

# GLOSSARY

## a

**administered pricing** The attempt to establish prices for an entire market through the cooperation of competitors, through national, state, or local governments, or by international agreement. Its legality differs from country to country and from time to time.

**advanced pricing agreement (APA)** An agreement made between a company and the Internal Revenue Service covering **transfer pricing** methods used by the company. Without such an agreement, if the IRS charges the company with underreporting income through its transactions with affiliates, the burden of proof that a transfer price was fair rests with the company.

**aesthetics** Philosophically, the creation and appreciation of beauty; collectively, the arts, including folklore, music, drama, and dance.

**AFTA** ASEAN (Association of Southeast Asian Nations) Free Trade Area; a multinational trade group that evolved from ASEAN. *See* **APEC; ASEAN+3**

**agent middlemen** In an international transaction, intermediaries who represent the principal (home manufacturer/marketer) rather than themselves; agent middlemen work on commission and arrange for sales in the foreign country but do not take title to the merchandise. *See* **home-country middlemen; merchant-middlemen**

**Amsterdam Treaty** *See* **Treaty of Amsterdam**

**analogy** A method of market estimation that assumes that demand for a product develops in much the same way in all countries as comparable economic development occurs in each country.

**APEC** The Asian-Pacific Economic Cooperation; a forum that meets annually to discuss regional economic development. *See* **AFTA; ASEAN+3**

**arbitration** A procedure, used as an alternative to **litigation**, in which parties in a dispute may select a disinterested third party or parties as referee to determine the merits of the case and make a judgment that both parties agree to honor.

**ASEAN (Association of Southeast Asian Nations)** A multinational regional trade group including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

**ASEAN+3** A forum for ministers of the Association of Southeast Asian Nations plus ministers from China, Japan, and South Korea. *See* **AFTA; APEC**

## b

**back translation** The process in which a document, such as a questionnaire, or phrase is translated from one language to another and then translated by a second party into the original language. Back translations can be used to verify that the first translation, as of a marketing slogan, has the intended meaning for the targeted audience. *See* **decentering; parallel translation**

**balance of payments** The system of accounts that records a nation's international financial transactions.

**balance of trade** The difference in value over a period of time between a country's imports and exports.

**barter** The direct exchange of goods between two parties in a transaction. *See* **compensation deals; counterpurchase; countertrade**

**BATNA** Acronym for "best alternative to a negotiated agreement," a notion discussed in *Getting to Yes*, by Fisher, Ury, and Patton.

**BEMs** Big emerging markets; used to describe the core group of populous nations that will account for much of the growth in world trade among developing and newly industrialized countries.

**bills of exchange** A form of international commercial payment drawn by sellers on foreign buyers; in transactions based on bills of exchange, the seller assumes all risk until the actual dollars are received, making them riskier for the seller than **letters of credit**.

**bottom-of-the-pyramid markets (BOPM)** These consist of the 4 billion people around the world with incomes of \$1,200 or less per capita. They are not necessarily defined by national borders, but are rather pockets of poverty particularly concentrated in south Asia and sub-Saharan Africa.

**bribery** The use of funds, usually illegally, to influence decisions made by public employees and government officials. Such payments often range into the millions of dollars in international commerce.

## C

**capital account** The portion of a **balance of payments** statement that shows a record of direct investment, portfolio investment, and short-term capital movements to and from countries.

**cartel** An arrangement in which various companies producing similar products or services work together to control markets for the goods and services they produce. The Organization of Petroleum Exporting Countries (OPEC) is the best known international cartel.

**client followers** Companies, often providers of services, that follow companies that first moved into a foreign market; for example, an American insurance company setting up in Mexico to serve a U.S. auto company that had previously opened a factory there.

**code law** A legal system based on an all-inclusive system of written rules, or codes, of law; generally divided into three separate codes: commercial, civil, and criminal. In the United States, Louisiana is the one state to use code law. *See* **common law**

**Commerce Control List (CCL)** A directory, organized by a series of **Export Control Classification Numbers**, that indicates U.S. rules for the exportability of items. Exporters must use the list to determine if there are end-use restrictions on certain items, such as uses in nuclear, chemical, and biological weapons, and determine if a product has a dual use—that is, both in commercial and restricted applications. *See* **Export Administration Regulations**

**Commerce Country Chart (CCC)** A directory of information that a U.S. exporter needs to consult, along with the **Commerce Control List**, to determine if the exporter needs a license to export or reexport a product to a particular destination. *See* **Export Control Classification Number**

**common law** The body of law based on tradition, past practices, and legal precedents set by courts through interpretations of statutes, legal legislation, and past rulings. Common law, which is

used in all states in the United States except Louisiana, uses past decisions to interpret statutes and apply them to present situations. Also known as English law. *See* **code law**

**common market** An agreement that eliminates all tariffs and other restrictions on internal trade, adopts a set of common external tariffs, and removes all restrictions on the free flow of capital and labor among member nations.

**compensation deals** Transactions that involve payment in both goods and cash. *See* **barter**; **counterpurchase**; **countertrade**

**complementary marketing** The process by which companies with excess marketing capacity in different countries or with a desire for a broader product line take on additional lines for international distribution; commonly called *piggybacking*.

**conciliation** A nonbinding agreement between parties to resolve disputes by asking a third party to mediate differences. Also known as *mediation*. *See* **arbitration**; **litigation**

**confiscation** The seizing of a company's assets without payment. Prominent examples involving U.S. companies occurred in Cuba and Iran. *See* **domestication**; **expropriation**

**Confusion Philosophy** The 2,500-year-old teachings of Chinese philosopher, Confucius, still strongly influence cultures in East Asia today. Primary among his teachings were a deep respect for elders, rulers, and husbands.

**controllable elements** The aspects of trade over which a company has control and influence; they include marketing decisions covering product, price, promotion, distribution, research, and advertising. *See* **uncontrollable elements**

**corporate planning** The formulation of long-term, generalized goals for an enterprise as a whole. *See* **strategic planning**; **tactical planning**

**counterpurchase** A type of **countertrade** in which a seller receives payment in cash but agrees in a contract to buy goods from the buyer for the total monetary amount involved in the first transaction or for a set percentage of that amount; also known as *offset trade*. *See* **barter**; **compensation deals**

**countertrade** A type of transaction in which goods are imported and sold by a company from a country in exchange for the right or ability to manufacture and/or sell goods in that country. Countertrade can substitute for cash entirely or partially and is used extensively in trade between U.S. firms and the former Soviet bloc, along with other emerging markets. *See* **barter**; **compensation deals**; **counterpurchase**

**countervailing duty** A fee that may, under **World Trade Organization** rules, be imposed on foreign goods benefiting from subsidies, whether in production, export, or transportation; may be applied in conjunction with *minimum access volume*, which restricts the amount of goods a country will import.

**creativity in negotiations** The use of creative processes such as joint brainstorming in informal side-bar negotiations. This assumes a collaborative approach to negotiations rather than a competitive one, and assumes long-term, mutually beneficial commercial and personal relationships are the goal of the negotiation.

**cultural borrowing** The phenomenon by which societies learn from other cultures' ways and borrow ideas to solve problems or improve conditions.

**cultural congruence** A marketing strategy in which products are marketed in a way similar to the marketing of products already in the market in a manner as congruent as possible with existing cultural norms.

**cultural elective** *See* **elective**

**cultural exclusive** *See* **exclusive**

**cultural imperative** *See* **imperative**

**cultural sensitivity** An awareness of the nuances of culture so that a culture can be viewed objectively, evaluated, and appreciated; an important part of foreign marketing.

**cultural values** The system of beliefs and customs held by a population in a given *culture*. A book by Geert Hofstede describes a study of 66 nations and divides the cultural values of those nations into four primary dimensions: the Individualized/Collectivism Index, the Power Distance Index, the Uncertainty Avoidance Index, and the Masculinity/Femininity Index (which is not considered as useful as the other three).

**culture** The human-made part of human environment—the sum total of knowledge, beliefs, arts, morals, laws, customs, and any other capabilities and habits acquired by humans as members of society.

**current account** The portion of a **balance of payments** statement that shows a record of all merchandise exports, imports, and services, plus unilateral transfers of funds.

**customs-privileged facilities** Areas, as in international transactions, where goods can be imported for storage and/or processing with tariffs and quota limits postponed until the products leave the designated areas. *See* **foreign-trade zones**

**customs union** A stage in economic cooperation that benefits from a *free trade area*'s reduced or eliminated internal tariffs and adds a common external tariff on products imported from countries outside the union. *See* **common market**; **political union**

**cybersquatters** Persons or businesses that buy, usually for a nominal fee, and register as Web site names descriptive nouns, celebrity names, variations on company trademarks, geographic and ethnic group names, and pharmaceutical and other descriptors and then hold them until they can be sold at an inflated price. Sometimes called *CSQ*.

## d

**dealers** The middlemen selling industrial goods or durable goods directly to customers; their actions are the last steps in the **distribution channel**.

**decentering** A method of translation, a variation on **back translation**, that is a successive process of translation and retranslation of a document, such as a questionnaire, each time by a different translator. The two original-language versions are then compared, and if there are differences, the process is repeated until the second original-language version is the same as the first. *See* **parallel translation**

**derived demand** Demand that is dependent on another source; it can be fundamental to the success of efforts to sell capital equipment and big-ticket industrial services.

**diffusion (of innovations)** The adoption or spread of products across markets by increasing numbers of consumers.

**direct exporting** The type of exporting in which a company sells to a customer in another country. *See* **indirect exporting**

**distribution channels** The various routes through which marketers must negotiate their goods to deliver them to the consumer. Distribution channel structures range from those with little developed marketing infrastructure, as found in many emerging markets, to those with a highly complex, multilayered systems, as found in Japan. Consideration for channel structure involves “the six Cs”: cost, capital, control, coverage, character, and continuity.

**distribution process** The physical handling of goods, the passage of ownership (title), and—especially important from a marketing viewpoint—the buying and selling negotiations between the producers and middlemen and between middlemen and customers. *See* **distribution structure**

**distribution structure** The system, present in every country’s market, through which goods pass from producer to user; within the structure are a variety of middlemen. *See* **distribution process**

**domestication** A process by which a host country gradually transfers foreign investments to national control and ownership through a series of government decrees mandating local ownership and greater national involvement in company management. *See* **confiscation; expropriation**

**domestic environment uncontrollables** Factors in a company’s home country over which the company has little or no control or influence. They include political and legal forces, the economic climate, level of technology, competitive forces, and economic forces. *See* **uncontrollable elements**

**dumping** An export practice, generally prohibited by laws and subject to penalties and fines, defined by some as the selling of products in foreign markets below the cost of production and by others as the selling of products at below the prices of the same goods in the home market.

## e

**economic development** Generally, an increase in national production that results in an increase in average per capita gross domestic product.

**economic dualism** The coexistence of modern and traditional sectors within an economy, especially as found in less-developed countries.

**ELAIN** Export License Application and Information Network; an electronic service that enables authorized exporters to submit license applications via the Internet for all commodities except supercomputers and to all free-world destinations. *See* **ERIC; SNAP; STELA**

**elective** A business custom (as in a foreign country) to which adaptation is helpful but not necessary. *See* **exclusive; imperative**

**EMU** The Economic and Monetary Union; formed by the **Maas-tricht Treaty**, which also formed the European Union.

**ERIC** Electronic Request for Item Classification; a supplementary service to **ELAIN** that allows an exporter to submit commodity classification requests via the Internet to the Bureau of Export administration. *See* **SNAP; STELA**

**European Parliament** The legislative body of the European Union, similar in concept to the U.S. House of

Representatives. That is, more populous countries have more representatives.

**exclusive** A business custom (as in a foreign country) in which an outsider must not participate. *See* **elective; imperative**

**exclusive distribution** A practice in which a company restricts which retailers can carry its product; often used by companies to maintain high retail margins, to maintain the exclusive-quality image of a product, and to encourage retailers to provide extra service to customers.

**expatriate** A person living away from his or her own country. In international sales, expatriates from the selling company’s home country may be the best choice for the sales force when products are highly technical or when selling requires an extensive knowledge of the company and its product line. *See* **local nationals**

**expert opinion** A method of market estimation in which experts are polled for their opinions about market size and growth rates; used particularly in foreign countries that are new to the marketer.

**Export Administration Regulations (EAR)** A set of rules issued by the U.S. Department of Commerce, designed to alleviate many of the problems and confusions of exporting; they are intended to speed up the process of granting export licenses by concentrating license control on a list of specific items, most of which involve national security. Exporters must ensure that their trade activities do not violate the provisions of EAR. *See* **Commerce Control List; Export Control Classification Number**

**Export Control Classification Number (ECCN)** Under the provisions of the U.S. **Export Administration Regulations (EAR)**, a classification number that a U.S. exporter must select for an item to be exported; the number corresponds to a description in the **Commerce Control List**, which indicates the exportability of the item.

**export documents** The various items of documentation for an international transaction, as required by the exporting government, by established procedures of foreign trade, and, in some cases, by the importing government.

**export management company (EMC)** An important middleman for firms with relatively small international volume or those unwilling to involve their own personnel in the international function. These EMCs range in size from 1 person upward to 100 and handle about 10 percent of the manufactured goods exported. Typically, the EMC becomes an integral part of the marketing operations of its client companies. Working under the names of the manufacturers, the EMC functions as a low-cost, independent marketing department with direct responsibility to the parent firm. The working relationship is so close that customers are often unaware they are not dealing directly with the export department of the company.

**export regulations** Restrictions placed by countries on the selling of goods abroad; among reasons they may be imposed are to conserve scarce goods for home consumption and to control the flow of strategic goods actual or potential enemies. *See* **import regulations**

**Export Trading Company (ETC) Act** An act allowing producers of similar products in the United States to form an export trading company; the act created a more favorable environment for the formation of joint export ventures, in part by removing antitrust disincentives to trade activities.

**expropriation** The seizure of an investment by a government in which some reimbursement is made to the investment owner; often the seized investment becomes nationalized. *See* **confiscation; domestication**

## f

**factual knowledge** A type of knowledge or understanding of a foreign culture that encompasses different meanings of color, different tastes, and other traits of a culture that a marketer can study, anticipate, and absorb. *See* **interpretive knowledge**

**FCPA** Foreign Corrupt Practices Act. The act prohibits U.S. businesses from paying bribes to officials or foreign governments, openly or using middlemen as conduits for a bribe when the U.S. official knows that the middleman's payment will be used for a bribe.

**foreign environment uncontrollables** Factors in the foreign market over which a business operating in its home country has little or no control or influence. They include political and legal forces, economic climate, geography and infrastructure, level of technology, structure of distribution, and level of technology. *See* **domestic environment uncontrollables**

**foreign-trade zones (FTZs)** Regions or ports that act as holding areas for goods before quotas or customs duties are applied. In the United States, more than 150 FTZs allow companies to land imported goods for storage or various processing such as cleaning or packaging before the goods are officially brought into the United States or reexported to another country. *See* **customs-privileged facilities**

**forfeiting** A financing technique that may be used in an international transaction in which the seller makes a one-time arrangement with a bank or other financial institution to take over responsibility for collecting the account receivable.

**Four Asian Tigers** Refers to Hong Kong, Taiwan, Singapore, and South Korea as they fast achieved affluence in the 1980s and 90s.

**franchising** A form of **licensing** in which a company (the franchiser) provides a standard package of products, systems, and management services to the franchisee, which in foreign markets has market knowledge. Franchising permits flexibility in dealing with local market conditions while providing the parent firm with a degree of control.

**free trade area (FTA)** A type of regional cooperation that involves an agreement between two or more countries to reduce or eliminate customs duties and nontariff trade barriers among partner countries while members maintain individual tariff schedules for external countries. An FTA requires more cooperation than the arrangement known as the regional cooperation for development.

**full-cost pricing** A method of pricing based on the view that no unit of a similar product is different from any other unit of a similar product and that each unit must bear its full share of the total fixed and variable cost, whether sold in the home market or abroad. *See* **skimming; variable-cost pricing**

## g

**GATT** General Agreement on Tariffs and Trade; a trade agreement signed by the United States and 22 other countries shortly after World War II. The original agreement provided a process to reduce **tariffs** and created an agency to patrol world trade; the

treaty and subsequent meetings have produced agreements significantly reducing tariffs.

**global awareness** A frame of reference, important to the success of a businessperson, that embodies tolerance of cultural differences and knowledge of cultures, history, world market potential, and global economic, social, and political trends.

**global brand** The worldwide use of a name, term, sign, symbol (visual or auditory), design, or a combination thereof to identify goods or services of a seller and to differentiate them from those of competitors.

**global marketing** The performance of business activities designed to plan, price, promote, and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit. The most profound difference between global and domestic marketing involves the orientation of the company toward markets and planning activities around the world.

**global marketing concept** A perspective encompassing an entire set of country markets, whether the home market and one other country or the home market and 100 other countries, and viewing them as a unit, identifying groups of prospective buyers with similar needs as a global market segment, and developing a market plan that strives for standardization wherever it is effective in cost and cultural terms.

**global orientation** A means of operating by which a company acts as if all the company's markets in a company's scope of operations (including the domestic market) were approachable as a single global market, with the company standardizing the marketing mix where culturally feasible and cost effective.

**green marketing** Consideration and concern for the environmental consequences of product formulation, marketing, manufacturing, and packaging.

**green-house gas emissions** These are gases resulting primarily from the use of fossil fuels that tend to trap heat in the earth's atmosphere and are causal factors in global climate change. The main problem compounds are carbon dioxide, methane, nitrous oxide, and fluorinated gases.

## h

**home-country middlemen** In international transactions, the intermediaries, located in the producer's home country, who provide marketing services from a domestic base; also known as *domestic middlemen*. Home-country middlemen offer advantages for companies with small international sales volume or for those inexperienced in international trade. *See* **agent middlemen; merchant middlemen**

**homologation** A term used to describe changes in a product that are mandated by local standards for product and service **quality**.

## i

**IMF** The International Monetary Fund. A global institution that, along with the World Bank Group, was created to assist nations in becoming and remaining economically viable.

**imperative** A business custom (as in a foreign country) that must be recognized and accommodated. *See* **elective; exclusive**

**import jobbers** In international transactions, business entities that purchase goods directly from the manufacturer and sell to wholesalers and retailers and to industrial customers.

**import regulations** Restrictions placed by countries on the sale of goods from outside markets; among the reasons they are imposed are to protect health, conserve foreign exchange, serve as economic reprisals, protect home industry, and provide revenue from tariffs. Exporters to markets under such regulations may have to go through various steps to comply with them. *See* **export regulations**

**indirect exporting** The type of exporting in which a company sells to a buyer (an importer or distributor) in the home country; the buyer in turn exports the product.

**infrastructure** The collective assortment of capital goods that serve the activities of many industries and support production and marketing.

**innovation** An idea perceived as new by a group of people; when applied to a product, an innovation may be something completely new or something that is perceived as new in a given country or culture. *See* **product diffusion**

**integrated marketing communications (IMCs)** The collective arrangement of efforts and methods to sell a product or service, including advertising, sales promotions, trade shows, personal selling, direct selling, and public relations.

**international marketing** The performance of business activities designed to plan, price, promote, and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit.

**international marketing research** The form of **marketing research** involving two additional considerations: (1) the need to communicate information across national boundaries, and (2) the challenge of applying established marketing techniques in the different environments of foreign markets, some of which may be strange or vexing milieus for the marketer.

**interpretive knowledge** An ability to understand and to appreciate fully the nuances of different cultural traits and patterns. *See* **factual knowledge**

**Islamic law** The *Shari'ah*; the legal system based on an interpretation of the Koran. Islamic law encompasses religious duties and obligations as well as the secular aspect of law regulating human acts. Among its provisions is a prohibition of the payment of interest.

**ISO 9000s** A series of international industrial standards (ISO 9000–9004) originally designed by the International Organization for Standardization to meet the need for product quality assurances in purchasing agreements.

## j

**joint venture** A partnership of two or more participating companies that join forces to create a separate legal entity. *See* **strategic international alliance**

**justice or fairness** One of three principles of ethics (the others are **utilitarian ethics** and **rights of the parties**); it tests an action by asking if the action respects the canons of justice or fairness to all parties involved.

## l

**Large-Scale Retail Store Law** In Japan competition from large retail stores has been almost totally controlled by *Daitenho*—the Large-Scale Retail Store Law (and its more recent incarnations).

Designed to protect small retailers from large intruders into their markets, the law required that any store larger than 5,382 square feet (500 square meters) must have approval from the prefecture government to be “built, expanded, stay open later in the evening, or change the days of the month they must remain closed.” All proposals for new “large” stores were first judged by the Ministry of International Trade and Industry (MITI). Then, if all local retailers *unanimously* agreed to the plan, it was swiftly approved. However, without approval at the prefecture level, the plan was returned for clarification and modification, a process that could take several years (10 years was not unheard of) for approval.

**Large-Scale Retail Store Location Act** A regulatory act in Japan, implemented under pressure from the United States in 2000; it replaced the protective Large-Scale Retail Store Law and relaxed restrictions on the opening of large retailers near small shops and abolished the mandate on the number of days a store must be closed.

**letters of credit** Financing devices that, when opened by a buyer of goods, allow the seller to draw a draft against the bank issuing the credit and receive dollars by presenting proper shipping document. Except for cash in advance, letters of credit afford the seller the greatest degree of protection. *See* **bills of exchange**

**licensing** A contractual means by which a company grants patent rights, trademark rights, and the rights to use technology to another company, often in a foreign market; a favored strategy of small and medium-sized companies seeking a foothold in foreign markets without making large capital outlays. *See* **franchising**

**linguistic distance** The measure of difference between languages; an important factor in determining the amount of trade between nations.

**litigation** The process in which a dispute between parties is contested in a formal judicial setting; commonly instigated by a lawsuit asserting one party's version of the facts.

**local nationals** Persons living in their home country; historically the persons preferred by **expatriate** managers to form the sales force. Local nationals are more knowledgeable about a country's business structure than an expatriate would be, and they are generally less expensive to field and maintain.

**logistics management** A total systems approach to management of the distribution process that includes all activities involved in physically moving raw material, in-process inventory, and finished goods inventory from the point of origin to the point of use or consumption.

**lubrication** The use of funds to expedite actions of public employees and government officials. The payments made to minor officials may or may not be illegal and are usually of inconsequential amounts.

## m

**Maastricht Treaty** Treaty signed by 12 nations of the European Community creating the European Union.

**Manifest Destiny** The notion that Americans were a chosen people ordained by God to create a model society; it was accepted as the basis for U.S. policy during much of the 19th and 20th centuries as the nation expanded its territory.

**maquiladoras** Also known as *in-bond companies* or *twin plants*, a type of customs-privileged facility that originated in Mexico in the 1970s and provided U.S. companies with a favorable means to use low-cost Mexican labor. They operated through an agreement with the Mexican government allowing U.S. companies to import parts and materials into Mexico without import taxes, provided the finished products are reexported to the United States or another country. *See* **customs-privileged facilities**

**marketing research** The systematic gathering, recording, and analyzing of data to provide information useful in marketing decision making. *See* **international marketing research**

**Marxist-socialist tenets** The set of views in which law is subordinate to prevailing economic conditions. Marxist-socialist tenets influenced the legal systems of Russia and other republics of the former Soviet Union, as well as China, forcing these nations to revamp their commercial legal code as they become involved in trade with non-Marxist countries.

**merchant middlemen** In international transactions, the intermediaries, located in the foreign market, who take title to the home-country manufacturer's goods and sell on their own account. Manufacturers using merchant middlemen have less control over the **distribution process** than those using **agent middlemen**. *See* **home-country middlemen**

**Mercosur** An evolving South American union, also called the Southern Cone Free Trade Area, formed in 1991 with the goal of creating a **common market** and **customs union** among the participating countries. The original signers were Argentina, Brazil, Paraguay, and Uruguay; Bolivia and Chile later signed agreements with Mercosur.

**merge-in-transit** A distribution method in which goods shipped from several supply locations are consolidated into one final customer delivery point while they are in transit and then shipped as a unit to the customer.

**Monroe Doctrine** A cornerstone of U.S. foreign policy as enunciated by President James Monroe, it proclaimed three basic dicta: no further European colonization in the New World, abstention of the United States from European political affairs, and non-intervention of European governments in the governments of the Western Hemisphere. *See* **Roosevelt Corollary**

**M-time** Monochromatic time; describing a view of time, typical of most North Americans, Swiss, Germans, and Scandinavians, as something that is linear and can be saved, wasted, spent, and lost. M-time cultures tend to concentrate on one thing at a time and value promptness. *See* **P-time**

**multicultural research** Inquiry, analysis, and study of countries and cultures that takes into account differences in language, economic structure, social structure, behavior, and attitude patterns. Different methods of research may have varying reliability in different countries.

**multinational market regions** The groups of countries that seek mutual economic benefit from reducing interregional tariffs and barriers to trade.

## n

**NAFTA** North American Free Trade Agreement. NAFTA is a comprehensive trade agreement that addresses, and in many cases

improves all aspects of doing business within North America. By eliminating trade and investment barriers among Canada, the United States, and Mexico, it created one of the largest and richest markets in the world.

**nationalism** An intense feeling of national pride and unity; an awakening of a nation's people to pride in their country. Nationalism can take on an antiforeign business bias.

**NGOs** Large advocacy organizations, usually not-for-profit, often multinational, and run by citizens rather than companies or governments. Prominent examples are Green Peace, Amnesty International, and the Red Cross.

**NICs** Newly industrialized countries; countries that are experiencing rapid economic expansion and industrialization.

**noise** The term for an impairment to communications process comprising external influences, such as competitive advertising, other sales personnel, and confusion at the "receiving end." Noise can disrupt any step of the communications process and is frequently beyond the control of the sender or the receiver.

**nontariff barriers** Restrictions, other than **tariffs**, placed by countries on imported products; they may include quality standards, sanitary and health standards, **quotas**, embargoes, boycotts, and antidumping penalties.

**nontask sounding** The part of the negotiation process in which conversation covers topics other than the business at hand; nontask sounding is commonly a preliminary phase and precedes **task-related information exchange**.

## O

**open account** In U.S. domestic trade, the typical payment procedure for established customers, in which the goods are delivered and the customer is billed on an end-of-the-month basis.

**Opium Wars** Two wars fought between China and Britain over the British run opium trade in China during the middle 1800s. The British navy attacked Chinese ports in retribution for a Chinese ban on the drug, and the Treaty of Nanjing signed in 1842 allowed greater European access to Chinese ports generally, a resumption of the opium trade, and ceding of Hong Kong to British control

**orderly market agreements (OMAs)** Agreements, similar to **quotas**, between an importing country and an exporting country for a restriction on the volume of exports. Also known as **voluntary export restraints**.

## p

**parallel imports** International transactions in which importers buy products from distributors in one country and sell them in another to distributors that are not part of the manufacturer's regular distribution system.

**parallel translation** A method of translation in which two translators are used to make a **back translation**; the results are compared, differences are discussed, and the most appropriate translation is used. The method addresses the use of common idioms in the languages being translated. *See* **decentering**

**penetration pricing policy** A low price policy directed at gaining market share from competitors.

**physical distribution system** The overall network for the physical movement of goods, including plants and warehousing, transportation mode, inventory quantities, and packaging.

**planned change** A marketing strategy in which a company deliberately sets out to change those aspects of a foreign culture resistant to predetermined marketing goals. *See* **unplanned change**

**political union** A fully integrated form of regional co-operation that involves complete political and economic integration, either voluntary or enforced; the most notable example was the now disbanded Council for Mutual Economic Assistance (COMECON), a centrally controlled group of countries organized by the Soviet Union.

**predatory pricing** A practice by which a foreign producer intentionally sells its products in another country for less than the cost of production to undermine the competition and take control of the market.

**price escalation** The pricing disparity in which goods are priced higher in a foreign market than in the home market; caused by the added costs involved in exporting products from one country to another.

**price–quality relationship** The balance between a product's price and how well the product performs. Often the price–quality of a product is ideal if it meets basic expectations and no more, allowing it to be priced competitively.

**primary data** Data collected, as in market research, specifically for a particular research project. *See* **secondary data**

**principle of justice or fairness** *See* **justice or fairness**

**principle of rights of the parties** *See* **rights of the parties**

**principle of utilitarian ethics** *See* **utilitarian ethics**

**prior use versus registration** The principle, as observed in the United States and other common-law nations, that ownership of intellectual property rights usually goes to whoever can establish first use.

**product buyback agreement** A type of **countertrade** in which the sale involves goods or services that produce other goods or services—that is, production plant, production equipment, or technology.

**Product Component Model** A tool for characterizing how a product may be adapted to a new market by separating the product's many dimensions into three components: support services, packaging, and core component.

**product diffusion** The process by which product **innovation** spreads; successful product diffusion may depend on the ability to communicate relevant product information and new product attributes.

**protectionism** The use by nations of legal barriers, exchange barriers, and psychological barriers to restrain entry of goods from other countries.

**PSAs** Political and social activists. PSAs are individuals who participate in efforts to change the practices and behaviors of corporations and governments, with tactics that can range from peaceful protest to terrorism.

**P-time** Polychromatic time; a view of time, as held in “high context” cultures, in which the completion of a human transaction is

more important than holding to schedules. P-time is characterized by the simultaneous occurrence of many things. *See* **M-time**

**public relations (PR)** The effort made by companies to create positive relationships with the popular press and general media and to communicate messages to their publics, including customers, the general public, and government regulators.

**purchase price parity (PPP)** GDP at PPP corrects GDP for differentials across countries in the costs of consumer purchases. The PPP correction allows for direct comparisons of the overall well-being of consumers across countries.

## q

**quality** The essential character of something, such as a good or service; defined in two dimensions: market-perceived quality and performance quality. Consumer perception of a product's quality often has more to do with market-perceived quality than performance quality.

**quotas** Specific unit or dollar limits applied to a particular type of good by the country into which the good is imported. *See* **tariff**

## r

**relationship marketing** The aspect of marketing products that depends on long-term associations with customers; an important factor in business-to-business contexts and especially important in most international markets, where culture dictates strong ties between people and companies.

**repatriation** The process of bringing a local national back to his/her home country after an assignment abroad.

**research process** The process of obtaining information; it should begin with a definition of the research problem and establishment of objectives, and proceed with an orderly approach to the collection and analysis of data.

**reserves account** The portion of a **balance-of-trade** statement that shows a record of exports and imports of gold, increases or decreases in foreign exchange, and increases or decreases in liabilities to foreign banks.

**rights of the parties** One of three principles of ethics (the others are **utilitarian ethics** and **justice or fairness**); it tests an action by asking if the action respects the rights of the individuals involved.

**Roosevelt Corollary** An extension of U.S. policy applied to the Monroe Doctrine by President Theodore Roosevelt, stating that the United States would not only prohibit non-American intervention in Latin American affairs but would also police Latin America and guarantee that all Latin American nations would meet their international obligations. *See* **Monroe Doctrine**

**rural/urban migration** As countries develop industrial huge numbers of agricultural workers move to cities causing major difficulties in urban infrastructure capacity and big city slums around the world.

## S

**sales promotion** Marketing activities that stimulate consumer purchases and improve retailer or middlemen effectiveness and cooperation.

**secondary data** Data collected by an agency or individual other than the one conducting research; often useful in market research. *See primary data*

**self-reference criterion (SRC)** An unconscious reference to one's own cultural values, experience, and knowledge as a basis for a decision.

**separation allowances** Payment of overseas premiums to employees who take on short-term foreign assignments and travel without their families; allowances generally compensate for all excess expenses and any tax differential.

**silent language** Term used by Edward T. Hall for the non-spoken and symbolic meanings of time, space, things, friendships, and agreements, and how they vary across cultures; from Hall's article "The Silent Language of Business."

**Single European Act** An agreement, ratified in 1987, designed to remove all barriers to trade and to make the European Community a single internal market.

**skimming** A method of pricing, generally used for foreign markets, in which a company seeks to reach a segment of the market that is relatively price insensitive and thus willing to pay a premium price for the value received; may be used to sell a new or innovative product to maximize profits until a competitor forces a lower price. *See full-cost pricing; variable-cost pricing*

**SNAP** Simplified Network Application Process; an electronic service offered by the U.S. Department of Commerce as an alternative to paper license submissions that enables an exporter to submit export and reexport applications, high-performance computer notices, and commodity classification requests via the Internet. *See ELAIN; ERIC; STELA*

**social institutions** The methods and systems, including family, religion, school, the media, government, and corporations, that affect the ways in which people relate to one another, teach acceptable behavior to succeeding generations, and govern themselves.

**sovereignty** The powers exercised by a state in relation to other countries, as well as the supreme powers of a state as exercised over its own inhabitants.

**special drawing rights (SDRs)** A means of monetary measurement that represents an average base of value derived from the value of a group of major currencies. Known as "paper gold," it is used by the **IMF** to report most monetary statistics in a unit more reliable than a single currency, such as dollars.

**stage of economic development** A classification describing the (stage of) maturity and sophistication of a nation's economy as it evolves over time. The best known model, by Walt Rostow, describes five stages, starting with the traditional society and finally reaching the age of high mass consumption.

**STELA** System for Tracking Export License Applications; an automated voice response system for exporters that enables license applicants to track the status of their license and classification applications with U.S. authorities. *See ELAIN; ERIC; SNAP*

**strategic international alliance (SIA)** A business relationship established by two or more companies to cooperate out of mutual need and to share risk in achieving a common objective.

**strategic planning** A type of planning conducted at the highest levels of management, dealing with products, capital, and research

and the long- and short-term goals of a company. *See corporate planning; tactical planning*

**subornation** The giving of large sums of money—frequently not fully accounted for—designed to entice an official to commit an illegal act on behalf of the one offering the money.

**sustainable development** An approach toward economic growth that has been described (by Joke Waller-Hunter) as a cooperative effort among businesses, environmentalists, and others to seek growth with "wise resource management, equitable distribution of benefits, and reduction of negative efforts on people and the environment from the process of economic growth."

## t

**tactical planning** A type of planning that pertains to specific actions and to the allocation of resources used to implement strategic planning goals in specific markets; also known as *market planning*; generally conducted at the local level. *See corporate planning; strategic planning*

**Taiping Rebellion** The most costly civil war in human history in China during 1851–1964. Some estimates have the death toll at between 20–40 million.

**tariff** A fee or tax that countries impose on imported goods, often to protect a country's markets from intrusion from foreign countries. *See nontariff barriers; quotas*

**task-related information exchange** The point in the negotiation process at which nontask communication, or **nontask sounding**, is completed and substantial negotiations begin.

**TCNs** Third-country nationals; expatriates from one country working for a foreign company in a third country. *See expatriate; local nationals*

**terms of sale** The set of rules and costs applying to a transaction, covering such categories as price, freight, and insurance. In international trade, terms of sale often sound similar to those in domestic commerce but generally have different meanings. Also known as *trade terms*.

**The Greater China** Refers to both the People's Republic of China (PRC or Mainland China) and the Republic of China (Taiwan). Both political units divided in 1949, and claim the other as their territory.

**trading companies** Business entities that accumulate, transport, and distribute goods from many countries.

**transfer pricing** The pricing of goods transferred from a company's operations or sales units in one country to its units elsewhere; also known as *intracompany pricing*. In transfer pricing, prices may be adjusted to enhance the ultimate profit of the company as a whole.

**Treaty of Amsterdam** Treaty, concluded in 1997, that addressed issues left undone by the **Maastricht Treaty** and identified priority measures necessary to bring a single market in Europe fully into effect and to lay a solid foundation for both a single currency and an enlargement of the European Union into central and eastern Europe. *See Single European Act*

**triangulation** A term borrowed from naval charting meaning using at least three differing measures of the same concept to verify the accuracy of any one method. For example, regarding

forecast of demand separate opinions of experts, sales representatives, and quantitative economic analyses might be compared.

**24-Hour Rule** A U.S. requirement, part of the Cargo and Container Security Initiative, mandating that sea carriers and NVOCCs (Non-Vessel Operating Common Carriers) provide U.S. Customs with detailed descriptions (manifests) of the contents of containers bound for the United States 24 hours before a container is loaded on board a vessel.

## U

**uncontrollable elements** Factors in the business environment over which the international marketer has no control or influence; may include competition, legal restraints, government controls, weather, consumer preferences and behavior, and political events. *See* **controllable elements**

**United States–Canada Free Trade Agreement** An agreement, known as CFTA, between the United States and Canada designed to eliminate all trade barriers between the two nations.

**unplanned change** A marketing strategy in which a company introduces a product into a market without a plan to influence the way the market's culture responds to or resists the company's marketing message. *See* **planned change**

**utilitarian ethics** One of three principles of ethics (the others are **rights of the parties** and **justice or fairness**); it tests an action by asking if it optimizes the "common good" or benefits of all constituencies.

## V

**variable-cost pricing** A method of pricing goods in foreign markets in which a company is concerned only with the marginal or incremental costs of producing goods for sale in those markets. Firms using variable-cost pricing take the view that foreign sales are bonus sales. *See* **full-cost pricing**; **skimming**

**VERS** *See* **voluntary export restraints**

**voluntary export restraints (VERS)** Agreements, similar to **quotas**, between an importing country and an exporting country for a restriction on the volume of exports. Also known as **orderly market agreements (OMAs)**.

## W

**work councils** In Europe, work councils (that is, internal labor union committees) are very much involved in setting rules about compensation and other human resources policies companywide, even for sales people. In Austria and Germany, for example, work councils not only codetermine compensation plans, but also must approve them before implementation.

**World Trade Organization** *See* **WTO**

**WTO** World Trade Organization. The organization formed in 1994 that encompasses the **GATT** structure and extends it to new areas that had not been adequately covered previously. The WTO adjudicates trade disputes. All member countries have equal representation.

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