**Globalization**

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# Learning Objectives

1-1 Understand what is meant by the term *globalization*.

1-2 Recognize the main drivers of globalization.

1-3 Describe the changing nature of the global economy.

1-4 Explain the main arguments in the debate over the impact of globalization.

1-5 Understand how the process of globalization is creating opportunities and challenges for management practice.

# Chapter Summary

This opening chapter introduces the reader to the concepts of globalization and international trade and provides an introduction to the major issues that underlie these topics. The components of globalization are discussed, along with the drivers of globalization and the role of the General Agreement on Tariffs and Trade (GATT) and its successor the World Trade Organization (WTO) in lowering trade barriers. The influence of technological change in facilitating globalization is also discussed, along with the role of multinational firms in international business.

The chapter also describes the changing demographics of the global economy, with a special emphasis on the increasingly important role of developing countries, especially China, in world trade. This discussion is complemented by a description of the changing world order, which was brought on by the collapse of communism in Eastern Europe and republics of the former Soviet Union. The chapter ends with a candid overview of the pros and cons of the trend towards globalization.

# Chapter Opening Activity

Conduct this activity during the first week of class, as an icebreaker.

After students introduce themselves, ask them what their aspirant professional job will be after graduation. Organize the responses into groups on the whiteboard: accountants, supply chain managers, ERP managers, business owner or entrepreneur, marketing and sales reps, etc. Then, ask what additional skills they will need to do those jobs with *international* customers, suppliers, and co-workers.

The idea is to help students understand they are unlikely to be successful unless they understand globalization and develop cultural competencies. Skills they might name include: comfortable with rapid change; can understand national cultural differences; can work in diverse cultures; can adapt to diverse management, leadership, and participation styles; can understand differences in intercultural communication; can build relationships, be a lifelong learner, and others.

# Chapter Outline

GM and Its Chevrolet Supercar, the Corvette ZR1

opening case

**Summary**

The opening case explores global auto giant GM’s strategy to sell its vehicles in markets around the world. With its 180,000 strong workforce that collectively speaks 70 different languages, the multinational company has developed eight distinctive brands designed to appeal to consumers in more than 125 countries. One of GM’s most popular brands is Chevrolet. GM sells vehicles under the Chevrolet brand name in every market around the world including the iconic Corvette. The Corvette was originally introduced in 1953 and remains one of GM’s most recognized cars around the world.

**Discussion Questions**

1. Discuss globalization and how GM epitomizes the phenomenon. How has globalization, and specifically the globalization of markets and production, facilitated the company’s success?

Globalization refers to a world where cultural differences between countries are disappearing, barriers to cross-border trade and investment are decreasing, communication and technology are rapidly advancing, and national economies are becoming globally integrated systems. In short, globalization suggests a more integrated and interdependent world economy. For GM, the process of globalization has been important to the company’s ability to focus on just eight brands, down from twenty, yet still appeal to buyers in more than 120 countries. GM sells a Chevrolet, perhaps its most recognized brand, somewhere in the world every eight seconds! To support the eight global brands, GM relies on 180,000 employees located across five different continents.

2. Why has China become such an important market for GM? How is GM responding to the high demand for its products in China?

In recent years, China has become one of GM’s most important markets. The company currently sells about 5 million of its total sales of about 9 million vehicles in China each year. Students will probably focus on China’s rapidly emerging middle class, reduced barriers to cross-border trade and investment, and greater similarities between cultures as being important factors in GM’s success in the market. GM is increasing its commitment to China by investing in five new plants that will complement its existing operations in the country.

**Teaching Tip:** Students can explore GM’s operations and brands at the company's website at [http://www.gm.com](http://www.gm.com/).

**Lecture Note:** To extend the discussion, consider discussing GM’s focus on increasing sales in China over other parts of Asia, [https://www.forbes.com/sites/rachelpremack/2017/11/26/general-motors-may-hack-off-yet-another-global-arm-as-south-korean-business-suffers/#375947af313f](https://www.forbes.com/sites/rachelpremack/2017/11/26/general-motors-may-hack-off-yet-another-global-arm-as-south-korean-business-suffers/%23375947af313f).

**Introduction**

A) *Globalization* refers to the trend towards a more integrated global economic system where barriers to cross-border trade and investment are declining, perceived distance is shrinking thanks to advances in transportation and telecommunications, and material cultures are more similar across borders.

B) The effects of globalization can be seen everywhere, from the cars people drive and the food they eat to the jobs they have and the clothes they wear.

**Lecture Note:** To extend this discussion, consider <http://review.chicagobooth.edu/economics/2018/article/globalization-close-its-holy-cow-moment> and <https://hbr.org/2017/07/globalization-in-the-age-of-trump>. The first provides an alternative perspective of globalization and in particular, the role of services. The second explores globalization under the Trump Administration.

**Lecture Note:** The U.S. Census Bureau offers an extensive website that maintains, among other things, monthly statistics on trade between the United States and its trading partners: <https://www.census.gov/foreign-trade/index.html>.

**Teaching Tip:** Having a global mindset is becoming an important variable in the hiring selection process at some companies. Ask your students what it means to have a global mindset. Then, ask students to think about where they stand on the global mindset tips provided in <https://trainingindustry.com/articles/strategy-alignment-and-planning/5-ways-to-develop-a-global-mindset>.

**What** **Is** **Globalization**?

A) **Globalization** refers to the shift towards a more integrated and interdependent world economy.

**Video Note:** To explore globalization from the perspective of Volvo’s global strategy, consider *Volvo Cars: CEO: It’s Important to Build Cars in the U.S.* in the International Business Library at [http://bit.ly/MHEIBVideo](https://na01.safelinks.protection.outlook.com/?url=http%3A%2F%2Fbit.ly%2FMHEIBVideo&data=01%7C01%7Canke.weekes%40mheducation.com%7Ca25dc9eb643246ce47ad08d41a1dec6d%7Cf919b1efc0c347358fca0928ec39d8d5%7C1&sdata=PGTbnKJeqo4tban6vepacEyP5nezpxGm42CaB%2B3aOG8%3D&reserved=0)*.* Click “Ctrl+F” on your keyboard to search for the video title.

Additionally, our McGraw-Hill Education International Business Video Library at [http://bit.ly/MHEIBVideo](https://na01.safelinks.protection.outlook.com/?url=http%3A%2F%2Fbit.ly%2FMHEIBVideo&data=01%7C01%7Canke.weekes%40mheducation.com%7Ca25dc9eb643246ce47ad08d41a1dec6d%7Cf919b1efc0c347358fca0928ec39d8d5%7C1&sdata=PGTbnKJeqo4tban6vepacEyP5nezpxGm42CaB%2B3aOG8%3D&reserved=0) provides an ongoing stream of updated video suggestions correlated by key concept and major topic. Every new clip posted is supported by teaching notes and discussion questions. Please feel free to leave comments in the library that you feel might be helpful to your colleagues.

**THE GLOBALIZATION OF MARKETS**

B) The **globalization of markets** refers to the merging of historically distinct and separate national markets into one huge global marketplace in which the tastes and preferences of consumers in different nations are beginning to converge upon some global norm. The global acceptance of Coca-Cola, Citigroup credit cards, IKEA furniture, and McDonald's hamburgers are all examples. Firms, large and small, not only benefit from the globalization of markets, but they also, by offering the same basic products worldwide, facilitate the trend.

C) Yet there are still significant differences between markets that frequently require that marketing strategies, product features, and operating practices be customized for a country. In fact, most global markets are for industrial goods and materials that serve a universal need around the world like microprocessors, rather than for consumer products. In many industries, there is no such thing as a “German market” or an “American market,” there is only a global market.

**Video Note:** To explore the role of globalization and global markets, consider *Starbucks CEO Howard Schultz on First Roastery in Italy* in the International Business Library at [http://bit.ly/MHEIBVideo](https://na01.safelinks.protection.outlook.com/?url=http%3A%2F%2Fbit.ly%2FMHEIBVideo&data=01%7C01%7Canke.weekes%40mheducation.com%7Ca25dc9eb643246ce47ad08d41a1dec6d%7Cf919b1efc0c347358fca0928ec39d8d5%7C1&sdata=PGTbnKJeqo4tban6vepacEyP5nezpxGm42CaB%2B3aOG8%3D&reserved=0)*.* Click “Ctrl+F” on your keyboard to search for the video title.

**THE** **GLOBALIZATION** **OF** **PRODUCTION**

D) The **globalization of production** refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of **factors of production** (such as land, labor, capital, and energy), thereby allowing them to compete more effectively against their rivals.

**Video Note:** To explore the role of globalization and the globalization of production, consider *Was Your T-Shirt Made in North Korea?* in the International Business Library at [http://bit.ly/MHEIBVideo](https://na01.safelinks.protection.outlook.com/?url=http%3A%2F%2Fbit.ly%2FMHEIBVideo&data=01%7C01%7Canke.weekes%40mheducation.com%7Ca25dc9eb643246ce47ad08d41a1dec6d%7Cf919b1efc0c347358fca0928ec39d8d5%7C1&sdata=PGTbnKJeqo4tban6vepacEyP5nezpxGm42CaB%2B3aOG8%3D&reserved=0)*.* Click “Ctrl+F” on your keyboard to search for the video title.

**Did You Know Video Clip**

The video clip asks: “Did you know that your iPhone was assembled in China? It’s not what you might think.”

**Discussion** **Questions**

1. Why do labor costs made up such a small percentage of the cost to produce an iPhone?

Because most of the costs to make one iPhone are in COGS (cost of goods sold), which are about $290 of the $650 price. About $200 is in materials, and the rest is spent on transportation, warranty, costs, and manufacturing including labor. Labor costs are between $13 and $25 per phone.

2. Why is it more difficult for Apple to find engineers in the U.S. than in China?

Demand for engineering skills in the U.S. remains greater than in China. Although many new engineering graduates come from developing and emerging countries, the U.S. is in second place, producing 238,000 engineers a year. Russia is in first place, producing 454,000 engineers, and Iran is in third place with 233,700. This is from reports of the World Economic Forum's [Human Capital Report](http://reports.weforum.org/human-capital-report-2015/?doing_wp_cron=1540502650.7117149829864501953125) and excludes China and India for lack of data.

3. Where are the iPhone’s components produced and purchased?

In many countries, but a surprising number are made by U.S. companies such as Texas Instruments, Fairchild, Corning, Cirrus Logic. But most of these companies have significant manufacturing around the world. The fingerprint sensor was imagined in Florida but manufactured in Asia by Taiwanese giant TMSC. The M7 motion co-processor was the brainchild of NXP, a Dutch company that has fabrication facilities in Taiwan, Thailand, Malaysia, Singapore, and the Philippines. U.S. companies in the Apple supply chain are beefing up their U.S. production facilities and many of the components that go into the iPhone are made stateside and shipped to China for assembly.

Learn more about how the iPhone is made at [https://financesonline.com/how-iphone-is-made](https://financesonline.com/how-iphone-is-made/).

management FOCUS: Boeing’s Global Production System

**Summary**

The feature explores U.S. aircraft manufacturer Boeing’s approach to the production of its Dreamliner 787 airplane. Boeing’s strategy was unlike any of its previous strategies. Instead of producing much of the aircraft itself, Boeing, noting that 80 percent of its customers were foreign airlines, decided to outsource some 65 percent of the value of the Dreamliner to suppliers located around the world. This strategy introduced several challenges for Boeing, and production of the 787 was delayed by four years.

**Discussion Questions**

Please see Critical Thinking and Discussion Question #7 for discussion of this feature.

**Teaching Tip:** To learn more about Boeing, go to [http://www.boeing.com](http://www.boeing.com/).

**The Emergence of Global Institutions**

A) Over the last half-century, several global institutions have been created to help manage, regulate, and police the global marketplace, as well as to promote the establishment of multinational treaties to govern the global business system. The **World Trade Organization (WTO)**, like its predecessor the **General Agreement on Tariffs and Trade (GATT),** is responsible for policing the world trading system and making sure that nations adhere to the rules established in WTO treaties. As of 2017, the 164 nations that account for about 98 percent of world trade were all members of the WTO. The **International Monetary Fund (IMF)** maintains order in the international monetary system while the **World Bank** promotes economic development. The **United Nations (UN)** maintains international peace and security, develops friendly relations among nations, cooperates in solving international problems, promotes respect for human rights, and is a center for harmonizing the actions of nations.

CONNECT

Click and Drag

*Global Institutions*

Summary

This activity focuses on the global institutions that shape the international business system. Countries have established these institutions to address the global issues that span their borders. The functions of these organizations have been established in international treaties. International businesses need to be aware of the functions of these organizations as they can have a profound impact on trade and commerce.

Activity

Students are asked to match various global institutions to the functions they perform.

Class Discussion

Global institutions are essential to international business and the movement of goods, services, and capital between nations. Discuss each institution and the role it plays in facilitating international business.

**Drivers** **of** **Globalization**

A) Two macro factors seem to underlie the trend toward greater globalization. First, the decline in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II; and second, technological change. Dramatic technological change in recent decades has brought about advances in communication, information processing, and transportation.

**DECLINING TRADE AND INVESTMENT BARRIERS**

B) **International trade** occurs when a firm exports goods or services to consumers in another country. **Foreign direct investment (FDI)** occurs when a firm invests resources in business activities outside its home country. After WWII, the industrialized countries of the West started a process of removing barriers to the free flow of goods, services, and capital between nations. Under GATT, nations negotiated even further decreases in tariffs and made significant progress on several non-tariff issues (e.g. intellectual property, trade in services). With the establishment of the WTO, a mechanism now exists for dispute resolution and the enforcement of trade laws.

**Teaching Tip:** A comprehensive overview of GATT is available at

<http://www.ciesin.org/TG/PI/TRADE/gatt.html>.

**Teaching Tip:** The World Trade Organization maintains an excellent website at <http://www.wto.org>. This site provides information about recent trade disputes, "hot" areas of international trade, and the status of current talks.

**Teaching Tip:** To extend this discussion and to explore the impact of U.S. trade policy under Donald Trump, go to <https://www.bloomberg.com/news/articles/2018-08-13/trump-s-trade-tirade-can-t-slow-this-booming-canadian-port>.

**Video Note:** To explore the idea of global trade without U.S. leadership, consider *Global Trade Without U.S. Leadership Does Donald Trump Care?* in the International Business Library at [http://bit.ly/MHEIBVideo](https://na01.safelinks.protection.outlook.com/?url=http%3A%2F%2Fbit.ly%2FMHEIBVideo&data=01%7C01%7Canke.weekes%40mheducation.com%7Ca25dc9eb643246ce47ad08d41a1dec6d%7Cf919b1efc0c347358fca0928ec39d8d5%7C1&sdata=PGTbnKJeqo4tban6vepacEyP5nezpxGm42CaB%2B3aOG8%3D&reserved=0)*.* Click “Ctrl+F” on your keyboard to search for the video title.

C) This removal of barriers to trade has taken place in conjunction with increased international trade, world output, and foreign direct investment.

D) The growth of foreign direct investment is a direct result of nations liberalizing their regulations to allow foreign firms to invest in facilities and acquire local companies. With their investments, these foreign firms often also bring expertise and global connections that allow local operations to have a much broader reach than would have been possible for a purely domestic company.

**Knowledge Society and Trade Agreements**

E) World Trade Organization data show that the volume of world merchandise trade has grown consistently faster than the rate of the world economy since 1960. In fact, by 2020, the value of world trade is expected to be 167 times larger than it was in 1960. Cross-border trade is 2.6 times higher than world production.

F) The growth in cross-border trade can, at least in part, be attributed to today’s knowledge society. Consumers know about services and goods being produced in other countries and drive demand for internationally traded goods. An increase in the number of trade agreements between countries has also facilitated cross-border trade.

G) The fact that world trade is growing faster than world GDP suggests that firms are dispersing their production to optimal locations around the world, that economies are becoming intertwined, and that the world is becoming wealthier.

H) FDI is also playing a bigger role in the global economy. The global stock of FDI is about $28 trillion.

**ROLE OF TECHNOLOGICAL CHANGE**

I) While the lowering of trade barriers made globalization of markets and production a theoretical possibility, technological change made it a tangible reality.

**Communications**

J) Since the end of World War II, there have been major advances in communications and information processing.

K) **Moore’s Law** predicts the power of microprocessor technology doubles and its cost of production falls in half every 18 months. As this happens, the cost of global communication plummets, lowering the cost of coordinating and controlling a global organization.

**Internet of Things**

L) The Internet, which has experienced explosive growth worldwide, promises to continue to develop as the information backbone of tomorrow's global economy. The Internet effectively allows its 3.8 billion users in 2017 to find each other. For business, it can be a goldmine. In the United States, online retail sales are expected to surpass $520 billion in 2020, while global e-commerce sales surpassed $2 trillion in 2017.

**Transportation Technology**

M) In addition to these developments, several major innovations in transportation technology have occurred since World War II. In economic terms, the most important are probably the development of commercial jet aircraft and super freighters and the introduction of containerization, which greatly simplifies transshipment from one mode of transport to another.

**Implications for the Globalization of Production**

N) Due to technological innovations, the real costs of information processing and communication have fallen dramatically over the past two decades. These developments make it possible for a firm to create and then manage a globally dispersed production system, further facilitating the globalization of production. A worldwide communications network has become essential for many international businesses.

**Implications for the Globalization of Markets**

O) As a consequence of these trends, a manager in today's firm operates in an environment that offers more opportunities but is also more complex and competitive than that faced a generation ago. While there has been some convergence of consumer tastes and preferences between markets (a global culture), firms must still address differences between countries.

CONNECT

Click and Drag

*Drivers of Globalization*

Summary

This activity focuses on the drivers of globalization. Two major factors are driving globalization: the decline in barriers to the free flow of goods, services, and capital; and technological change. Business has fueled these trends and has been the beneficiary of these trends.

Activity

Students are asked to match driving forces and their implications for business.

Class Discussion

It is essential that international businesses understand what’s driving globalization and its implications for their organization. Ask students to discuss the drivers of globalization as they relate to various types of international businesses.

**The Changing Demographics of the Global Economy**

A) As late as the 1960s, four facts described the demographics of the economy. The first was the U.S. dominance in the world economy and the world trade picture. The second was U.S. dominance in world foreign direct investment. The third fact was the dominance of large, multinational U.S. firms on the international business scene. The fourth was that roughly half of the globe—the centrally planned economies of the Communist world—was off limits to Western international business.

**THE CHANGING WORLD OUTPUT AND THE CHANGING WORLD TRADE PICTURE**

B) In the early 1960s, the U.S. was still by far the world's dominant industrial power. In 1960, for example, the U.S. accounted for 38.3 percent of world manufacturing output. By 2018, the United States accounted for only 15.8 percent. This decline in the U.S. position was not an absolute decline, rather, it was a relative decline, reflecting the faster economic growth of several other economies, most notably those in Asia. China, now the world’s largest economy, is responsible for 17.1 percent of world output.

**Video Note:** To explore how a trade war between the United States and China could hurt emerging economies in Asia, consider *Why a U.S. – China Trade War Could Hurt Asia* in the International Business Library at [http://bit.ly/MHEIBVideo](https://na01.safelinks.protection.outlook.com/?url=http%3A%2F%2Fbit.ly%2FMHEIBVideo&data=01%7C01%7Canke.weekes%40mheducation.com%7Ca25dc9eb643246ce47ad08d41a1dec6d%7Cf919b1efc0c347358fca0928ec39d8d5%7C1&sdata=PGTbnKJeqo4tban6vepacEyP5nezpxGm42CaB%2B3aOG8%3D&reserved=0)*.* Click “Ctrl+F” on your keyboard to search for the video title and access to teaching notes and discussion questions for this video.

C) If we look into the future, most forecasts now predict a rapid rise in the share of world output accounted for by developing nations such as China, Russia, India, Indonesia, Thailand, Mexico, Brazil, and South Korea, and a commensurate decline in the share enjoyed by rich industrialized countries such as Great Britain, Germany, Japan, and the United States. For international companies, these trends suggest that future economic opportunities may be greater in developing nations, and that new competitors are likely to emerge from these countries.

CONNECT

Click and Drag

*Demographics of the Global Economy*

Summary

This activity explores the demographics of the global economy. Four factors have played a central role in the changing demographics of the global economy since 1960. They are U.S. dominance in the world economy, U.S. dominance in world foreign direct investment, dominance of large multinational U.S. firms, and lack of trade with centrally planned economies.

Activity

Students are asked to match various issues with the descriptors of change.

Class Discussion

Changes in the demographics of the global economy have important implications for international companies. Discuss the changes, why they are happening, and what they mean for international organizations.

countryFOCUS: India’s Software Sector

**Summary**

This feature explores the growth of India’s software industry. Starting from nothing just twenty-five years ago, Infosys Technologies now generates revenues of $10.2 billion and exports of more than $100 billion. India’s growth in the software sector is based on its abundant supply of engineers, low labor costs, India’s fluency in English, and time differences between India and the U.S. As Indian firms have done more business with large U.S. firms, U.S. firms have begun investing in their own Indian operations.

**Discussion** **Questions**

1. What factors have contributed to the growth of India’s software industry? In your opinion, is the growth of India’s software sector a reflection of the growth of the overall economy or is the growth of the software sector prompting the growth of the entire economy?

Four key factors have contributed to the growth of India’s software industry. First is the huge number of engineers in India. Some 400,000 engineers graduate from Indian universities every year. A second factor is India’s low wage structure. Indian engineers make about 12 percent of what an American colleague might make. Third, coordination between Western firms and Indian firms is facilitated by the large number of English-speaking Indians. Finally, because of the differences in time zones, Indian firms operate while American firms are closed. Many students will probably suggest that without these contributing factors, growth in the software sector would have almost certainly been more limited.

2. How has India’s software industry changed in recent years? What are the implications of these changes for American companies like IBM and Microsoft?

There has been a gradual shift in the Indian software industry in recent years. Initially, Indian firms focused on the low end of the industry to supply basic software development and testing services to Western firms. Today, however, many companies have moved into higher end services to compete for large software development projects, business outsourcing contracts, and information technology consulting services. This new competitive threat is forcing American firms like IBM and EDS to rethink their global strategies. Some Western companies are now investing in India with the goal of capturing some of the cost advantages Indian companies like Infosys Technologies enjoy.

**Lecture Note:** India’s smartphone industry is growing rapidly and Samsung is just one company that is looking to capitalize on this growth. To learn more, go to <https://www.bloomberg.com/news/articles/2018-07-09/world-s-largest-mobile-phone-factory-set-to-open-in-india>.

**THE CHANGING FOREIGN DIRECT INVESTMENT PICTURE**

E) As shown in Figure 1.3 in the textbook, the share of total foreign direct investment stock since the 1980s for developed economies such as the United States and the United Kingdom has declined. Meanwhile, the same statistic indicates a considerable increase in developing economies.

F) As shown in Figure 1.4, this trend is mirrored in FDI. However, fluctuations appear in the total amount of foreign direct investment inflows due to economic factors.

**THE CHANGING NATURE OF THE MULTINATIONAL ENTERPRISE**

G) A **multinational enterprise** is any business that has productive activities in two or more countries.

**Non-U.S. Multinationals**

H) In the 1960s, large U.S. multinationals dominated the global business environment, accounting for about two-thirds of all foreign direct investment. The globalization of the world economy has resulted in a relative decline in the dominance of U.S. firms as well as firms from other developed countries. Today, just over a quarter of the top 2,000 global firms are U.S. multinationals, while at the same time, powerful global competitors have emerged from developing nations. Looking to the future, we can reasonably expect the growth of new multinational enterprises (any business that has productive activities in two or more countries) from the world's developing nations.

management FOCUS: Wanda Group

**Summary**

This feature examines the expansion of the Dalian Wanda Group from its beginning in 1988. Originating in China, the company is well-known within the country as an important real estate developer. In 2012, Dalian Wanda expanded by purchasing the cinema chain AMC Entertainment Holdings in the United States. This expansion continued in 2015 with the acquisition of an Australian cinema operator, as well. With properties in Los Angeles, Chicago, Spain, and London, Dalian Wanda's goal is to have assets of $200 billion, revenues of $100 billion, and net profits of $10 billion by 2020.

**Discussion** **Questions**

1. How has Dalian Wanda Group established itself in its home market of China? In other words, what is the company best known for?

The company has had much success with five-star hotels as it is the largest owner of this hotel category. In addition, with activities in the film, sports, tourism, and children's entertainment industries, Dalian Wanda Group is well-positioned within China to expand internationally based on the experiences developed thus far.

2. Why has Dalian Wanda Group expanded internationally at such a fast rate? How do the acquisitions made fit into the company's strategy overall?

Dalian Wanda Group has identified that it aims to have assets of $200 billion, revenues of $100 billion, and net profits of $10 billion by 2020. One approach to accomplish this is to expand internationally based on the skills the company has developed thus far. Since its core competencies include real estate development focusing on the film industry, in particular, Dalian Wanda Group saw the opportunity to negotiate better distribution terms with movie studios after its purchase of cinemas in the United States and Australia. Because of these and other expansions, the actions discussed assist the company to reach its goals for assets, revenues, and net profits.

**Teaching Tip:** To learn more about Wanda Group go to [http://www.wanda-group.com](http://www.wanda-group.com/).

**Lecture Note:** Wanda Group’s plans to continue to expand into the U.S. market may soon be going on hold. To learn more and extend the discussion of this feature, go to <http://www.bloomberg.com/news/articles/2016-01-12/china-s-richest-man-to-buy-godzilla-producer-for-3-5-billion> and <https://www.reuters.com/article/us-dalian-wanda-results/chinas-dalian-wanda-group-says-2017-revenue-down-10-8-percent-on-asset-sales-idUSKBN1F90G5>.

**The Rise of Mini-Multinationals**

I) Another trend in international business has been the growth of medium-sized and small multinationals. These businesses are referred to as mini-multinationals.

**THE CHANGING WORLD ORDER**

J) The collapse of communism in Eastern Europe presented a host of export and investment opportunities for Western businesses. However, because of growing unrest and totalitarian tendencies in many states, companies must be cautious.

K) The economic development of China presents huge opportunities and risks, despite its continued Communist control. In addition, firms must be aware of the threat posed by China’s emerging multinationals.

L) For North American firms, the growth and market reforms in Mexico and Latin America also present tremendous new opportunities both as markets and sources of materials and production. However, given the history of economic mismanagement in Latin America, the favorable trends may not continue.

**THE GLOBAL ECONOMY OF THE TWENTY-FIRST CENTURY**

M) The path to full economic liberalization and open markets is not without obstruction. Economic crises in Latin America, South East Asia, and Russia all caused difficulties in 1997 and 1998. While firms must be prepared to take advantage of an ever more integrated global economy, they must also prepare for political and economic disruptions that may throw their plans into disarray. The 2008–2009 financial crisis that began in the United States, for example, quickly spread to much of the rest of the world.

**The Globalization Debate**

A) Is the shift toward a more integrated and interdependent global economy a good thing? While many economists, politicians and business leaders seem to think so, globalization is not without its critics. Globalization stimulates economic growth, raises the incomes of consumers, and helps to create jobs in all countries that choose to participate in the global economy. Yet, there is a rising tide of opposition to globalization.

**ANTIGLOBALIZATION PROTESTS**

B) Since 1999, when protesters against globalization targeted the WTO meeting in Seattle, anti-globalization protesters have turned up at almost every major meeting of a global institution. Protesters fear that globalization is forever changing the world in a negative way. This fear was evident in the 2016 presidential election in the United States.

country FOCUS: Protesting Globalization in France

**Summary**

This feature describes the anti-globalization protests going on in France. The protests, led by activist Jose Bove, started when the U.S. retaliated against EU bans on beef imports by imposing a 100 percent tariff on some EU products. Bove and his associates targeted McDonald’s and California winemaker Mondavi as symbols of their opposition to American investments. Still, despite the protests, foreign investment in France is at record highs, and ironically, so are French investments abroad.

**Discussion Questions**

1. Consider the trade war that initiated the protests led by Bove. The EU instituted restrictions on the import of hormone treated beef because it was feared that the product might lead to health problems. The WTO stated that the restrictions were prohibited under WTO agreements and ordered the EU to lift the restrictions or face retaliatory measures. In your opinion, did the WTO act appropriately? Should a government be permitted to make decisions as to what products are or are not available to consumers? Should the WTO? What do you think would have happened if the WTO had ruled in favor of the EU?

Many students will probably argue that the European Union’s restrictions against hormone treated beef were nothing more than thinly veiled protectionism. Accordingly, students will probably feel that the World Trade Organization was justified in its ruling. Some students however, may suggest that the European Union was looking out for its citizens when it instituted the bans, and that therefore the World Trade Organization was overstepping its bounds.

2. Why was McDonald’s chosen as the target for anti-globalization protests? How can companies like McDonald’s protect themselves from the actions of protesters like Bove?

Students will probably recognize that as an icon of the United States, McDonald’s is a symbol of America and as such was a natural target for protesters. The fact that its menu is based on beef was probably a bonus. Many students will note that companies that are actively involved in local communities are less likely to attract negative feelings than those that are not. Students might recommend that companies like McDonald’s work to integrate themselves with the host country through charitable programs, social activities, and so on.

**Teaching Tip:** To learn more about ongoing WTO disputes, go the WTO’s homepage <http://www.wto.org>.

**Video Note:** Protesting globalization is not uncommon. Consider <https://www.npr.org/sections/thetwo-way/2017/07/07/535959974/flames-subside-but-protests-continue-as-g20-leaders-gather-for-hamburg-summit> to explore some recent protests against globalization.

**GLOBALIZATION, JOBS, AND INCOME**

C) In developed countries, labor leaders lament the loss of good-paying jobs to low-wage countries. However, supporters of globalization argue that free trade will result in countries specializing in the production of those goods and services that they can produce most efficiently, while importing goods and services that they cannot produce as efficiently. Free trade advocates suggest that despite some job dislocation, the whole economy is better off with free trade. They make a similar argument to support the outsourcing of services like call centers to low-wage countries. However, given that the wage gap between developed and developing countries is closing, the migration of unskilled jobs to low-cost nations may only be a temporary phenomenon.

**Teaching Tip:** For resources related to exporting, the export assistance center at [http://www.export.gov](http://www.export.gov/) can provide insight into this process.

**Video Note:** Video clips related to importing and exporting are available at <http://www.census.gov/foreign-trade/aes/exporttraining/videos/index.html>. A variety of topics are available to consider.

**GLOBALIZATION, LABOR POLICIES, AND THE ENVIRONMENT**

D) A second source of concern is that free trade encourages firms from advanced nations to move manufacturing facilities offshore to less developed countries that lack adequate regulations to protect labor and the environment from abuse by the unscrupulous. Supporters of free trade and greater globalization express serious doubts about this scenario. They point out that tougher environmental regulation and stricter labor standards go hand in hand with economic progress. In general, as countries get richer, they enact tougher environmental and labor regulations.

E) Lower labor costs are only one of the reasons why a firm may seek to expand in developing countries. These countries may also have lower standards on environmental controls and workplace safety. Nevertheless, since investment typically leads to higher living standards, there is often pressure to increase safety regulations to international levels. This is indicated in Figure 1.6, which indicates that pollution levels decrease after per capita income levels reach $8,000. No country wants to be known for its poor record on health and human safety. Thus, supporters of globalization argue that foreign investment often helps a country to raise its standards.

**GLOBALIZATION AND NATIONAL SOVEREIGNTY**

F) Another concern voiced by critics of globalization is that in today's increasingly interdependent global economy, economic power is shifting away from national governments and toward supranational organizations such as the World Trade Organization (WTO), the European Union (EU), and the United Nations. As perceived by critics, the problem is that unelected bureaucrats are now sometimes able to impose policies on the democratically elected governments of nation-states, thereby undermining the sovereignty of those states.

G) With the development of the WTO and other multilateral organizations such as the EU and NAFTA, countries and localities necessarily cede some authority over their actions. Supporters of these organizations claim that if the organizations fail to serve the collective interests of member states, the states will withdraw their support and the organizations will collapse.

**GLOBALIZATION AND THE WORLD’S POOR**

H) Critics of globalization argue that over the last century, the gap between rich and poor has gotten wider, and the benefits of globalization have not been shared equally. However, supporters of free trade suggest that the actions of governments have limited economic improvement in many countries. In addition, debt may also be limiting growth in some countries. Today, there are various efforts underway to encourage debt relief programs.

CONNECT

Click and Drag

*The Globalization Debate*

Summary

This activity focuses on the debate on globalization. While globalization has long been viewed as a beneficial trend, more recently, certain segments of the population have voiced their strong opposition to the trend. Anecdotes, evidence, and arguments can be collected to support each side of the debate.

Activity

Students are asked to match various issues in terms of whether they are arguments for or against globalization.

Class Discussion

The debate on globalization and its benefits and drawbacks has shaped elections and policies in several countries in recent years including the United States, Great Britain, and Sweden. Discuss this trend and why globalization has become such a driving and divisive issue for so many people.

CONNECT

Video Case

*Is the Future of Globalization in Doubt?*

Summary

This activity focuses on the globalization debate. While it is generally accepted that countries benefit from globalization, those benefits are not always equally distributed. Some are now pushing for a more inward perspective and, in doing so, are changing the basic premises that have governed much of the international business system for more than 50 years.

Activity

Students are asked to watch a video on globalization and then respond to a series of questions related to the video.

Class Discussion

It is essential that international managers understand the forces that shape the business world. After decades of general support for globalization, some are now challenging that perspective. Ask students to discuss this trend and what it means for international companies.

**Managing in the Global Marketplace**

A) An **international business** is any firm that engages in international trade or investment.

B) As their organizations increasingly engage in cross-border trade and investment, managers need to recognize that the task of managing an international business differs from that of managing a purely domestic business in many ways. Countries differ in their cultures, political systems, economic systems, legal systems, and levels of economic development.

C) These differences require that business people vary their practices country by country, recognizing what changes are required to operate effectively. It is necessary to strike a balance between adaptation and maintaining global consistency, however.

D) As a result of making local adaptations, the complexity of international business is clearly greater than that of a purely domestic firm. Firms need to decide which countries to enter, what mode of entry to use, and which countries to avoid. Rules and regulations also differ, as do currencies and languages.

E) Managing an international business is different from managing a purely domestic business for at least four reasons: 1) countries differ, 2) the range of problems and manager faces is greater and more complex, 3) an international business must find ways to work within the limits imposed by governmental intervention and the global trading system, and 4) international transactions require converting funds and are susceptible to exchange rate changes.

CONNECT

Video Case

*iPhone Assembly in China*

Summary

This activity explores iPhone’s activities in China. Like other companies, Apple is faced with many complex issues as it looks for the optimal location for its iPhone production. Companies like Apple must understand the advantages and disadvantages of a global production strategy and the challenges and opportunities associated with foreign production.

Activity

Students are asked to watch a video on iPhone’s activities in China and then respond to questions about the video.

Class Discussion

The international business environment is constantly changing. Discuss the reasons why Apple chose to produce its iPhone in China. Then ask students whether that decision still makes sense and why. Encourage students to recognize that the reasons to make investment decisions can change as the environment changes.

# End-of-Chapter Resources

**Critical Thinking and Discussion Questions**

1. Describe the shifts in the world economy over the last 30 years. What are the implications of these shifts for international businesses based in the United Kingdom? North America? Hong Kong?

Answer: The world economy has shifted dramatically over the past 30 years. As late as the 1960s, four trends described the demographics of the global economy. The first was U.S. dominance in the world economy and world trade. The second was U.S. dominance in the world foreign direct investment picture. Related to this, the third fact was the dominance of large, multinational U.S. firms in the international business scene. The fourth was that roughly fifty percent of the world—the centrally planned economies of the Communist world—was off-limits to Western international businesses. All of these demographic facts have changed. Although the U.S. remains the world's dominant economic power, its share of world output and world exports have declined significantly since the 1960s. This trend does not reflect trouble in the U.S. economy, but rather reflects the growing industrialization of developing countries such as China, India, Indonesia, and South Korea. This trend is also reflected in the world foreign direct investment picture. The share of world output (or the stock of foreign direct investment) generated by developing countries has been on a steady increase since the 1960s, while the share of world output generated by rich industrial countries has been on a steady decline. Shifts in the world economy can also be seen through the shifting power of multinational enterprises. Since the 1960s, there have been two notable trends in the demographics of the multinational enterprise. The first has been the rise of non-U.S. multinationals, particularly Japanese multinationals. The second has been the emergence of a growing number of small and medium-sized multinationals, called mini-multinationals. The fall of Communism in Eastern Europe and the republics of the former Soviet Union have brought about the final shift in the world economy. Many of the former Communist nations of Europe and Asia seem to share a commitment to democratic politics and free market economies. Similar developments are being observed in Latin America. If these trends continue, the opportunities for international business may be enormous. The implications of these shifts are similar for North America and Britain. The United States and Britain once had the luxury of being the dominant players in the world arena, with little substantive competition from the developing nations of the world. That has changed. Today, U.S. and British manufacturers must compete with competitors from across the world to win orders. The changing demographics of the world economy favor a city like Hong Kong. Hong Kong (which is now under Chinese rule) is well located with easy access to markets in Japan, South Korea, Indonesia, and other Asian markets. Hong Kong has a vibrant labor force that can compete on par with the industrialized nations of the world. The decline in the influence of the United States and Britain on the global economy provides opportunities for companies in Hong Kong to aggressively pursue export markets.

2. "The study of international business is fine if you are going to work in a large multinational enterprise, but it has no relevance for individuals who are going to work in smaller firms." Evaluate this statement.

Answer: People who believe in this view, and the firms that they work for, may find that they do not achieve their full potential (at best) and may ultimately fail because of their myopia. As barriers to trade decrease and state of the art technological developments take place throughout the world, new opportunities and threats exist on a worldwide basis. The rise of the mini-multinationals suggests there are global opportunities even for small firms. But staying attuned to international markets is not only important from the perspective of seeking profitable opportunities for small firms; it can also be critical for long-term competitive survival. Firms from other countries may be developing products that, if sold internationally, could wipe out small domestic competitors. Scanning international markets for the best suppliers is also important for small firms, for if a domestic competitor is able to tap into a superior supplier from a foreign country, it may be able to seriously erode another firm's competitive position before the small firm understands the source of its competitor's competitive advantage and can take appropriate counteractions.

3. How have changes in technology contributed to the globalization of markets and production? Would the globalization of production and markets have been possible without these technological changes?

Answer: Changes in technology have significantly contributed to the globalization of markets and of production. Improvements in transportation technology have paved the way for companies like Coca-Cola, Levi Strauss, Sony and McDonalds to make their products available worldwide. Similarly, improvements in communications technology have had a major impact. The ability to negotiate across continents has been facilitated by improved communications technology, and the rapidly decreasing cost of communications has lowered the expense of coordinating and controlling a global corporation. Finally, the impact of information technology has been far reaching. Companies can now gain worldwide exposure simply by setting up a homepage on the Internet. This technology was not available just a few short years ago. The globalization of production and markets may have been possible without improvements in technology, but the pace of globalization would have been much slower. The falling cost of technology has made it affordable for many developing nations, which has been instrumental in helping these nations improve their share of world output and world exports. The inclusion of these nations, such as China, India, Thailand, and South Korea, has been instrumental in the globalization of markets and production. In addition, improvements in global transportation and communication have made it relatively easy for business executives from different countries to converse with one another. If these forms of technology, including air travel, fax capability, email, and overnight delivery of packages were not available, it would be much more difficult for businesses to conduct international trade.

4. "Ultimately, the study of international business is no different from the study of domestic business. Thus, there is no point in having a separate course on international business." Evaluate this statement.

Answer: This statement reflects a poor understanding of the unique challenges involved in international business. Managing an international business is different from managing a purely domestic business for at least four reasons. These are: (1) countries are different; (2) the range of problems confronted by a manager in an international business is wider and the problems themselves more complex than those confronted by a manager in a domestic business; (3) an international business must find ways to work within the limits imposed by government intervention in the international trade and investment system; and (4) international transactions involve converting money into different currencies. Because of these differences, there are ample reasons for studying international business as a specific field of study or discipline.

5. How does the Internet affect international business activity and the globalization of the world economy?

Answer: The Internet has changed the way companies do business. This technology makes it easier for individuals and companies in different countries to conduct business with one another and has lowered the cost of communications. These developments will undoubtedly hasten the already rapid pace of globalization and act as an equalizer between large (resource-rich) and small (resource-poor) firms. For instance, it does not cost any more for a small software firm to gain visibility via the Internet than it does for a large software company like Microsoft. As a result, the Internet helps small companies reach the size of audience that was previously only within the reach of large, resource-rich firms.

6. If current trends continue, China may be the world's largest economy by 2030. Discuss the possible implications of such a development for

a. the world trading system

b. the world monetary system

c. the business strategy of today's European and U.S.-based global corporations

d. global commodity prices

Answer: The world trading system would clearly be affected by such a development. Currently, China enjoys a somewhat privileged status within the World Trade Organization as a “developing” country. Such a rise to eminence, however, would clearly force it to become a full and equal member, with all the rights and responsibilities. China would also be able to actively influence the terms of trade between many countries. On the monetary front, one would expect that China would have to have fully convertible and trading currency, and that ultimately it could become one of the “benchmark” currencies of the world. From the perspective of Western global firms, China would represent both a huge market, and potentially the home base of some very capable competitors. Finally, commodity prices would probably fall.

7. Reread the Management Focus “Boeing’s Global Production System” and answer the following questions:

a. What are the benefits to Boeing of outsourcing manufacturing of components of the Boeing 787 to firms based in other countries?

b. What are the potential costs and risks to Boeing outsourcing?

c. In addition to foreign subcontractors and Boeing, who else benefits from Boeing's decision to outsource component part manufacturing assembly to other nations? Who are the potential losers?

d. If Boeing's management decided to keep all production in America, what do you think the effect would be on the company, its employees, and the communities that depend on it?

e. On balance, do you think that the kind of outsourcing undertaken by Boeing is a good thing or a bad thing for the American economy? Explain your reasoning.

Answer: a. Boeing has traditionally outsourced some of the production of its aircraft, but it took outsourcing to a new level with the Dreamliner 787, outsourcing 65 percent of its value to suppliers located around the world. This strategy allowed each company including Boeing to focus on what it does best, allowing for greater efficiency and lower costs. Some students may also suggest that by using suppliers located in customer countries, Boeing could introduce a “local” element to the Dreamliner and gain goodwill with its customers.

b. With its new strategy, Boeing also encountered many problems, including challenges in coordinating its globally dispersed production chain. Production was frequently delayed, and the aircraft was ready for sale much later than Boeing had anticipated. Some students may note that while Boeing was able to benefit from the expertise of its suppliers, by outsourcing, the company also lost the ability to increase its own knowledge and skills.

c. Workers in the countries to which the outsourcing takes place benefit. In specific, these workers may receive competitive wages for the skills they provide to the companies developing and manufacturing the products in-country. Knowledgeable workers within Boeing would not have the opportunity to use their skills and―in some cases―could lose their jobs as a result.

d. Based on the design of the Boeing 787, there are some core competencies that Boeing must develop to manufacture the product. In the short term, it would be difficult for Boeing to experience that learning curve, but if the company is able to work through these problems, it may have more knowledge and capabilities to apply in different projects in the future. As a result, employee skills would be applied and potentially widened. By keeping these employees working, the communities that depend on the company and its employees would enjoy a certain level of success. However, for Boeing in particular, the financial investment to make for all production within the company could be a daunting proposition and may have an impact on profitability, as well.

e. There will be some students who will state that this action is good for the American economy as it allows an American company to focus on its core strengths. In addition, this line of thought could be supported by the notion that, because of this focus on core strengths, the economy would become more competitive. However, other students will state that this approach is bad for the American economy due to the loss of jobs and commerce within the United States. Those holding this view will cite the danger of increased unemployment or the lack of jobs fitting the specific skills of the employees who may no longer be needed in the aerospace industry in the United States.

**globalEDGE™ Research Task**

Use the globalEDGE™ site ([globaledge.msu.edu](https://globaledge.msu.edu/)) to complete the exercises in the text.

**Exercise 1**

Search phrase: *trade forecasts* or *HSBC Global Connections*

Resource Name: HSBC Global Connections

Website: [https://globalconnections.hsbc.com/us/en](https://globalconnections.hsbc.com/us/en%20)

globalEDGE™ Category: [Globalization](http://globaledge.msu.edu/globalresources/resourcesbytag/globalization)

**Additional Info:**

Once on the *HSBC Global Connections* website, the *Trade Forecast Tool* can be found under the Tools & Data section of the site. It is an interactive chart, where you can see the trade routes that are forecasted to exhibit the largest annual growth over the next several years.

**Exercise 2**

Search phrase: *FDI Confidence Index*

Resource Name: A.T. Kearney: Foreign Direct Investment Confidence Index

Website: [http://globaledge.msu.edu/global-resources/rankings](http://globaledge.msu.edu/global-resources/rankings%20)

globalEDGE™ Category: [Rankings](http://globaledge.msu.edu/global-resources/rankings), [Country Level](http://globaledge.msu.edu/global-resources/country-level)

**Additional Info:**   
This ranking study, published regularly since 1998 surveys over 300 hundred executives from multinationals with more than $500 million revenues from 28 countries. The Index is calculated as a weighted average of the number of high, medium, and low responses to questions about the likelihood of direct investment in a market over the next three years. Index values are based on non-source-country responses (so, for example, the rating for India does not include responses from Indian multinationals).

Globalization of BMW, Rolls-Royce, and the MINI

closing case

**Summary**

This case explores the globalization of BMW, Rolls-Royce, and the MINI. BMW is recognized around the world as a leader in the luxury car market. By combining outstanding performance, breathtaking design, and ground-breaking innovations in each of its vehicles, BMW has been able to attract buyers from around the globe. Rolls-Royce is the iconic luxury motor car. With its commitment to absolute perfection, Rolls-Royce holds the global position as the pinnacle luxury automaker in the world. With its quirky design, MINI appeals to younger buyers seeking the individuality the car offers.

**Case Discussion Questions**

1. How do you think BMW integrates its various unique brands into a global effort that works for them (BMW, Rolls-Royce, and the MINI) across the world’s many global markets?

Responses to this question will vary by student. Many students will probably suggest that because the target markets as well as the vehicles themselves are quite different, the three brands are likely operated independently of each other.

2. What is your reaction to the global brand of BMW when you hear the name, think of the brand, and see the BMW vehicles on the road?

Responses to this question will vary by student. Many students will probably suggest that they associate the brand with luxury and performance.

3. The Rolls-Royce chase of perfection drives the supreme quality, exquisite hand craftsmanship, and attention to the finest detail to maintain its global position as the pinnacle luxury automobile manufacturer in the world. How do you think the Rolls-Royce brand helps, or hurts, the other BMW brands globally (BMW, the MINI)?

Responses to this question will vary by student. Some students may suggest that many buyers may not be aware of the link between BMW, MINI, and Rolls-Royce. For these buyers, the perfection of Rolls-Royce will probably have little bearing on their impression of BMW and MINI. For those customers who are aware of the link, the aura of Rolls-Royce should have a positive impact on their impression of BMW and MINI.

4. The MINI is a unique car offering in the BMW portfolio. It has long-standing attention to clever solutions with distinctive designs that unlock urban driving and cater to customers’ individual needs—at least that is what the target focus is for the MINI. Do you agree that this is the focus, and do you think it is working as advertised globally?

Responses to this question will vary by student. Many will agree that with its lower prices and small size, the MINI is clearly targeting younger buyers—buyers who may not need the size of some of vehicles in the BMW lines, nor the higher-prices of either BMW or Rolls-Royce. Some students may note that the appeal of the MINI transcends cultural differences across markets.

**Teaching Tip:** Students can explore BMW’s website at <https://www.bmwgroup.com>.

**Teaching Tip:** To meet demands for more environmentally friendly vehicles, BMW is currently working to expand its electric car lines. To learn more, consider  [https://www.forbes.com/sites/jaclyntrop/2018/07/01/bmw-is-gearing-up-to-mass-produce-batteries-in-house-for-2020/#546103716301](%20https://www.forbes.com/sites/jaclyntrop/2018/07/01/bmw-is-gearing-up-to-mass-produce-batteries-in-house-for-2020/#546103716301) and <https://www.cleanenergywire.org/factsheets/early-e-car-starter-bmw-plans-new-mobility-sprint>.

CONNECT

Geography

Summary

This activity is designed to test the student’s knowledge of geography. Questions related to chapter material are asked, requiring students to understand the topics and the locations of the countries involved.

Activity

Students are asked to respond to a series of question related to the geographic location of several countries.

Class Discussion

Understanding the geographic location of countries is essential to the understanding of international business. Ask students to discuss the implications of the geographic locations of the countries in this exercise on the subject matter.

# Continuous Case Concept

This feature allows you to integrate the material presented in each chapter of the text using a single industry, the auto industry. For each chapter, ideas will be presented on how to link the chapter contents to the current situation in the auto industry. This discussion can take place at the beginning of a new unit, at the end, or it could be threaded through the chapter material. In some cases, you may want to use the feature more than once. By using the continuous case concept, students will have the opportunity to understand how the elements presented throughout the text apply to an evolving, real situation.

* Sketch out a diagram of the auto industry showing the major players such as Ford, Chrysler, Toyota, Nissan, BMW, Mercedes, Tata, and Hyundai. Look at recent changes in corporate structure. For example, Italian automaker Fiat recently took control of Chrysler.
* Next, identify the location of each company’s headquarters, where production takes place, which markets are important to each firm, which companies are key rivals, and so on. For example, China and the United States are both strong markets for most automakers right now, but sales in Latin America and Europe are slumping. One problem affecting automakers is the recall of airbags made by Japanese supplier Takata. Takata supplied its airbags to much of the industry including Toyota, Nissan, Honda, General Motors. Students will probably be able to provide most of the information relatively easily. The goal here is to take a few minutes to establish the global nature of the industry.
* Finally, reflect on the factors that made the industry a global one, and consider what is likely to happen to the industry in the next three years, five years, and ten years. Students may note for example, that although the U.S. market is getting stronger, emerging markets have become more important. Similarly, students may predict that automakers will continue to look for ways to streamline production. Ford, for example, believes that auto buyers are becoming more similar in their buying habits and so has recently implemented a new strategy, One Ford, which will allow it to sell just a few models in every market. The company hopes that by streamlining all phases of product development, production, and marketing it will be able to capture a larger share of the market and bigger profits.

**Video Note:** To explore an article that relates to short- and long-term industry and consumer factors automotive companies must consider in this discussion, consider *Volkswagen Comes Clean on Emissions Cheating* in the International Business Library at [http://bit.ly/MHEIBVideo](https://na01.safelinks.protection.outlook.com/?url=http%3A%2F%2Fbit.ly%2FMHEIBVideo&data=01%7C01%7Canke.weekes%40mheducation.com%7Ca25dc9eb643246ce47ad08d41a1dec6d%7Cf919b1efc0c347358fca0928ec39d8d5%7C1&sdata=PGTbnKJeqo4tban6vepacEyP5nezpxGm42CaB%2B3aOG8%3D&reserved=0)*.* Click “Ctrl+F” on your keyboard to search for the video title and access to teaching notes and discussion questions for this video.

# Additional Readings and Sources of Information

Trade War Update: China May Have Shot Self in Foot

[https://www.forbes.com/sites/kenrapoza/2018/08/15/trade-war-update-china-soy-tariffs-brazil-trump/#134149032bc7](https://www.forbes.com/sites/kenrapoza/2018/08/15/trade-war-update-china-soy-tariffs-brazil-trump/%23134149032bc7)

iPhone, Laptop Makers Eye Moving Production in Trade War Prep: Video

<https://www.bloomberg.com/news/videos/2018-08-17/iphone-laptop-makers-eye-moving-production-in-trade-war-prep-video>

Trump Pushes China for Better Deal With Trade Talks Set to Resume

<https://www.bloomberg.com/news/articles/2018-08-16/trump-pushes-china-for-better-deal-as-trade-talks-set-to-resume>

BRICS Want World to Play by WTO Rules as Trump Seeks More Duties

<https://www.bloomberg.com/news/articles/2018-07-26/brics-nations-want-wto-multilateral-trade-system-strengthened>

Brexit Won't Stop Globalization

<http://www.bloomberg.com/news/articles/2016-07-14/brexit-won-t-stop-globalization>

China Inc. Goes on a Buying Spree for Global Health Assets

<http://www.bloomberg.com/news/articles/2016-07-05/china-inc-goes-on-a-buying-spree-for-global-health-care-assets>

Chinese Startup Wants to Predict Your Health With a Digital DNA Avatar

<http://www.bloomberg.com/news/articles/2016-06-29/disease-predicting-avatars-fuel-billion-dollar-chinese-startup>

Wanda Scraps $5.6 Billion Reorganization of Entertainment Assets

<http://www.bloomberg.com/news/articles/2016-08-01/wanda-scraps-5-6-billion-reorganization-of-entertainment-assets>

Why Anti-Globalization Drives Inflation: Video

<http://www.bloomberg.com/news/videos/2016-07-12/why-anti-globalization-drives-inflation>

IMF Key Issues: Globalization

https://www.imf.org/external/np/exr/ib/2008/053008.htm

India 1, China 0

<http://www.bloomberg.com/gadfly/articles/2016-07-28/india-1-china-0>

Trump Targets Foreign Auto Companies for Not Building Enough in U.S.

https://www.wsj.com/articles/auto-makers-meet-with-donald-trump-on-emissions-nafta-1526063070