

CHAPTER 2

ECONOMIC ENVIRONMENT

CHAPTER OBJECTIVES

1. Intertwined World Economy
2. Country Competitiveness
3. Emerging Economies
4. Evolution of Cooperative Global Trade Agreements
5. Information Technology and the Changing Nature of Competition
6. Regional Economic Arrangements
7. Multinational Corporations

CHAPTER OVERVIEW

In today's business world, countries are more economically interdependent than they were before. The world economy is becoming increasingly intertwined and virtually no country is immune from this interdependence. At the global level, changing markets and global convergence are a fact of life. While countries continue to participate in the world economy, however, this participation has risks because of forces beyond the control of the individual countries. Economic growth in some developed countries dropped as emerging economies gained strength. Also, the beginning of the 21st century has experienced a global recession (2008–present in 2012)—the worst since the 1930s—point out the vulnerabilities to the global marketplace, making the long-term trends of fast-rising trade and rising world incomes uncertain.

Some of the factors that have lead to interdependency and integration are emerging markets, transportation, and communications. These areas are making information acquisition faster, cheaper, and more widely accessible. The nature of value adding activities is changing in the advanced countries from manufacturing to services and information manipulation. All countries are attempting to remain competitive by adding to and increasing their telecommunications effort.

For all practical purposes, the capital markets of the world are already integrated. This integration affects exchange rates, interest rates, investments, employment, and growth across the world. Multinational corporations are common. The world is becoming a true

global village, bringing a multitude of opportunities and new markets. The challenge for the next century will be to manage this increasingly interconnected environment for the betterment of all mankind.

CHAPTER OUTLINE

A. Intertwined World Economy

1. Despite the relative insularity of the U. S. economy, it is getting increasingly integrated into the world economy.
2. At the global level, economies are extremely large and diversified.
3. A nation that is successful trader displays a natural inclination to be competitive in the world market.
4. Apart from trade flows, foreign direct investment, daily financial flows, and foreign money markets profoundly influence the economies of countries that may be seemingly completely separate.

*******Use Exhibit 2-1 Here*******

5. Foreign Direct Investment.
 - a. This concept means that a firm invests in manufacturing and service facilities in a foreign country with an intention to engage actively in managing them.
 - b. In the past, foreign direct investment was considered as an alternative to exports in order to avoid tariff barriers. However, these days, foreign direct investment and international trade have become complementary.
 - c. The composition of FDI has shifted from manufacturing to services in all regions
 - d. This is on the increase because of wooing from governments.
 - e. Foreign direct investment can also result from trade friction (you can invest with me if I can invest with you).
 - f. The world inflow of foreign direct investment increased in the last two decades twenty-five-fold and in 2007, the inflow of FDI peaked at over \$1.83 trillion.

*******Use Review Question #6 Here*******

*******Use Exhibit 2-3 Here*******

6. Portfolio Investment.
 - a. This is sometimes called indirect investment (investments can be withdrawn on short notice).
 - b. With respect to this concept, international borders have disappeared.
 - c. In today's international financial markets, traders trade currencies most of the time without an underlying trade transaction.
 - d. The increase in trading makes nations vulnerable to currency fluctuations. The

effect may be to deter trading because of the high cost of money.

- e. Financial crisis in the world markets can also have a major impact on portfolio investment. Selected examples are the East Asian financial crisis, Mexico's peso meltdown and other financial crisis in Argentina and Brazil.

*******Use Review Question #1 and Review Question #4 Here*******

B. Country Competitiveness

1. Country competitiveness refers to the productiveness of a country, which is represented by its firms' domestic and international productive capacity.
2. Changing country competitiveness is not a fixed thing. The U.S. economy has grown at a rate of 3–4 percent.
3. U.S. economic growth rate pales in comparison to China and India, two leading emerging economic powers in the last decade or so. China and India have grown at an annual rate of 7–10 percent and 4–7 percent, respectively, since the dawn of the twenty-first century
4. The role of human skill resources has become a significant element of industry and country competitiveness. Regarding a country's long-term economic vitality, human resources are very crucial.
5. According to the World Economic Forum's 2008-2009 Global Competitiveness Report, three Nordic countries (Denmark, Sweden, and Finland) stood among the world's top 10 economies along with the United States, Switzerland, Singapore, Germany, Netherlands, Japan, and Canada. Only the U.S. and Canada among these have abundant natural resources—Japan and Singapore have almost none.

*******Use Exhibit 2-4 Here; Use Exhibit 2-5 Here*******

C. Emerging Economies

1. Large economies and large trading partners have been located mostly in the Triad Regions of the world (North America, Western Europe, and Japan).
2. In the next 10-20 years, the greatest commercial opportunities are expected to be increasingly in 10 big emerging markets (BEMs).
3. In 2008, the world's ten largest exporting countries accounted for more than half of the world's merchandise trade.

*******Use Exhibit 2-2 Here*******

4. Over the next two decades, the markets that hold the greatest potential are to be found outside the traditional trading sphere and in Big Emerging Markets (BEMs). These markets include:
 - a. The Chinese Economic Area (CEA--including China, Hong Kong, and Taiwan).
 - b. India.
 - c. The Commonwealth of Independent States (Russia, Central Asia, and the

- Caucasus states).
- d. South Korea.
- e. Mexico.
- f. Brazil.
- g. Argentina.
- h. South Africa.
- i. Central European countries.
- j. Turkey.
- k. The Association of Southeast Asian Nations (ASEAN--including Indonesia, Brunei, Malaysia, Singapore, Thailand, the Philippines and Vietnam).

*****Use Exhibit 2-6 Here*****

- 6. China.
 - a. China had a population of 1.3 billion with its nominal GDP of US \$6.99 trillion in 2011.
 - b. China's purchasing power is not distributed evenly throughout the country.
 - c. China's economy is still controlled by the government through state-owned enterprises (SOEs).
 - d. China is the world's largest Internet community with 298 million users in 2008.
 - e. China is also challenged by its troublesome banking system, the lack of transparent legal system, corruption, the risk of social and political conflicts, and environmental pollution.
 - f. In general, business in China is taking off, but its conduct is quite different from business in the West.
 - g. Multinationals are now competing with local companies for the more discerning Chinese consumers.
- 7. India.
 - a. India is the second most populous country in the world (with 1.2 billion people) behind China.
 - b. India is a two-tier economy composed of a cutting-edge and globally competitive knowledge-driven service sector that employs the brightest of the middle classes.
 - c. India's rigid labor laws are the main obstacles to an increased role for manufacturing.
 - d. India's software industry has been growing at 50 percent annually.
 - e. Some restrictions of the Indian government have become barriers for foreign investors.
 - f. Many MNCs have made longer than expected commitments to market expansion in India.
- 8. Russia.
 - a. In 2011, Russia had a population of 138 million and a GDP of \$1.79 trillion.

- b. Many MNCs have come to Russia since 1986.
- c. Russia's improved competitiveness and higher oil prices greatly facilitated its dramatic turnaround in the external current account.
- d. FDI inflows have increased strongly although the country remains below its potential.
- e. Barriers for foreign investors entering the country include complex institutional environment, corruption, and bureaucratic controls.
- f. Nevertheless, in recent years the general economic improvement in Russia has led to increased consumer spending and demand for consumable products.
- g. Russia's rapidly growing consumer market and further economic opening resulting from WTO membership will make it a comparatively attractive place for foreign companies.

D. Evolution of Cooperative Global Trade Agreements

1. *General Agreement on Tariffs & Trade (GATT)*

- a. In the aftermath of World War II, the then-big powers negotiated the setting up of the *General Agreements on Tariffs and Trade (GATT)*, with the objective of ensuring free trade among nations through negotiated lowering of trade barriers.
 - 1). GATT provided a forum for multilateral discussion among countries to reduce trade barriers.
 - 2). The main operating principle of GATT was the concept of *Most Favored Nation (MFN)* status.
 - 3). MFN meant that any country which was a member state to a GATT agreement and which extended a reduction in tariff to another nation would have to automatically extend the same benefit to all members of GATT.
 - 4). It should be noted, however, that there is no enforcement mechanism.
- c. Some weaknesses have been observed with GATT.
 - 1). The initial lowering of barriers only applied to products (not to services).
 - 2). GATT has not dealt successfully with non-tariff barriers.
 - 3). Knowledge based economies have sought to bring intellectual property to the accords.

*******Use Review Question #2 Here*******

2. *World Trade Organization (WTO)*

- a. The Uruguay Round of GATT (held from 1986-1993) agreed to set up an international body called the *World Trade Organization (WTO)* which took effect on January 1, 1995. As of May 10, 2012, the WTO had 155 member countries.
 - 1). This body has statutory powers to adjudicate trade disputes among nations.

- 2). It provides a framework for governments to frame and implement domestic trade legislation and regulations.
 - 3). WTO's ninth round---called the Doha Development Agenda (Doha Round was launched in Doha, Qatar in November 2001).
 - 4). The Doha Round of 2001 also facilitated the way for China and Taiwan to get full membership in the WTO.
 - 5). Doha Round's trade negotiations collapsed on July 23, 2006.
 - 6). Russia also became the most recent addition to the WTO in December 2011 after 18 years of negotiations.
- b. One of the attempts of this form of negotiation is to get certain nations to agree to honor intellectual property rights. This is still a very difficult issue in trade relations.
 - c. WTO is not just an extension of GATT. It is an entity unto itself.
 - d. The WTO settlement mechanism is faster, more automatic, and less susceptible to blockages than the old GATT system.

*****Use Exhibit 2-7 Here*****

*****Use Global Perspective 2-2 "China's Accession to the WTO and its Implications" Here*****

*****Use Review Question #3 Here*****

**** Use Discussion Question #1 Here*****

*****Use Global Perspective 2-3 "Trade Barriers and Politics" Here

*****Use Global Perspective 2-4 "Anti-Globalization Movement" Here

- e. Trade in Financial Services.
 - 1). Key developed powers (excluding the United States) have extended WTO/GATT to financial services.
 - 2). The attempt is to control banking, insurance, and securities.
 - 3). The European Union is the main promoter.
 - 4). The United States argues that the pact does not go far enough.
 - 5). For the finance industry in most industrialized nations, the accord would bring guaranteed access to fiercely-protected domestic markets.
 - 6). 1997 brought a review that promises more access.
- f. *Trade Related Aspects of Intellectual Property Rights (TRIPS)*.
 - 1). In March 2002, the WTO's TRIPS Council started working on a list of issues from the November 2001 Ministerial Conference in Doha.
 - 2). The WTO is working on a two-phase program completing these negotiations.

*****Use Discussion Question #2 Here*****

- g. *Global E-Commerce*.
 - 1). Because of the benefits and popularity of e-commerce, a global effort to regulate international e-commerce has become increasingly necessary.
 - 2). The United States is taking the lead in bringing e-commerce-related issues

- to the table.
- 3). The WTO Work Program on Electronic Commerce is in the process of defining the trade-related aspects of e-commerce.

E. Information Technology and the Changing Nature of Competition

1. *Value of Intellectual Property in the Information Age.*
 - a. Using the Internet, material can almost instantly be copied.
 - b. Since most developing nations are interested in value creation (especially in intellectual property), there is strong pressure on intellectual property laws.
 - c. Technology based protection of electronic information through hardware, software or a combination thereof in the form of encryption and digital signatures have been suggested as means of circumventing the problem of unauthorized copying.
 - d. Controlling copies has become a complex challenge.
 - e. The trick may be to control not the copies of the firm's information product but instead a relationship with the customers through subscriptions or membership. Marketing's role will increase in importance.
 - f. Other problems center around a truly efficient market for information.
 - 1). Information products can now be created that are somewhat standard.
 - 2). Upgrades of many informational products are almost free.
 - g. The regulation of international commerce is still open to question as are the governments that attempt to accomplish the regulation.
 - h. Some nations are attempting to regulate the infrastructure of and access to the electronic network.

******Discussion Question 4 Here******

*******Use Global Perspective 2-1 "Information Technology Competitiveness of the United States, the European Union, and Japan" Here*******

2. *Proliferation of E-Commerce and Regulations.*
 - a. Countries' regulators have not kept pace with the rapid proliferation of international e-commerce.
 - b. In many countries, rules and regulations are vague regarding e-commerce transactions.
 - c. Regulating international e-commerce obviously requires cross-border cooperation.
 - d. The United Nations Commission on International Trade Law (UNCITRAL) has formed a Working Group on Electronic Commerce to reexamine these treaties.

*******Use Review Question #7 Here; Use Discussion Questions #3, #4 and #6 Here*******

F. Regional Economic Arrangements

1. An evolving trend in international economic activity is the formation of multinational trading blocs.
 - a. These blocs take the form of a group of contiguous countries which decide to have common trading policies for the rest of the world in terms of tariffs and market access but have preferential treatment for one another.
 - b. These arrangements can take many forms and names:
 - 1). European Union.
 - 2). North American Free Trade Agreement.
 - 3). MERCOSUR (Southern Cone Free Trade Area).
 - 4). Andean Group in South America.
 - 5). The Gulf Cooperation Council in West Asia (GCC).
 - 6). The South Asian Agreement for Regional Cooperation in South Asia (SAARC).
 - 7). Association of South East Asian Nations (ASEAN).

*****Use Discussion Question #5 Here*****

2. *Categories of Regional Groups.*
 - a. **Free Trade Area.** This form has a higher level of integration than a loosely formed regional cooperation and is a formal agreement among two or more countries to reduce or eliminate customs duties and non-tariff barriers among partner countries.
 - 1). NAFTA is an illustration.
 - 2). The free trade area is not free of all trade barriers.

*****Use Global Perspective 2-5 “Free Trade Areas in Asia” Here*****

- b. **Customs Union.** When members of a free trade area add common external tariffs to the provisions of the free trade agreement then the free trade area becomes the customs union.
 - 1). ASEAN is an example.
- c. **Common Market.** A common market eliminates all tariffs and barriers to trade among members of the common market, adopts a set of external tariffs on non-members, and removes all restrictions on the flow of capital and labor among member nations.
- d. **Monetary Union.** In this form member nations move to a common currency and a central bank.
 - 1). The European Union is attempting to achieve this step (slowly).
- e. **Political Union.** In this phase new nations are created. Integration is achieved on a voluntary basis. A loose political union normally comes first (such as the British Commonwealth).

*****Use Review Question #5 *****

G. Multinational Corporations

1. Multinational corporations (MNCs) have a definite influence on the world's economy.
2. There are now 78,000 multinational companies with 780,000 affiliates worldwide.
3. The forces of economies of scale, lowering trade and investment barriers, the need to be close to markets, internalization of operations within the boundaries of one firm, and the diffusion of technology will continue to increase the size and influence of multinationals.
4. Sovereignty of nations may weaken as a result of multinational influence.
5. The size problem has yet to be solved by the multinational.
6. All multinationals are more multinational than ever before and the trend is expected to continue.

*****Use Review Question #8 Here*****

*****Use Exhibit 2-8 Here*****

REVIEW QUESTIONS

INSTRUCTOR'S NOTE: The following chapter review questions are meant to challenge the student to think about material presented in the chapter and formulate a creative answer to the review question. Many of the answers require judgments rather than specific line-by-line quotation of facts. The answers provided are meant to provide stimulation of creative answers.

1. What are some of the visible signs that reflect the current increased economic interdependence among countries? What are some reasons for this growth in interdependence and for the rise in global integration?

Some of the signs that reflect current increased economic interdependence among countries are:

- a. Increased trading activity among the ten Big Emerging Markets, the Chinese Economic Area, and the Association of Southeast Asian Nations.
- b. Increasing foreign direct investment.
- c. More attention to portfolio investment in foreign countries and with money flows in international financial markets.

Reasons for the increases might be that the number of countries that are insulated from the global economy is decreasing, new markets are emerging, the disposable income is rising in countries where only poverty ruled, and monetary and communication links are making the world market a viable opportunity.

2. What is GATT and what is its role in international transactions?

The General Agreements of Tariffs and Trade (GATT) provides a forum for multilateral discussion among countries to reduce trade barriers. Nations meet periodically to review the status of world trade and to negotiate mutually agreeable reductions in trade barriers.

The main operating principle of GATT was the concept of Most Favored Nation. The MFN status meant that any country which was a member state to a GATT agreement and which extended a reduction in tariff to another nation would have to automatically extend the same benefit to all members of GATT.

3. How is the WTO different from GATT? What functions is the WTO expected to perform?

The World Trade Organization (the WTO) is different from GATT in that it has statutory powers with authority to adjudicate trade disputes among nations. The WTO is the new legal and institutional foundation for a multilateral trading system. It provides the contractual obligations determining how governments frame and implement domestic trade legislation and regulations.

WTO is not just an extension of GATT. The GATT was a multilateral agreement with no institutional foundations. WTO is a permanent institution with its own secretariat. WTO is legally binding. The WTO dispute settlement mechanism, is faster, more automatic and therefore much less susceptible to blockages than the old GATT system.

4. In what way have the U.S. foreign direct investment and trade patterns changed over the past decade?

The United States continues to invest in Europe (as it has in the past). New investment is occurring in increasing amounts in Asian countries. This is expected to continue into the future.

Historically, investment in the United States has been modest. However, the 20th century brought a sharp increase in outside investment (especially since the 1980s). Reasons have been attributed to the fall in the price of the dollar (as measured against other currencies) and because of a persistent trade deficit the government has increased pressure on trading partners to invest in the country through a variety of channels. The United States is predicted to be a prime investment for several years to come.

5. Cooperative interrelationships between countries (regional groupings) can be classified into five broad categories. What are these categories and how do they differ from each other?

- a. *Free Trade Area.* This form has a higher level of integration than a loosely formed regional cooperation and is a formal agreement among two or more countries to reduce or eliminate customs duties and non-tariff barriers among partner countries.

- 1). NAFTA is an illustration.
- 2). The free trade area is not free of all trade barriers.
- b. **Customs Union.** When members of a free trade area add common external tariffs to the provisions of the free trade agreement then the free trade area becomes the customs union (ASEAN is an example).
- c. **Common Market.** A common market eliminates all tariffs and barriers to trade among members of the common market, adopts a set of external tariffs on non-members, and removes all restrictions on the flow of capital and labor among member nations.
- d. **Monetary Union.** In this form member nations move to a common currency and a central bank.
 - 1). The European Union is attempting to achieve this step (slowly).
- e. **Political Union.** In this phase new nations are created. Integration is achieved on a voluntary basis. A loose political union normally comes first (such as the British Commonwealth).

6. Do current measures of balance of payments accurately reflect a country's transactions with the rest of the world? What are the concerns?

In the context of trade deficits, there is increasing concern that the conventional measures of the deficit may not be an accurate reflection of a country's transactions with the rest of the world. America's National Academy of Sciences (NAS) for example has suggested measuring trade entirely on the basis of ownership. It defines exports as the sum of three numbers: cross border sales to foreigners, net sales to foreigners by subsidiaries abroad and sales by American firms to American subsidiaries of foreign firms.

This view probably more accurately reflects the problem of accounting for sales to subsidiaries that most traditional measures do not account for. As multinationals spread throughout the world and a substantial proportion of international trade consists of intra-firm transfer, this question will assume increasing importance in the future.

7. What challenges do the content creators and information providers face due to the advent and popularity of the electronic media? Are there current mechanisms to protect their rights? What are the macro-economic implications for industrialized countries?

With the advent of the information age, firms are faced with new situations. Not only is it easy for individuals to make duplicates of many works or to re-use their content in new works, but the physical manifestation of content is almost irrelevant. The United States, in an attempt to protect intellectual property rights, has insisted that intellectual property rights be dealt with in GATT and WTO. Technology based protection of electronic information through hardware, software, or a combination thereof in the form of encryption and digital signatures have been suggested as means of circumventing the problem of unauthorized copying.

Controlling copying is a difficult problem. The solution may not be in controlling the copies but instead in controlling the relationship with the customers through subscriptions or membership. Other questions include: (1) the rise of a truly efficient market for information; and (2) the attempts by governments to regulate international commerce.

8. What are some of the forces influencing the increase in size of multinational corporations? Are there any forces which are influencing them to downsize?

Authorities believe that the forces of economies of scale, lowering trade and investment barriers, need to be close to markets, internalization of operations within the boundaries of one firm, and the diffusion of technology will continue to increase the size and influence of multinationals. The sovereignty of nations will perhaps continue to weaken due to multinationals and the increasing integration of economies but the threat to sovereignty may not assume the proportions alluded to by some researchers. Multinationals have yet to solve the problem of size.

Currency movements, capital surpluses, faster growth rates, and falling trade and investment barriers have all helped multinationals from a variety of countries dictate movement of trade goods beyond the control of national governments.

DISCUSSION QUESTIONS

INSTRUCTOR'S NOTE: Discussion Questions are found at the end of each chapter in the text. These questions (in many cases) are too lengthy to repeat in this manual. Suggestions for answering and discussing the questions are presented in this section. Many of the questions require student opinion and judgment.

1. Since its inception, the WTO has dealt with various trade disputes which arose between countries. In 2005/2006, the U.S.- and the European Union's concerns about cheap textile products from China is an interesting example of today's free and fair trade. In global business, there will always be trade disputes between countries. Regarding WTO's role in these cases, the institution will investigate thoroughly within its new power and jurisdiction. The countries normally have three months of mutual "consultations" to resolve their disputes. If the parties are unable to reach an agreement, WTO's dispute settlement mechanism kicks in and the ruling has to be delivered within six months. The dispute resolution process, followed by WTO, is pretty comprehensive and thorough.

2. Patent life is a very controversial question. Students should be encouraged to argue both pro and con on this issue. As stated in the Discussion Question, the issue has supporters and detractors in the U.S. Senate. Students should be reminded to look at this issue not only as a consumer but as a business person before formulating a response.

The second issue in this question is how to deal with this issue internationally. Would the United States impose its law on patents held in foreign countries? Would the United States require that foreign countries cater their development process to match ours?

Students should be encouraged to take the role of the United States trade negotiator who believes in U.S. control and the foreign business producer who believes in sovereignty of patents. Give creative statements to support both positions.

3. The EU can certainly dictate to the various companies with far more authority than could a single government, especially when mandating across borders. The challenge will come in how the EU handles the difficulties of the companies. The firms may be indulging in some pricing differentiation that EU practices may undermine. Also, there will be issues about tax collection within the individual nations that the firms may balk at. If the EU is like the U.S., most Internet firms do not collect state sales tax on purchases.

It is likely that citizens of the EU buy from Internet source firms abroad because prices are cheaper and variety superior. EU intervention will not overcome this unless some sorts of subsidies are given to the EU firms that cannot compete.

Those EU countries that are more advanced in IT—presumably Germany and the Scandinavian countries—will have a comparative advantage over the less advanced. This may cause factions within the group to emerge that forestall new EU regulations.

If the EU makes it easier to shop on the net within the EU, presumably this will lower sales of foreign companies to the EU. On the other hand, it may result in lower prices for everyone as foreign firms seek to gain the EU market share.

4. This question raises the issues of exporting jobs and outsourcing activities. As jobs move across borders, they are not always blue collar jobs. In fact, many of those jobs are white collar jobs (especially in high tech areas or in information technology). Wage rates and productivity are always issues. However, as our world becomes more sophisticated and smaller (in terms of communication and technology), jobs will move to where they can be done the cheapest, with the highest quality, and with speed. The trick is to be the country that will attract those jobs. Students should be encouraged to discuss how the United States can position itself to attract white collar work from overseas. Students should also be encouraged to discuss the issues of the intangibility of information and its cross-border movement.

5. This question asks students to take a stance on the advisability of trading blocs. Considerations in taking a pro or con position would include the benefits of trading blocs, tariff reduction, trade barriers erected, efficiencies gained, prohibitions of competition, relationship of governments and multinationals, and future trends. By examining each of these areas within the context of the material presented in the chapter, the students should be able to formulate an opinion on trading blocs. It might be useful to break the class into teams and assign different roles to them, ask them to defend their position, and rebut the other teams position.

6. This question deals with a gray area: good versus services. The major confusion is in the area of tariffs on services. As stated in this question, services in global business deal with the issues of “national treatment” and quantitative controls. Students should be

encouraged to compare and contrast the area of services by visiting the WTO Web site and retrieve information about this area.

STUDENT PROJECTS and INTERNET FOCUS

1. Within the area of emerging markets (EMs), investigate China, India, and Russia and compare and contrast their economies, industries, and markets through Google or other international business meta indexes and share your findings with class.
2. Go to the library and research the subject of trading blocs and regional economic arrangements. Find a few current articles on trading blocs around the world (these trading blocs could also include new trade alliances or treaties such as NAFTA). Determine from the article who the members are, what are the strengths and weaknesses of the trading bloc, and what is the overall purpose of the trading bloc. You may also use other references to aid you in your discovery process. Report your findings.
3. Investigate the issue of intellectual property rights as applied to the international environment. Pick any area (such as movies, books, software, inventions, or patents) and demonstrate the problems that are currently occurring, what is being done to curtail the abuses, who the chief abusers are, and the amount of money that is in question. Present your own ideas for stopping intellectual property rights abuse in the international market place. Have you ever been a member of copying or duplication process? Explain how? What would you do to stop yourself?

INSTRUCTOR'S NOTE: The following projects require the students to both use and understand the Internet. If students do not understand how to use the Internet, explanation should be given before these projects are undertaken. The Web sites provided were current at the time of this writing. However, since Web addresses change frequently, the instructor should re-affirm the site address and the content of the site before making an assignment.

4. Go to the following Web sites and determine which of the following firms would be classified as multinationals. Please explain what information you obtained led you to that conclusion. Remember this appraisal should be based on what you found not what you think (or previously thought).

- a. Hitachi (<http://www.hitachi.com>)
- b. Siemens (<http://www.siemens.com>)
- c. Federal Express (<http://www.fedex.com>)
- d. Zara (<http://www.zara.com>)
- e. Benetton (<http://www.benetton.com>)

5. Using the Web sites for *The Economist*, *Financial Times* or *The Wall Street Journal*, find 3-4 articles about trade blocs or multinationals and their effect on the world economy. Summarize the material and give a brief overview to the class. The Web sites are (<http://www.economist.com>), (<http://www.ft.com>), and (<http://www.wsj.com>).

6. Go to the Web site for *The United States Patent and Trademark Office*. This site will provide information on how the office classifies information, facts about international intellectual property, and publication lists. In addition, there is information on how to protect your intellectual property. Using this information, formulate a strategy for protecting intellectual property (you may choose from a movie, a piece of music, software, or a creative idea or patent). Relate your strategy to the class. The Web site address is (<http://www.uspto.gov>).

WEB RESOURCES

Asia-Pacific Economic Cooperation
(<http://www.apecsec.org.sg/>)

Council on Competitiveness
(<http://www.compete.org/>)

Emerging Markets
Syed Tariq Anwar, West Texas A&M University
(http://wtfaculty.wtamu.edu/~sanwar.bus/otherlinks.htm#Emerging_Markets)

Europa: EU's Web Portal
(<http://www.europa.eu>)

European Free Trade Association
(<http://www.efta.int>)

European Sites
Syed Tariq Anwar, West Texas A&M University
(http://wtfaculty.wtamu.edu/~sanwar.bus/otherlinks.htm#European_Sites)

The Euro
(http://europa.eu/pol/emu/index_en.htm)

Foreign Direct Investment
Syed Tariq Anwar, West Texas A&M University
(<http://wtfaculty.wtamu.edu/~sanwar.bus/otherlinks.htm#FDI>)

International Business & International Marketing Links
Syed Tariq Anwar, West Texas A&M University
(http://wtfaculty.wtamu.edu/~sanwar.bus/otherlinks.htm#International_Business_Links)

Multinational Corporations (MNCs), Rankings & Business Reports/Surveys

Syed Tariq Anwar, West Texas A&M University

(http://wtfaculty.wtamu.edu/~sanwar.bus/otherlinks.htm#MNC_Rankings_Bus_Surveys)

NAFTA and Other Trade Organizations

Syed Tariq Anwar, West Texas A&M University

(http://wtfaculty.wtamu.edu/~sanwar.bus/otherlinks.htm#NAFTA/Hemispheric_Trade)

NAFTA Secretariat

(<http://www.nafta-sec-alena.org/>)

World Competitiveness Center (IMD)

(<http://www01.imd.ch/wcy/>)

World Economic Forum, Davos, Switzerland

(<http://www.weforum.org>)

World Trade Organization

(<http://www.wto.org/>)