Global Business FBLA Study Guide

Competency: Basic International Concepts

Heckscher-Ohlin Theory: Countries will export goods that make intensive use of locally abundant factors of production and import goods that make intensive use of locally scarce factors of production.
Globalization of Markets: Moving away from an economic system in which national markets are distinct entities, isolated by trade barriers and barriers of distance, time, and culture, and toward a system in which national markets are merging into one global market.
balance of payments: the difference between the money a country pays out to and receives from other nations
Freight forwarder: The firm that arranges shipping of goods to customers in other countries
European Union Members: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK. (28 members)
Interdependency: the quality or condition of being interdependent, or mutually reliant on each other. This describes the global economy.
Expropriation: occurs when a public agency takes private property for a purpose deemed to be in the public interest
Expatriate: a person who lives outside their native country.
Largest US Trading Partners (Top 5): Canada, China, Mexico, Japan, Germany
Largest WORLD Exporters (Top 5): China, EU, USA, Germany, Japan
Largest WORLD Importers (Top 5): USA, EU, China, Germany, Japan
ISO 9000: A series of standards, developed and published by the International Organization for Standardization (ISO), that define, establish, and maintain an effective quality assurance system for manufacturing and service industries.
QS 9000: QS 9000 is a company level certification based on quality system requirements related specifically to the automotive industry, essentially all suppliers to the US automakers need to implement a QS 9000 system. These standards were developed by Ford, GM and Chrysler.
Common Market: When countries join together to eliminate duties and other trade barriers, allow companies to invest freely in each other's country, and allow workers to move freely across borders, they are said to have
The United States Department of Commerce calculates that every $ 1 billion in exports of manufactured goods creates 20,000 jobs.
In the recovery section of the business cycle, an increasing number of people find jobs and more businesses begin to invest in new inventory
reengineering: to redesign or to restructure

Values and norms of a culture are influenced by religion, language, education along with the economic/political/social structure and philosophies

To develop cross-cultural literacy, international businesses need to guard against the dangers of ethnocentric behavior
The choice of optimal manufacturing location must consider country factors, technological factors, and product factors. What would be a country factor? Influence of factor costs

A fundamental dilemma faced by all multinationals is how much should they emphasize or not emphasize responding to differences in all the markets they operate

Small businesses differ from large businesses when going international primarily in the influence of the founder

Small businesses emphasize exporting

When business organizations are formed to provide services without regard to making a profit, they are called non profit organizations and municipal organizations (same as local gov)

Problems arising from lack of trust between exporters and importers can by solved by using a 3rd part such as a bank.

One technique that firms use to transfer funds across borders is transfer prices, royalty payments/fees and fronting loans.

Strategic alliance can refer to the following activities: design contracts, purchasing agreements, joint product development

The national context of a society is made up of national cultures and social institutions of that society.

Competency: Ownership and Management

Functional Structure: Sections are set up according to purpose (ex - sales, marketing, production etc.). Good for small business, but creates lack of communication between sections.
Divisional Structure: A company has sections within regions or product lines. Good for large companies with a wide geographic reach, but again creates lack of communication between sections.
Matrix Structure: Blend of divisional and functional structures, with sections divided by both purpose and region/product line (etc). Used by large, multinational companies.
Controlling Interest: A firm has a controlling interest in another business entity when it owns more than 50 percent of that entity's voting stock.
Cultural Controls: Achieving control by persuading subordinates to identify with the norms and value systems of the organization (self-control).
Multinational Corporation: maintains operations in multiple countries
T*ransnational Corporation (Borderless Organization)*: An MNC that has eliminated structural divisions that impose artificial geographic barriers
5 Major Areas of Business Management: Production, Finance, Information Systems, Marketing, HR

International Organization for Standardization (ISO): an international standard-setting body composed of representatives from various national standards organizations.
Total quality management (TQM): The continuous process of reducing or eliminating errors in manufacturing, streamlining supply chain management, improving the customer experience and ensuring that employees are up-to-speed with their training. Created by the Japanese.
Tailored Logistics: when companies use various logistics approach to target various groups of their customers.
High-context cultures: relational, collectivist, intuitive, and contemplative. This means that people in these cultures emphasize interpersonal relationships. Developing trust is an important first step to any business transaction.

Career Development

The Occupational Outlook Handbook: a publication of the United States Department of Labor's Bureau of Labor Statistics that includes information about the nature of work, working conditions, training and education, earnings and job outlook for hundreds of different occupations in the United States.

Personal Data Sheet: provides biographical and logistical information on a person, including contact information as well as details such as past places of residence, education, and social or community activities.

Union membership in the US has been in a steady decline
Compared to most developed countries in the world, union membership in the United States is low
A significant feature of unions in European countries is their close relationship with political parties

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Legal Issues

International law is based off of Western civilization.
Essential components of a valid contract

- Offer and Acceptance: In order to create a valid contract, there must be a 'lawful offer' by one party and 'lawful acceptance' of the same by the other party.
- Intention to Create Legal Relationship: In case, there is no such intention on the part of parties, there is no contract. Agreements of social or domestic nature do not contemplate legal relations.
- Lawful consideration
- Capacity of parties: The parties to an agreement must be competent t contract. If either of the parties does not have the capacity to contract, the contract is not valid.

civil law (legal code)-a code of laws that is constantly updated to specify all matters before a court adopted by a state or nation (many things pre-covered), eg. Roman law
statutory law-the written law established by enactments expressing the will of the legislature, as distinguished from the unwritten law or common law

common law-a system of law based on historical cases and precedent rather than codified law, look towards past cases and past rulings to determine current
Theocratic Law: This system is based on religious teachings, as they are enshrined in the religious scriptures. Islamic law is the most widely practiced religious legal system in today's world. USED IN Islamic Nations

When a contract contains ambiguous terms, U.S. courts will uphold handwritten terms over typewritten or printed terms.

Copyright - protects the original works of authors, composers, playwrights, artists, and publishers for their lifetime + 50 years
forbearance - an employee of a United States corporation promises to refrain from doing something that the employee has a legal right to do
Federal Trade Commission (FTC) - main federal agency enforcing consumer protection laws, uses "industry guides" and trade regulations
Business Contracts
parties - the entities involved in the agreement
consideration - it spells out what each party stands to gain from the business arrangement
terms and conditions - specify the rights and obligations of each party

- duties - specific duties required to be performed by each party
- rights - the rights to which each party is entitled
- dates - indicate important dates/deadlines
- payment - specify the amount and method of payment
- confidentiality - parties agree to not share confidential information that could harm one another

competent parties - a contract may be deemed invalid if one of the parties was mentally incompetent at the time of entering the agreement
*legal purpos*e - a business contract must be for a legal purpose considered valid
infant industry - A new industry in a developing nation that must be protected
Arbitration - The use of an arbitrator (mediator) to settle a dispute.
Mediation - an attempt to resolve disputes between nations
Litigation risk - the possibility that legal action will be taken because of an individual's or corporation's actions, inactions, products, services, or other events
Foreign Corrupt Practices Act - Prohibits bribing foreign officials
Federal Trade Commission Act - Bans false or misleading advertising
Flammable Fabrics Act - regulates the manufacture of highly flammable clothing, all US imports must meet this standard.
International Court of Justice - the primary judicial branch of the United Nations, can only bring countries to court
Endorsement: If a company wishes to remove or add something to its insurance policy

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Communication (including culture and language)

business communication definition: the sharing of information between people within an enterprise that is performed for the commercial benefit of the organization. In addition, business communication can also refer to how a company shares information to promote its product or services to potential consumers

Communication process: Seven major elements of communication process are: (1) sender (2) ideas (3) encoding (4) communication channel (5) receiver (6) decoding and (7) feedback.

Internationally:
Ethnocentrism: Problems in business communication conducted across cultures often arise when participants from one culture are unable to understand culturally determined differences in communication practices, traditions, and thought processing. At the most fundamental level, problems may occur when one or more of the people involved clings to an ethnocentric view of how to conduct business. Ethnocentrism is the belief that one's own cultural group is somehow innately superior to others.
Communication barriers: Language, Environment and Technology, Social Organization and History, Conceptions of Authority, Nonverbal Communication
Types of office/workplace communication:
memos: internal communication purposes, clear and concise, on the shorter side
reports: in-depth research into a given issue/problem
global information system (GIS): an information system which is developed and/or used in a global context.

The roles of managers regarding a global information system include understanding that a global information system evolves over time and requires continual maintenance and refinement

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Marketing

Export Management Company: Export specialists who act as an export marketing department for client firms
Export Trading Company: An independent company that provides support services for firms engaged in exporting. This may include warehousing, shipping, insuring and billing on behalf of the client
Internalization Theory: Marketing imperfection approach to foreign direct investment
Experience Curve: Systematic production cost reductions that occur over the life of a product
Experience Curve Pricing: Aggressive pricing designed to increase volume and help the firm realize experience curve economies.
Multipoint Pricing: Occurs when a pricing strategy in one market may have an impact on a rival's pricing strategy in another market.
Predatory Pricing: Reducing prices below fair market value as a competitive weapon to drive weaker competitors out of the market ("fair" being cost plus some reasonable profit margin).
Cross Cultural Literacy: Understanding how the culture of a country affects the way business is practiced.

Geographical Pricing: Price adjustments required because of the location of the customer for delivery of products.
Captive Product Pricing: Sets the price range for one product low but compensates for that low price by pricing the supplies needed to operate that product high.
Test Market: A geographic region or demographic group used to gauge the viability of a product or service
Market Research: the action or activity of gathering information about consumers' needs and preferences.
Product Planning: Product mix includes all the different products that a company makes or sells. A product line is a group of closely related products manufactured or sold by a business. A product item is a specific model, brand, or size of a product within a product line.

FOB (Free on Board): A trade term requiring the seller to deliver goods on board a vessel designated by the buyer. The seller fulfills its obligations to deliver when the goods have passed over the ship's rail. When used in trade terms, the word "free" means the seller has an obligation to deliver goods to a named place for transfer to a carrier.
CIF (Cost, Insurance and Freight): A trade term requiring the seller to arrange for the carriage of goods by sea to a port of destination, and provide the buyer with the documents necessary to obtain the goods from the carrier.
When packaging a good for shipment, the branding and design to the eye is unimportant.

Pull Strategy: A marketing strategy emphasizing mass media advertising as opposed to personal selling.
Push Strategy: A marketing strategy emphasizing personal selling rather than mass media advertising

Push promotional strategies work well for lower cost items, or items where customers may make a decision on the spot. New businesses use push strategies to develop retail markets for their products and to generate exposure. Once a product is already in stores, a pull strategy creates additional demand for the product. Pull strategies work well with highly visible brands, or where there is good brand awareness. This is usually developed through advertising.

Telemarketing is used in selling because it often provides fast, low-cost contacts.
The four main promotional activities are television, radio, newspaper, and magazine advertisements.

Global Strategy	International Strategy	Multinational Strategy
Treats the world as one market	Objective relates primarily to the home market	Involved in many markets and tailors each strategy to each market
Developed on a global basis	There is some involvement	

	internationally, but the focus is on the home market	

transnational strategy is a combination of the global strategy, the multinational strategy and the international strategy

Selling global products and using similar marketing techniques worldwide is an example of a(n) transnational strategy

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Taxes and Government Regulations

Ad Valorem Tariff (VAT): A tariff levied as a proportion of the value of an imported good
Deferral Principle: Parent companies are not taxed on the income of a foreign subsidiary until they actually receive a dividend from that subsidiary.
Antidumping Regulations: regulations designed to restrict the sale of goods for less than their fair market price
Competition Policy: Regulations designed to promote competition and restrict monopoly practices.
Deregulation: Removal of government restrictions concerning the conduct of a business.
Administrative Trade Policies: administrative policies that can be used to restrict imports or boost exports
Excise Tax: Fixed charges based on the amount sold that's applied to specific goods, such as alcohols, cigarettes, vehicles and petrol.
Hypothecated Tax: A tax on a specific good or activity used to raise revenue for a specific purpose
Tax Base: The CERTAIN VALUE that the taxes are set, or levied, upon as a percentage
Direct Tax: Taxes taken directly from individuals or firms and their incomes or wealth.
Pros/Cons of Direct Tax:

- Pros: High revenue yield, helps ease inequality, based on ability to pay
- Cons: Reduce incentive to make money, tax evasion/loopholes

Indirect Tax: Taxes taken only indirectly from incomes when they are spent on goods and services
Pros/Cons of Indirect Tax:

- Pros: Easy and cheap to collect, flexible, can target certain things (cigarettes)
- Cons: Subject to inflation, revenue not constant/predictable, smuggling increases

Marginal Tax Rates: Percentage taken from the next dollar of taxable income above a pre-defined income threshold (limit).
Trade Barriers: Restrictions to free trade
Formal Trade Barriers: Trade barriers created by the government
Informal Trade Barriers: Restrictions based on a country's culture, traditions, and religion

Quota: A limit on the quantity of a product that may be imported or exported within a given period, used to protect one from its industries from too much competition from abroad
Tariff: Tax that a government places on certain imported products, intends to protect from foreign competition

- *protective tariff:* a tariff high enough to protect less efficient domestic industries

Embargo: Stops the export or import of a product completely, used by government to express its disapproval of the actions or policies of another country

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Treaties and Trade Agreements

World Trade Organization: An organization that supervises international trade. EU is represented by one group rather than individual nations.
export management company: Export specialists who act as an export marketing department for client firms.
Export-Import Bank (Eximbank): Agency of the US government whose mission is to provide aid in financing and facilitate exports and imports.
North American Free Trade Agreement (NAFTA): Clinton signed this free trade agreement between Mexico-Canada-USA. Still in effect today.
Trans-Pacific Partnership (TPP): Proposed agreement between Canada/United States and Asia
Andean Pact: A 1969 agreement between Bolivia, Chile, Ecuador, Colombia, and Peru to establish a customs union
EU: The European Union acts as a single market
European Free Trade Association (EFTA): A free trade association including Norway, Iceland, and Switzerland. (All not part of EU)
General Agreement on Tariffs and Trade (GATT): International treaty that committed signatories to lowering barriers to the free flow of goods across national borders and led to the WTO
International Accounting Standards Committee (IASC): Organization of representatives of 106 professional accounting organizations from 79 countries that is attempting to harmonize accounting standards across countries
Maastricht Treaty: Treaty agreed to in 1991, but not ratified until January 1, 1994, that committed the 12 member states of the European Community to a closer economic and political union.
MERCOSUR: Pact between Argentina, Brazil, Paraguay, and Uruguay to establish a free trade area.
Organization for Economic Cooperation and Development (OECD): A Paris-based intergovernmental organization of "wealthy" nations whose purpose is to provide its 29 member states with a forum in which governments can compare their experiences, discuss the problems they share, and seek solutions that can then be applied within their own national contexts.
Single European Act: A 1997 act, adopted by members of the European Community, that committed member countries to establishing an economic union.
Smoot-Hawley Tariff: Enacted in 1930 by the US Congress, this tariff erected a wall of barriers against imports into the United States.
Treaty of Rome: The 1957 treaty that established the European Community.
TRIAD: North America, Southeast Asia/Japan and Western Europe
BRIC: China, Russia, India and Brazil

WIPO: World Intellectual Property Organization, agency of the UN, encourages creative activity, promotes the protection of intellectual property throughout the world

Overseas Private Investment Corporation (OPIC): supports projects that reinforce and are aligned with current U.S. foreign policy and offers political risk insurance for businesses and investors as protection from expropriation risks, political violence and other country risks.

- Covers the following: inconvertibility. expropriation, political unrest
- Does not cover the following; shipping

The exporter pays duties.

The Uruguay Round: Lled to the creation of the World Trade Organization, with GATT remaining as an integral part of the WTO agreements. The broad mandate of the Round had been to extend GATT trade rules to areas previously exempted as too difficult to liberalize (agriculture, textiles) and increasingly important new areas previously not included (trade in services, intellectual property, investment policy trade distortions).

Currency Exchange

Currency Future: a contract to exchange one currency for another at a specified date in the future.

Spot Rate: exchange rate offered on the same day in buying or selling currency
Forward rate: exchange rate offered in the future; banks have this to lock in a rate for stability measures
Currency Future: agreement to buy or sell a certain amount of currency at a future rate

Purchasing Power Parity: differences in prices of goods will be eliminated by exchange rate adjustments
Fisher effect- we all know that one.....

Exchange risk: the possibility that a MNE will be unable to adjust its prices to offset the currency rate

Exchange Risk Avoidance: strategy of trying to avoid foreign currency transactions altogether
Exchange Risk Adaptation: adjust business operations to decrease risk
Exchange Risk Transfer: transfers to a third party entity that will control the transaction
Diversification: puts assets in multiple currencies, decreasing risk

Floating Rate Currency: determined by supply and demand (most developed countries have this)
Fixed Rate Currency: fixed rate set by central bank

Convertible Currency: government that can be traded without government restrictions, freely (these currencies a generally more liquid)
Non-convertible Currency: currency not openly traded on FOREX due to government restrictions (generally from authoritative regimes)

Foreign exchange market : Consists of banks that buy and sell different currencies
Convertible currency: Currency that can be readily exchanged without government restriction.
currency board: Means of controlling a country's currency.
currency crisis: Occurs when a speculative attack on the exchange value of a currency results in a sharp depreciation in the value of the currency or forces authorities to expend large volumes of international currency reserves and sharply increase interest rates to defend the prevailing exchange rate.
currency speculation: Involves short-term movement of funds from one currency to another in hopes of profiting from shifts in exchange rates.
currency swap: Simultaneous purchase and sale of a given amount of foreign exchange for two different value dates.
currency translation: Converting the financial statements of foreign subsidiaries into the currency of the home country.
eurobonds: A bond placed in countries other than the one in whose currency the bond is denominated.
eurocurrency: Any currency banked outside its country of origin.
eurodollar: Dollar banked outside the United States.
exchange rate: The rate at which one currency is converted into another.
exchange rate mechanism (ERM): Mechanism for aligning the exchange rates of EU currencies against each other.
externally convertible currency: Nonresidents can convert their holdings of domestic currency into foreign currency, but the ability of residents to convert the currency is limited in some way.
floating exchange rates: A system under which the exchange rate for converting one currency into another is continuously adjusted depending on the laws of supply and demand
fixed exchange rates: A country's exchange rate regime under which the government or central bank ties the official exchange rate to another country's currency (or the price of gold). The purpose of a fixed exchange rate system is to maintain a country's currency value within a very narrow band
Economic Exposure: The extent to which a firm's future international earning power is affected by changes in exchange rates.
Foreign Exchange Risk: The risk that changes in exchange rates will hurt the profitability of a business deal
Foreign Exchange Exposure: The risk that future changes in a country's exchange rate will hurt the firm
Temporal Method: Translating assets valued in a foreign currency into the home currency using the exchange rate that existed when the assets were originally purchased.
Soft currency: A currency with a value that fluctuates as a result of the country's political or economic uncertainty

Hard currency: A currency, usually from a highly industrialized country, that is widely accepted around the world as a form of payment for goods and services. It is expected to remain steady.
Hedging: involves taking out contracts to avoid losses from currency rate fluctuations.

Factors affecting FOREX rate:

1. Difference in Inflation: countries with greater inflation will see the value of their currency decrease, and concurrently their currency will depreciate.
2. Difference in Interest Rates: countries with greater interest rate will see greater foreign interest in their currency, and so their currency will appreciate.
3. Current Account Deficit: If the current account is in deficit, then the country will be in a trade deficit, and so it is demanding large amounts of foreign goods. This shifts the demand curve of foreign currencies, and the domestic currency depreciates in FOREX.
4. Public Debt: public debt leads to a greater demand curve for loanable funds, and subsequently a higher interest rate (Crowding out effect). Thus, the difference in interest rates affects FOREX.
5. Terms of Trade. If two countries agree to certain terms, this can affect the flow of capital between the countries and will affect FOREx
6. Economic Performance/Predictions: If a country is predicted to do well, foreign investors will demand domestic assets, and the interest rate will increase.

Finance

International Companies- importers & exporters, with no investment outside home countries
Multinational Companies- investments in other countries, but adapt each product to the specific place
Global Companies- investments in other countries, but general global marketing
Transnational Companies- give more power to each subculture within the organization

Debt vs Equity Financing: Debt is borrowing with promise to eventually pay back, Equity is giving ownership away

Trade Finance relationships:
Exporter generally requires imports to pay for goods. Importer provides Letter of Credit to exporter as a promissory note that when the Bill of Lading is shown, the transporter will be paid.

Export Credit Agencies: provide export financing or credit insurance
Trade Credit: credit given by manufacturers/suppliers that let importers buy now and pay later
Credit Insurance: insurance protecting the exporter if the importer is unable to pay
Political risk Insurance: Insurance protecting the exporter from any political risks that arise

Foreign Bond: bond of a non-domestic company issued in the domestic bond market using the currency of the domestic country
American Depository Receipt: traded in America representing a country not headquartered in America; issued by banks.

Global Depository Receipt (GDR): traded globally representing foreign firms

Countertrade: trading products for products (kind of like barter); international trade with goods
Offset Transaction: transaction that cancels out another transaction, cancels risks and benefits of another element (a transaction that chooses the investor's decision in another transaction)
Noncash Transaction: doesn't change cash outflows or inflows, but simply changes equity/long term assets and liabilities

International Monetary Fund: founded in 1944 at Bretton Woods, this organization tries to create monetary cooperation by promoting free trade, employment, and exchange rate stability
World Bank: provides loans to developing countries, part of United Nations

Certificate of Origin- shows where products originated, particularly at customs
Bill of Lading- held by the shipper, details whats being shipped, and transfers ownership to importer
Commercial Invoice- document required by customs to determine the true value of imported goods, in depth description of shipment
Letter of Credit- document from bank saying that exporter will receive payment as long as certain conditions are met
Fronting a Loan: loan within multinational company uses international banks (give money to bank at home country, bank in international country pays host country)

Debt and Equity Financing:
SBA (Small Business Administration in the United States) for domestic operations

Foreign Exchange Risk (FX Risk): financial transaction in currency different from base currency

Financial Structure: Mix of debt and equity used to finance a business
Financial Accounting Standards Board (FASB): The body that writes the generally accepted accounting principles by which the financial statements of US firms must be prepared.
Foreign Portfolio Investment: Investments by individuals, firms, or public bodies (e.g., national and local governments) in foreign financial instruments (e.g., government bonds, foreign stocks).
Fronting Loans: A loan between a parent company and a foreign subsidiary that is channeled through a financial intermediary.
Hedge Fund: Investment fund that not only buys financial assets (stocks, bonds, currencies) but also sells them short.
Historic Cost Principle: Accounting principle founded on the assumption that the currency unit used to report financial results is not losing its value due to inflation.
Market Makers: Financial service companies that connect investors and borrowers, either directly or indirectly.

Short Selling: Occurs when an investor places a speculative bet that the value of a financial asset will decline, and profits from that decline
Subsidy: Government financial assistance to a domestic producer
Current Cost Accounting: Method that adjusts all items in a financial statement to factor out the effects of inflation.
Current Rate Method: Using the exchange rate at the balance sheet date to translate the financial statements of a foreign subsidiary into the home currency.
Transnational Financial Reporting: The need for a firm headquartered in one country to report its results to citizens of another country.
Unbundling: Relying on more than one financial technique to transfer funds across borders
International Monetary Fund: International institution set up to maintain order in the international monetary system
World Bank: International institution set up to promote general economic development in the world's poorer nations.
Foreign Direct Investment: the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor.
Inflows of FDI: Flow of foreign direct investment into a country
Multilateral Agreement on Investment: An agreement that would make it illegal for signatory states to discriminate against foreign investors; would have liberalized rules governing FDI between OECD states
Outflows of FDI: Flow of foreign direct investment out of a country
Eclectic Paradigm: Argument that combining location-specific assets or resource endowments and the firm's own unique assets often requires FDI; it requires the firm to establish production facilities where those foreign assets or resource endowments are located.
Countertrade: The trade of goods and services for other goods and services.
Noncash Transaction: Investing or financing activity that does not affect the cash inflows or outflows, but involves only owners' equity or long-term assets and liabilities. If it represents a significant amount, a noncash transaction is disclosed in the notes (footnotes) to the cash flow statement.
IMPACTS OF FDI (National Bureau of Economic Research):

- Within host countries, it has been abundantly shown that foreign- owned firms pay higher wages than domestically- owned firms
- Small or inefficient local firms may be forced to contract or leave the industry altogether. That may be viewed as a healthy redeployment of capital, but it is an explanation for some host country opposition to foreign multinationals.

Bilateral Netting: Settlement in which the amount one subsidiary owes another can be cancelled by the debt the second subsidiary owes the first.
Capital Account: In the balance of payments, records transactions involving the purchase or sale of assets.
Capital Controls: Restrictions on cross-border capital flows that segment different stock markets; limit amount of a firm's stock a foreigner can own; and limit a citizen's ability to invest outside the country
Gross Fixed Capital Formation: Summarizes the total amount of capital invested in factories, stores, office buildings, and the like.

International Accounting Standards Committee: Organization of representatives of 106 professional accounting organizations from 79 countries that is attempting to harmonize accounting standards across countries.
Eurobonds: A bond placed in countries other than the one in whose currency the bond is denominated.
Systematic Risk: Movements in a stock portfolio's value that are attributable to macroeconomic forces affecting all firms in an economy, rather than factors specific to an individual firm (unsystematic risk).
Debt financing: You borrow the money and agree to pay it back in a particular time frame at a set interest rate. You owe the money whether your venture succeeds or not. Bank loans are what most people typically think of as debt financing.
Equity financing: You sell partial ownership of your company in exchange for cash. The investors assume all (or most) of the risk--if the company fails, they lose their money. But if it succeeds, they typically make *much* greater return on their investment than interest rates. In other words, equity financing is far more expensive if your company is successful, but far less expensive if it isn't.

Human Resource Management

Multinational Corporation (MNC): maintains operations in multiple countries
Ethnocentric Attitude: Behavior that is based on the belief in the superiority of one's own ethnic group or culture; often shows disregard or contempt for the culture of other countries.
Ethnocentric Staffing: A staffing approach within the MNE in which all key management positions are filled by parent-country nationals.
Polycentric Staffing: the view that the managers in the host country know the best work approaches and practices for running their business.
Geocentric Staffing: A staffing policy where the best people are sought for key jobs throughout an MNE, regardless of nationality
Parochialism: viewing the world solely through your own perspectives, leading to an inability to recognize differences between people.
multidomestic corporation: An MNC that decentralizes management and other decisions to the local country
Culture Shock Process:
“Honeymoon” stage -> Confrontation (depressed, homesick etc) -> Adjustment -> Adaptation (Biculturalism)
Contingency Approach/Perspective: based on the idea that there is no one best way to manage and that to be effective, planning, organizing, leading, and controlling must be tailored to the particular circumstances faced by an organization. *THIS IS THE BEST FORM OF INTL MANAGEMENT*

Ethics

Broad Definitions
business ethics - the study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery, discrimination, corporate

social responsibility and fiduciary responsibilities. Business ethics are often guided by law, while other times provide a basic framework that businesses may choose to follow in order to gain public acceptance.
social responsibility - Actions for which a person or group of people can be held responsible for, either rewarded or liable for.

Core Principles
integrity - an all-encompassing characteristic of an ethical business. The ethical business adheres to laws and regulations at the local, state and federal levels. It treats its employees fairly, communicating with them honestly and openly. It demonstrates fair dealings with customers and vendors including competitive pricing, timely payments and the highest quality standards in the manufacture of its products.
respect - Ethics and respect go hand in hand. An ethical business demonstrates respect for its employees by valuing opinions and treating each employee as an equal. The business shows respect for its customers by listening to feedback and assessing needs. An ethical business respects its vendors, paying on time and utilizing fair buying practices. And an ethical business respects its community by being environmentally responsible, showing concern and giving back as it sees fit.
loyalty - Solid relationships are a cornerstone of an ethical business. Loyal relationships are mutually beneficial and both parties reap benefits. Employees who work for a loyal employer want to maintain the relationship and will work harder toward that end. Vendors and customers will remain loyal to a business that is reliable and dependable in all situations. An ethical business stays loyal to its partnerships even in challenging times. The result is a stronger relationship when emerging from the challenge.

Consequences of Unethical Behavior
employee performance - A lack of ethics has a negative effect on employee performance. In some cases, employees are so concerned with getting ahead and making money that they ignore procedures and protocol.
employee relations - When a manager or head of a business exhibits a lack of ethical behavior, he faces losing the respect of his employees.
company credibility - If a lack of ethics in a business becomes public knowledge, that business loses credibility.

Preventing Unethical Behavior
Often a lack of ethics appears because of poor planning and faults elsewhere in the business. To prevent unethical behavior, set realistic goals for employees. If employees are expected to meet unreachable quotas and goals, they could engage in unethical behavior to attempt to reach those goals. Consistently monitor employee performance. Employees left unmonitored sometimes slack in their performance and take credit for completing tasks that were left uncompleted. Properly train all employees. Untrained employees often cut corners and make excuses for not completing work up to the standards the business requires.

Currency

- *Countries that use the dollar*: Australia, Belize, Brunei, Canada, Hong Kong, Jamaica, Namibia, New Zealand, Singapore, Suriname, Taiwan, the United States
- *Countries that use the US dollar:* East Timor, Ecuador, El Salvador, Federated States of Micronesia, Marshall Islands, Palau, the Caribbean Netherlands, and for banknotes, Panama.
- China used the first known paper currency

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yuan	China
shekel	Israel
ruble	Russia
rupee	India, Pakistan, Bhutan, Sri Lanka, Nepal
peso	Mexico
Lat	Latvia
rand	South Africa
riyal	Saudi Arabia
baht	Thailand
pound	United Kingdom
dong	Vietnam
dinar	Libya
quetzal	Guatemala
yen	Japan
lira	Turkey
balboa	Panama
real	Brazil
Dollar	Australia, Canada, Hong Kong, New Zealand, USA
Won	Korea
Euro	European Union
Franc	Switzerland
Krone	Sweden and Norway
