватися прямо (обернено) пропорційно

the prices vary with the season — ціни залежать від сезону

to vary from the type — змінюватися залежно від типу

variable *n.* — *мат.* змінна (величина); *adj.* мінливий, непостійний, несталий, нестійкий

vigilant *adj.* — пильний

to be vigilant against smth. — бути пильним стосовно (щодо) чого, пильнувати що

be sober, be vigilant — *бібл.* будь розсудливим (поміркованим), пильним (дбайливим, чуйним)

voluntary export restraints — добровільні експортні обмеження

W

warrant *v.* — виправдати, бути підставою; поручитися; гарантувати; запевняти; *юр.* дозволяти, надавати право

the need warrants the expenditure — ця витрата виправдана необхідністю

we are not warranted in believing — у нас немає підстав думати ...

this material is warranted (to be) colour-fast — міцність фарбування тканини гарантується

the genuineness is warranted by several facts — справжність (оригінальність, достеменність) підтверджується кількома фактами

the law warrants this procedure — закон допускає (передбачає) таку процедуру

Список використаної та рекомендованої літератури

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The proposed educational manual contains chapters that are studied by students in the courses of base disciplines. It can also be used as an additional informational source for the main discipline.

It is meant for students of internal and external education that study foreign economic activity, international management, international marketing and advertising, foreign affairs and also for all who wants to improve practical skills in English.

Навчальне видання

Гринько Олена Володимирівна

Англійська ділова мова.
Практикум
International Business

Навчальний посібник

Educational edition

Hryn'ko, Olena V.

BUSINESS ENGLISH
Practical work
International Business

Educational manual

Відповідальний редактор *М. В. Дроздецька*
Редактор *Л. В. Логвиненко*
Коректор *Г. В. Воїнова*
Комп'ютерне верстання *М. І. Фадєєва, С. В. Фадєєв*
Оформлення обкладинки *С. В. Фадєєв*

Підписано до друку 27.10.03. Формат $60\times84^{1}/_{16}$. Папір офсетний. Друк офсетний.
Ум.-друк. арк. 12,55. Облік.-вид. арк. 13,14. Тираж 10000 пр. Зам. № 143-К

Міжрегіональна Академія управління персоналом (МАУП)
03039 Київ-39, вул. Фрометівська, 2, МАУП

Свідоцтво про внесення до Державного реєстру
суб'єктів видавничої справи ДК № 8 від 23.02.2000

Агенція "Медіауніверсал"
01042 Київ-42, вул. Чигоріна, 12