Management Focus: The European Commission and Intel 249
The Single European Act 250
Country Focus: Creating a Single Market in Financial Services 251
The Establishment of the Euro 252
Country Focus: The Greek Sovereign Debt Crisis 255
Enlargement of the European Union 256
British Exit from the European Union 256
Regional Economic Integration in the Americas 257
The North American Free Trade Agreement 257
Map 9.2 Economic Integration in the Americas 258
The Andean Community 260
Mercosur 260
Central American Common Market, CAFTA, and CARICOM 261
Regional Economic Integration Elsewhere 262
Association of Southeast Asian Nations 262
Map 9.3 ASEAN Countries 262
Regional Trade Blocs in Africa 263
Other Trade Agreements 263
Focus on Managerial Implications: Regional Economic Integration Threats 264
Management Focus: NAFTA’s Tomato Wars 265
Chapter Summary 266
Critical Thinking and Discussion Questions 267
Research Task 268
Closing Case: Regional Trade Deals and the Mexican Auto Industry 268
Endnotes 269

PART FOUR The Global Monetary System
Chapter Ten The Foreign Exchange Market 270
Opening Case: Apple’s Earnings Hit by Strong Dollar 271
Introduction 272
The Functions of the Foreign Exchange Market 273
Currency Conversion 273
Insuring Against Foreign Exchange Risk 275
Management Focus: Embraer and the Gyrations of the Brazilian Real 277
The Nature of the Foreign Exchange Market 277
Economic Theories of Exchange Rate Determination 278
Prices and Exchange Rates 279
Country Focus: Quantitative Easing, Inflation, and the Value of the U.S. Dollar 283
Interest Rates and Exchange Rates 284
Investor Psychology and Bandwagon Effects 285
Summary of Exchange Rate Theories 285
Exchange Rate Forecasting 286
The Efficient Market School 286
The Inefficient Market School 286
Approaches to Forecasting 286
Currency Convertibility 287
Focus on Managerial Implications: Foreign Exchange Rate Risk 288
Chapter Summary 291
Critical Thinking and Discussion Questions 292
Research Task 293
Closing Case: Subaru’s Sales Boom Thanks to the Weaker Yen 293
Endnotes 294
Chapter Eleven The International Monetary System 296
Opening Case: China’s Exchange Rate Regime 297
Introduction 298
The Gold Standard 299
Mechanics of the Gold Standard 299
Strength of the Gold Standard 300
The Period Between the Wars: 1918-1939 300
The Bretton Woods System 301
The Role of the IMF 301
The Role of the World Bank 302
The Collapse of the Fixed Exchange Rate System 303
The Floating Exchange Rate Regime 304
The Jamaica Agreement 304
Exchange Rates Since 1973 304
Country Focus: The U.S. Dollar, Oil Prices, and Recycling Petrodollars 307
Fixed Versus Floating Exchange Rates 307
The Case for Floating Exchange Rates 308
The Case for Fixed Exchange Rates 308
Who Is Right? 310
Exchange Rate Regimes in Practice 310
Pegged Exchange Rates 310
Currency Boards 311
Crisis Management by the IMF 311
Financial Crises in the Post-Bretton Woods Era 312
## PART SIX International Business Functions

### Chapter Fourteen Exporting, Importing, and Countertrade 380

**Opening Case: Two Men and a Truck 381**

**Introduction 382**

**The Promise and Pitfalls of Exporting 384**

**Management Focus: Ambient Technologies and the Panama Canal 385**

**Improving Export Performance 386**

- *International Comparisons 386*
- *Information Sources 386*
- *Service Providers 387*

**Management Focus: Exporting with Government Assistance 388**

- *Export Strategy 389*

**Management Focus: 3M’s Export Strategy 390**

- *globalEDGE™ Diagnostic Tools 390*

**Export and Import Financing 391**

- *Lack of Trust 391*
- *Letter of Credit 393*
- *Draft 393*
- *Bill of Lading 394*
  - *A Typical International Trade Transaction 394*

**Export Assistance 395**

- *Export-Import Bank 395*
- *Export Credit Insurance 396*

**Countertrade 397**

- *The Popularity of Countertrade 397*
- *Types of Countertrade 398*
- *Pros and Cons of Countertrade 399*

**Chapter Summary 400**

**Critical Thinking and Discussion Questions 400**

**Research Task 401**

**Closing Case: Exporting Desserts 401**

**Endnotes 402**

### Chapter Fifteen Global Production and Supply Chain Management 404

**Opening Case: Amazon—A Leader in Global Supply Chain Management 405**

**Introduction 406**

**Strategy, Production, and Supply Chain Management 407**

**Where to Produce 409**

- *Country Factors 410*

**Management Focus: Philips Investments in China 410**

- *Technological Factors 411*
- *Production Factors 414*
- *The Hidden Costs of Foreign Locations 417*

**Management Focus: H&M and Their Order Timing 418**

**Make-or-Buy Decisions 418**

**Global Supply Chain Functions 421**

- *Global Logistics 422*
- *Global Purchasing 423*

**Managing a Global Supply Chain 425**

- *Role of Just-in-Time Inventory 425*
- *Role of Information Technology 426*
- *Coordination in Global Supply Chains 426*
- *Interorganizational Relationships 427*

**Chapter Summary 429**

**Critical Thinking and Discussion Questions 429**

**Research Task 430**

**Closing Case: Apple: The Best Supply Chains in the World? 430**

**Endnotes 432**

### Chapter Sixteen Global Marketing and R&D 434

**Opening Case: Domino’s Global Marketing 435**

**Introduction 437**

**Globalization of Markets and Brands 439**

**Market Segmentation 440**

**Management Focus: Marketing to Black Brazil 441**

**Product Attributes 442**

- *Cultural Differences 442*
- *Economic Development 443*
- *Product and Technical Standards 443*

**Distribution Strategy 444**

- *Differences Between Countries 444*
- *Choosing a Distribution Strategy 446*

**Communication Strategy 447**

- *Barriers to International Communication 447*
- *Push Versus Pull Strategies 447*

**Management Focus: Unilever Among India’s Poor 449**

- *Global Advertising 450*

**Pricing Strategy 451**