

## PREFACE

*International Trade and Investment 2e* is a book about the challenges of doing business in the global economy. With the Australian economy being increasingly globalised, this book is intended to familiarise students with the main features of the international trade, investment and financial framework in which small and medium independent companies and multinational corporations do business.

The book has an Asia Pacific perspective—not just because it is published in Australia and printed in Singapore. The content of the text and cases is focused on developments and issues faced by governments and companies in Australia and other economies in the Asia Pacific. At the same time, the book preserves an international perspective, because governments and companies in Asia Pacific operate and cooperate in a global environment.

There has been many structural changes and deregulation in industrialised nations, economic reforms in emerging market and developing economies, and progress achieved in multilateral and regional organisations. As a result, trade and investment around the world have become more open and active components of the global economy, with an increasing impact on national economies and our daily lives.

### Audience and level

The text was designed as a one semester survey course in international business/international trade at the undergraduate, graduate and executive levels. The selection of chapters and sections within the chapter is left to the instructor's discretion. The chapters of text materials can (and should) be supplemented with readings of the instructor's choice. Given its strong practical content, it should also prove useful as a reference source for more vocational VET courses or 'in-house' company training programs in the area of international business. The book should also provide a relevant reference source in business practice. Thus, the book is designed for flexibility, with the level of analysis being neither too theoretical nor complicated, nor too simplistic.

This book aims to serve the needs of business school students who will soon be practicing managers in government organisations and private companies involved in a variety of international activities.

### Organisation of the book

The book is organised into six parts and 16 chapters. The introductory **Part I** debates a few issues related to the globalisation of the world economy and proposes a new measure of international business called the Aggregate International Business (AIB). It also explores the reasons for studying the area of international business.

**Part II** introduces the major post-World War II trends in international trade (e.g. the expansion of intra-industry trade and processing trade, along with the general industrialisation of exports) and investment (e.g. the growing role of developing countries as a geographic destination and of services as a sectoral destination for foreign direct investment flows). Chapter 3 reviews not only long-established theories (e.g. the theory of comparative advantage and factor endowments), but also the new trade theory and strategic trade policy as well as Michael Porter's theory of the competitive advantage of nations. Chapter 4 introduces a number of theories of foreign direct investment (e.g. the global horizons theory, Vernon's product life theory and the Internalisation theory). Trade and investment theories are then applied to explain the recent global trade and FDI trends as well as developments in and prospects for the Australian economy. Chapter 5 outlines Australia's positions in the global economy, trade and investment and the main issues faced by the Australian economy in its process of globalisation.

**Part III** describes and explains the global trade and investment environment in which international business occurs. Chapter 6 reviews the main barriers to international trade and investment and explains the need for trade and investment liberalisation. Chapter 7 examines the multilateral trade and investment environment, including the achievements, difficulties and prospects of the process of global trade liberalisation in multilateral organisations, such as the World Trade Organisation. Chapter 8 examines the complex and fast-growing process of regional trade liberalisation in Europe (the European Union), Americas, Asia (e.g. the ASEAN Free Trade Area) and Oceania (Australia–New Zealand Closer Economic Relations and other bilateral free trade agreements).

Chapters 9–11 focus on the international financial framework: (a) the means for international monetary transactions (foreign exchange); (b) the recording of international business transactions (the balance of payments); (c) the facilitating of international transfers of monetary claims (the international monetary system.).

**Part IV** shifts focus from the environment to the firm. Chapter 12 examines the strategies the firms adopt to compete effectively in the international business environment. It outlines the structure of an export marketing plan and a foreign direct investment plan. Chapter 13 describes how export–import transactions are carried out, the main payment methods and financing techniques.

**Part V** examines the environment and issues involved in doing business (trade and investment) in various groups of countries which make up the global economy. Chapter 14 examines the Advanced Economies (AEs), which include the industrialised nations of Western Europe, North America, Japan, Oceania, Israel, plus four Newly Industrialised Asian Economies (Hong Kong SAR, Chinese, Taipei, the Republic of Korea and Singapore). Chapter 15 examines the Emerging Market and Developing Economies in Developing Asia, Central and Eastern Europe and Commonwealth of Independent States, Latin America, Middle East and Africa. This chapter identifies specific trade policy, export marketing and FDI issues and possible solutions when doing business in each group of countries.

**Part VI** examines sectoral trends and prospects in international trade and investment, illustrated with the examples of three global industries: grain industry, automotive industry, and telecommunications industry.

There are 15 end-of-chapter cases and a few more micro-cases included inside the chapters. The cases in the second edition are focused on developments and issues faced by companies in Australia (e.g. BHP, Cochlear Ltd, Foster's) and other Asia Pacific economies (China, Hong Kong, Japan, New Zealand, Malaysia, and Thailand). They also touch on developments in the USA and the European Union, as major players in the global economy, and on successful international companies based in a small economy (e.g. Nokia in Finland).

The products covered in the various chapters and cases range from primary commodities like minerals and grain, to processed food items like wine, and elaborately transformed manufactured goods like cars, mobile phones and other telecommunications equipment and services. The cases also cover special trade techniques (e.g. countertrade) or technical financial issues (e.g. currency fluctuations and the impact of current account deficits). Only about a quarter of the cases in this text have been classroom tested. The balance is comprised of new cases specially developed for this text. Any feedback on the cases and other aspects of the book would be appreciated.

Each chapter has a **Chapter summary**, a section of **Review and Discussion questions** and most chapters have a number of **Applied exercises**. Examples of balance of payments records are demonstrated and explained in Chapter 10. A new type of objective test called **Plus/Minus/Equal** is presented at the end of Chapters 9 and 10.

## **Web site resources**

A resource for both instructors and students is provided by McGraw-Hill's Web site at: <[www.mcgraw-hill.com.au/mhhe/econ/supersite.htm](http://www.mcgraw-hill.com.au/mhhe/econ/supersite.htm)> From the website instructors can access the *Instructor Resource Manual* (including solutions to Discussion questions and Applied Exercises), a set of *PowerPoint lecture notes*, an additional *Test Bank*, with true–false, multiple-choice and essay questions and a *Student Workbook*. A password-protected portion of the book website will be available to adopters of *International Trade and Investment 2e*. Students can also access *the Power Point lecture notes* and *the Student Workbook*.

### **The Book as a tool**

This book can be regarded as a teaching, learning and research tool as it contains *inter alia*:

- statistical methods for the assessment of the degree of globalisation of an economy (e.g. trend rates, the intra-industry trade index, the Hirschman concentration index), especially concentrated in Chapters 1 to 3
- extensive comparative international statistics on international trade and investment and on Australia's positions in trade and investment in various regions and countries of the world
- comparative data about the major exporters in Australia and Canada, two resource-rich economies (Chapter 13)
- a detailed and applied presentation of the Incoterms 2000 (Chapter 13)
- a practical country investment evaluation method which can be used in student research projects and in business practice (Chapter 12)
- a Glossary of terms and a List of acronyms and abbreviations
- a rich list of references, including Internet site addresses and links to data sources, information and analysis on international trade and investment.

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