

**A Glossary for
Commercial Diplomacy
Studies**

Compiled By

Andrew Procassini, DBA
Senior Fellow

and

James Sloan
Student Intern

Center For Trade & Commercial Diplomacy
MONTEREY INSTITUTE OF INTERNATIONAL STUDIES

1997

Introduction

This integrated compendium of glossaries is intended to assist students of commercial diplomacy at the Monterey Institute of International Studies. It may be especially useful to international students who may not be familiar with American usage of these terms. It has been constructed by combining the glossaries of several American publications in the fields of public policy, political analysis, trade policy, and international business. The glossary entries have been listed in alphabetical order and all sources have been identified. If an entry has been taken from more than one text, all versions have been mentioned. Although this results in some redundancy, it also may provide better insight into the several meanings.

It must be recognized that certain constraints are involved in this approach. These are:

1. All original source texts are by American publishers.
2. The texts used have been written primarily for use in American educational institutions.
3. Each term and its meaning must be considered within the context of the text from which it has been taken.
4. These terms may have several meanings. For example, “turnover” in this glossary relates to employment, while in foreign countries “turnover” might be related to sales revenue.
5. This glossary is intended to provide a quick and easy reference and is not intended to be exhaustive nor definitive. The user, however, may find greater explanation in the original source.

All materials have been reproduced with permission from the following sources:

Bonser, Charles F., Eugene B. McGregor, Jr., and Clinton V. Oster, Jr., *Policy Choices and Public Action* (Upper Saddle River, NJ: Prentice Hall, 1996), pp. 474-483.

Destler, I.M., *American Trade Politics* (Washington, DC: Institute for International Economics, 1995), pp. 309-323.

Goldsmith, Arthur A., *Business, Government, Society* (Chicago: Irwin, 1996), pp. 435-41.

Griffin, Ricky W., and Michael W. Pustay, *International business: A Managerial Perspective* (New York: Addison Wesley, 1996), pp. 732-744.

Hill, Charles W. L., *International Business: Competing in the Global Marketplace*, 2nd edition (Chicago: Irwin, 1997), pp. 605-611.

Key for Term Fonts

Bold font: *Policy Choices and Public Action.* By Charles F. Bonser et al.

Italic font: *International Business.* By Charles W. L. Hill

Underlined terms: American Trade Politics. By I. M. Destler

Bold and Underlined: **International Business: A Managerial Perspective.** By Ricky W. Griffin et al.

Underlined and Italic font: *Business Government, Society: The Global Political Economy.* By Arthur A. Goldsmith

<i>Absolute advantage</i>	A country has an absolute advantage in the production of a product when it is more efficient than any other country at producing it.
<u>Absolute advantage, theory of:</u>	Theory stating that trade between nations occurs when one nation is absolutely more productive than other nations in the production of a good; according to Adam Smith, nations should export those goods for which they possess an absolute advantage and import goods for which other nations possess an absolute advantage.
Absolute poverty	A statistical measure of poverty that uses a fixed benchmark, such as money income, to identify a poverty line. Distinguished from relative poverty, below which people are said to be poor.
<i>Absolutism</i>	The principle of absolute government, the governed having no share in administration.
<u>Accommodating transaction:</u>	Transaction undertaken by a central bank solely to accommodate autonomous transactions; also called compensatory transaction.
<u>Accounting reserves:</u>	Reserves used by firms for foreseeable future expenses.
<u>Acculturation:</u>	Process of understanding and learning how to operate in a new culture.
<u>Acquisition strategy:</u>	Form of foreign direct investment involving the purchase of existing assets in a foreign country.
Act to Regulate Commerce of 1887	The federal law that gave rise to the Interstate Commerce Commission in response to monopoly practices of the railroads.
<u>Active income:</u>	Income generated by active business operations such as production, marketing, and distribution.
<i>Ad valorem tariff</i>	A tariff levied as proportion of the value of an imported good.
<u>Ad valorem tariff:</u>	Tax assessed as a percentage of the market value of an imported good.
<u>Adjustable peg:</u>	Feature of the Bretton Woods system by which a country had a limited right to adjust the value of its currency in terms of gold.
<i>Administrative trade policies</i>	Administrative policies typically adopted by <u>government</u> bureaucracies, that can be used to restrict imports or boost exports.
<i>Adverse selection:</i>	The market failure that happens when only buyers (or only sellers) know the quality of each unit under exchange.
<u>Advised letter of credit:</u>	Letter of credit in which the seller's bank advises the seller about the credit-worthiness of the bank issuing the letter of credit.
<u>Affiliated bank:</u>	Partly owned, separately incorporated overseas banking operation of a home country bank.
<i>Affirmative action:</i>	A government program to promote actively the employment of protected classes of people rather than merely forbidding discrimination against them.
<u>Aggressive goal behavior:</u>	Behavior based on the cultural belief that material possessions, money, and assertiveness underlie motivation and reflect the goals that a person should pursue.
Aid to Families with Dependent Children (AFDC)	As the cornerstone of the U.S. welfare system, AFDC,

	created by the Social Security Act (1935), provides cash benefits to assist needy families with children under the age of 18. Paid by federal-state contract in which the federal government pays a 50 to 66 percent share of the program costs.
America 2000	The Bush Administration's precursor to Goals 2000.
American Federation of Labor-Congress of Industrial Organizations (AFL-CIO)	A voluntary federation of over 100 national and international unions operating in the United States. The AFL-CIO was created to represent the affiliated unions in the creation and execution of broad national and international policies and in coordinating a wide range of joint activities.
<u>American selling price:</u>	A method of calculating US import duties, under which those for certain categories of products—benzenoid chemicals, rubber footwear, canned clams, and wool-knit gloves—were computed by multiplying the tariff rate not by the price of the imported product, as is standard practice, but instead by the (usually much higher) price of the US product with which the import competed. This typically resulted in a much higher effective tariff. The United States agreed in the MTN, or Tokyo Round, to phase out ASP, effective in 1981.
<i>Andean Pact</i>	A 1969 Agreement between Bolivia, Chile, Ecuador, Colombia, and Peru to establish a customs union.
<u>Andean Pact:</u>	Customs union composed of Bolivia, Colombia, Ecuador, Peru, and Venezuela.
<u>Antidumping (AD) investigation:</u>	An investigation instituted by an importing country in response to a claim that a foreign supplier is selling merchandise at "less than fair value." (See "dumping.") In the United States, if the Department of Commerce finds dumping has occurred, and the US International Trade Commission finds that US firms have been materially injured, the law provides that customs officials levy an additional import duty equal to the calculated price discrepancy. GATT Article VI authorizes such measures. The Uruguay Round antidumping code, signed in 1994, aims to standardize and discipline national government practices.
<u>Antidumping duty:</u>	Tax on imported goods designed to protect domestic firms from sales of imported goods at less than their cost of production or at prices less than they sell for in their home markets.
<i>Antidumping regulations</i>	Regulations designed to restrict the sale of goods for less than their fair market price.
<u>Antitrust law:</u>	Public policy that prohibits monopolies and collusion among firms to inhibit competition.
<u>Applied research:</u>	Research directed to a specific practical aim.
<i>Arbitrage</i>	The purchase of securities in one market for immediate resale in another to profit from a price discrepancy.
<u>Arbitrage:</u>	Riskless purchase of a product in one market for immediate resale in a second market in order to profit from price differences between the markets.
<u>Arbitration:</u>	Dispute resolution technique in which both parties agree to submit their cases to a private individual or body for resolution.

<u>Arm's length test:</u>	Test imposed by the Internal Revenue Service to determine the appropriateness of transfer prices; reflects the price that one independent company would charge a second for a good or service.
Arrow's Paradox	The demonstration by economist Kenneth Arrow that the rules of democracy, particularly the principles of majority rule and equality of voting, do not necessarily produce logically consistent policy choices. Indeed, policy contradictions can occur when as few as three people or factions each have different policy preferences and each person's preference ordering counts the same. A process of political decision making is required to break the intellectual deadlock.
<i>ASEAN (Association of South East Asian Nations)</i>	Formed in 1967, an attempt to establish free trade area between Brunei Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
<u>Asia Pacific Economic Cooperation (APEC) forum:</u>	An informal grouping of 18 Asian and Pacific Rim nations that provides a forum for discussing economic and trade issues. The members include Australia, Brunei Canada, Chile, China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Philippines, Singapore, South Korea, Taiwan, Thailand, and the United States. Originally, meetings were at the ministerial level; however, the November 1993 meeting, hosted by President Clinton in Seattle, brought together the heads of state of almost all members. At the 1994 summit, the leaders agreed to eliminate barriers to trade and investment among industrialized members by 20 10 and among all members by 2020.
Asia Pacific Economic Cooperation Group (APEC)	Established in 1989 to encourage economic cooperation in Asia/Pacific region. Includes 18 nations bordering the region, including the United States, Canada, Australia, New Zealand, Mexico, and Chile.
Asian Development Bank	A multilateral development bank whose primary aims are to promote economic and social development in the Asian and Pacific region by lending funds and providing technical cooperation to countries in the region.
<u>Assigned arrangement:</u>	Management arrangement in which one partner in a strategic alliance assumes primary responsibility for the operations of the alliance.
Association of South East Asian Nations (ASEAN)	A regional alliance of countries located in South East Asia whose mission is to foster economic growth, social progress, and cultural development in the region.
<u>Association of South East Asian Nations (ASEAN):</u>	Organization that promotes free trade among Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
<u>Autonomous transaction:</u>	Transaction undertaken in the economic self-interest of a market participant.
<u>Backtranslation:</u>	Technique used to check for translation errors; after one person translates a document from language A to language B, a second person translates the document from B back to A to check if the intended message is actually being sent.
<u>Baker Plan:</u>	Plan developed in 1985 by U.S. Treasury Secretary James Baker to solve the international debt crisis;

	stressed debt rescheduling, tight controls over domestic monetary and fiscal policies, and continued loans to debtor nations.
<u>Balance of payments (BOP) accounting system:</u>	Accounting system that records commercial transactions between the residents of one country and residents of other countries.
<i>Balance of payments accounts</i>	National accounts that track both payments to and receipts from foreigners.
<u>Balance on merchandise trade:</u>	Difference between a country's merchandise exports and imports.
<u>Balance on services trade:</u>	Difference between a country's service exports and imports.
<u>Balance sheet hedge:</u>	Technique for eliminating translation exposure in which a firm matches its assets and liabilities denominated in a given currency on a consolidated basis.
<u>Banker's acceptance:</u>	Time draft that has been endorsed by a bank, signifying the bank's promise to guarantee payment at the designated time.
<i>Bankruptcy law:</i>	Public policy to offer debtors a fresh start when they are burdened with debt beyond reasonable hope of recovery, and to allow creditors to recover as much of their losses as possible.
<i>Barriers to entry</i>	Factors that make it difficult or costly for firms to enter an industry or market.
<i>Barter</i>	The direct exchange of goods or services between two parties without a cash transaction.
<u>Barter:</u>	Form of countertrade involving simultaneous exchange of goods or services between two parties.
<u>Basic balance:</u>	Sum of the current account balance plus net long-term capital investment.
<i>Basic research:</i>	Research undertaken for its own sake, without thought of commercial applications.
<u>Beggar-thy-neighbor policies:</u>	Domestic economic policies that ignore the economic damage done to other countries.
<u>Benchmarking:</u>	Process of legally and ethically studying how other firms do something in a high-quality way and then either imitating or improving on their methods.
<u>Bilateral netting:</u>	Netting of transactions between two business units.
<i>Bill of exchange</i>	An order written by an exporter instructing an importer, or an importer's agent, to pay a specific amount of money at a specified time.
<i>Bill of lading (or draft)</i>	A document issued to an exporter by a common carrier transporting merchandise. It serves as a receipt, a contract, and a document of title.
<u>Bill of lading:</u>	International trade document that serves (1) as a contract between the exporter and the transporter and (2) as a title to the exported goods.
<i>Board of directors:</i>	The body established to protect shareholders' interest in a corporation, and charged with developing broad policies and selecting top-level personnel.
Brady Handgun Violence Prevention Act	Popularly known as the Brady Bill, it is designed as a first step to register all handguns bought and sold in the United States.
<u>Brady Plan:</u>	Plan developed in 1989 by U.S. Treasury Secretary Nicholas Brady to solve the international debt crisis;

	involves writing off a portion of the debtor nations' debts or repurchase of their debts at less than face value.
<u>Branch bank:</u>	Overseas banking operation of a home country bank that is not separately incorporated.
<i>Bretton Woods</i>	A 1944 conference in which representatives of 40 countries met to design a new international monetary system.
Brown vs. Board of Education (1954)	Landmark Supreme Court decision holding that the separation of children by race in public schools is unconstitutional, violating the equal protection clause of the Fourteenth Amendment.
Budget deficit	An excess of expenditure flow over income flow.
<i>Bureaucracy:</i>	An organization that carries out day-to-day policy, uses standardized procedures, has a hierarchy, and is based on specialized duties.
<i>Bureaucratic controls</i>	Achieving control through the establishment of a system of rules and procedures.
<u>Bureaucratic law:</u>	Legal system based on interpretations, actions, and decisions of government employees.
<u>Burke-Hartke quota bill:</u>	Legislation introduced in Congress in 1971, widely interpreted as reflecting a major swing toward protectionism. Its provisions included broad-ranging import quotas and measures to discourage overseas investment by multinational firms based in the United States.
<i>Business environment:</i>	The pattern of external factors that affect a business or other organization's performance.
<i>Business ethics:</i>	Company practices and activities that are expected or looked on favorably by society, though they are not codified by law.
<u>Buy-back:</u>	Form of countertrade in which a firm is compensated in the form of goods produced by equipment or technology that it has sold to another firm.
<u>BV:</u>	Abbreviation used in the Netherlands to refer to a privately held, limited-liability firm.
<u>Cairns Group:</u>	Group of major agricultural exporting nations, led by Argentina, Australia, Canada, and the United States, that lobbies for reductions in agricultural subsidies.
<u>Call option:</u>	Publicly traded contract granting the owner the right, but not the obligation, to buy a specific amount of foreign currency at a specified price at a stated future date.
<u>Capacity planning:</u>	Deciding how many customers a firm will be able to serve at a given time.
<i>Capital account</i>	In the balance of payments, records transactions involving the purchase or sale of assets.
<u>Capital account:</u>	BOP account that records capital transactions between residents of one country and those of other countries.
<i>Capital gain:</i>	The excess over purchase value realized from the sale of a capital asset.
<i>Capital:</i>	Produced goods that are used to produce other goods.
Capitalism	An economic system that permits the private ownership of the means of production.
<i>Capitalism:</i>	An economic system that depends mainly on private enterprise to invest in productive resources and to use them to make useful products at affordable cost.

<u>Caribbean Basin Initiative (CBI):</u>	Program developed by the United States to spur the economic development of countries in the Caribbean Basin; allows duty-free importation of selected goods into the United States from these countries.
<i>CARICOM</i>	An association of English-speaking Caribbean states that are attempting to establish a customs union.
<i><u>Cartel:</u></i>	An association of firms to establish monopoly power through price fixing and other anti-competitive means.
<i>Caste system</i>	A system of social stratification in which social position is determined by the family into which a person is born, and change in that position is usually not possible during an individual's lifetime.
Categorical logic	A welfare policy logic where a government action may be invoked when an accredited government agency must first find that a client belongs to a category eligible for government service or assistance, such as being poor, disabled, unemployed, or elderly, before receiving public assistance.
<u>Centralized cash depository:</u>	Entity controlled by a parent corporation that coordinates worldwide cash flows of its subsidiaries and pools their cash reserves.
<i>Centralized depository</i>	The practice of centralizing corporate cash balances in a single depository.
<u>Centrally Planned economy (CPE):</u>	Economy in which government planners determine price and production levels for individual firms.
<i><u>CEO (chief executive officer):</u></i>	The most senior manager in a company, with authority over other employees.
<u>Chaebol:</u>	Any of the large business conglomerates that dominate the Korean economy.
<i>Channel length</i>	The number of intermediaries that a product has to go through before it reaches the final consumer.
<u>Channel length:</u>	Number of stages in a distribution channel.
<i><u>Chapter 11:</u></i>	A section of the U.S. bankruptcy code that allows managers to reorganize a failing company while protected by a court from the people and organizations to whom it owes money.
Charter schools	An institutional arrangement designed to break the monopoly power held by educational authorities by allowing more than one organization to offer public education in the community.
Checks and Balances	Constitutional doctrine that provides for each of the three branches of government to exercise powers granted to the other two branches, such as when a president (chief executive) vetoes legislation or nominates judges to serve in the district, appellate, and supreme courts.
Chlorofluorocarbons (CFCOs)	Chemical compound that is believed to deplete the layer of ozone in the upper atmosphere.
Citistates	Geographic clusters of related industries, supported by networks of local world-class research institutes, specialized business services, a work force with specialized skills, and demanding and knowledgeable local consumers who set the pace for global markets.
<i>Civil law system</i>	A system of law based on a very detailed set of written laws and codes.
<u>Civil law:</u>	Law based upon detailed codification of permissible and

	non-permissible activities; world's most common form of legal system.
<u>Civil law:</u>	The body of law concerned with private rights of individuals such as a breach of contract or personal injury.
<u>Civil rights or liberties:</u>	Legally secured immunities from state interference in certain spheres of action, such as conscience, speech, worship, publication, association, and assembly.
<i>Class consciousness</i>	A tendency for individuals to perceive themselves in terms of their class background.
<i>Class system</i>	A system of social stratification in which social status is determined by the family into which a person is born and subsequent socioeconomic achievement. Mobility between classes is possible.
Clayton Act of 1914	The federal law that extended the Sherman Act's prohibition against monopolies and price discrimination. Further, it exempted labor unions from antitrust laws and limited the jurisdiction of courts in issuing injunctions against labor organizations.
Clean Air Act	A federal statute to protect public health and welfare from the effects of air pollution. Through this act national air quality standards and specific automobile emission standards were established.
Clean Water Act	A federal statute on restoring and maintaining the chemical, physical, and biological integrity of the nation's waters.
<u>Clearinghouse accounts:</u>	Accounting system used to facilitate international countertrade; a firm must balance its overall countertrade transactions but need not balance any single countertrade transaction.
<u>Codetermination:</u>	German system that provides for cooperation between management and labor in running a business.
<u>Codetermination:</u>	Corporate governance in which employers and employees share in decision making.
<u>Cohesion fund:</u>	Means of funneling economic development aid to countries whose per capita GDP is less than 90 percent of the EU average.
<u>Collective bargaining:</u>	Process used to make agreements between management and labor unions.
<i>Collectivism</i>	An emphasis on collective goals as opposed to individual goals.
<u>Collectivism:</u>	Cultural belief that the group comes first.
<i>COMECON</i>	Now-defunct economic association of Eastern European communist states headed by the former USSR.
<u>Comity, principle of:</u>	Principle of international law that one country will honor and enforce within its own territory the judgements and decisions of foreign courts.
<i>Command economy</i>	An economic system where the allocation of resources, including determination of what goods and services should be produced, and in what quantity, is planned by the government.
<u>Command economy:</u>	A planned economy where crucial economic decisions are made to a large extent by government, not market forces.
<u>Commodity agreement:</u>	Agreement created by major producers and consumers

	of a good to control production and prices of that good.
<u>Commodity cartel:</u>	Cartel created by producers of a good to control production and prices of that good.
<i>Common law system</i>	A system of law based on tradition, precedent, and custom. When law courts interpret common law, they do so with regard to these characteristics.
<u>Common law:</u>	Law that forms the foundation of the legal system in Anglo-American countries; based on cumulative findings of judges in individual cases.
<i>Common law:</i>	Law made by judges, as distinct from statutory law.
<i>Common market</i>	A group of countries committed to (1) removing all barriers to the free flow of goods, services, and factors of production between each other and (2) the pursuit of a common external trade policy.
<u>Common market:</u>	Form of regional economic integration that combines features of a customs union with elimination of barriers inhibiting the movement of factors of production among members.
Communism	An economic system that is based on public ownership of all productive wealth and much consumption wealth.
<i>Communism:</i>	The radical form of socialism used to describe an economic system where the government has a monopoly on power and runs a command economy.
<i>Communist totalitarianism</i>	A version of collectivism advocating that socialism can only be achieved through a totalitarian dictatorship.
<i>Communists</i>	Those who believe socialism can only be achieved through revolution and totalitarian dictatorship.
Community Action Programs (CAP)	War on Poverty programs to develop centers of community leadership and civic participation in poor communities.
Comparative advantage	A general principle explaining the condition under which mutually profitable trade between two economic regions can occur.
<i>Comparative advantage</i>	The theory that countries should specialize in the production of goods and services they can produce most efficiently. A country is said to have a comparative advantage in the production of such goods and services.
<u>Comparative advantage, theory of:</u>	Theory stating that trade between countries occurs when one country is relatively more productive than others in the production of a good.
<i>Comparative advantage:</i>	Relative efficiency in production of a particular product or class of goods. Trade theory holds that a country should export those goods in which it has the greatest comparative advantage and import those goods in which it has the greatest comparative disadvantage, regardless of its general level of productivity or its overall labor costs relative to other countries.
<u>Compensatory transaction:</u>	<i>See</i> accommodating transaction.
<i>Competition policy</i>	Regulations designed to promote competition and restrict monopoly practices.
<u>Compound tariff:</u>	Tax that combines elements of an ad valorem tariff and a specific tariff.
<u>Comprehensive alliance:</u>	Strategic alliance in which participants agree to perform together multiple stages of the process by which goods or services are brought to market.

<u>Confirmed letter of credit:</u>	Letter of credit in which the seller's bank adds its promise to pay should the issuing bank fail to pay the seller.
<u>Confiscation:</u>	Involuntary transfer of property, with little or no compensation, from a privately owned firm to the host government.
<i><u>Conglomerate merger:</u></i>	A merger between firms operating in separate markets.
<u>Conglomerate:</u>	Firm that uses a strategy of unrelated diversification.
<i><u>Conservatism:</u></i>	An approach to economics and politics that views society as difficult to change arbitrarily, and that wants to limit the role of government to a few necessary spheres.
<u>Consolidated financial statement:</u>	A financial statement combining the accounting records of a parent corporation and all its subsidiaries into a single set of statements denominated in single currency.
<u>Consolidation method:</u>	Technique used to consolidate accounting records of subsidiaries in which the parent company's ownership stake is more than 50 percent.
<u>Consumer products:</u>	Goods and services sold for use by individual consumers.
<i><u>Consumer sovereignty:</u></i>	The idea that consumers decide what items will be produced and how they will be distributed.
<u>Contingency fee:</u>	Type of payment for legal services in which the fee paid is based on the size of monetary payments awarded to the client.
<i><u>Contract:</u></i>	An agreement, enforceable by law, between two or more parties to do or refrain from doing something.
<u>Control framework:</u>	Managerial and organizational processes used to keep a firm on target toward its strategic goals.
<u>Control standard:</u>	Desired level of a performance component a firm is attempting to control.
<u>Control:</u>	Process of monitoring and regulating activities in a firm so that targeted measures of performance are achieved or maintained.
<u>Controlled foreign corporation (CFC):</u>	Foreign corporation in which certain U.S. shareholders (each of which must own at least 10 percent of the foreign corporation's stock) cumulatively own at least 50 percent of the foreign corporation's stock.
<u>Controller:</u>	Managerial position in an organization given specific responsibility for financial control.
<i>Controlling interest</i>	A firm has controlling interest in another business entity when it owns more than 50 percent of the entity's voting stock.
<u>Convergence criteria:</u>	Conditions that must be met by EMU members in order to participate in the EU's single currency program, including numerical limits on members' inflation, interest rates, currency values, budget deficits, and outstanding national debts; designed to force convergence of participants' monetary and fiscal policies.
<u>Convertible currencies:</u>	Currencies that are freely traded and accepted in international commerce; also called hard currencies.
<i><u>Cooperative:</u></i>	An organization of people who pool resources to buy or sell something, in which profits are distributed among members according to the business they do.

<u>Coordinating Committee for Multilateral Export Controls (COCOM):</u>	Organization created by the Western allies to control the export of goods and technology with military value to the countries of the Soviet bloc.
<u>Coordination:</u>	Process of linking and integrating functions and activities of different groups, units, or divisions.
<i>Core competence</i>	Firm skills that competitors cannot easily match or imitate.
<u>Corollary approach:</u>	Approach whereby a firm delegates responsibility for processing international sales orders to individuals within an existing department, such as finance or marketing.
<u>Corporate culture:</u>	Set of shared values that defines for its members what the organization stands for.
<i>Corporate governance:</i>	The structures and processes by which corporations are managed.
<i>Corporate social responsibility:</i>	The idea that, out of enlightened self-interest, companies should go beyond the minimum of the law to anticipate or head off future legal developments.
<i>Corporation:</i>	An organization given a legal personality for carrying on certain activities. It may be closely held or publicly traded.
<i>Corporatism:</i>	A theory of democracy where government represents and is answerable to officially recognized organizations that act for their members.
<u>Correspondent relationship:</u>	Agency relationship whereby a bank in country A acts as an agent for a bank from country B, providing banking services in country A for both the B bank and its clients; typically done on a reciprocal basis.
<u>Cost method:</u>	Technique used to consolidate accounting records of subsidiaries in which the parent company's ownership stake is less than 10 percent.
<i>Cost-insurance-freight:</i>	A system of valuing imports that includes the cost of moving them from their port of embarkation to their destination. The Trade Agreements Act of 1979 required the US Department of Commerce to report c.i.f. import statistics "no later than 48 hours before the release of any other [import] statistics" (Sec. 1108). This provision was repealed in 1988.
<u>Cost-of-living allowance:</u>	Compensation for managers on international assignment designed to offer differences in living costs.
Council of Economic Advisors (CEA)	As a part of the Executive Office of the President, this council consists of three economists, appointed by the president with the advice and consent of the senate, who assist in making fiscal policy.
<u>Council of the European Union:</u>	Main decision-making body of the EU; composed of 15 members, who represent the interests of their home governments in Council deliberations.
<i>Counterpurchase</i>	A reciprocal buying agreement.
<u>Counterpurchase:</u>	Form of countertrade in which one firm sells its products to another at one point in time and is compensated in the form of the other's products at some future time.
<i>Countertrade</i>	The trade of goods and services for other goods services.
<u>Countertrade:</u>	Form of payment in which a seller accepts something other than money in compensation.
<i>Countervailing duty (CVD) investigation:</i>	An investigation instituted by an importing country

	when given evidence that foreign goods sold within its borders are subsidized by the government in the country of production. If a subsidy is found by the US Department of Commerce, and the US International Trade Commission finds that US firms have been materially injured, US law generally requires imposition of a duty to offset the subsidy. The Uruguay Round code on subsidies and countervailing measures, signed in 1994, aims to standardize and discipline national practices on subsidies and offsetting duties.
<u>Countervailing duty (CVD):</u>	Ad valorem tariff placed on imported goods to offset subsidies granted by foreign governments.
<i>Countervailing duty:</i>	A tax to offset the subsidies imports receive at home.
<u>Country fund:</u>	Mutual fund that specializes in investing in stocks and bonds issued by firms in a specific country.
<u>Country similarity theory:</u>	Theory stating that international trade in manufactured goods will occur between countries with similar income levels and at similar stages of economic development.
<u>Covered-interest arbitrage:</u>	Arbitrage that exploits geographic differences in interest rates and differences in exchange rates over time.
<i>Criminal law:</i>	The law on wrongs against society, such as tax evasion, false advertising, or reckless polluting.
<u>Cross rate:</u>	Exchange rate between two currencies, A and B, derived by using currency A to buy currency C and then using currency C to buy currency B.
<i>Cross-cultural literacy</i>	Understanding how the culture of a country affects the way business is practiced.
<u>Cross-cultural literacy:</u>	Ability to understand and operate in more than one culture.
<u>Cultural attachés:</u>	Experts in local culture and language who help foreign businesspeople in their dealings with local people and businesses.
<u>Cultural cluster:</u>	Group of countries that share many cultural similarities.
<i>Cultural controls</i>	Achieving control by persuading subordinates to identify with the norms and value systems of the organization (self-control).
<u>Cultural convergence:</u>	Convergence of two or more cultures.
<i>Culture</i>	The complex whole that includes knowledge, belief, art, morals, law, custom, and other capabilities acquired by man as a member of society.
<u>Culture shock:</u>	Psychological phenomenon arising from being in a different culture; may lead to feelings of fear, helplessness, irritability, and disorientation.
<u>Culture:</u>	Collection of values, beliefs, behaviors, customs, and attitudes that distinguish and define a society.
<u>Cumulative translation adjustments:</u>	Account created to balance any difference between a subsidiary's assets and its liabilities and stockholder's equity when the current rate method is used to value its balance sheet.
<u>Currency future:</u>	Publicly traded contract involving the sale or purchase of a specific amount of foreign currency at a specified price with delivery at a stated future date.
<u>Currency option:</u>	Publicly traded contract giving the owner the right, but not the obligation, to sell or buy a specific amount of foreign currency at a specified price at a stated future

	date. (see also call option; put option.)
<i>Currency translation</i>	Converting the financial statements of foreign subsidiaries into the currency of the home country.
<i>Current account</i>	In the balance of payments, records transactions involving the export or import of goods and services.
<u>Current account:</u>	BOP account that records exports and imports of goods, exports in imports of services, investment income, and gifts.
Current account balance	The portion of a nation's balance of payments that is a record of all trade (exports and imports) between a nation and the rest of the world.
<u>Current account balance:</u>	A measure of a country's international transactions which includes trade in goods and services and unilateral transfers. A "negative" balance on current account, or current account deficit, means that outflows of currency resulting from these transactions exceed inflows. (A current account deficit is offset and financed by a capital account surplus, representing a net inflow of investment funds.)
<u>Current account balance:</u>	Net balance resulting from merchandise exports and imports, service exports and imports, investment income, and unilateral transfers.
<i>Current account deficit</i>	The current account of the balance of payments is in deficit when a country imports more goods and services than it exports.
<i>Current account surplus</i>	The current account of the balance of payments is in surplus when a country exports more goods and services than it imports.
<i>Current rate method</i>	Using the exchange rate at the balance sheet date to translate the financial statements of a foreign subsidiary into the home currency.
<u>Current rate method:</u>	Approach used to consolidate the financial statements of a foreign subsidiary when the subsidiary's functional currency is the subsidiary's home currency.
<u>Customs duty:</u>	A tax on imports or exports.
<i>Customs union</i>	A group of countries committed to (1) removing all barriers to the free flow of goods and services between each other and (2) the pursuit of a common external trade policy.
<u>Customs union:</u>	Form of regional economic integration that combines features of a free trade area with common trade policies toward nonmember countries.
<u>Customs value:</u>	A method of valuing imported goods which, in traditional United States practice, excludes shipping costs from their price.
<u>Date draft:</u>	Draft that requires payment at some specified date.
<u>Debt-equity swaps:</u>	Reduction of debtor nations' debts in return for equity investments in their domestic companies.
<u>Debt-for-nature swaps:</u>	Reduction of debtor nations' debts in return for protection of sensitive environmental habitats.
<u>Decision making:</u>	Process of choosing one alternative from among a set of alternatives in order to promote the decision maker's objectives.
<i>Deferral principle</i>	Parent companies are not taxed on the income of a foreign subsidiary until they actually receive a dividend

	from that subsidiary.
<u>Deferral rule:</u>	Rule permitting U.S. companies to defer paying U.S. income taxes on profits earned by their foreign subsidiaries.
<i><u>Deindustrialization:</u></i>	The loss of basic industries and industrial jobs in mature economies.
<u>Delegated arrangement:</u>	Management arrangement in which partners in a strategic alliance play little or no management role, delegating responsibility to the executives of the alliance itself.
Democracy	Form of government in which rule is by the people, implying that elections are held to determine the popular will.
<i><u>Democracy:</u></i>	A system of government where citizens make political decisions through their representatives. Also called liberal democracy when the system has a constitution that protects individual rights.
Depression	An extended period of economic restructuring and institutional change that is marked by stagnant growth or decline (unemployment levels are usually higher and the inflation rates lower than in a recession).
<i><u>Deregulation:</u></i>	Efforts to end government regulation of economic activities and sectors, allowing firms to make more decisions alone.
Design standard	A pollution standard in which the polluter must use a particular pollution abatement device in a given facility.
<u>Development:</u>	General education aimed at preparing managers for new assignments and/or higher-level positions.
<u>Differentiation strategy:</u>	Business-level strategy that emphasizes the distinctiveness of products or services.
<i>Diminishing returns</i>	Applied to international trade theory, the more of a good that a country produces, the greater the units of resources required to produce each additional item.
<u>Direct exchange rate:</u>	Price of a foreign currency in terms of the home currency; also called a direct quote.
<u>Direct exporting:</u>	Product sales to customers, either distributors or end-users, located outside the firm's home country.
<i><u>Direct foreign investment:</u></i>	Investment in overseas business operations over which the investor has control, as opposed to portfolio investment in bonds or small shares of stock.
<u>Direct quote:</u>	<i>See</i> direct exchange rate.
<u>Direct sales:</u>	Selling products to final consumers.
<u>Dirty float:</u>	<i>See</i> managed float.
<i><u>Discrimination:</u></i>	Treatment of someone less favorably than another because of a physical or cultural attribute.
<u>Distinctive competence:</u>	Component of strategy that answers the question "What do we do exceptionally well, especially as compared to our competitors?"
<u>Distribution:</u>	Process of getting a firm's products and services to its customers.
<i><u>Distributive Policy:</u></i>	Government activities such as tariffs and government contracts that give benefits to specific groups.
<u>Documentary collection:</u>	Form of payment in which goods are released to the buyer only after the buyer pays for them or signs a document binding the buyer to pay for them.

<u>Domestic-content requirement:</u>	A requirement that firms selling a particular product within a particular country must use, as a certain percentage of their inputs, goods produced within that country. The United Auto Workers sought unsuccessfully to limit imports of foreign cars and parts through enactment of domestic-content legislation for automobiles sold in the United States.
<i>Draft</i>	See Bill of Lading
Draft:	Document demanding payment from the buyer.
<i>Drawee</i>	The party to whom a bill of lading is presented.
<u>Due process:</u>	A constitutional principle requiring that judicial and similar proceedings be done in a consistent and orderly way.
<u>Dumping:</u>	The sale of commodity in a foreign market at "less than fair value." Fair value is usually considered to be the price at which the same product is sold in the exporting country or to third countries, but under US law dumping can also be established by comparing the export price to the estimated costs of production of the merchandise in question. When dumping occurs, the legal remedy is imposition of a special duty equal to the "margin" of dumping, the difference between fair value and the actual sales price.
Dumping	Sale of imported goods either (1) at prices below what a company charges in its home market or (2) at price below cost.
<u>Dumping:</u>	Predatory pricing practices in international trade, where goods are sold below cost in a foreign market, or at a cost lower than in the home market.
<u>E. U. (European Union):</u>	Formerly the E.C. (European Community), this is Europe's Common Market, first established in 1957 and strengthened in 1986 and 1991.
Earned Income Tax Credit (EITC)	Federal legislation permitting payroll tax reduction for the working poor, who are allowed to pay lower taxes (a tax credit) as a result of income level and family size. Amended several times since 1975 as a means of providing federal cash assistance to persons whose income falls below the poverty line.
EC '92:	Common name given to the process of completing the internal market mandated by the Single European Act, which was to be finalized by December 31, 1992.
Eclectic theory:	Theory that foreign direct investment occurs because of location advantages, ownership advantages, and internalization advantages.
Economic and monetary union (EMU):	Organization created by the Maastricht Treaty whose goal is to create a single currency for the EU, thereby eliminating exchange-rate risks and the costs of converting currencies for intra-EU trade.
Economic Community for West African States (ECOWAS):	Organization promoting regional economic cooperation created by 16 West African countries.
Economic Community of Central African States (CEEAC):	Organization promoting regional economic cooperation created by Central African countries.
<u>Economic development:</u>	The process of material and social betterment resulting from increased economic production and productivity.
Economic exposure:	Impact on the value of a firm's operations of

	unanticipated exchange-rate changes.
<u>Economic man:</u>	The idea that human beings behave rationally, making choices that will give them the best chance to obtain desired values.
<u>Economic rent:</u>	Excess payment to a factor of production (land, labor, or capital) beyond what is needed to keep it in its present use.
<u>Economic rights:</u>	Government services to meet the material needs of its citizens, provided as a social obligation. Also called <i>social rights</i> .
<i>Economic risk</i>	The likelihood that events, including economic mismanagement, will cause drastic changes in a country's business environment that adversely affect the profit and other goals of a particular business enterprise.
<i>Economic union</i>	A group of countries committed to (1) removing all barriers to the free flow of goods, services, and factors of production between each other, (2) the adoption of a common currency, (3) the harmonization of tax rates, and (4) the pursuit of a common external trade policy.
<u>Economic union:</u>	Form of regional economic integration that combines features of a common market with coordination of economic policies among its members.
<i>Economies of scale</i>	Cost advantages associated with large-scale production.
<u>Economies of scale:</u>	Conditions that occur when average costs of production decline as the number of units produced increases.
<u>Economies of scope:</u>	Conditions that occur when a firm's average costs decline as the number of different products it sells increases.
Economy of scale	The reduction in average unit cost associated with the increase in the size of plant or activity up to a point and thereafter an increase in such cost.
<i>Ecu</i>	A basket of EU currencies that serves as the unit of account for the EMS.
<u>Edge Act corporation:</u>	Bank that is domiciled outside the parent bank's home state and provides international banking services.
<u>Efficiency price:</u>	See scarcity price.
<u>Efficiency:</u>	The production of goods at minimum cost (productive efficiency) and their allocation according to people's desires, so there is no waste (allocative efficiency).
<i>Efficient market</i>	A market where prices reflect all available information.
<u>Embargo:</u>	Ban on the exporting and/or importing of goods to a particular country.
<u>Employer mandate:</u>	A requirement by government that employers spend money for certain purposes.
<u>Employment at will:</u>	The legal doctrine that permits employers and employees to end their relationship at any time.
<u>Entitlement program:</u>	A program of individual benefits whose funds are automatically approved, such as government pensions and unemployment compensation.
<u>Entrepreneur:</u>	Proprietor of an enterprise who sees opportunities to introduce a new product, production process, or organizational setup.
Environmental Protection Agency (EPA)	Federal agency created to permit coordinated and effective governmental action on behalf of the environment. The primary mission of the EPA is to

	abate and control pollution systematically by proper integration of a variety of research, monitoring, standard setting, and enforcement activities.
Equal Employment and Opportunity Commission (EEOC)	Created by Title VII of the Civil Rights Act of 1964, the EEOC's mission is to end discrimination based on race, color, religion, sex or national origin in hiring, promotion, firing, wages, testing, training, apprenticeship, and all other conditions of employment and to promote voluntary action programs by employers, unions, and community organizations to make equal employment opportunity an actuality.
<u>Equity method:</u>	Technique used to consolidate accounting records of subsidiaries in which the parent's ownership stake is between 10 and 50 percent.
<u>Errors and omissions:</u>	BOP account that results from measurement errors; equals the negative of the sum of the current account, the capital account, and the official reserves account.
<u>Escape clause (Section 201, Article XIX):</u>	A provision of the GATT articles, and of US law, authorizing import relief as a temporary "safeguard" for domestic producers injured by import competition. Originally limited to those whose losses resulted from prior US trade concessions, escape clause eligibility was extended in Section 201 of the Trade Act of 1974 to all who could establish that imports were "a substantial cause of serious injury, or the threat thereof." The Omnibus Trade and Competitiveness Act of 1988 stipulated that the goal of any relief must be "positive adjustment." If the US International Trade Commission finds injury and recommends relief, the president must grant it or report to Congress why, after reviewing the "national economic interest of the United States," he has decided there is "no appropriate and feasible action to take." Congress may then override his decision through enactment of a joint resolution, imposing thereby the remedy recommended by the USITC.
<u>ESOP (employee stock ownership plan)</u>	A profit-sharing plan that allows employees to invest in the company for which they work.
<u>Ethnocentric approach:</u>	Managerial approach in which a firm operates internationally the same way it does domestically.
<u>Ethnocentric staffing</u>	A staffing approach within the MNE in which all key management positions are filled by parent-country nationals.
<u>Ethnocentric staffing model:</u>	Approach that primarily uses PCNs to staff upper-level foreign positions.
<u>Eurobond:</u>	Bonds denominated in one country's currency but sold to residents of other countries.
<u>Eurobonds</u>	A bond placed in countries other than the one in whose currency the bond is denominated.
<u>Eurocurrencies:</u>	Currency on deposit in banks outside its country of issue.
<u>Eurocurrency</u>	Any currency banked outside of its country of origin.
<u>Eurodollar</u>	Dollar banked outside of the United States.
<u>Eurodollars:</u>	U.S. dollars deposited in banks outside the borders of the United States.
<u>European Commission:</u>	Twenty-person group that acts as the EU's

	administrative branch of government and proposes all EU legislation.
European Community (EC)	A forerunner of the European Union (see below).
<u>European Court of Justice:</u>	Sixteen-member court charged with interpreting EU law; also interprets whether the national laws of the 15 EU members are consistent with EU laws and regulations.
<u>European Currency Unit (ECU):</u>	Weighted "basket" of EU currencies used for accounting purposes within the EU.
<i>European Free Trade Association (EFTA)</i>	A free trade association including Norway, Iceland, and Switzerland.
<u>European Free Trade Association (EFTA):</u>	Second major trading bloc in Europe that works closely with the EU to promote intra-European trade and whose current members are Iceland, Liechtenstein, Norway, and Switzerland; has shrunk in size over time as many of its members have joined the EU.
<u>European Monetary Institute (EMI):</u>	Organization created by the Maastricht Treaty as first step in establishing a European Central Bank; plays a critical role in promoting economic and monetary union among EU members.
European Monetary System (EMS)	A voluntary system of semifixed exchange rates between several of the member countries of the European Union.
<i>European Monetary System (EMS)</i>	EU system designed to create a zone of monetary stability in Europe, control inflation, and coordinate exchange rate policies of EU countries.
<u>European Monetary System (EMS):</u>	System based on 1979 agreement among members of the European Union to manage currency relationships among themselves.
<u>European Parliament:</u>	Legislature with 626 members elected from districts in member countries that has a consultative role in EU decision making.
European Union (EU)	An organization of 15 Western European nations designed to foster economic cooperation and common development, with the eventual aim of economic and monetary union together with a measure of political unity.
<i>European Union (EU)</i>	An economic group of 15 European nations: Austria, Belgium, Great Britain, Denmark, Finland, France, Germany, Greece, the Netherlands, Ireland, Italy, Luxembourg, Portugal, Spain and Sweden. Established as a customs union, it is now moving toward economic union. (Formerly the European Community.)
Exchange rate	The price of one currency in terms of another currency.
<i>Exchange rate</i>	The rate at which one currency is converted into another.
<u>Exchange rate:</u>	Price of one currency in terms of a second currency.
<u>Exchange Rate Mechanism (ERM):</u>	Agreement among European Union members to maintain fixed exchange rates among themselves within a narrow band.
<i>Exchange rate mechanism (ERM)</i>	Mechanism for aligning the exchange rates of EU currencies against each other.
<i>Excise:</i>	A tax on the sale or manufacture. of a specific product.
<i>Excludability:</i>	The degree to which goods or services change hands only if both buyers and sellers agree on the terms.
<i>Exclusive channels</i>	A distribution channel that outsiders find difficult to access.
<u>Exit interview:</u>	Interview with an employee who is leaving the

	organization.
<u>Exon-Florio amendment:</u>	A measure attached to the 1988 Trade Act to provide a means of monitoring foreign direct investment in the United States. The amendment authorizes the president to block mergers and joint ventures with, or acquisitions or takeovers of US companies by foreign interest, on national security grounds.
<u>Expatriate failure:</u>	Early return of an expatriate manager to his or her home country because of inability to perform in the overseas assignment.
<i>Expatriate manager</i>	A national of one country appointed to a management position in another country.
<u>Expatriates:</u>	Collective name for parent-country nationals (PCNs) and third-country nationals (TCNs).
<i>Experience curve</i>	Systematic production cost reductions that occur over the life of a product.
<i>Experience curve pricing</i>	Aggressive pricing designed to increase volume and help the firm realize experience curve economies.
<u>Export and Import brokers:</u>	Agents who bring together international buyers and sellers of standardized commodities such as coffee, cocoa, and grains.
<u>Export management company (EMC):</u>	Firm that acts as its clients' export department.
<u>Export of the services of capital:</u>	Income that a country's residents earn from their foreign investments.
<u>Export promotion:</u>	Economic development strategy based on building a vibrant manufacturing sector by stimulating exports, often by harnessing some advantage the country possesses, such as low labor costs.
<u>Export tariff:</u>	Tax levied on goods as they leave the country.
<u>Export trading company (ETC):</u>	Firm that may engage in various cooperative exporting practices without fear of violating U.S. antitrust laws.
<i>Export-Import Bank (Eximbank)</i>	Agency of the U.S. government whose mission is to provide aid in financing and facilitate exports and imports.
<u>Export-Import Bank of the United States (Eximbank):</u>	U.S. government agency that promotes U.S. exports by offering direct loans and loan guarantees.
<i>Exporting</i>	Sale of products produced in one country to residents of another country.
<u>Exporting:</u>	Selling products made in one's own country for use or resale in other countries.
<u>Export-promotion strategy:</u>	<i>See</i> export promotion.
Exports	The goods and services sold to citizens of another country plus the services furnished to the citizens of the foreign country in shipping, financing, and otherwise facilitating the export.
<u>Expropriation:</u>	Involuntary transfer of property, with compensation, from a privately owned firm to a host country government.
Externalities	Economically, externalities are costs or benefits not taken into account in a transaction or system of transactions.
<i>Externality:</i>	The partial cost or benefit of a transaction that is borne not by the producer or consumer of goods and services, but by other members of society, leading to a market failure.

<i>Externally convertible currency</i>	Nonresidents can convert their holdings of domestic currency into foreign currency, but the ability of residents to convert the currency is in some way limited.
<u>Extraterritoriality:</u>	Application of a country's laws to activities occurring outside its borders.
<i>Factor endowments</i>	A country's endowment with resources such as land, labor, and capital.
<i><u>Factor of production:</u></i>	Economic resources that go into the production of goods.
<u>Factoring:</u>	Specialized international lending activity in which firms buy foreign accounts receivable at a discount from face value.
<i>Factors of production</i>	Inputs into the productive process of a firm, including labor, management, land, capital, and technological know-how.
<u>Fair trade:</u>	Trade between nations that takes place under active government intervention to ensure that the companies of each nation receive their fair share of the economic benefits of trade; also called managed trade.
Family and Medical Leave Act of 1993	Federal legislation granting the right of unpaid leave to employed persons confronting emergencies of family care.
Family Support Act of 1988	Sweeping federal legislation designed to support families in the administration of welfare programs, including attaching the wages of "deadbeat dads" and permitting experimental changes by states in merging welfare programs with employment and training programs.
<u>Fast-track procedures:</u>	Legislative procedures set forth in Section 151 of the Trade Act of 1974, stipulating that once the president formally submits to Congress a bill implementing an agreement (negotiated under the act's authority) concerning non-tariff barriers to trade, both houses must vote on the bill within 90 days. No amendments are permitted. The purpose of these procedures is to assure foreign governments that Congress will act expeditiously on an agreement they negotiate with the US government. The deadline for negotiations under the fast-track procedures was extended until 1991 by the 1988 Trade Act, and then (with congressional acquiescence) until 30 June 1993. The deadline for Uruguay Round negotiations was subsequently extended to 16 April 1994. There was no extension of fast-track authority in the Uruguay Round implementing legislation.
Federal Aviation Administration (FAA)	A federal administration housed within the Department of Transportation whose primary mission is to regulate air commerce in ways that best promote its development and safety.
Federal Bureau of Investigations (FBI)	As principle investigative arm of the U.S. Department of Justice, the FBI is charged with gathering and reporting facts, locating witnesses, and compiling evidence in matters in which the federal government is, or may be, a party of interest.
Federal Communications Commission (FCC)	Federal agency that regulates interstate and foreign

	communications by radio, television, wire, and cable.
Federal Deposit Insurance Corporation (FDIC)	Federal body established to promote and preserve public confidence in banks and to protect the money supply through the provision of insurance coverage for bank deposits.
Federal Emergency Management Agency (FEMA)	Federal agency that is accountable for emergency preparedness and response for all levels of government and for all types of emergencies (natural, manmade, and nuclear).
Federal Energy Regulatory Commission	An independent five-member commission within the Department of Energy that sets the rates and charges for the transportation and sale of natural gas and electricity, and oversees the licensing of hydroelectric projects.
Federal Home Loan Bank Board	Federal body that supervises and regulates savings and loan organizations.
Federal Maritime Commission	Federal agency that regulates the waterborne foreign and domestic offshore commerce of the United States, assures that U.S. international trade is open to all nations on fair and equitable terms, and guards against unauthorized monopoly in the waterborne commerce of the United States.
Federal Reserve System	The central bank of the United States charged with administering and making policy for the nation's credit and monetary affairs. The system includes twelve Federal reserve Banks, 25 branches, and several committees.
Federal Savings & Loan Insurance Corporation (FSLIC)	Run by the Federal Home Loan Bank Board, the FSLIC protects the savings of Americans with savings accounts in FSLIC-insured savings and loan associations.
Federal Trade Commission (FTC)	An independent federal agency run by a five-member commission that is charged by Congress with preventing unfair and deceptive business activities and monopoly practices that inhibit competition.
Federalism	A mode of political organization that divides power among general and constituent governments in a manner designed to protect the existence and authority of both national and subnational political systems, such as states, enabling all to share in a decision-making and policy execution.
<i>Fiduciary:</i>	A person having a legal duty to act primarily for another's benefit.
<i>Filibuster:</i>	The use of stalling tactics to keep debate alive and block final action on a bill in the U.S. Senate.
<i>Financial Accounting Standards Board (FASB)</i>	The body that writes the generally accepted accounting principles by which the financial statements of U.S. firms must be prepared.
<u>Financial alliance:</u>	Strategic alliance in which two or more firms work together to reduce the financial risks associated with a project.
<u>Financial derivative:</u>	Financial instrument whose return derives from some bond, stock, or other asset.
<i>Financial structure</i>	Mix of debt and equity used to finance a business.
<u>First-mover advantage:</u>	Competitive advantage gained by the first firm to enter a market, develop a product, introduce a technology, etc.
<i>First-mover advantages</i>	Advantages accruing to the first to enter a market.

Fiscal policy	The portion of government policy concerned with raising revenue through taxation and other means and deciding on the level and pattern of expenditure. Through this policy the government has some control over the level of aggregate demand in the economy and, thus, over the rate of new job creation and, to some extent, the rate of inflation.
<i>Fiscal policy:</i>	The use of taxes and government spending to stabilize the economy.
<i>Fisher effect</i>	Nominal interest rates (i) in each country equal the required real rate of interest (r) and the expected rate of inflation over the period of time for which the funds are to be lent (1). That is, $I = r + 1$.
<i>Fixed exchange rates</i>	A system under which the exchange rate for converting one currency into another is fixed.
<u>Fixed exchange-rate system:</u>	International monetary system in which each government promises to maintain the price of its currency in terms of other currencies.
<i>Fixed-rate bond</i>	Offers a fixed set of cash payoffs each year until maturity, when the investor also receives the face value of the bond in cash.
<u>Flexible (or floating) exchange-rate systems:</u>	System in which exchange rates are determined by supply and demand.
<i>Flexible manufacturing technologies</i>	Manufacturing technologies designed to improve job scheduling, reduce setup time, and improve quality control.
<u>Flight capital:</u>	Money sent out of politically or economically unstable countries by investors seeking a safe haven for their assets.
<u>Float:</u>	To allow a currency's value to be determined by forces of supply and demand.
<i>Floating exchange rates</i>	A system under which the exchange rate for converting one currency into another is continuously adjusted depending on the laws of supply and demand.
<i>Flow of foreign direct investment</i>	The amount of foreign direct investment undertaken over a given time period (normally one year).
<u>Focus strategy:</u>	Business-level strategy targeting specific types of products for certain customer groups or regions.
<i>Folkways</i>	Routine conventions of everyday life.
Food and drug Administration (FDA)	The federal agency that aims to protect the health of U.S. citizens against impure and unsafe foods, drugs, and cosmetics.
<i>Foreign bonds</i>	Bonds sold outside the borrower's country and denominated in the currency of the country in which they are issued.
<u>Foreign bonds:</u>	Bonds issued by residents of one country to residents of a second country and denominated in the second country's currency.
<u>Foreign Corrupt Practices Act (FCPA):</u>	U.S. law enacted in 1977 prohibiting U.S. firms their employees, and agents acting on their behalf from paying or offering to pay foreign government officials in order to influence official actions or policies or to gain or retain business.
<i>Foreign direct investment (FDI)</i>	Direct investment in business operations in a foreign country.

<u>Foreign direct investment (FDI):</u>	Acquisition of foreign assets for the purpose of controlling them; under U.S. regulations, FDI occurs when an investor owns at least 10 percent of the voting stock of a foreign company.
<i>Foreign exchange market</i>	A market for converting the currency of one country into that of another country.
<i>Foreign exchange risk</i>	The risk that changes in exchange rates will adversely affect the profitability of a business deal.
<u>Foreign exchange:</u>	Currencies issued by countries other than one's own.
<i>Foreign portfolio investment (FPI)</i>	Investments by individuals, firms, or public bodies (e.g., national and local governments) in foreign financial instruments (e.g., government bonds, foreign stocks).
<u>Foreign sales corporation (FSC):</u>	Subsidiary of a U.S. MNC that enjoys substantial income tax savings from profits earned from exporting activities.
<u>Foreign service premium:</u>	<i>See</i> hardship premium.
<u>Foreign Sovereign Immunities Act of 1976:</u>	U.S. law that limits the ability of U.S. citizens to sue foreign governments in U.S. courts.
<u>Foreign trade zone (FTZ):</u>	Geographical area in which imported or exported goods receive preferential tariff treatment.
<u>Forum shopping:</u>	Attempt to seek a court system or judge that will be most sympathetic to an attorney's client.
<u>Forward discount:</u>	Difference between the forward and the spot price of a currency expressed as an annualized percentage (assumes the forward price is <i>less</i> than the spot price) (<i>see also</i> forward premium).
<i>Forward exchange</i>	When two parties agree to exchange currency and execute a deal at some specific date in the future.
<i>Forward exchange rate</i>	The exchange rates governing forward exchange transactions.
<u>Forward market:</u>	Market for foreign exchange involving delivery of currency at some point in the future.
<u>Forward premium:</u>	Difference between the forward and the spot price of currency expressed as an annualized percentage (assumes the forward price is <i>more</i> than the spot price) (<i>see also</i> forward discount).
<u>Franchisee:</u>	Independent entrepreneur or organization that operates a business under the name of another.
<u>Franchising:</u>	Special form of licensing allowing the licensor more control over the licensee while also providing more support from the licensor to the licensee.
<u>Franchisor:</u>	Firm that allows an independent entrepreneur or organization to operate a business under its name.
<u>Free-alongside-ship (f.a.s.):</u>	A contractual basis for trade by which the seller delivers goods to the buyer at the port of embarkation and the buyer assumes responsibility thereafter; hence, a method of valuing internationally traded goods that does not include the cost of their shipment from the exporting to the importing country.
<i>Free riding:</i>	The tendency of consumers to understate a preference for a public good and to consume the good without paying the full price for it.
<i>Free trade</i>	The absence of barriers to the free flow of goods and services between countries.
<u>Free trade:</u>	Trade between nations that is unrestricted by

	governmental actions.
<u>Free trade:</u>	The elimination of impediments to foreign trade so that goods, services, and capital can travel unchecked across international borders.
<u>Free trade agreement:</u>	An arrangement between two or more nations to remove barriers to the trade they conduct with one another. An FTA also usually addresses trade-distorting practices such as government subsidies. Under such an agreement, concessions are not on an MFN (most-favored nation) basis, but only to the parties to the FTA. Since such agreements were authorized by the Trade and Tariff Act of 1984, the United States has negotiated FTAs with Israel and Canada, and a North American Free Trade Agreement (NAFTA) with Canada and Mexico.
<i>Free trade area</i>	A group of countries committed to removing all barriers to the free flow of goods and services between each other, but pursuing independent external trade policies.
<u>Free trade area:</u>	Regional trading bloc that encourages trade by eliminating trade barriers among its members.
<i>Freely convertible currency</i>	A country's currency is freely convertible when the government of that country allows both residents and nonresidents to purchase unlimited amounts of foreign currency with the domestic currency.
<u>Freight forwarders:</u>	Agents who specialize in the physical transportation of goods, arranging customs documentation and obtaining transportation services for their clients.
Frictional employment	Unemployment resulting from the time lags involved in the redeployment of labor.
<i>Fronting loans</i>	A loan between a parent company and a foreign subsidiary that is channeled through a financial intermediary.
Full employment	An economic situation in which all those who want to work are able to find employment. Full employment levels usually entail unemployment rates between 3 to 6 percent, since frictional unemployment and structural unemployment (see Below) always exist.
Full Employment Act of 1946	An Act of the U.S. Congress that mandated the government to use all practicable means to achieve maximum employment; production, and purchasing power. Created the Council of Economic Advisors.
<u>Functional currency:</u>	Currency of the principal economic environment in which a subsidiary operates.
<i>Functional representation:</i>	Representation of society's functions (such as labor and management) through public institutions.
G.I. Bill	Serviceman's Readjustment Act of 1944 that pays for college education for returning veterans.
<i>Gains from trade</i>	The economic gains to a country from engaging in international trade.
<i>GATT (General Agreement on Tariffs and Trade):</i>	An international code of trading rules, signed in 1947, that promotes freer trade.
<i>GDP/GNP:</i>	The value of all goods and services produced for sale in a nation in a year. (GDP excludes investment income from abroad.)
General Agreement on Tariffs and Trade (GATT)	A multilateral trade agreement containing guidelines for conduct of international trade based on three basic

	principles: nondiscriminatory treatment of all signatories in trade matters; eventual elimination of tariff and nontariff barriers to trade; and resolution through consultation of conflicts or damages arising from trade actions of another signatory.
<i>General Agreement on Tariffs and Trade (GATT)</i>	International treaty that committed signatories to lowering barriers to the free flow of goods across national borders led to the WTO.
<u>General Agreement on Tariffs and Trade (GATT):</u>	Early postwar multilateral agreement on trade rules, completed in 1947 as an interim arrangement pending establishment of the projected International Trade Organization (ITO). After Congress failed to ratify the ITO agreement, the articles of the GATT agreement became the basic rules of international trade, and the GATT organization at Geneva the central international institution supporting international negotiations and the reduction of trade barriers. As part of the Uruguay Round agreement, the GATT was superseded by the World Trade Organization (WTO) on 1 January 1995, with all bodies and rules of the GATT as modified by the Uruguay Round agreements becoming part of the WTO.
<u>General Agreement on Tariffs and Trade (GATT):</u>	International organization that sponsors negotiations to promote world trade.
<i>General sales tax:</i>	A tax levied on retail sales.
<u>Generalized System of Preference (GSP):</u>	A system under which industrial nations give preferential rates of duty on imports from less developed countries without receiving trade concessions in return. The United States began extending preferences in 1975, and renewed them in the Trade and Tariff Act of 1984.
<u>Generalized System of Preference (GSP):</u>	System of reduced tariff rates offered on goods exported from developing countries.
<u>Generic organizational control:</u>	Form of organizational control based on centralized generic controls across the entire organization.
<u>Geocentric approach:</u>	Management approach in which a firm analyzes the needs of its customers worldwide and then adopts standardized operating practices for all markets it serves.
<u>Geocentric staffing model:</u>	Approach using a mix of PCNs, HCNs, and TCNs to staff upper-level foreign positions.
<u>Geographic arbitrage:</u>	See <i>two-point arbitrage</i> .
<u>Gephardt amendment:</u>	Authored by Representative Richard A. Gephardt (D-MO), this legislation threatened retaliation against countries running large trade deficits with the United States. Initially passed by the House in 1986 and 1987, it was supplanted, in the 1988 act, by Super 301. The congressman, as House majority leader, introduced a "new Gephardt amendment" in 1991 targeted mainly at Japan.
Gerrymander	The intentional design of political boundaries of noncontiguous districts to ensure that a majority of a given political party exists within the boundary.
<u>Global area design:</u>	Form of organization design that centers a firm's activities around specific areas or regions of the world.
<u>Global bonds:</u>	Large, liquid bond issues designed to be traded in numerous capital markets.

<u>Global Corporation:</u>	Organization that views the world as a single marketplace and strives to create standardized goods and services to meet the needs of customers worldwide.
<u>Global customer design:</u>	Form of organization design centered around different customers or customer groups, each requiring special expertise or attention.
<u>Global matrix design:</u>	Complex form of international organization design created by superimposing one form of design on top of an existing different form.
<i>Global matrix structure</i>	Horizontal differentiation proceeds along two dimensions: product divisions and areas.
<u>Global product design:</u>	Form of organization design that assigns worldwide responsibility for specific products or product groups to separate operating divisions within a firm.
<i>Global strategy</i>	Strategy focusing on increasing profitability by reaping the cost reductions from experience curve and location economies.
<i>Globalization of markets</i>	Moving away from an economic system in which national markets are distinct entities, isolated by trade barriers and barriers of distance, time and culture toward a system in which national markets are merging into one global market.
<i>Globalization of production</i>	Trend by individual firms to disperse parts of their productive processes to different locations around the globe to take advantage of differences in cost and quality of factors of production.
<u>Globalization:</u>	The trend toward greater integration of the world's markets.
<u>Goal orientation:</u>	Cultural beliefs about motivation and the different goals toward which people work.
Goals 2000	Federal strategy of education reform passed by the Educate America Act of 1994 that aims to create a "World-Class Education for Every Child" through a series of goals and standards.
<i>Geocentric staffing</i>	A staffing policy where the best people are sought for key jobs throughout an MNE, regardless of nationality.
<i>Gold par value</i>	The amount of currency needed to purchase one ounce of gold.
<u>Gold standard:</u>	International monetary system based on the willingness of countries to buy or sell their paper currencies for gold at a fixed rate.
<u>Golden parachute:</u>	A contract by which a company agrees to make a payment to key officers should control of the company change hands.
<u>Goodwill:</u>	Payment in excess of the book value of a firm's stock.
Government	A social institution empowered to make decisions for a whole society or community.
<u>Government failure:</u>	The inability of a government intervention in the

	economy to provide a socially desirable outcome.
<u>Government:</u>	The institutions that provide protection and justice to constituents by exercising monopoly power over the use of force. Also see state.
Grant	Sometimes referred to as a grant-in-aid. Producer subsidy financed with government financial assistance. May be targeted through categorical grants or distributed as a block grant covering a wide spectrum of needs.
<u>Gray market:</u>	Market created when products are imported into a country legally but outside the normal channels of distribution authorized by the manufacturer.
<u>Greenfield investment:</u>	Form of investment in which the firm designs and builds a new factory from scratch, starting with nothing but a "green field".
<u>Greenfield strategy:</u>	Form of foreign direct investment that involves building new facilities.
<u>Greenmail:</u>	The repurchase of stock at a price above the market, used as a means to stop an investor who wants to take over a company.
Gross Domestic Product (GDP)	The money value of all final goods and services produced in an economy during a given time period. GDP is considered a measure of aggregate production of the economy during that time period.
<i>Gross domestic product (GDP)</i>	The market value of a country's output attributable to factors of production located in the country's territory.
<u>Gross domestic product (GDP):</u>	Measure of market value of goods and services produced in a country.
Gross National Product (GNP)	GNP plus the production of U.S. citizens or companies that occurs outside of the United States.
<i>Gross national product (GNP)</i>	The market value of all the final goods and services produced by a national economy.
<u>Gross national product (GNP):</u>	Measure of market value of goods and services produced by resources owned by a country's residents.
Group of Seven (G-7)	Composed of the heads of state of the seven major industrialized nations who meet periodically to coordinate economic policy. Includes the United States, France, Germany, Great Britain, Canada, Italy, and Japan.
<u>Hard currencies:</u>	Currencies that are freely tradable; also called convertible currencies.
<u>Hard loan policy:</u>	World Bank lending policy requiring that loans be made only if they are likely to be repaid.
<u>Hardship premium:</u>	Supplemental compensation to induce managers to accept relatively unattractive international assignments; also called foreign service premium.
<u>Harmonization:</u>	Voluntary adoption of common regulations, policies, and procedures by members of a regional trading bloc to promote internal trade.
<u>Harmonized tariff schedule (HTS):</u>	Classification scheme used by many nations to determine tariffs on imported goods.
<u>Headhunters:</u>	Recruiting firms that actively seek qualified managers and other professionals for possible placement in positions in other organizations.
Health Maintenance Organization (HMO)	A health organization that maintains clinics and hospitals and supplies physician and health care

	specialist care and medication based on a fixed annual fee per person (capitation financing).
<i>Heckscher-Ohlin Theory</i>	Countries will export those goods that make intensive use of locally abundant factors of production and import goods that make intensive use of locally scarce factors of production.
<u>Heckscher-Ohlin Theory:</u>	<i>See</i> relative factor endowments, theory of
<u>H-form design:</u>	Form of organization design in which products are unrelated to each other.
<u>High-context culture:</u>	Culture in which the context in which a discussion is held is equally as important as the actual words that are spoken in conveying the speaker's message to the listener.
<i>Historic cost principle</i>	Accounting principle founded on the assumption that the currency unit used to report financial results is not losing its value due to inflation.
<i>Home country</i>	The source country for foreign direct investment.
<u>Home country:</u>	Country in which a firm's headquarters is located.
Homestead Act of 1862	Granted public land to settlers on condition that they live on the land and make it productive. While the first homestead law was signed by President Lincoln in 1862, homestead laws were used to settle the West.
<i>Horizontal differentiation</i>	The division of the firm into sub-units.
<i>Horizontal foreign direct investment</i>	Foreign direct investment in the same industry abroad as a firm operates in at home.
<u>Horizontal merger:</u>	One company's acquisition of another company competing in the same product and geographic markets.
<i>Host country</i>	Recipient country of inward investment by a foreign firm.
<u>Host country:</u>	Country other than a firm's home country in which it operates.
<u>Host-country nationals (HCNs):</u>	Employees who are citizens of the host country where an international business operates.
<u>Hostile takeover:</u>	An acquisition attempt by outsiders made over the objection of the management of the company being acquired.
Human Capital	A concept that views human workers as assets in the same sense as financial capital rather than simply as costs to be minimized.
<u>Human capital:</u>	The investment in the education and skills of a nation's population.
<i>Human development index</i>	An attempt by the United Nations to assess the impact of a number of factors on the quality of human life in a country.
Human Resource Capitalism	The public policy strategy for economic growth that emphasizes investing heavily in the education and training of people as the basis for securing a competitive economic position.
<u>Human resource management (HRM):</u>	Set of activities directed at attracting, developing, and maintaining the effective workforce necessary to achieve a firm's objectives.
<u>Hurdle rate:</u>	Minimum rate of return a firm finds acceptable for its capital investments.
Ideology	The combined doctrines, assertions, and intentions with which a social or political group justifies its behavior.

<u>IMF conditionally:</u>	Restrictions placed on economic policies of countries receiving IMF loans.
<u>Import of the services of capital:</u>	Payments that country's residents make on capital supplied by foreigners.
<u>Import Quota</u>	The fixed amount of goods that may be imported.
<i>Import quota</i>	A direct restriction on the quantity of a good that can be imported into a country.
<u>Import tariff:</u>	Tax levied on goods as they enter a country.
<u>Importing:</u>	Buying products made in other countries for use or resale in one's own country.
<u>Import-substitution policy:</u>	Economic development strategy that relies on the stimulation of domestic manufacturing firms by erecting barriers to imported goods.
<u>Imports</u>	Commodities or services bought from foreign countries.
<u>Inc.:</u>	Abbreviation for <i>incorporation</i> , meaning that the liability of the company's owners is limited to the extent of their investments if the company fails or encounters financial or legal difficulties.
<u>Income distribution:</u>	Relative numbers of rich, middle-class, and poor residents in a country.
<i>Income tax:</i>	A tax levied on individual or corporate income.
<u>Inconvertible currencies:</u>	Currencies that are not freely traded because of legal restrictions imposed by the issuing country or that are not generally accepted by foreigners in settlement of international transactions; also called soft currencies.
<i>Independent regulatory commission:</i>	An autonomous unit of the U.S. government that deals with a specific industry or field of activity, often combining quasi legislative, judicial, and administrative functions.
<u>Indirect exchange rate:</u>	Price of the home currency in terms of the foreign currency; also called indirect quote.
<u>Indirect exporting:</u>	Sales of a firm's products to a domestic customer, which in turn exports the product, in either its original form or a modified form.
<u>Indirect quote:</u>	<i>See</i> indirect exchange rate.
<i>Individualism</i>	An emphasis on the importance of guaranteeing individual freedom and self-expression.
<u>Individualism:</u>	Cultural belief that the person comes first.
<u>Industrial democracy:</u>	System based on the belief that workers should have a voice in how businesses are run.
<i>Industrial democracy:</i>	When workers participate in the -management of companies. <i>See</i> also co-determination.
<u>Industrial policy:</u>	Governmental actions affecting, or seeking to affect, the sectoral composition of the economy by influencing the development of particular industries.
<u>Industrial policy:</u>	Economic development strategy in which a national government identifies key domestic industries critical to the county's economic future and then formulates policies that promotes the international competitiveness of these industries.
<i>Industrial Policy:</i>	Selective government programs to create or revitalize particular industries or companies, usually so they can compete internationally.
<u>Industrial products:</u>	Goods and services sold primarily for use by organizations.

<u>Industrial Revolution:</u>	The time countries changed their manufacturing methods from individual production by hand to factory production using machines. Also see industrialization.
<u>Industrial targeting:</u>	The selection, by a national government, of industries important to the next stage of that nation's economy, and encouragement of their development through explicit policy measures. A frequent goal of such targeting is competitiveness in export markets.
<u>Industrialization:</u>	The development of modern manufacturing industries, usually as a conscious government plan; also see economic development.
<i>Infant industry argument</i>	New industries in developing countries must be temporarily protected from international competition to help them reach a position where they can compete on world markets with the firms of developed nations.
<u>Infant industry argument:</u>	Argument in favor of governmental intervention in trade: a nation should protect fledgling industries for which the nation will ultimately possess a comparative advantage.
Inflation	A period when purchasing power of a monetary unit is falling.
<u>Informal management network:</u>	Group of managers from different parts of the world who are connected to one another in some way.
<u>Information system:</u>	Methodology created by a firm to gather, assemble, and provide data in a form or forms useful to managers.
<u>Information:</u>	Data in a form that is of value to a manager.
<u>Infrastructure:</u>	The physical foundation on which a community's economy is built and public services delivered, and that weaves it together with other economies. Also called <i>social overhead capital</i> .
<u>Initiative:</u>	The mechanism by which citizens can petition to present a measure directly to the voters or to the legislature.
<u>Injury:</u>	The requirement, under GATT, that an industry seeking trade relief establish that it has been hurt by foreign competition. In the United States, a finding of injury has always been required for escape clause relief, and since 1979 for the bulk of CVD and antidumping cases as well.
<u>Insider trading:</u>	The illegal practice of buying and selling shares based on information that is not available to the public.
Institutional Agenda	The composite of public policy issues that, at any particular time, have reached the action stage of consideration by government.
<i>Integrating mechanisms</i>	Mechanisms for achieving coordination between sub-units within an organization.
<i>Intellectual property</i>	Products of the mind, ideas (e.g., books, music, computer software, designs, technological know-how). Intellectual property can be protected by patents, copyright, and trademarks.
<u>Intellectual property rights:</u>	Intangible property rights that include patents, copyrights, trademarks, brand names, and trade secrets.
<u>Intellectual property:</u>	See TRIPs.
<u>Interest groups:</u>	Private organizations, united by common goals, that organize to lobby and influence public policy.
<u>Interindustry trade:</u>	International trade involving the exchange of goods

	produced in one industry in one country for goods produced in another industry in a different country.
<u>Intermediaries:</u>	Third parties that specialize in facilitating imports and exports.
Internal Revenue Service (IRS)	Federal agency within the Treasury Department that is responsible for administering and enforcing the internal revenue laws, except those relating to alcohol, tobacco, firearms, and explosives.
<u>Internalization advantages:</u>	Factors that affect the desirability of a firm's producing a good or service itself rather than relying on existing local firms to control production.
<u>Internalization theory:</u>	Theory stating that foreign direct investment occurs because of the high costs of entering into production or procurement contracts with foreign firms.
<i>International Accounting Standards Committee (IASC)</i>	Organization of representatives of 106 professional accounting organizations from 79 countries that is attempting to harmonize accounting standards across countries.
<u>International Accounting Standards Committee (IASC):</u>	International organization whose mission is to harmonize the national accounting standards used by various nations.
<u>International Bank for Reconstruction and Development (IBRD):</u>	Official name of the World Bank, which was established by the Bretton Woods agreement to reconstruct the war-torn economies of Western Europe and whose mission changed in the 1950s to aid the development of less developed countries.
<u>International banking facility (IBF):</u>	Entity of a U.S. bank that is exempted from domestic banking regulations as long as it provides only international banking services.
<u>International business:</u>	Business that engages in cross-border commercial transactions with individuals, private firms, and/or public sector organizations; term is also used to refer to cross-border transactions.
<u>International Development Association (IDA):</u>	World Bank affiliate that specializes in loans to less developed countries.
<i>International division</i>	Division responsible for a firm's international activities.
<u>International Finance Corporation:</u>	World Bank affiliate whose mission is the development of the private sector in developing countries.
<i>International Fisher Effect</i>	For any two countries, the spot exchange rate should change in an equal amount but in the opposite direction to the difference in nominal interest rates between countries.
<u>International Fisher effect:</u>	Observation that differences in nominal interest rates among countries are due to differences in their expected inflation rates.
<u>International investments:</u>	Capital supplied by residents of one country to residents of another.
<u>International logistic:</u>	Management functions associated with the international flow of materials, parts, supplies, and finished products from suppliers to the firm, between units of the firm itself, and from the firm to customers.
<u>International marketing:</u>	Extension of marketing activities across national boundaries; <i>see also</i> marketing.
International Monetary Fund (IMF)	Established by the Bretton Woods (1944) conference, this fund was designed to meet the requirements of

	international monetary cooperation.
<i>International Monetary Fund (IMF)</i>	International institution set up to maintain order in the international monetary system.
<u>International Monetary Fund (IMF):</u>	Agency created by the Bretton Woods Agreement to promote international monetary cooperation after World War II.
<i>International Monetary Fund (IMF)</i>	An international organization established in 1944 that provides funds needed for balance of payments to stabilize currencies.
<u>International monetary system:</u>	System by which countries value and exchange their currencies.
<u>International operations management:</u>	Transformation-related activities of an international firm.
<u>International order cycle time:</u>	Time between placement of an order and its receipt by the customer.
<u>International service business:</u>	Firm that transforms resources into an intangible output that creates utility for its customers.
<u>International strategic management:</u>	Comprehensive and ongoing management planning process aimed at formulating and implementing strategies that enable a firm to compete effectively internationally.
<i>International strategy</i>	Trying to create value by transferring core competencies to foreign markets where indigenous competitors lack those competencies.
<u>International trade:</u>	Voluntary exchange of goods, services, or assets between a person or organization located in one country and a person or organization located in another country.
<i>International Trade Commission:</i>	See US International Trade Commission.
<u>International trading company:</u>	Firm directly engaged in importing and exporting a wide variety of goods for its own account.
Interstate Commerce Commission (ICC)	Federal commission that regulates interstate surface transportation, including trains, trucks, buses, inland waterway and coastal shipping, freight forwarders, and express companies.
<u>Intracorporate transfer:</u>	Selling of goods by a firm in one country to an affiliated firm in another country.
<u>Intraindustry trade:</u>	Trade between two countries involving the exchange of goods produced by the same industry.
<i>Investment:</i>	Expenditure devoted to increasing or maintaining the economy's stock of capital.
<i>Invisible hand:</i>	The idea that the pursuit of profit in a free market leads to the material advantage of society as a whole.
<u>Invoicing currency:</u>	Currency in which an international transaction is invoiced.
Iron Law	Every act of government creates winners and- losers within the competitive sector of the economy.
Iron Triangle	A public policy coalition of institutions and individuals that is more or less fixed in its membership and focus.
<i>Iron triangle:</i>	A name for the steady, helpful relationships that often grow among a congressional committee or subcommittee, an administrative agency, and concerned interest groups.
<u>Irrevocable letter of credit:</u>	Letter of credit that cannot be changed without the consent of the buyer, the seller, and the issuing bank.
Issue attention cycle	The phases through which a public policy issue passes as

	it moves toward public visibility and prominence.
<u>Jamaica Agreement:</u>	Agreement among central bankers made in 1976, allowing each country to adopt whatever exchange rate system it wished.
<i>Joint venture</i>	A cooperative undertaking between two or more firms.
<u>Joint venture:</u>	Special form of strategic alliance created when two or more firms agree to work together and jointly own a separate firm to promote their mutual interests.
<i>Joint venture:</i>	An association of firms assembled to carry out a specific business project.
<i>Junk bonds:</i>	High-risk bonds often used to raise funds for corporate buyouts and takeovers.
<i>Just-in-time (JIT)</i>	Logistics systems designed to deliver parts to a production process as they are needed, not before.
<u>Just-in-time (JIT) systems:</u>	Systems in which suppliers are expected to deliver necessary inputs just as they are needed.
<u>Kabusiki kaisha (KK):</u>	In Japan, term used to represent all limited-liability companies.
<u>Keiretsu:</u>	Family of Japanese companies, often centered around a large bank or trading company, having extensive cross-ownership of shares and interacting with one another as suppliers or customers.
<u>Kennedy Round:</u>	The popular name for the sixth round of trade negotiations under the aegis of the GATT, conducted during 1963-1967, which produced major cuts in tariffs.
<i>Keynesian economics:</i>	Analysis of the cause and consequence of aggregate spending and income, in which government compensates for deficiencies with deficit spending.
<u>Labor Productivity:</u>	Measure determined by dividing output by direct labor hours or costs; used to assess how efficiently an organization is using its workforce.
<i>Lag strategy</i>	Delaying the collection of foreign currency receivables if that currency is expected to depreciate.
Laissez-faire	Term that generally refers to the lack of governmental interference in the economy.
<i>Laissez-faire:</i>	The doctrine that the commercial affairs of society are best guided by the decisions of individuals, to the exclusion of government.
Land Ordinance of 1785	The first national K-12 education policy that under the Articles of Confederation required that land surveyed in the Northwest Territories be parceled out with a fixed amount of land allocated to the support of public education.
<i>Law of one price</i>	In competitive markets free of transportation cost and barriers to trade, identical products sold in different counties must sell for the same price when their price is expressed in terms of the same currency.
<i>LBO (leverage buyout):</i>	A group of investors led by management buys the stock of a publicly traded company and takes the company private, financed by loans in which the company's assets are pledged as collateral.
<i>LDC:</i>	A less developed country, with low average income and little industry.
<i>Lead market</i>	Market where new products are first introduced.
<i>Lead strategy</i>	Collecting foreign currency receivables early when a

	foreign currency is expected to depreciate, and paying foreign currency payables before they are due when a currency is expected to appreciate.
<u>Leadership:</u>	Use of noncoercive influence to shape the goals of a group or organization, to motivate behavior toward reaching those goals, and to help determine the group or organizational culture.
<u>Leads and lags strategy:</u>	Money management technique in which an MNC attempts to increase its holding of currencies and assets denominated in currencies that are expected to rise in value and to decrease its holdings of currencies and assets denominated in currencies that are expected to fall in value.
<i>Lean production systems</i>	Flexible manufacturing technologies pioneered at Toyota and now used in much of the automobile industry.
<i>Learning effects</i>	Cost savings from learning by doing.
<i>Legal risk</i>	The likelihood that a trading partner will opportunistically break a contract or expropriate intellectual property rights.
<u>Leontief paradox:</u>	Empirical finding that U.S. exports are more labor-intensive than U.S. imports, which is contrary to the predictions of the theory of relative factor endowments.
<i>Leontief Paradox</i>	The empirical finding that, in contrast to the predictions of the Heckscher-Ohlin theory, U.S. exports are less capital intensive than U.S. imports.
<i>Letter of credit</i>	Issued by a bank, indicating that the bank will make payments under specific circumstances.
<u>Letter of credit:</u>	Document issued by a bank promising to pay the seller if all conditions specified in the letter of credit are met.
<i>Liberal democracy:</i>	See democracy.
<i>Liberal trade:</i>	The policy or practice of reducing import barriers and expanding the volume of international trade.
<i>Liberalism:</i>	Originally, and in most of the world, the political theory of limited government and the supreme value of human or civil rights. For the economy, the theory thus implies restricting government's functions and trusting individuals to make most decisions. In the United States, however, liberalism has come to mean advocacy of government intervention in the economy, which in part is the opposite of its original meaning.
<u>Licensee:</u>	Firm that buys the rights to use the intellectual property of another firm.
<i>Licensing</i>	Occurs when a firm (the licensor) licenses the right to produce its product, use its production processes, or use its brand name or trademark to another firm (the licensee). In return for giving the licensee these rights the licensor collects a royalty fee on every unit the licensee sells.
<u>Licensing:</u>	Transaction in which a firm (called the licensor) sells the rights to use its intellectual property to another firm (called a licensee) in return for a fee.
<i>Licensing:</i>	Permission from government to do something that is otherwise against the law.
<u>Licensor:</u>	Firm that sells the rights to use its intellectual property

	to another firm.
<u>Limited liability:</u>	The legal separation of a corporation from its shareholders, which protects shareholders from being held fully personally responsible for the corporation's liabilities.
Lingua franca:	Common language.
<u>Loan guarantee:</u>	The practice of government promising to repay, in case of default, a private loan made for purposes deemed in the public interest.
<u>Lobbying:</u>	An effort to pass, defeat, or change the contents of legislative bills and other government decisions.
<u>Local content requirement</u>	A requirement that some specific fraction of a good be produced domestically.
Location advantages:	Factors that affect the desirability of host country production relative to home country production.
<u>Location economies</u>	Cost advantages from performing a value creation activity at the optimal location for that activity.
Locus of authority:	Where the power to make various decisions resides within the organization.
<u>Logrolling:</u>	Mutual aid among politicians with reciprocal support for each other's bills.
London Interbank Offer Rate (LIBOR):	Interest rate that London banks charge each other for short-term Eurocurrency loans.
Long-term portfolio investments:	Portfolio investments with maturities of more than one year.
Louvre Accord:	Agreement made in 1987 among central bankers to stabilize the value of the U.S. dollar.
Low-context culture:	Culture in which the words being spoken explicitly convey the speaker's message to the listener.
Ltd.:	Abbreviation used in the United Kingdom to indicate a privately held, limited liability company.
<u>Maastricht Treaty</u>	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.
Maastricht Treaty:	Common name given to the Treaty on European Union.
<u>Macroeconomic policy:</u>	Policy geared toward influencing the overall aggregates of the economy, such as employment, production, and the rate of inflation, through measures affecting the fiscal balance and the supply of money and credit.
Macropolitical risk:	Political risk that affects all firms operating within a country.
Make-or-buy decision:	Decision for an organization to either make its own inputs or buy them from outside suppliers.
<u>Maker</u>	Person or business initiating a bill of lading (draft).
Managed float:	Flexible exchange system in which government intervention plays a major role in determining exchange rates; also called a dirty float.
Managed trade:	<i>See</i> fair trade.
<u>Managed-float system</u>	An exchange rate system in which some currencies are allowed to float freely, but the majority are managed in some way by government intervention.
Management contract:	Agreement whereby one firm provides managerial assistance, technical expertise, or specialized services to a second firm for some agreed-upon time in return for a

	fee.
<i>Management networks</i>	A network of informal contracts between individual managers.
<u>Manufacturers' agents:</u>	Agents who solicit domestic orders for foreign manufacturers, usually on a commission basis.
<u>Manufacturers' export agents:</u>	Agents who act as an export department for domestic manufacturers, selling those firms' goods in foreign markets.
<u>Maquiladoras:</u>	Mexican factories located along the U.S.-Mexico border that receive preferential tariff treatment.
<i>Market economy</i>	The allocation of resources is determined by the invisible hand of the price system.
<i>Market failure:</i>	The inability of private transactions to provide certain goods or to operate with mutually satisfactory results.
<i>Market imperfections</i>	Imperfections in the operation of the market mechanism.
<i>Market makers</i>	Financial service companies that connect investors and borrowers, either directly or indirectly.
<i>Market power</i>	Ability of a firm to exercise control over industry prices or output.
<u>Market pricing:</u>	Customization of prices on a market-to-market basis to maximize profits.
<u>Market pricing policy:</u>	Pricing policy under which prices are set on a market-by-market basis.
<u>Market socialism:</u>	Form of socialism that allows significant private ownership of resources.
<i>Market:</i>	A system of voluntary exchange that generates prices to decide how to allocate scarce resources.
<u>Marketing alliance:</u>	Strategic alliance in which two or more firms share marketing services or expertise.
<u>Marketing mix:</u>	How a firm chooses to address product development, pricing, promotion, and distribution.
<u>Marketing:</u>	Process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.
<u>Marshall Plan:</u>	Massive U.S. aid program following World War II; designed to help European nations rebuild themselves.
<u>Materials management:</u>	Part of logistics management concerned with the flow of materials into the firm from suppliers and between units of the firm itself.
Medicaid	Federal-state program that pays for medical care for the poor.
Medicare	The U.S. federal program that pays for health care services for the elderly and the disabled.
<u>Medium:</u>	Communication channel used by an advertiser to convey a message.
<i>Mercantilism</i>	An economic philosophy advocating that countries should simultaneously encourage exports and discourage imports.
<u>Mercantilism:</u>	Historically, an economic philosophy that equates national wealth with the accumulation of gold or other international monetary assets, and hence with running a trade surplus. In today's world, mercantilism refers to a belief that running a consistently positive trade balance contributes to a nation's economic strength and moral

	virtue, and also to policies aimed at this goal.
<u>Mercantilism:</u>	Economic philosophy based on the belief that a nation's wealth is measured by its holdings of gold and silver.
<i>Mercantilism:</i>	The economic philosophy of merchants and kings during the 16th and 17th centuries to regulate trade, to promote an excess of exports over imports.
<u>Merchandise export:</u>	Sale of a good to a resident of a foreign country.
<u>Merchandise exports and imports:</u>	Trade involving tangible products.
<u>Merchandise import:</u>	Purchase of a good from a resident of foreign country.
<i>MERCOSUR</i>	Pact between Argentina, Brazil, Paraguay, and Uruguay to establish a free trade area.
<u>Mercosur Accord:</u>	Customs union composed of Argentina, Brazil, Paraguay, and Uruguay.
<i>Merit good:</i>	Something whose consumption is deemed intrinsically desirable.
<i>Meritocracy:</i>	A social and economic system that is open to all and where the rewards are given out according to talent and hard work.
<i>Methodological individualism:</i>	A theory of explanation in social science that says the reason for social processes and events can be deduced from principles governing the behavior of the participating individuals.
<u>M-form design:</u>	Form or organization design in which products are related in some way.
<u>Micropolitical risk:</u>	Political risk that affects only specific firms or a specific industry operating within a country.
<i>Minimum efficient scale</i>	The level of output at which most plant-level scale economies are exhausted.
<u>Ministry of International Trade and Industry (MITI):</u>	The Japanese cabinet agency that is concerned with that nation's industrial development, and that shares with other ministries responsibility for international trade.
<u>Mission statement:</u>	Definition of a firm's values, purpose, and directions.
<i>MITI</i>	Japan's Ministry of International Trade and Industry.
<i>Mixed economy</i>	Certain sectors of the economy are left to private ownership and free market mechanisms. While other sectors have significant government ownership and government planning.
<i>Mixed economy:</i>	An economy where private and state-owned enterprises exist side by side.
<i>MNC (multinational corporation):</i>	An enterprise that produces goods or services in more than one country.
Monetary policy	Government policy efforts to manage the money supply in the economy in the pursuit of macro economic goals, such as low inflation, low unemployment, and high rates of economic growth.
<i>Monetary policy:</i>	Management of the money supply, and thus the availability of credit, to support price stability and full employment.
Monopoly	A market situation in which there is only one producer/seller of a good or service.
<i>Monopoly:</i>	When a firm or individual is the only seller of a given commodity.
<i>Moral hazard:</i>	The action of economic agents to maximize their utility to the detriment of others by hiding their actions.
<i>Mores</i>	Norms seen as central to a functioning of a society and

	to its social life.
Morrill Act of 1860	Federal education legislation that established the land-grant system of colleges and universities in which Congress gave land to states for the support of programs in agriculture and mechanical arts.
<u>Most-favored nation (MFN):</u>	The principle of nondiscrimination in international trade. For a nation, receiving "most favored" treatment from another means that the products it exports are subject to tariffs no greater than those imposed on imports from any other country. Under GATT Article I all contracting parties pledge most-favored nation treatment to one another. NIFN is frequently circumvented by voluntary export restraints (VERs), however, and preferences (GSP) constitute an exception to MFN. So do free trade agreements (FTAs) between two or more nations.
<u>Most favored nation (MFN) principle:</u>	Principle that any preferential treatment granted to one country must be extended to all countries.
<u>Motivation:</u>	Overall set of forces that cause people to choose certain behaviors from a set of available behaviors.
<u>Multidomestic corporation:</u>	Firm composed of relatively independent operating subsidiaries, each of which is focused on a specific domestic market.
<i>Multidomestic strategy</i>	Emphasizing the need to be responsive to the unique conditions prevailing in different national markets.
<u>Multi-Fiber Arrangement:</u>	An international trade compact, dating from 1973, that establishes a framework for negotiating bilateral orderly marketing agreements (OMAs) under which exporting nations undertake to limit their shipments of textile and apparel products. Under the MFA, importing nations can impose quantitative import restrictions when unable to negotiate such agreements or to counter market-disruptive import surges. The MFA succeeded the LTA (Long-Term Arrangement), which took effect in 1962 and applied only to cotton textiles. The MFA broadened controls to include products made from wool or synthetic fibers. As part of the Uruguay Round agreement, the MFA will be phased out in three stages over 10 years. After 3 years, the quotas on 17 percent (by volume) of textile imports must be removed. The quotas on an additional 18 percent of textile imports must have the quota removed within 7 years, and the remaining 65 percent must be free from quotas within 10 years.
<u>Multifibre Agreement (MFA):</u>	Commodity agreement among exporting and importing countries of textiles and apparel to control trade in those goods.
<u>Multilateral Investment Guarantee Agency (MIGA):</u>	World Bank affiliate that offers political-risk insurance to investors in developing countries.
<i>Multilateral netting</i>	A technique used to reduce the number of transactions between subsidiaries of the firm, thereby reducing the total transaction costs arising from foreign exchange dealings and transfer fees.
<u>Multilateral netting:</u>	Netting of transactions between three or more business units.
<u>Multilateral trade negotiations (MTN):</u>	Technically any of the postwar series of barrier-reducing

	negotiations under GATT auspices, the MTN commonly refers to the Tokyo Round of 1973-79.
<u>Multinational corporation (MNC):</u>	Incorporated firm that has extensive involvement in international business, engages in foreign direct investment and owns or controls value-adding activities in more than one country.
<i>Multinational enterprise (MNE)</i>	A firm that owns business operations in more than one country.
<u>Multinational enterprise (MNE):</u>	Business that may or may not be incorporated and has extensive involvement in international business.
<u>Multinational organization (MNO):</u>	Any organization -- business or not-for-profit -- extensive international involvement.
<i>Nation:</i>	A people who consciously identify with some common cultural experience.
National Academy of Public Administration (NAPA)	Organization of distinguished practitioners and scholars in public administration dedicated to improving public management in the United States.
National Aeronautics and Space Administration (NASA)	A federal agency whose main function is to conduct research and development on the problems of flight within and outside the earth's atmosphere and to explore outer space.
<u>National competitive advantage, theory of:</u>	Theory stating that success in international trade is based upon the interaction of four elements: factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry.
<i>National competitiveness:</i>	The ability of a country's companies to win in international markets.
<u>National defense argument:</u>	Argument in favor of governmental intervention in trade holding that a nation should be self-sufficient in critical raw materials, machinery, and technology.
National Defense Education Act	A 1958 act to strengthen national defense and to encourage and assist the expansion and improvement of higher education programs in science technology, mathematics, and modern foreign languages.
National Institutes of Health (NIH)	The principal biomedical research agency of the U.S. federal government. It's mission is to employ science in the pursuit of knowledge to improve human health conditions.
National Labor Relations Board (NLRB)	Federal agency that administers the nation's laws relating to labor relations in the private and nonprofit sectors.
National Oceanographic and Atmospheric Administration (NOAA)	A federal administration whose primary mission is to explore, map, and study the world's oceans and atmosphere.
National Performance Review (NPR)	A program established by the Clinton Administration to strengthen the delivery of public services at all levels of government. The first report of the program was published in 1993.
<u>Nationalization:</u>	Transfer of property from a privately owned firm to the government.
<i>Nationalize:</i>	For government to take over ownership and control of an industry that produces output for sale in the market.
<u>Neo-mercantilists:</u>	Modern supporters of mercantilism, who hold that a country should erect barriers to trade to protect its industries from foreign competition; also called

	protectionists.
<i>New trade theory</i>	The observed pattern of trade in the world economy may be due in part to the ability of firms in a given market to capture first-mover advantages.
<u>Newly industrialized country (NIC):</u>	A newly industrialized country, such as Taiwan or South Korea.
<u>Newly industrializing countries (NICs):</u>	Developing countries (for example, Hong Kong, Korea, Singapore, and Taiwan) experiencing rapid industrial development and, hence, expanding export of their industrial products.
<u>Nirvana:</u>	State of spiritual perfection; according to the Hindu faith, one achieves nirvana by leading progressively ascetic and purer lives as one goes through the cycle of life, death, and rebirth.
Non Governmental Organizations (NGOs)	Private, not-for-profit organizations of a charitable, public service, research, or educational nature concerned with problems of a global, national, or local scale.
<i>Nonconvertible currency</i>	A currency is not convertible when both residents and nonresidents are prohibited from converting their holdings of that currency into another currency.
<u>Nonmarket failure:</u>	See government failure.
<u>Nonprofit sector:</u>	The sector of a mixed economy made of private organizations in which no stockholder shares in profits or losses. Also called the independent or voluntary sector.
<u>Nontariff barrier (NTB):</u>	Any governmental regulation, policy, or procedure other than a tariff that has the effect of impeding international trade.
<u>Nontariff barriers:</u>	Government measures other than tariffs--i.e., import quotas, buy-national procurement regulations, product standards, subsidies--that impede or distort the flow of international commerce. The Tokyo Round was devoted primarily to limiting and disciplining national use of NTBs.
<u>Nontariff barriers:</u>	Government measures other than tariffs to inhibit international commerce.
<i>Norms</i>	Social rules and guidelines that prescribe appropriate behavior in particular situations.
North American Free Trade Agreement (NAFTA)	A trade agreement removing trade barriers between the United States, Canada, and Mexico.
<i>North American Free Trade Agreement (NAFTA)</i>	Free trade area between Canada, Mexico, and the United States.
<u>North American Free Trade Agreement (NAFTA):</u>	Agreement establishing free trade among the United States, Mexico, and Canada. Negotiated by President Bush and signed on 17 December 1992, NAFTA removes barriers to trade and investment and improves the protection of intellectual property rights. Prior to seeking congressional implementation of NAFTA, President Clinton negotiated side agreements on labor and environmental issues. Congress approved implementation of NAFTA in November 1993.
North Atlantic Treaty Organization (NATO)	A mutual defense alliance formed in 1949 whose purpose was to provide for the collective defense of the member states against the perceived threat of the Soviet Bloc.

Northwest Territory	Land governed by surveying practices of the Land Ordinance of 1785 covering the current states of Ohio, Indiana, Illinois, Michigan, Wisconsin, and parts of Minnesota.
<u>NV:</u>	In the Netherlands, abbreviation used to refer to a publicly held, limited-liability firm.
<u>Occupation Safety and Health Administration (OSHA)</u>	Federal body that develops regulations and standards relating to occupational health and safety issues.
<u>OECD (Organization for Economic Cooperation and Development):</u>	An international organization (established in 1961) to promote economic growth and development. The 25 members are mostly economically advanced, capitalist nations.
Office of Management and Budget (OMB)	An office in the executive branch of the federal government that is designed to help the president prepare the fiscal budget and manage the government.
<u>Official reserves account:</u>	BOP account that records changes in official reserves owned by a central bank.
<u>Official settlements balance:</u>	BOP balance that measures changes in a country's official reserves.
<u>Offset obligations:</u>	Agreement between an MNC and a host government in which the MNC agrees to provide some economic benefit to the host government in return for purchase of a good or service by the host government.
<u>Offset purchases:</u>	Form of countertrade in which a portion of the exported good is produced in the importing country.
Old Age Survivors Disability Insurance (OASDI)	Federal program created by the Social Security Act of 1935 that taxes both workers and employers to pay benefits to retired and disabled people, their dependents, widows, widowers, and children of deceased workers.
<i>Oligopoly</i>	An industry composed of a limited number of large firms.
<u>Omnibus Trade and Competitiveness Act of 1988:</u>	The 1988 Trade Act was the first comprehensive trade legislation initiated by the Congress since before the Smoot-Hawley Act of 1930. Its important features included the strengthening of unilateral trade retaliation instruments, particularly Section 301, provision of fast-track negotiating authority for the Uruguay Round of GATT negotiations, and enhancement of the authority of the US Trade Representative.
<u>Open account:</u>	Type of payment in which the seller ships goods to the buyer prior to payment; seller relies on the promise of the buyer that payment will be forthcoming.
<u>Operations control:</u>	Level of control that focuses on operating processes and systems within both the organization and its subsidiaries and operating units.
<u>Operations management</u>	Set of activities used by an organization to transform different kinds of resource inputs into final goods and services.
Opportunity cost	The highest valued alternative given up to pursue an activity.
<u>Opportunity cost:</u>	Value of what is given up in order to get the good or service in question.
<i>Opportunity cost:</i>	The alternative cost if a choice had been made differently.
<u>Orderly marketing agreement (OMA):</u>	A formal agreement in which an exporting nation

	undertakes to limit its sales of specified "sensitive" products to specific levels, so as not to disrupt, threaten, or impair competitive industries or workers in an importing country or countries.
<u>Organization change:</u>	Any significant modification or alteration in a firm's strategy, organization design, technology, and/or employees.
<u>Organization design:</u>	Overall pattern of structural components and configurations used to manage the total organization; also called organization structure.
<u>Organization for Economic Cooperation and Development (OECD):</u>	Organization whose 25 members are among the world's richest countries and consist of Canada, Mexico, the United States, Japan, Australia, New Zealand, and 19 Western European Countries.
<u>Organization of Petroleum Exporting Countries (OPEC)</u>	Oil producing countries that are net exporters of crude oil and petroleum-based products.
<u>Organization of Petroleum Exporting Country (OPEC):</u>	Commodity cartel created to control production and prices of crude oil.
<u>Organization structure:</u>	See organization design.
<u>Organizational control:</u>	Level of control that focuses on the design of the organization itself.
<i>Output controls</i>	Achieving control by setting goals for subordinates, expressing these goals in terms of objective criteria, and then judging performance by a subordinate's ability to meet these goals.
<u>Overall cost leadership strategy:</u>	Business-level strategy that emphasizes low costs.
<u>Overall productivity:</u>	Productivity measure determined by dividing total outputs by total inputs; also called total factor productivity.
<u>Overseas Private Investment Corporation (OPIC):</u>	U.S. government agency that promotes U.S. international business activities by providing political risk insurance.
<u>Ownership advantage theory:</u>	Theory stating that foreign direct investment occurs because of ownership of valuable assets that confer monopolistic advantages in foreign markets.
<u>Ownership advantages:</u>	Resources owned by a firm that grant it a competitive advantage over its industry rivals.
<i>PAC (political action committee):</i>	An organization formed under U.S. law to funnel funds to selected candidates or to promote favored causes.
<u>Palestine Liberation Organization (PLO)</u>	A representative organization of the Palestinian people.
<u>Paper gold:</u>	See special drawing rights.
<u>Par value:</u>	Official price of a currency in terms of gold.
<u>Parent-country nationals (PCNs):</u>	Employees who are citizens of an international business's home country and are transferred to one of its foreign operations.
<i>Parliamentary democracy:</i>	A form of government in which the legislature is the supreme governing body and from which the executive is drawn.
<u>Passive goal behavior:</u>	Behavior based on the cultural belief that social relationships, quality of life, and concern for others are the basis of motivation and reflect the goals that a person should pursue.
<u>Passive income:</u>	See Subpart F income.
<u>Payback period:</u>	Number of years it takes a project to repay a firm's initial investment in that project.

<u>Peak association:</u>	An all-embracing organization that represents the interests of a large number of firms in different economic sectors.
<u>Pegged:</u>	Tied to, as in "The gold standard created a fixed exchange-rate system because each country pegged the value of its currency to gold."
Per capita income	The mean income for every man, woman, and child in a particular group.
<u>Per capita income:</u>	Average income per person in a country.
<i>Performance ambiguity</i>	Occurs when the causes of good or bad performance are not clearly identifiable.
<u>Performance appraisal:</u>	Process of assessing how effectively a person is performing his or her job.
<u>Performance ratio:</u>	Control technique based on a numerical index of performance that the firm wants to maintain.
Performance standard	Pollution standard in which the polluter must meet a specific level of performance in pollution abatement, but the method used to achieve that performance is left up to the polluter.
<i>Personal controls</i>	Achieving control by personal contact with subordinates.
<u>Personal selling:</u>	Making sales on the basis of personal contracts.
<u>Planning Process control:</u>	Form of organizational control that focuses on the actual mechanics and processes a firm uses to develop strategic plans.
<u>Plaza Accord:</u>	Agreement made in 1985 among central bankers to allow the U.S. dollar to fall in value.
<u>Plaza Agreement:</u>	An agreement in September 1985 among the "Group of Five" advanced industrial nations (France, Germany, Japan, the United Kingdom, and the United States) to encourage depreciation of the US dollar.
<u>PLC:</u>	Abbreviation used in the United Kingdom to indicate a publicly held, limited liability company.
<u>Pluralism:</u>	A type of political representation where power is distributed through many private organizations that can limit one another's action.
<u>Poison pill:</u>	A shareholder rights plan aimed at discouraging hostile takeovers.
<u>Policy-making system:</u>	A small and stable group that effectively controls decisions in a narrow policy area.
<i>Political economy</i>	The study of how political factors influence the functioning of an economic system.
<u>Political economy:</u>	The study of the interaction of political, economic, and other factors in society.
<u>Political rights:</u>	Rights to join in the management of government and to influence public policy.
<i>Political risk</i>	The likelihood that political forces will cause drastic changes in a country's business environment that adversely affect the profit and other goals of a particular business enterprise.
<u>Political risk assessment:</u>	Systematic analysis of the political risks that firm faces when operating in a foreign country.
<u>Political risk:</u>	Change in the political environment that may adversely affect the value of a firm.
<u>Political union:</u>	Complete political as well as economic integration of two or more countries.

<u>Pollution:</u>	Industrial byproducts that are discharged into the physical environment and that have social cost.
<u>Pollution permit:</u>	A right to pollute that can be bought, sold, traded, or saved.
<u>Pollution tax:</u>	A tax that is theoretically equal to the external cost of pollution, so that prices reflect the full cost to the environment of making things.
<u>Polycentric approach:</u>	Management approach in which a firm customizes its operations for each foreign market it serves.
<i>Polycentric staffing</i>	A staffing policy in an MNE in which host-country nationals are recruited to manage subsidiaries in their own country, while parent-country nationals occupy key positions at corporate headquarters.
<u>Polycentric staffing model:</u>	Approach primarily using HCNs to staff upper-level foreign positions.
Popular agenda	The policy issues that are considered important by the general public at any particular time.
Pork barrel	A term used to refer to expenditure authorizations that are included in a government's budget to benefit a particular constituency or special interest group.
<u>Pork barrel Policy:</u>	Extra funding added to bills for local projects to please a legislator's constituents.
<u>Portfolio investments:</u>	Passive holdings of stock, bonds, or other financial assets that do not entail active management or control of the securities' issuer by the investor.
<i>Positive sum game</i>	A situation in which all countries can benefit even if some benefit more than others.
Post-industrial economy	An economy where the primary focus is on the production of services, rather than goods. Characteristics of a post-industrial economy include the pre-eminence of a professional and technical class, the centrality of theoretical knowledge as the source of innovation and policy making, and the emphasis on the creation of intellectual technology.
<u>Postindustrial society:</u>	Societies whose people predominantly work in services and where manufacturing provides a minority of jobs and national income.
<u>Power orientation:</u>	Cultural beliefs about the appropriateness of power and authority in hierarchies such as business organizations.
<u>Power respect:</u>	Cultural belief that the use of power and authority is acceptable simply on the basis of position in a hierarchy.
Predatory pricing	Selling below purchase price or cost of production except in the case of seasonal or perishable goods. The objective of predatory pricing is to drive competitors out of business.
<i>Predatory pricing</i>	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).
<i>Price discrimination</i>	The practice of charging different prices for the same product in different markets.
<i>Price elasticity of demand</i>	A measure of how responsive demand for a product is to changes in price.
<u>Principal-agent problem:</u>	A situation where the interests of a principal (e.g., a shareholder) and an agent (e.g., a professional manager)

	differ, and the principal cannot fully control what the agent does.
<u>Principle of comity:</u>	See comity, principle of.
<i><u>Prisoner's dilemma:</u></i>	Situations where rational behavior at the micro level leads to irrational collective outcomes.
<i><u>Private goods:</u></i>	Items that one person can consume and preclude others from using.
Privatization	The conversion of publicly delivered services into private-sector provision of the same service.
<u>Privatization:</u>	Sale of publicly owned property to private investors.
<i><u>Privatize:</u></i>	To substitute private entities for government agencies to provide services. Also can mean to sell public enterprises to private investors or to allow citizens to choose among public service providers.
<i><u>Product liability:</u></i>	A firm's or person's legal responsibility for harm stemming from the use of a product that it made, sold, managed, or used.
<i><u>Product life-cycle theory</u></i>	The optimal location in the world to produce a product changes as the market for the product matures.
<u>Production alliance:</u>	Strategic alliance in which two or more firms each manufacture products or provide services in a shared or common facility.
<u>Production management:</u>	International operations management decisions and processes involving the creation of tangible goods.
Productivity	A measure of output for given level of input.
<u>Productivity:</u>	Economic measure of efficiency that summarizes the value of outputs relative to the value of inputs used to create them.
<i><u>Productivity:</u></i>	The value of output produced by a unit of labor or capital.
<u>Product-support services:</u>	Assistance a firm provides for customers regarding the operation, maintenance, and/or repair of its products.
<u>Product:</u>	International marketing mix component that comprises both tangible factors that the consumer can see or touch and numerous intangible factors.
<i><u>Progressive movement:</u></i>	A campaign for reform in the United States directed against Big Business and political machines, from around 1890 to 1920
<u>Promotion mix:</u>	Mix of advertising, personal selling, sales promotion, and public relations used by a firm to market its products.
<u>Promotion:</u>	Set of all efforts by an international firm to enhance the desirability of its products among potential buyers.
<i><u>Property rights:</u></i>	The permissible use of resources, goods, and services.
<i><u>Property tax:</u></i>	A payment levied by government based on the amount of property a taxpayer owns.
Protectionism	Actions taken by a government to limit foreign economic competition to its domestic enterprises.
<i><u>Protectionism:</u></i>	The imposition of substantial tariffs or other limitations on imports in order to insulate or "protect" domestic producers from foreign competition; hence, support of the imposition of such import barriers.
<i><u>Protectionism:</u></i>	A public policy of excluding imports to a country.
<u>Protectionists:</u>	See neo-mercantilists.
<u>Protestant ethic:</u>	Belief that hard work, frugality, and achievement are

	means of glorifying God.
<u>Public choice analysis:</u>	Branch of economics that analyzes public decision making.
<i>Public choice:</i>	The economic analysis of politics that assumes voters, politicians, and bureaucrats are mainly self-interested and not primarily motivated by the public welfare.
<i>Public goods:</i>	Items that are simultaneously available to many people.
<i>Public interest group:</i>	Organizations that claim to seek to advance causes that will benefit society as a whole.
<i>Public Policy:</i>	A government law or rule that expresses government's goals and provides rewards and punishment to promote their attainment.
<u>Public relations:</u>	Efforts aimed at enhancing a firm's reputation and image.
<u>Public-private venture:</u>	Joint venture involving a partnership between a privately owned foreign firm and a government.
<i>Pull strategy</i>	A marketing strategy emphasizing mass media advertising as opposed to personal selling.
<i>Purchasing power parity (PPP)</i>	An adjustment in gross domestic product per capita to reflect differences in the cost of living.
<u>Purchasing power parity (PPP):</u>	Theory stating that the prices of tradable goods, when expressed in a common currency, will tend to equalize across countries as a results of exchange-rate-changes.
<i>Push strategy</i>	A marketing strategy emphasizing personal selling rather than mass media advertising.
<u>Put option:</u>	Publicly traded contract granting the owner the right, but not the obligation, to sell a specific amount of foreign currency at a specified price at a stated future date.
<u>Quad:</u>	Economic grouping of countries, consisting of Canada, the European Union, Japan, and the United States.
<i>Quality circles:</i>	Groups of employees who meet to brainstorm ways to boost a firm's output.
<u>Quality:</u>	Totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.
<i>Quasi-judicial procedures:</i>	Procedures through which law is made by regulatory agencies applying general statutes to specific cases. On trade, procedures administered by the US International Trade Commission and the Department of Commerce determine the eligibility of petitioners for import relief under the escape clause, countervailing duty, antidumping, or other trade statutes.
<i>Quota:</i>	A limit on the quantity of a product that may be imported by (or sold to) a country. Import quotas are enforced by the receiving nation, export quotas by the country of origin.
<u>Quota:</u>	Deposit paid by a member nation when joining the International Monetary Fund.
<u>Quota:</u>	Numerical limit on the quantity of a good that may be imported into a country.
<u>R&D alliance:</u>	Strategic alliance in which two or more firms agree to undertake joint research to develop new products or services.
<u>R&D consortium:</u>	Confederation of organizations that band together to research and develop new products and processes for

	world markets.
<u>Rationality:</u>	The assumption in political economy that people make consistent, ordered decisions.
<u>Reaganomics:</u>	See supply-side economics.
Real value	Value measured in dollars of a constant purchasing power or adjusted by some index serving the same purpose.
Recession	A real (actual adjusted for price changes) decline in GDP for two consecutive quarters.
<u>Reciprocal Trade Agreements Act of 1934:</u>	The law that provided authority for the US government to enter into bilateral agreements for reciprocal tariff reductions. Through successive extensions and amendments, it also authorized US participation in the first five GATT rounds of multilateral trade negotiation. It was superseded by the Trade Expansion Act of 1962.
<u>Reciprocity:</u>	The general principle or practice of nations' negotiating mutual reductions in import barriers. See also sectoral reciprocity.
<u>Redistributive Policy:</u>	Policies such as progressive taxation and welfare programs that redistribute income from one group to another.
<u>Re-exporting:</u>	Process of importation of a good into a country for immediate exportation, with little or no transformation of the good.
<u>Referendum:</u>	The procedure by which citizens vote on a piece of legislation.
<u>Regional development banks:</u>	Banks whose mission is to promote economic development of poorer nations within the region they serve.
Regulation	The rule-making process of those administrative agencies charged with the official interpretation of a statute.
Regulatory barrier	This type of trade barrier (sometimes known as nontariff barriers) includes regulations and product standards that imported products must satisfy.
<u>Regulatory Policy:</u>	Government action to control firms' price, sale, and production in the public interest.
<u>Related diversification:</u>	Corporate-level strategy in which the firm operates in several different but related businesses, industries, or markets at the same time.
<u>Relative factor endowments, theory of:</u>	Theory stating that a country will have a comparative advantage in producing goods that intensively use factors of production it has in abundance; also called Heckscher-Ohlin theory.
Relative poverty	A measure of poverty that is indexed in terms of the well-being enjoyed by everyone else in the society, rather than defined as a fixed benchmark that constitutes absolute poverty.
<u>Religious law:</u>	Law based on officially established rules governing the faith and practice of a particular religion.
<u>Rent seeking:</u>	Efforts to get government to create economic rents that can then be captured for private gain.
<u>Repatriate:</u>	To return to a home country.
<u>Repatriation:</u>	Moving a manager back home after a foreign assignment has been completed.

<i>Representative democracy</i>	A political system in which citizens periodically elect individuals to represent them in government.
<i>Research and Development (R&D):</i>	Research and development to find and apply new technology.
<i>Resource depletion:</i>	The using up of nonrenewable resources.
<u>Resource deployment:</u>	Component of strategy that answers the question "Given that we are going to compete in these markets, how will we allocate our resources to them?"
<u>Responsibility center control:</u>	Form of organizational control based on decentralized responsibility centers.
<i>Restraint of trade:</i>	An attempt by a company or companies to stifle or eliminate competition.
<i>Retaliation:</i>	Import-restrictive action taken by a country in response to similar measures by a trading partner. GATT rules permit a country whose exports are hurt by new restrictions to retaliate by imposing trade barriers on products sold by the nation taking the initial protectionist action. In principle, the volume of trade affected by retaliation should be comparable to that affected by the measures against which it is targeted.
<u>Retention:</u>	Extent to which a firm is able to retain its employees.
<u>Revocable letter of credit:</u>	Letter of credit that can be changed by the bank without the consent of the buyer and the seller.
<i>Right wing totalitarianism</i>	A political system in which political power is monopolized by a party, group, or individual that generally permits individual economic freedom but restricts individual political freedom, including free speech, often on the grounds that it would lead to a rise of communism.
<i>Rights:</i>	Advantages that can be legitimately claimed according to law or tradition.
<u>Ringi system:</u>	Japanese approach to ensuring that decisions are made collectively, rather than by an individual.
<u>Royalty:</u>	Compensation paid by a licensee to a licensor.
<u>Rules of origin:</u>	Rules to determine which goods will benefit from reduced trade barriers in regional trading blocs.
<i>Safeguards:</i>	See Antidumping investigation; CVD investigation; Escape clause.
<u>Sales promotion:</u>	Specialized marketing efforts using such techniques as coupons and sampling.
San Antonio Independent School District vs. Rodriguez (1973)	The Supreme Court decision that examined the constitutionality of the Texas school finance structure and, by a narrow majority, refused to extend the "equal protection" clause of the Fourteenth Amendment to cover state school finance plans.
<u>Sanctions:</u>	Government-imposed restraints against commerce with a foreign country.
<i>Savings:</i>	All income not spent for current consumption.
<i>Scarcity price:</i>	A payment given in a transaction that is set by the forces of supply and demand.
<i>Scientific management:</i>	The management of organizations based on careful study of plant layout, work schedules, and job content, and on the use of wage incentives.
<u>Scope of operations:</u>	Component of strategy that answers the question "Where are we going to conduct business?"

<u>Screwdriver plant:</u>	Domestic factory that assembles imported parts in which little value is added to the parts.
<u>Section 201</u>	See Escape clause.
<u>Section 301</u>	Under this provision of the Trade Act of 1974, as amended by the Omnibus Trade and Competitiveness Act of 1988, the USTR is required to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or practice of a foreign government that violates an international agreement or is unjustifiable, unreasonable, or discriminatory, and burdens or restricts US commerce. In practice, it has been employed increasingly on behalf of American exporters fighting foreign import barriers or subsidized competition in third-country markets.
<u>Sectoral reciprocity:</u>	The principle or practice of comparing the openness of national markets to imports sector by sector, and negotiating restraints sector by sector, rather than across entire economies. US advocates of a sectoral reciprocity approach to trade in telecommunications or wine, for example, propose to compare the levels of US and foreign barriers to imports of these products, and to equalize them, either by negotiating reductions in foreign restraints or by raising our own. A modified version of sectoral reciprocity was enacted into law as Title III of the Trade and Tariff Act of 1984.
Securities and Exchange Commission (SEC)	Federal Commission that seeks the fullest possible disclosure to the investing public and seeks to protect the interests of the public and investors against malpractice in the securities and financial markets.
<u>Self-interest:</u>	The idea that individuals are motivated mainly to seek their own advantage.
<u>Self-reference criterion:</u>	Unconscious use of one's own culture to assess and understand a new culture.
<u>Semiconductor Trade Arrangement (STA):</u>	Bilateral agreement between the United States and Japan on foreign access to the Japanese semiconductor market and dumping by Japanese companies in the United States and third-country semiconductor markets. The STA, which went into effect in 1986 and was extended in 1991, is important in its use of numerical targets. The 1991 agreement set an explicit market share of 20 percent for foreign suppliers in the Japanese market by the end of 1992.
Separation of Powers	Constitutional doctrine that divides government power into three independently tenured branches granted legislative, executive, and judicial power.
<u>Separation of Powers:</u>	The division of state power across several institutions that must cooperate in policy making.
<u>Service export:</u>	Sale of a service to a resident of a foreign country.
<u>Service exports and imports:</u>	Trade involving intangible products.
<u>Service import:</u>	Purchase of a service from a resident of a foreign country.
<u>Service operations management:</u>	International operations management decisions and process involving the creation of intangible services.
<u>Sexual harassment:</u>	Unwanted offers of or requests for sex at the workplace, prohibited under U.S. federal law.

<u>Shared management agreement:</u>	Management arrangement in which each partner in a strategic alliance fully and actively participates in managing the alliance.
Sherman Act (1890)	Federal statute that held "every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce.. is hereby declared to be illegal." While the statute was directed at industrial monopolies, the courts used the act punitively against the budding union movement. Subsequent legislation (The Clayton Act of 1914) exempted unions from the Sherman prohibitions on the restraint of trade.
<u>Short-term portfolio investments:</u>	Portfolio investments with maturities of one year or less.
<i>Sight draft</i>	A draft payable on presentation to the drawee.
<u>Sight draft:</u>	Draft that requires payment upon transfer of the goods to the buyer.
<u>Singe-business strategy:</u>	Corporate-level strategy that calls for a firm to rely on a single business, product, or service for all its revenue.
<i>Single European Act</i>	A 1987 act, adopted by members of the European Community, that committed member-countries to establishing an economic union.
<u>Smithsonian Conference:</u>	Meeting held in Washington, D.C. in December 1971, during which central bank representatives from the Group of Ten agreed to restore the fixed exchange-rate system but with restructured rates of exchange between the major trading currencies.
<u>Smoot-Hawley Act:</u>	The Tariff Act of 1930, which raised US tariffs on over 20,000 dutiable items to record levels and contributed to the deepening of the Great Depression.
<i>Smoot-Hawley Tariff</i>	Enacted in 1930 by the U.S. Congress, this tariff erected a wall of barriers against imports into the United States.
<u>Social charter:</u>	EU policy promoting common job-related benefits and working conditions throughout the EU; also called Social Policy.
<i>Social democrat:</i>	An advocate of a gradual passage to state economic planning and state ownership. Also see socialism.
<i>Social Democrats</i>	Those committed to achieving socialism by democratic means.
<i>Social insurance:</i>	Government programs that provide protection against financial losses associated with work.
<i>Social market economy:</i>	Germany's distinctive system of seeking consensus among workers, management, and government.
<i>Social mobility</i>	The extent to which individuals can move out of the social strata into which they are born.
<u>Social mobility:</u>	Ability of individuals to move from on stratum of society to another.
<u>Social orientation:</u>	Cultural beliefs about the relative importance of the individual and the groups to which an individual belongs.
<u>Social Policy:</u>	See social charter.
<i>Social regulation:</i>	Government control of the activities of firms and other organizations to promote a better quality of life, as opposed to narrow economic concerns.
Social Security	Otherwise known as the Old Age Survivors Disability Insurance program (OASDI), created during the Great Depression in 1935 to provide income support for

	dependent populations without the means of self support.
Social Security Administration (SSA)	U.S. government agency, originally part of the Department of Health and human Services, that administers the national program of contributory social insurance whereby employees, employers, and the self-employed pay contributions that are pooled in special trust funds used to provide income to those eligible for Social Security.
<u>Social stratification:</u>	Organization of society into hierarchies based on birth, occupation, wealth, educational achievements, and/or other characteristics.
<i>Social structure</i>	The basic social organization of a society.
Socialism	An economic system that would have the government or guilds of workers own and operate all means of production thus restricting, if not entirely eliminating, private enterprise.
<i>Socialism</i>	A political philosophy advocating substantial public involvement, through government ownership, in the means of production and distribution.
<i>Socialism:</i>	A political doctrine emphasizing collective ownership of the means of production, ascribing a large role to the government in running the economy.
<u>Soft currencies:</u>	See inconvertible currencies.
<u>Soft loans:</u>	Loans made by the World Bank Group that bear significant risk of not being repaid.
<i>Sogo shosha</i>	Japanese trading companies; a key part of the keiretsu, the large Japanese industrial groups.
<u>Sogo sosha:</u>	Large Japanese trading company.
<u>Sourcing:</u>	Set of processes and steps a firm uses to acquire the various resources it needs to create its own products.
<u>Southern African Development Coordination Conference (SADCC):</u>	Free trade area created by ten Southern African countries.
<u>Special 301</u>	This clause is in the 1988 Omnibus Trade Act requires the USTR to investigate countries determined to have a history of violating existing laws and agreements dealing with intellectual property rights. Such countries must have their current practices reviewed each year, and, if they are not found to be improving, are subject to mandated retaliation under Section 301.
<u>Special drawing rights (SDRS):</u>	Credits granted by the IMF that can be used to settle transactions among central banks; also called paper gold.
<u>Special Representative for Trade Negotiations (STR):</u>	See United States Trade Representative.
<i>Specialized asset</i>	An asset designed to perform a specific task, whose value is significantly reduced in its next-best use.
<i>Specific tariff</i>	Tariff levied as a fixed charge for each unit of a good imported.
<u>Specific tariff:</u>	Tax assessed as a specific dollar amount per unit of weight or other standard measure.
<i>Spot exchange rate</i>	The exchange rate at which a foreign exchange dealer will convert one currency into another on that particular day.
<u>Spot market:</u>	Market for foreign exchange involving immediate delivery of the currency in question.
<i>Stakeholders:</i>	An organization's constituencies, who can affect its

	actions in significant ways.
<u>Standard price policy:</u>	Pricing policy under which a firm charges the same price for its products and services regardless of where they are sold.
<i>State-owned enterprise:</i>	A nationalized company that sells goods or services.
<i>State:</i>	An organization that claims a monopoly of legitimate use of force within a given territory. Also see government.
<u>Statistical process control:</u>	Family of mathematically based tools for monitoring and controlling quality.
<i>Statutory law:</i>	Law created by legislative bodies.
<u>Statutory laws:</u>	Laws enacted by legislative action.
<u>Sterling-based gold standard:</u>	Gold standard in which the British pound is commonly used as an alternative means of settlement of transactions.
<i>Stock of foreign direct investment</i>	The total accumulated value of foreign owned assets at a given point in time.
<u>Strategic alliance:</u>	Business arrangement in which two or more firms choose to cooperate for their mutual benefit.
<i>Strategic alliances</i>	Cooperative agreements between two or more firms.
<u>Strategic business units (SBUs):</u>	"Bundles" of businesses created by a firm using a corporate strategy of either related or unrelated diversification.
<u>Strategic control:</u>	Process of monitoring how well an international business formulates and implements its strategies.
Strategic Defense Initiative (SDI)	A program of the U.S. Department of Defense designed to create an air defense shield against ballistic missiles.
<u>Strategic goals:</u>	Major objectives a firm wants to accomplish through the pursuit of a particular course of action.
<u>Strategic planning:</u>	Process of developing a particular international strategy.
<i>Strategic trade policy</i>	Government policy aimed at improving the competitive position of a domestic industry and/or domestic firm in the world market.
<u>Strategic trade theory:</u>	Theory addressing the optimal policies through which a government may benefit its country by aiding domestic firms in monopolistic or highly oligopolistic industries.
<i>Strict liability:</i>	A no-fault theory of product liability, when neither care nor good faith can absolve the manufacturer of a defective product.
<i>Structural Impediments Initiative</i>	A 1990 agreement between the United States and Japan aimed at trying to decrease nontariff barriers restricting imports into Japan.
<u>Structural Impediments Initiative:</u>	A series of negotiations begun in 1989 by the United States and Japan to identify and attempt to reduce structural impediments to trade between the two countries. The SII has focused on issues such as marketing and distribution systems, saving and investment patterns, and government-business relations. The United States has used the negotiations to seek Japanese government actions that would increase Japanese imports of American goods.
Structural unemployment	Unemployment that is a result of a basic change in the economic circumstances and work skills required in a region or nation that leaves some without jobs or the

	long-term prospects of finding full-time, paid employment.
<u>Subpart F income:</u>	Income earned from financial transactions, such as dividends, interest, and royalties; also called passive income.
<u>Subsidiary bank:</u>	Separately incorporated overseas banking operation.
Subsidy	A payment by a government agency to producers of goods, intended to make prices lower than they otherwise would be.
<i>Subsidy</i>	Government financial assistance to a domestic producer.
<u>Subsidy:</u>	A bounty or grant conferred upon the production or exportation of an article or merchandise by the government in the country of origin. Foreign subsidies affecting trade are subject, under US law, to countervailing duties (CVDs).
<i>Subsidy:</i>	An explicit cash payment or implicit assistance from government to business or other organizations and individuals.
<u>Subtractability:</u>	The degree to which goods or services may be used simultaneously by many consumers without being diminished in quality or quantity.
<u>Sunk cost:</u>	A cost that has been incurred and cannot be reversed.
<u>Super 301:</u>	Under this amendment to Section 301 of the 1988 Trade Act, the USTR was required in 1989 and 1990 to designate "priority foreign countries," chosen for the "number and pervasiveness" of their "acts, policies or practices" impeding US exports, and for the US export gains that might come from the removal of these practices. The law called for retaliation if foreign action was insufficient or not forthcoming. In March 1994, President Clinton issued a so-called "Super 301" executive order targeting "priority foreign country practices." Its provisions, carrying through 1995, were codified in the Uruguay Round implementing legislation.
<u>Super 301:</u>	Section of U.S. trade law that requires the U.S. trade representative to publicly identify countries that flagrantly engage in unfair trade practices.
Supplemental Security Income (SSI)	Federal program that assures a minimum monthly income to especially needy people with limited income and resources who are 65 or older, blind, or disabled.
<i>Supply-side economics:</i>	A body of thought that emphasizes tax cuts and deregulation to promote efficient use of labor and capital. Also known as Reaganomics.
<u>Sustainable competitive advantage</u>	Advantage over competitors that can be sustained over time.
<u>Swap market:</u>	Facet of international capital market in which two firms can exchange financial obligations.
<u>Swap transaction:</u>	Transaction involving the simultaneous purchase and sale of foreign currency with delivery at two different points in time.
<i>Swaps</i>	The simultaneous purchase and sale of a given amount of foreign exchange for two different value dates.
<u>Switching arrangements:</u>	Agreement under which firms may transfer their countertrade obligations to a third party.

<u>SWOT analysis:</u>	Analysis of a firm and its environment to determine its strengths, weaknesses, opportunities, and threats.
<u>Synergy:</u>	Component of strategy that answers the question "How can different elements of our business benefit each other?"
<i>Systematic risk</i>	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).
<u>Tactics:</u>	Methods used by middle managers to implement strategic plans.
<u>Targeting:</u>	See industrial targeting.
Tariff	Tax imposed on imports. Generally, tariffs are used for the purpose of protecting domestically produced goods.
<u>Tariff Act of 1930:</u>	See Smoot-Hawley Act.
<u>Tariff:</u>	Tax placed on a good involved in international trade.
<u>Tariff:</u>	A tax on imports.
<u>Tax expenditure:</u>	An allowance by government to reduce tax liability for certain activities.
<i>Tax haven</i>	A country with exceptionally low, or even no, income taxes.
<u>Tax havens:</u>	Countries that charge low, often zero, taxes on corporate incomes and that offer an attractive business climate.
<i>Tax treaty</i>	An agreement specifying what items of income will be taxed by the authorities of the country where the income is earned.
<u>Tax-equalization system:</u>	System for ensuring that an expatriate's after-tax income in the host country is comparable to what the person's after-tax income would be in the home country.
<u>Technology Policy:</u>	Government action to promote the discovery and use of better technology.
<u>Technology:</u>	Skills, knowledge, and hardware for practical tasks, acquired through applied science or systematic thought.
<i>Temporal method</i>	Translating assets valued in a foreign currency into the home currency using the exchange rate that existed when the assets were originally purchased.
<u>Temporal method:</u>	Approach used to consolidate the financial statements of a foreign subsidiary whose functional currency is the U.S. dollar.
The Federalist	The pamphlets written under the pseudonym "Publius" produced by John Jay, Alexander Hamilton and James Madison following the constitutional Convention of 1787. The papers explained why the Constitution should be adopted.
The Poverty Line	Federal statistical measurement device used to record levels of absolute poverty in the United States. Defined as a basic food budget multiplied by three and indexed for inflation. First developed in the early 1960s.
<u>Theocracy:</u>	Country whose legal system is based upon religious law.
<i>Theocratic totalitarianism</i>	A political system in which political power is monopolized by a party, group, or individual that governs according to religious principles.
<u>Theory of absolute advantage:</u>	See absolute advantage, theory of.
<u>Theory of comparative advantage:</u>	See comparative advantage, theory of.
<u>Theory of national competitive advantage:</u>	See national competitive advantage, theory of.

<u>Theory of purchasing power parity:</u>	See purchasing power parity (PPP).
<u>Theory of relative factor endowments:</u>	See relative factor endowments, theory of.
<i>Third World:</i>	A loose term for all else developed countries.
<u>Third-country nationals (TCNs):</u>	Employees of an international business who are not citizens of the firm's home or host country.
<u>Three-point arbitrage</u>	Arbitrage based upon exploiting differences between the direct rate of exchange between two currencies and their cross-rate of exchange using a third currency.
<i>Time draft</i>	A promise to pay by the accepting party at some future date.
<u>Time draft:</u>	Draft that requires payment at some specified time after the transfer of goods to the buyer.
<u>Time orientation:</u>	Cultural beliefs regarding long-term versus short-term outlooks on work, live, and other aspects of society.
<i>Time-based competition</i>	Competing on the basis of speed in responding to customer demands and developing new products.
<i>Tokyo Round:</i>	The GATT negotiations formally initiated by the Tokyo Declaration in 1973 and completed in 1979. The Tokyo Round, also called the multilateral trade negotiations (MTN), differed from previous GATT rounds in its primary focus, which was reducing and regulating nontariff barriers (NTBs). It yielded a number of multilateral codes covering, among other subjects, subsidies and countervailing measures, antidumping, customs valuation, government procurement, and technical barriers to trade. Participating nations also agreed to a substantial further reduction in tariff rates.
<u>Tort law:</u>	Laws covering wrongful acts, damages, and injuries.
<i>Tort:</i>	An intentional or negligent wrong against an individual.
<u>Total factor productivity:</u>	See overall productivity.
<i>Total liability:</i>	A legal principle that holds producers liable for any injury associated with a product.
Total Quality Management (TQM)	A management system that focuses on improving the overall quality of a good or service produced by an organization.
<u>Total quality management (TQM):</u>	Integrated effort to systematically and continuously improve the quality of an organization's products and/or services.
<u>Trade acceptance:</u>	Time draft that has been signed by the buyer signifying a promise to honor the payment terms.
<i>Trade Act of 1974:</i>	Legislation signed into law on 3 January 1975 which granted the president authority to enter the Tokyo Round and negotiate international agreements to reduce tariffs and NTBs. (See also fast-track procedures.) the act also amended US law governing the escape clause, antidumping, and countervailing duties; expanded trade adjustment assistance; established guidelines for granting MFN status to East bloc states; and granted limited trade preferences (GSP) to less developed countries.
<i>Trade Adjustment Assistance (TAA):</i>	Originated under the Trade Expansion Act of 1962 and expanded under the Trade Act of 1974, this is a program designed to provide retraining and financial benefits to workers and firms that are injured as a result of increased imports. TAA eligibility and funding have

	been cut back sharply since 1981.
<u>Trade Agreements Act of 1979:</u>	Legislation, adopted under the fast-track procedures, that approved and implemented the trade agreements negotiated during the Tokyo Round. It made US law consistent with the MTN agreements, while at the same time rewriting the countervailing duty and antidumping laws, extending the president's authority to negotiate NTB agreements, and requiring the president to reorganize executive branch trade functions.
<u>Trade and Tariff Act of 1984:</u>	An omnibus trade bill whose provisions included extension of the president's authority to grant trade preferences, authorization for negotiating bilateral free trade agreements, and authority to enforce export restraint agreements on steel.
<u>Trade association:</u>	A nonprofit organization of companies in a common trade or industry that purports to serve the common interest of its members.
<u>Trade balance:</u>	The total value of a nation's merchandise exports minus the value of its merchandise imports, globally or vis-à-vis specific countries or regions. A "negative" trade balance is one in which imports exceed exports.
<i>Trade creation</i>	Trade created due to regional economic integration; occurs when high-cost domestic producers are replaced by low-cost foreign producers in a free trade area.
<u>Trade creation:</u>	Shifting of production from high-cost producers to low-cost producers within a regional trading bloc.
Trade deficit	The money total by which imports exceed the money total of exports.
<i>Trade deficit</i>	See current account deficit.
<u>Trade deflection:</u>	Rerouting of exported goods to the member of a free trade area with the lowest barriers to imports from nonmember countries.
<i>Trade diversion</i>	Trade diverted due to regional economic integration; occurs when low-cost foreign suppliers outside a free trade area are replaced by higher-cost foreign suppliers in a free trade area.
<u>Trade diversion:</u>	Shifting of production to higher-cost producers located within a regional trading bloc from lower-cost producers located outside the trading bloc.
<u>Trade Expansion Act of 1962 (TEA):</u>	Legislation authorizing the Kennedy Round of trade negotiations, which also amended US escape clause procedures and established the Trade Adjustment Assistance (TAA) program.
<u>Trade in invisibles:</u>	British term denoting trade in services.
<u>Trade in visibles:</u>	British term referring to merchandise trade.
<i>Trade surplus</i>	See current account surplus.
<u>Trade-related intellectual property rights (TRIPs):</u>	Issues involving the treatment of intellectual property owned by foreigners. The United States has focused on preventing the piracy of intellectual property in foreign nations. Improved protection of intellectual property has been an objective of the United States in Section 301 cases and in the Uruguay Round. Specific areas covered by the Uruguay Round agreement on TRIPs include copyrights, patents, trademarks, industrial designs, design of integrated circuits, and anticompetitive

	practices in licensing.
<u>Trade-related investment measures (TRIMs):</u>	Issues involving restrictions on the operations of foreign firms-requiring, for example, foreign firms to produce a certain percentage of the final product locally or export a certain percentage of their output. Although the TRIMs agreement was less ambitious than the TRIPs agreement, the Uruguay Round did produce the first GATT agreement on investment measures. The Uruguay Round agreement on TRIMs focused on providing national treatment and eliminating quantitative restrictions.
<u>Trade-remedy procedures:</u>	See Quasi-judicial procedures; Section 301.
<u>Trade:</u>	Voluntary exchange of goods, services, or assets between one person or organization and another.
<i>Tragedy of the commons:</i>	The degradation that occurs when many individuals use a scarce resource in common.
<u>Training:</u>	Instruction directed at enhancing job-related skills and abilities.
<i>Transaction cost:</i>	The cost, often substantial, that arises from transferring the ownership of goods and services.
<i>Transaction costs</i>	The costs of exchange.
<u>Transaction currency:</u>	Currency in which an international transaction is denominated.
<i>Transaction exposure</i>	The extent to which income from individual transactions is affected by fluctuations in foreign exchange values.
<u>Transaction exposure:</u>	Financial risks that occur because the financial benefits and costs of an international transaction may be affected by exchange rate movements occurring after the firm is legally obligated to the transaction.
<u>Transactions costs:</u>	Costs of negotiating, monitoring, and enforcing a contract.
<i>Transfer Payment:</i>	Government payments to individuals and firms not in exchange for goods and services.
Transfer payments	Payments by government made to individuals who provide no goods or services in return.
<i>Transfer price</i>	The price at which goods and services are transferred between subsidiary companies of a corporation.
<u>Transfer pricing:</u>	Prices that one branch or subsidiary of a parent firm charges for goods, services, or property sold to a second branch or subsidiary of the same parent firm.
<u>Transit tariff:</u>	Tax levied on goods as they pass through one country bound for another.
<u>Translation:</u>	Process of transforming the accounting statements of a foreign subsidiary into the home country's currency using the home country's accounting procedures.
<i>Translation exposure</i>	The extent to which the reported consolidated results and balance sheets of a corporation are affected by fluctuations in foreign exchange values.
<u>Translation exposure:</u>	Impact on a firm's consolidated financial statements of fluctuations in foreign exchange rates that change the value of foreign subsidiaries as measured in the parent's currency.
<i>Transnational corporation</i>	A firm that tries to simultaneously realize gains from experience curve economies, location economies, and global learning, while remaining locally responsive.
<u>Transnational corporation:</u>	Organization that seeks to combine the benefits of

	global-scale efficiencies with the benefits of local responsiveness.
<i>Transnational financial reporting</i>	The need for a firm headquartered in one country to report its results to citizens of another country.
<u>Treasury management:</u>	Management of financial flows and their associated currency and interest-rate risks.
<i>Treaty of Rome</i>	The 1957 treaty that established the European Community.
<u>Treaty of Rome:</u>	Treaty signed 1957 that established the European Economic Community; its original six signatories have expanded to 15 over time.
<u>Treaty on European Union:</u>	Treaty signed in 1992 that came into force on November 1, 1993, furthering economic and political integration of the EC's members; important provisions include the creation of an economic and monetary union, a cohesion fund, a pledge to cooperate on foreign and defense policies, and the renaming of the EC as the European Union; commonly known as the Maastricht Treaty.
<u>Triad:</u>	Grouping of countries that dominate the world economy, consisting of the European Union, Japan, and the United States.
<i>Tribal totalitarianism</i>	A political system in which a party, group, or individual that represents the interests of a particular tribe (ethnic group) monopolizes political power.
<u>Triffin paradox:</u>	Paradox that resulted from reliance on the U.S. dollar as the primary source of liquidity in the Bretton Woods system; for trade to grow, foreigners needed to hold more dollars; the more dollars they held, however, the less faith they had in the U.S. dollar, thereby undermining the Bretton Woods system.
<u>Trigger price mechanism (TPM):</u>	A system, developed and enforced during the Carter administration, of restraining steel imports by monitoring them for possible dumping. Under the TPM, an antidumping investigation was to be "triggered" if the price of an imported steel product was below the production costs of the world's most efficient producer of that product.
<u>Tuna-dolphin cases:</u>	GATT disputes over whether the United States can use a tuna import prohibition to enforce limits on the killing of dolphins during tuna harvesting. In 1991, a GATT dispute between the United States and Mexico over Mexican tuna fishing practices led to a GATT panel finding that the US Marine Mammal Protection Act (MMPA) violated US obligations under the GATT. Among other things, the panel concluded that the United States could not impose import restrictions to protect animal life or natural resources outside the United States. However, Mexico declined to have the decision adopted by the GATT Council. Thus, the decision is not considered a formal part of GATT law or precedent. In 1994, the European Union challenged the MMPA's embargo on tuna imported from countries that trade in tuna with Mexico. A second panel found that the United States had violated its GATT obligations by acting unilaterally.

<i>Turnkey project</i>	A project in which a firm agrees to set up an operating plant for a foreign client and hand over the "key" when the plant is fully operational.
<u>Turnkey project</u>	Contract under which a firm. agrees to fully design, construct, and equip a facility and then turn the project over to the purchaser when it is ready for operation.
<u>Turnover:</u>	Rate at which people leave an organization.
<u>Two-point arbitrage:</u>	Riskless purchase of a product in one geographic market for immediate resale in a second geographic market in order to profit from price difference between the markets; also called geographic arbitrage.
<u>Two-tiered pricing policy:</u>	Pricing policy under which a firm sets one price for all its domestic sales and second price for all its international sales.
<u>Two-transaction approach:</u>	Approach used by U.S. firms to account on their income statements for transactions denominated in foreign currencies.
Type I error	An inferential error that occurs when attempting to generalize about reality based on examination of sample evidence or data. In statistics, the type I case involves a false-positive judgment meaning that test results suggest significant association among variables where none in fact exists; thus, the researcher incorrectly accept the false research hypothesis and rejects a true null hypothesis of no predictive association among variables. In practical terms, the type I error occurs whenever an innocent person in erroneously judged to be guilty and punished or when a patient tests positive and is treated for an illness he or she does not have. Attempts to reduce type I errors often increase type II errors.
Type II error	An inferential error that occurs when attempting to generalize about reality based on examination of sample evidence or data. In statistics, the type II case involves a false-negative result, meaning that test results suggest insignificant association among variables where a significant association does in fact exist; thus, the researcher incorrectly rejects the true research hypothesis and accepts the false null hypothesis of no predictive association among variables. In practical terms, the type II error occurs whenever a guilty person is erroneously judged to be innocent and is set free or whenever a sick patient is erroneously judged free of disease based on test results and not treated. Attempts to reduce type II errors often increase type I errors.
U.S. Agency for International Development (USAID)	Unit of the U.S. government that carries out assistance programs designed to help the people of less developed countries develop their human and economic resources, increase productive capacities, and improve the quality of life.
U.S. Department of Commerce (DOC)	Cabinet level department of the federal government that encourages, serves, and promotes the nation's economic development and technological advancement.
U.S. Department of Defense (DOD)	Federal agency responsible for providing the military forces needed to deter war and protect U.S. security.
U.S. Department of Health and Human Services	Cabinet level department of the federal government most

(DHHS)	concerned with health, welfare, and income security plans, policies and programs. Formerly titled the Department of health, Education and Welfare.
U.S. Department of Housing and Urban Development (HUD)	Main federal agency responsible for programs concerned with housing needs and improving and developing the nation's communities.
U.S. Department of Justice (DOJ)	Cabinet level department of the U.S. federal government that represents the citizens of the United States in enforcing the law in the public interest.
U.S. Department of labor (DOL)	Federal agency whose purpose is to foster, promote, and develop the welfare of the workforce of the United States, to improve their working conditions, and to advance their opportunities for profitable employment.
U.S. Department of Transportation (DOT)	Cabinet level department of the federal government that establishes the nation's overall transportation policies.
<u>U-form organization:</u>	Form of organization design based on global functional design.
<u>UN Conference on Trade and Development (UNCTAD)</u>	A quasi-autonomous body within the United Nations system, intended to focus special attention on measures that might be taken to accelerate the pace of economic development in the developing countries. The conference was first convened in Geneva in 1964, and has met quadrennially since that date.
<i>Unbundling</i>	Relying on more than one financial technique to transfer funds across borders.
<u>Uncertainty acceptance:</u>	Cultural belief that uncertainty and ambiguity are stimulating and present new opportunities.
<u>Uncertainty avoidance:</u>	Cultural belief that uncertainty and ambiguity are unpleasant and should be avoided.
<u>Uncertainty orientation:</u>	Cultural beliefs about uncertainty and ambiguity.
Unemployment Insurance (UI)	Federal legislation that established programs designed to provide cash benefits to once regularly employed members of the labor force who become involuntarily unemployed and who are able and willing to accept suitable jobs. Created by the Social Security Act of 1935.
<u>Unilateral transfers:</u>	Gifts made by residents of one country to resident of another country.
United Nations (UN)	An association of independent countries from all over the world with the aim of promoting international peace, security, and cooperation.
<u>United States Tariff Commission:</u>	See US International Trade Commission.
<u>Unrelated diversification:</u>	Corporate-level strategy that calls for a firm to operate in several unrelated businesses, industries, or markets.
<u>Uruguay Round:</u>	The comprehensive GATT negotiations initiated by the Punta del Este agreement of September 1986. The negotiations were originally to be completed by the end of 1990; however, a final agreement was not reached until December 1993, with the formal signing in April 1994. Substantial new agreements were reached on general tariff reduction, agricultural subsidies and quotas, textiles, safeguards, antidumping and countervailing duties, trade-related investment measures (TRIMs), rules of origin, standards, services, trade-related intellectual property rights (TRIPs), and

	government procurement. An unprecedented number of nations adhered to the major Uruguay Round accords-- 123 as of mid-1994. The Uruguay Round also created the World Trade Organization (WTO) to supersede the GATT structure and modified dispute-settlement procedures so a single country can no longer block the adoption of a panel report, although panel findings can be appealed.
<u>Uruguay Round:</u>	GATT negotiations (1986-1994) that created the World Trade Organization, slashed tariff rates, and strengthened enforcement of intellectual property rights.
<u>US International Trade Commission (USITC):</u>	An independent US fact-finding and regulatory agency whose six members make determinations of injury and recommendations for relief for industries or workers seeking relief from increasing import competition. In addition, upon the request of Congress or the president, or on -its own initiative, the USITC conducts comprehensive studies of specific industries and trade problems, and the probable impact on specific US industries of proposed reductions in US tariffs and nontariff trade barriers. The USITC was created by the Trade Act of 1974 as the successor agency to the US Tariff Commission, which was created in 1916.
<u>US Trade Representative (USTR):</u>	An official in the Executive Office of the President, with cabinet-level and ambassadorial rank, charged with advising the president, working with Congress, and leading and coordinating the US government on international trade negotiations. (USTR also designates the White House office that the representative heads.) Established by the Carter administration in 1980, the USTR was given increased authority in the Omnibus Act of 1988. It succeeded the Special Trade Representative (STR), created (at congressional insistence) in the Trade Expansion Act of 1962, and whose status and authority were strengthened in the Trade Act of 1974.
<u>User fee:</u>	A payment made by those who use a specific good or service provided by government.
<u>Utilitarianism:</u>	A system of ethics based on the maxim that people should act in a way that results in the greatest net social good.
<u>Utility maximizer:</u>	The idea that people act so that, if faced with the same item at different prices, they will buy the lower priced one.
<u>Value chain:</u>	Technique for assessing a firm's strengths and weaknesses by identifying its most important activities.
<i>Value creation</i>	Performing activities that increase the value of goods or services to consumers.
<i>Values</i>	Abstract ideas about what a society believes to be good, right, and desirable.
<u>VAT (value added tax):</u>	A tax that accumulates on goods as they move from raw material through the production and distribution process.
<i>Vehicle currency</i>	A currency that plays a central role in the foreign exchange market (e.g., the U.S. dollar and Japanese yen).
<i>Vertical differentiation</i>	The centralization and decentralization of decision-

	making responsibilities.
<i>Vertical foreign direct investment</i>	Foreign direct investment in an industry abroad that provides inputs into a firm's domestic operations, or foreign direct investment into an industry abroad that sells the outputs of a firm's domestic operations.
<i>Vertical integration</i>	Extension of a firm's activities into adjacent stages of productions (i.e., those providing the firm's inputs or those that purchase the firm's outputs).
<u>Vertical integration:</u>	Extent to which a firm either provides its own resources or obtains them from other sources.
<i>Vertical merger:</i>	A merger between two companies in the vertical chain of production or distribution.
<i>Voluntary export restraint (VER)</i>	A quota on trade imposed from the exporting country's side, instead of the importer's; usually imposed at the request of the importing country's government.
<u>Voluntary export restraint (VER):</u>	An arrangement under which exporters voluntarily limit exports of certain products to a particular country. Such restraints (also known as voluntary restraint agreements, or VRAs) are typically undertaken under threat of that country's imposition of import restrictions. VERs circumvent the GATT MFN principle, and the obligation on the part of the importing country to provide compensation to the exporting country when it imposes new import restrictions. The Uruguay Round agreement on safeguards bans the use of VERs.
<u>Voluntary export restraint (VER):</u>	Promise by a country to limit its exports of a good to another country.
Voucher	Consumer subsidy in which consumers exercise choice in purchasing publicly funded services.
War on Poverty	A services-based strategy for dealing with problems of poverty in the United States. Promoted by the Johnson Administration in the mid-1960s.
<i>Warranty:</i>	A promise of quality or performance for a good or service.
<u>Webb-Pomerene association:</u>	Group of U.S. firms that operate within the same industry and that allowed by law to coordinate their export activities without fear of violating U.S. antitrust laws.
<i>Welfare state:</i>	A nation in which government plays a positive role to promote the social welfare.
<i>Wholly owned subsidiary</i>	A subsidiary in which the firm owns 100 percent of the stock.
<u>With recourse:</u>	Term signifying that should a trade acceptance or banker's acceptance sold by an exporter to an investor fail to be paid, the exporter will reimburse the investor; the exporter retains the risk of default by the signer of the acceptance.
<u>Without recourse:</u>	Term signifying that should a trade acceptance or banker's acceptance sold by an exporter to an investor fail to be paid, the exporter is not obligated to reimburse the investor; the investor retains the risk of default by the signer of the acceptance.
<u>Word Bank Group:</u>	Organization consisting of the World Bank and its affiliated organizations, the International Development Agency, the International Finance Corporation, and the

	Multilateral Investment Guarantee Agency.
<u>Workers' compensation:</u>	No-fault insurance providing recovery for workers who sustain illness or injury on the job.
World Bank	A multilateral development agency formed to provide loans and technical assistance to the less developed countries of the world.
<i>World Bank</i>	International institution set up to promote general economic development in the world's poorer nations.
<u>World Bank:</u>	<i>See</i> International Bank for Reconstruction and Development.
<u>World Bank:</u>	Officially the International Bank for Reconstruction and Development, the World Bank was founded in 1944 to make loans to finance productive investment in member countries.
<u>World company:</u>	Currently hypothetical firm that transcends national boundaries and has no national identity.
<i>World Trade Organization (WTO)</i>	The organization that succeeded the General Agreement on Tariffs and Trade (GATT) as a result of the successful completion of the Uruguay round of GATT negotiations.
<u>World Trade Organization (WTO):</u>	A new organization created by the Uruguay Round agreements to oversee the global trading system and monitor implementation of trade accords. The WTO is the successor organization to the GATT; unlike the GATT, however, it was explicitly established to play this role. The WTO encompasses and extends the GATT structure. It came into being in 1995.
<u>World Trade Organization (WTO):</u>	Successor organization to the GATT founded in 1995; created by the Uruguay Round negotiations.
<u>World Trade Organization (WTO):</u>	The successor organization to the GATT, create in 1995, with stronger power to resolve trade disputes.
<i>Worldwide area structure</i>	Organizational structure under which the world is divided into areas.
<i>Worldwide product division structure</i>	Organizational structure based on product divisions that have worldwide responsibility.
<i>Zero sum game</i>	A situation in which an economic gain by one country results in an economic loss by another.