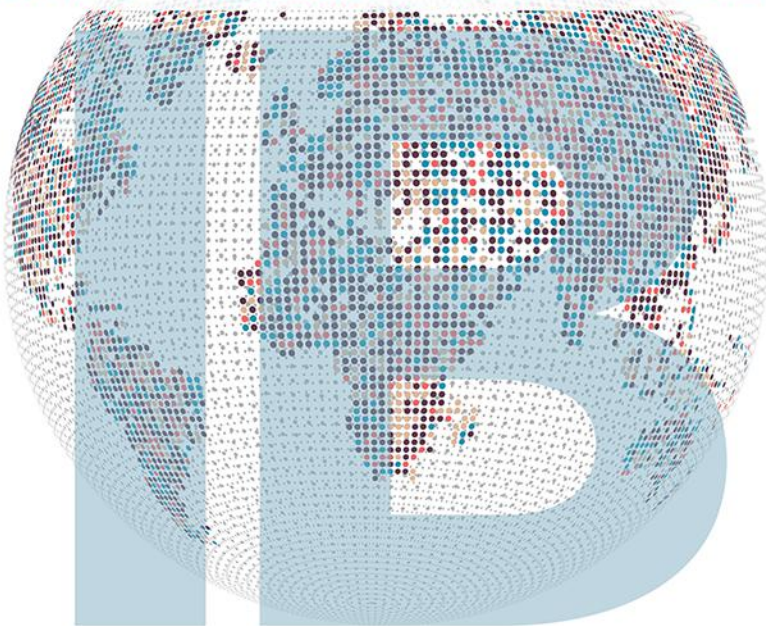


DANIELS • RADEBAUGH • SULLIVAN • CLICK



# INTERNATIONAL BUSINESS

ENVIRONMENTS & OPERATIONS

SEVENTEENTH EDITION



# International Business

Environments & Operations

Seventeenth Edition

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# Preface

The 17th edition of *International Business: Environment and Operations*, besides the latest, we believe is the greatest version of our work. It is a best-selling international business (IB) textbook—both in the United States and worldwide. The long-running choice in many international business studies and MBA programs, it is used around the globe in undergraduate and graduate education. To date, it has been translated into Albanian, Chinese, Korean, Macedonian, Russian, Spanish, and Thai. Its first edition in 1976, according to many professors, defined the intellectual structure of the IB domain. The subsequent 16 editions have fortified its status as the global standard for studying the environments and operations of IB.

For nearly half a century, students, teachers, scholars, managers, and officials have praised our text for insightfully integrating authoritative theory with meaningful practice within the context of rigorous analysis of trends and circumstances in IB. Commanding a sharper sense of the political, legal, technological, competitive, and cultural factors sharpens decision-making and improves performance. The standards of success that inspire our efforts, we believe, make this edition the best yet. Our collective efforts result in a textbook that provides instructors and students a powerful, productive, and meaningful understanding of the dimensions and dynamics that define the world of business.

## NEW TO THE SEVENTEENTH EDITION

The changing business world calls on us to change our understanding and interpretation, aspiring to make sense of the environments and operations of IB. This edition shares our latest views on a wide variety of topics, issues, challenges, and opportunities in IB. Throughout, we strive to help readers interpret what it all means for professional and personal choices. To that end, we have aggressively revised the text to reflect current research and best practices, both academic and practitioner. We have updated and added countless examples of managers and companies around the world, relying on reports from many sources. Specific features and changes include:

- Reid Click of George Washington University joined the author team. Reid brings a wealth of experience and expertise in the areas of international economics, global financial markets, international business finance, and business in emerging markets. His analyses and insights greatly improve the rigor and relevance of the text.
- The chapter structure of the text replicates that used in the 16th edition. However, we've revised and, in some cases, revamped materials, given dramatic political, economic, social, and institutional changes, let alone the unfolding consequences of the COVID-19 pandemic.
- Coverage of recent developments has been added throughout the text to put a spotlight on the dynamic nature of IB. For example, new content on the COVID-19 pandemic focuses attention on changes in the environments and operations of IB, with special emphasis on institutions, supply chains, and trade.
- The expanding migration of the text into digital delivery formats, in conjunction with the MyLab platform, spurred us to address the concerns of all users, no matter their preferred format.
- Discussion of new legislation and regulation underscores the need for reevaluation of corporate policies and strategies, such as those brought on by the overhaul of multinational corporate taxation in the United States enacted by the Tax Cuts and Jobs Act and recent rounds of trade negotiations by nations worldwide.

- Nearly all figures, tables, and maps are updated to track the changing context of globalization and the conduct of IB. Several new figures, tables, and maps are added to enrich analysis.
- All new photographs provide contemporary illustrations of traditional and expanded topics.
- Four new cases address contemporary issues in IB.
  - International Students and International Business in Chapter 2
  - Open Sesame: Alibaba Isn't Poor Anymore in Chapter 11
  - Amazon.com in Chapter 13
  - Alibaba: Redefining Export Pathways, Platforms, and Performance in Chapter 14
- All other chapter opening and closing cases, 36 in total, have been revised to provide fully up-to-date analysis of issues, institutions, countries, and companies.

## CHAPTER-BY-CHAPTER UPDATES

### Part One: Background for International Business

#### Chapter 1 | Globalization and International Business

- Updated material on the downside of globalization, including new examples of corruption and cheating in sports.
- Enhanced presentation of the role of technology in global production with discussion of China becoming the world's workshop.
- Added material on the escalation of US-China trade restrictions.
- Expanded coverage of reasons for anti-globalization, including the concern for becoming a minority in one's own country.
- Added discussion on the effect of stress from globalization, using French protests as an example.
- Added material on the COVID-19 pandemic, covering how it negatively affects supply chains and the cruise business, but also provides a reason for global cooperation to fight pandemics.
- Updated the "Why Study IB?" section.
- Added coverage of de-globalization.

### Part Two: Comparative Environmental Frameworks

#### Chapter 2 | The Cultural Environments Facing Business

- Extended discussion of cultural dynamics, including recent gains of women's rights in Saudi Arabia.
- Added content on the concept of the Anglosphere.
- Extended discussion on how the meaning of gestures can change, using the example of the U.S. OK sign being used for white supremacy.
- Added information on how people adjust abroad by degree, such as accepting some foods but not others.
- New closing case on international students' effects on themselves, organizations, and nations.

#### Chapter 3 | The Political and Legal Environments Facing Business

- Updated opening case profile of China capturing ongoing political and legal developments, highlighting the implications of pro-democracy protests in Hong Kong as well as the COVID-19 pandemic.
- Streamlined interpretation of political freedom and continuing tension between democracy and totalitarianism.
- Added profile and assessment of populism and the challenges it poses to political freedom.
- Updated profile of intellectual property regulation, piracy, and counterfeiting within the political context of IB.

#### Chapter 4 | The Economic Environments Facing Businesses

- Updated profile of emerging economies, highlighting long-running trends as well as recent developments, both pro and con, notably on the One Belt, One Road initiative.
- Revised profiles of developed, developing, and emerging economic systems.
- Updated and streamlined discussion of economic freedom in light of the ongoing changes in different types of economic systems, and revised discussion of the relationship between economic freedom and standard of living, strengthening the connection between the concepts.
- Modified discussion of the mixed economic system given political trends in developed countries, most notably expanding socialism and populism.
- Expanded discussion of the shadow economy as a key component of national and global economies.
- Refined coverage of key economic indicators and expanded discussion of indicators used to integrate economic analysis.
- Revised, updated, and expanded closing case on economic environments of the West covering ongoing problems, puzzles, and the implications of the fourth industrial revolution.

#### Chapter 5 | Globalization and Society

- Added discussion on the interaction between the Corporate Ethical Values (CEV) set by a company and the degree of corruption (using the Corruption Perceptions Index) in a country where the company is operating.
- Added material on how companies and governments have to deal with greenhouse gas emissions and air and water pollution in their overall environmental strategy.
- Updated presentation of the Paris Agreement on Climate Change and what countries are doing to deal with greenhouse gas emissions.

### Part Three: Theories and Institutions: Trade and Investment

#### Chapter 6 | International Trade and Factor Mobility Theory

- Updated opening case on Taiwan's trade using new data and recent political developments.
- Improved coverage of international migration with new data and discussion of contemporary issues.
- Expanded discussion of international capital movement, and its effects, within the context of foreign direct investment.
- Enhanced material on domestic labor mobility in the context of trade effects, including discussion of the immobility of labor in sectors shrinking due to competition from imports to move into sectors that are expanding.

#### Chapter 7 | Governmental Influence on Trade

- Updated opening case on the U.S.-Vietnamese catfish dispute providing new industry data, insights on unintended consequences in the U.S., and perspective setting the stage for Vietnam's response in a new section, entitled "Vietnam Fights Back," covering new developments at the World Trade Organization (WTO).
- Added analysis of the 2018 tariffs on U.S. imports, including expanded attention to the effects on prices and the question of who pays.
- Expanded discussion of "comparable access" and "fairness" in trade given the discourse in the United States during 2018–2019.
- Added coverage of the effects of the coronavirus pandemic on trade by highlighting examples of export restrictions designed to keep medical supplies at home.
- Revised closing case incorporating recent proposals to allow more imports of pharmaceuticals from Canada.

## Chapter 8 | Cross-National Cooperation and Agreements

- Updated discussion on the European Union reflecting the exit of the United Kingdom (Brexit) and its impact on global trade.
- Added coverage of changes in the North American Free Trade Agreement resulting in the new United States–Mexico–Canada Agreement (USMCA) and policies designed to increase manufacturing production in North America.
- Added discussion of how political changes and a move to stronger nationalism can result in national self-interest and greater reliance on bilateral rather than multilateral trade agreements.
- Added analysis on how, even though the U.S. is no longer actively involved in the Trans-Pacific Partnership, some of the trade rules developed in the agreement are incorporated in the USMCA.

## Part Four: World Financial Environment

### Chapter 9 | Global Foreign-Exchange Markets

- Revised discussion of foreign exchange trading capturing institutional and technological changes.
- Expanded “Looking to the Future” including recent developments regarding the rise of the Chinese yuan as a global currency and the new landscape of cryptocurrencies, including Facebook’s Libra.
- Extended closing case on the Chinese yuan renminbi highlighting the importance of the 2015 reforms, the U.S. declaration of China as a currency manipulator, and the slow movement away from a fixed exchange rate regime toward a floating exchange rate regime.

### Chapter 10 | The Determination of Exchange Rates

- Revised discussion of the International Monetary Fund, including its response to the COVID-19 pandemic.
- Updated Point/Counterpoint on a common currency for Africa incorporating recent developments.
- Improved content on the breakdown of Zimbabwe’s financial system and the rise of a black market for foreign exchange, covering recent developments including introduction of an electronic currency and subsequent introduction of a new paper currency.
- Expanded presentation of the Big Mac Index conveying the concept of Purchasing Power Parity and extending analysis to include price changes.
- Modified discussion of the “flight to safety” in currency markets using the COVID-19 pandemic as a new example.
- Revised “Looking to the Future” on changes in the relative strength of global currencies capturing recent developments with China and the yuan, as well as Brexit.
- Updated closing case on Sony and the Japanese yen introducing recent events in Japan, developments with the yen, and current company data.

### Chapter 11 | Global Capital Markets

- Revised opening case on Pfizer and international taxation introducing new U.S. policies on corporate inversions and the overhaul of multinational corporate taxation brought by the Tax Cuts and Jobs Act of 2017.
- Added examples of recent international cross-listings and de-listings.
- Revised discussion of corporate tax rates updating data and highlighting the effects of the Tax Cuts and Jobs Act of 2017.
- Modified discussion of worldwide and territorial taxation accounting for changes in the U.S. engendered by the Tax Cuts and Jobs Act of 2017.
- Added coverage of the new global intangible low tax income (GILTI) in the U.S. and the complexity of its implementation.



- Revised “Looking to the Future” on capital markets and taxes covering recent developments.
- New closing case on Alibaba’s record-breaking initial public offering on the NYSE in 2014 and its cross-listing on the Hong Kong exchange in 2019, featuring discussion of corporate governance, the investment banking process, and a contrast to the Saudi Aramco record-breaking listing on the Tadawul stock exchange.

## Part Five: Global Strategy, Structure, and Implementation

### Chapter 12 | The Strategy of International Business

- Revised material on strategic planning better connecting concepts from strategic management and international business.
- Refined presentation on the contrast between industrial organization and resource-based perspectives of strategy.
- Improved discussion of location economics as a moderator of strategy given technological trends in artificial intelligence and automation.
- Modified specifications of international, localization, global, and transnational strategies.
- New Figure 12.5 communicating the implication of the integration-responsiveness grid to strategy type in IB.
- Updated and revised closing case improving specifications of alternative scenarios for the multinational enterprise of the future.

### Chapter 13 | Country Evaluation and Selection

- Updated opening case on Burger King reflecting recent financial information and operating strategies.
- Added example in the discussion of social and economic conditions explaining the effects of the 2019 anti-government protests in Algeria on Exxon-Mobil.
- Modified information in the section on debilitating diseases introducing the novel coronavirus COVID-19.
- New ending case on the evolution of country selection strategy at Amazon.com, featuring discussion of initial expansion in Europe and recent expansion attempts in China and India, and introducing a new map with Amazon’s localized online storefronts.

### Chapter 14 | Export and Import

- Updated opening case improving coverage of managerial and market dynamics in the export process.
- Added detail on export/import profiles at the national level, highlighting the top three merchandise importers and exporters.
- Streamlined coverage of the alternative approaches to exporting.
- Updated profile of exporting e-waste developing the elements supporting it and better balancing the arguments against it.
- Revised and streamlined profile of “Exporting and Importing: Problems and Pitfalls.”
- New Figure 14.1 illustrating key categories of barriers to trade and improving intellectual accessibility.
- New closing case: “Alibaba: Redefining Export Pathways, Platforms, and Performance.”

### Chapter 15 | Direct Investment and Collaborative Strategies

- Updated opening case on Meliá Hotels highlighting changes in type and location of foreign operations.
- Extended discussion of appropriability theory showing that operating forms other than direct investment can be employed.
- Added material presenting the effect of firms’ operating experience on their choices of new entry modes, with emphasis on recent trends.
- Added coverage of the effects of airline deregulation on the number of airlines.
- Revised closing case on the oneworld Alliance updating participants.