Contents

Chapter 1

Introduction to International Business Management

Learning Objectives

After completing this chapter, you will know about:

- Contents of macro and micro international business
- Basic fields of international business management
- Integrated analysis framework of international business
- Two evolutionary ideas of international business
- Main body of international business activities—multinational corporations
- Main participants of international business activities—born-global multinational corporations
- Major features of current global trade development
- Characteristics of current global direct investment
- Opportunities of small enterprises by use of the Internet technology

▲ Key Terms

- **International Business** (国际商务)：all commercial transactions (private and governmental, sales, investments, logistics and transportation) that take place between two or more regions, countries and nations beyond their political boundaries.
- **International Business Management** (国际商务管理)：the process of managing various cross-border business activities, which should be studied and carried out in the cross-cultural and interdisciplinary multi-perspectives.
- **International Trade** (国际贸易)：the cross-border exchange of goods and services which is generally composed of import trade and export trade, and so it can also be called import and export trade.
- **International Direct Investment** (国际直接投资)：the investment behavior of possessing effective management control by creating new enterprises, expanding the original enterprise with capital addition, or acquiring the existing enterprise, funded solely or jointly by a natural person, a legal person or other economic organizations.
- **Multinational Corporation** (跨国公司)：an enterprise engaging in global production and operating activities with the control of the subsidiary or branch in other countries; as do the industrial and commercial enterprises using a common strategy while sharing resources in the home enterprises and each branch system.
- **Investment Liberalization** (投资自由化)：Since the end of the 1980s and early 1990s, in order to adapt to the requirements of economic globalization development, countries deregulated the international direct investment and improved the remuneration, reducing or eliminating the government limits to the investment and adding incentives.
- **Trade Facilitation** (贸易便利化)：simplifying and coordinating various systems to reduce trade distortions and to accelerate the trade factors' cross-border flow and then facilitate the efficient development of international trade.
- **Ownership Advantage** (所有权优势): the advantages of multinational corporations in business assets and the basis of multinational corporations being engaged in international production.

- **Internalization Advantage** (内部化优势): the characteristic advantage that multinational companies use to make the transaction internalized so as to form market internalization.
- **Location Advantage** (区位优势): the advantage of transnational enterprises in choosing investment location.
- **Born Global Enterprise** (天生国际化企业): the business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries.
- **Market Globalization** (市场全球化): the economic integration which is happening now and the dependence relationship between countries is stronger.
- **Enterprise Globalization** (企业全球化): the tendency that companies increase dimensions of business activities gradually.
- **Micro International Business** (微观国际商务): the study of business behaviors and activities in which individuals lead or participate in transnational and cross-cultural communication, which involves cross-cultural communication, business negotiation, international marketing, international business organization, business etiquette, business practice, etc.
- **Macro International Business** (宏观国际商务): the cross-border transaction in which firms lead or participate. It mainly includes international trade and international direct investment.

Case

China National Offshore Oil Corporation Overseas Mergers and Acquisition

China National Offshore Oil Corporation (CNOOC), the largest offshore oil & gas producer in China, is a gigantic state-owned enterprise operating directly under the State-owned Asset Supervision and Administration Commission of the State Council of the People's Republic of China. Since its establishment in1982, CNOOC has been maintaining a good momentum of development and has evolved from a simple upstream oil & gas company to a comprehensive energy company with a promising core business and a complete industrial chain. CNOOC's businesses cover the segments of oil & gas exploration and development, professional technique services, refining sales and fertilizer, gas and power generation, financial services, new energy, etc.

Nexen Oil Company was founded in 1971. It is a global energy company with its headquarters in Calgary, Canada. Listed in the New York and Toronto Stock Exchanges, Nexen is the 14th largest oil company in Canada. It has three growth strategies: oil sands and shale gas in western Canada as well as conventional exploration and development primarily in the North Sea, and offshore in West Africa and in the deep waters in the Gulf of Mexico.

CNOOC announced on February 26, 2013 that it had completed the acquisition of Nexen Inc. with a total value of 15.1 billion US dollars used for purchasing Nexen's common and preferred stocks. The price of this transaction was determined based on the current market transaction price of common stock and the estimated assets and business value of Nexen Inc. The per share price of the common stock was set as US$27.5, a premium of 61% higher than the closing price of the common stock on the New York Stock Exchange on July 20, 2012.

Wang Yilin, Chairman of CNOOC, said that the acquisition of Nexen Inc. offered CNOOC a platform so that the company would be able to lead in the international development race. CNOOC firmly believed that the acquisition of Nexen Inc. suited the development strategy of the company and would give the shareholders long-term benefits. Li Fanrong, CEO of CNOOC, stated that Nexen Inc. was a powerful diversified company with good growth prospects due to the possession of rich resources and reserves, high exploration prospects, and highly talented employees who could realize the asset value of Nexen Inc. CNOOC would adequately make the platform functional and further expand the overseas business of the company.

The acquisition took place after CNOOC's failed acquisition of Unocal Corp. seven years earlier. Insiders said that a great deal of research and lobbying work had been done by CNOOC so as to ensure a successful acquisition.

Unocal Corporation, founded in 1890, is the 4th largest oil and gas producer in the world. It ranks 9th among US oil and gas giants in terms of reserves, and 7th in terms of operating revenue. Unocal Corp. has revealed that 70 percent of its oil and gas reserves are located in Asia and the Caspian region. And the gas of the company which is mostly located in Asia accounts for 60 percent of the reserves of the company. Unocal Corp. provides gas to Thailand for power generation and owns many thermal power plants in Indonesia, the Philippines and Thailand.

Table 1.1 CNOOC's acquisition of Unocal Corp. in 2005

·Capital Source of CNOOC's Acquisition	
Equity capital of CNOOC	> 3 billion dollars
Bridge loans provided by Goldman Sachs and JPMorgan Chase	3 billion dollars
Bridge loans provided by ICBC	6 billion dollars
Long-term subordinated loans provided by CNOOC	4.5 billion dollars
Secondary bridge financing provided by large shareholders of CNOOC	2.5 billion dollars

·Strength Competition		
	CNOOC	Chevron
Total Assets	153.26 billion *yuan*	93.28 billion dollars
Debt	53.6 billion *yuan*	11.3 billion dollars
History	23 years	126 years
Ranking	About 50th	4th

After intensive post-acquisition analysis, evaluation and due diligence over two years since 2009, CNOOC concluded that the acquisition of Nexen Inc. generated strategic fit, scale-matching and complementary advantages for the Chinese company. From the strategic fit, the main assets distribution areas of Nexen Inc. have a close match with the important strategic areas of CNOOC. From the scale, the market capitalization was 90.28 billion dollars in July 2012, and for Nexen Inc., 9 billion dollars. From the technical and market prospective, CNOOC and Nexen Inc. were highly complementary. The oil sands modification technology owned by Nexen Inc. filled CNOOC's technical gaps while the shale gas development experience of CNOOC helped the effective development of shale gas owned by Nexen Inc. In addition, the development experience and market advantages of liquefaction of natural gas promoted Nexen Inc. to achieve maximum efficiency of the integrated liquefied natural gas project. In January 2012, CNOOC completed the preliminary evaluation of Nexen Inc. In July 2012, CNOOC and Nexen Inc. reached an agreement on the merger and acquisition. The merger and acquisition stepped into the virtual operation phase.

There are lots of interpretations about CNOOC's two acquisitions with different results. The two cross-border acquisitions of CNOOC didn't separate from these key words: international business environment, cross-cultural communication, cross-border mergers and acquisitions experience, government intervention, international conventions, international market, international investment, risk assessment, international business strategies of enterprises, cultural integration, etc.

Questions for Discussion:

1. Should CNOOC acquire Nexen Inc. paying a 61% premium?
2. Why do you think CNOOC failed to acquire Unocal Corp.?
3. What do you think is the strategic significance of CNOOC's acquisition of Nexen Inc.?

International Business and International Business Management

International Business and International Business Activities

International business generally refers to the sum of the cross-border transactions or business activities. Under the current economic globalization, international business has evolved beyond the existing scope of international trade and investment. With the deepening of global economic integration and regional economic cooperation, more and more enterprises and individuals go abroad or do business activities at home. Economic globalization and technological innovation such as electronic commerce provides unprecedented opportunities for international business. And a variety of modes of operations, including acquisition, merger, reorganization, transnational operation offer a large stage for international business activities.

We classify international business into macro and micro international business based on key international business activities. Macro international business refers to cross-border transactions in which firms lead or participate. It mainly includes international trade and international direct investment. Economists hold the view that economic activities are simply organized by markets or firms. International trade and international direct investment roughly reflect the macro aspects of international business activity.

International trade, also commercial intercourse, refers to the cross-border exchange of goods and services which is generally composed of import trade and export trade, and so it can also be called import and export trade. The so-called international direct investment means the investment behavior of possessing effective management control by creating new enterprises, expanding the original enterprise with capital addition, or acquiring the existing enterprise, funded solely or jointly by a natural person, a legal person or other economic organizations. International direct investment has been able to develop rapidly with the emergence of transnational corporations, and begin to exceed the international trade. The research methods are enriched and research perspectives are diversified because of the vigorous development of the international direct investment. The investment substitution theory and the investment complementation theory are two popular views about the relation between international trade and international direct investment. With the booming development of transnational corporations and the increasing prominence of international diversification, the relationship between international trade and international direct investment is mutually reinforcing and mostly complementary.

Micro international business mainly studies business behaviors and activities in which individuals lead or participate in transnational and cross-cultural communication. Micro international business involves cross-cultural communication, business negotiation, international marketing, international business organization, business etiquette, business practice, etc.

International business takes place as long as one of the following four conditions are satisfied:

- business activities carried out as foreign direct investment;
- international trade activities in services through cross-border delivery;
- import and export activities of goods;
- activities directly providing services for local import and export activities and foreign direct investment activities.

Among them, the first condition is the definition of economic subjects and the last three conditions are the definition of economic nature. Generally speaking, the third and the fourth ones don't occur at the same time.

International Business Management

With the rapid development of international business activities, international business management emerges as time requires. International business management refers to the process of managing various cross-border business activities. As a new field of management practice and academic research, international business management should be studied and carried out in cross-cultural and interdisciplinary multi-perspectives.

Generally, international business management mainly contains four fields.

1. The Environmental Management

The environment has an influence on every enterprise, and environmental characteristics limit or promote the development of business operation. The environment gets more complicated, more fast-changing and harder to control for the global characteristic of international business activities. Therefore, the careful analysis of the environment of international business is the premise for enterprises to successfully carry on international business.

The influence of environment can be internal and external. Business management cannot directly control external influence of market-operation individuals (though external influence can affect business strategy), so external influence is also called uncontrollable forces. It mainly contains competitive forces, distributive forces, economic forces, financial forces, legal forces, physical forces, social cultural forces, technological forces, and information forces.

The internal influence, also called controllable forces, is the factor that business management can take control of, which means the managers can change the internal environment of individual market economy operations to adapt to uncontrollable forces. It mainly contains personnel forces, financial forces, production forces, and market forces.

2. Strategic Management

If international business tends to achieve or even exceed the expected goal in the complex and changeable environment of international business, strategy must be made to be suitable for international operation after the environmental assessment and must be carried out effectively. Strategy-making gets harder in international businesses, for the environment of international businesses is more complicated than the environment of domestic businesses. Facing the different business environment, how can each transnational enterprise be superior to others? It’s critical to have talents who are suitable for different business environments and especially who are comprehensive management personnel that have an international view and international business knowledge.

3. Specific Functional Management

Specific support of operating strategies and operational functions are needed to implement the insights of international business and carry out the international strategies. In the content, this support is reflected as organization structure reengineering of enterprises, international marketing management, human resource management, financial resources management and specific operating strategy innovation management.

4. Cultural Management

Practical activities of international business are carried out in different cultures, so the biggest problem that businessmen are confronted with is the poor communication or even the communication conflict brought by cultural differences. Communication barriers (including language barriers and non-language barriers) occur frequently in international business activities, such as international business negotiation conferences, daily management of transnational enterprises, public relations management in the emergency of transnational enterprises, international business etiquette, etc.

The Study and Research of International Business Management

International business management is a comprehensive course. Its basic courses include management science, international trade, finance, psychology, sociology, law, international relations, marketing, supply chain management, and so on. As an integrative course, the competitive edge and value contribution of international business are the combination of international knowledge and local knowledge.

The conformity of international business management determines that the research should be interdisciplinary and multi-dimensional and the learners must have strong business knowledge and international thought and view.

It is clear that international business talents should have theory accomplishment as follows. First, it is the management basis that covers business administration, strategy administration, marketing, international marketing, finance management, human resources management, and so on. Second, it is the economic basis that covers international trade, international investment, world economy, international finance, and so forth. Third, it is the law basis that covers international commercial laws, international sales of goods contract laws, international logistics laws and regulations, international freight forwarder laws and regulations, international business documents laws and regulations, foreign trade laws and regulations, international investment management systems, and so on.

Relative Theory of International Business Management

As to international business management, this book will focus on the mainframe of international business and on the logical way of thinking of evolution. The international trade and international direct investment should be an essential part of the study of international business management.

International Business—One Integrated Analysis Framework

The integrated analysis framework by Peng Weigang is called Ajay Framework by some scholars. This framework focuses on the question of what determines the success and failure of a company in the world, and what makes the institution-based view and resource-based view as the two main backbones. Ajay Framework can explain the reason why a company succeeds or fails in the world from the perspective of institution and resource. This framework is used in many basic theories of international business and can help to make multinational operation decisions and analyze the decisions.

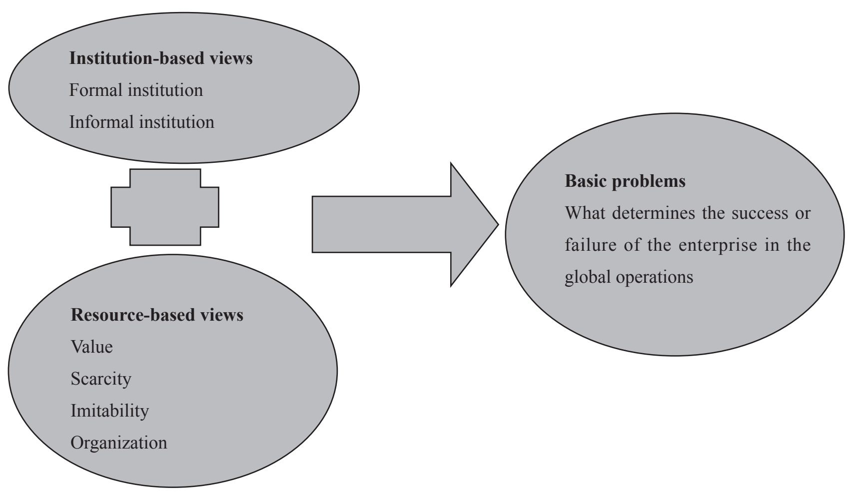

Figure 1.2 One Integrated Analysis Framework throughout International Business

1. Institution-based View (IBV)

Professor Peng states that all the research results are related to the external environment based on the institution-based view. In international business activities, the key function of the institution can be summarized as reducing uncertainty. Specifically, an institution has an influence on decisions made by individuals and the company by defining the legal and illegal, and desirable and undesirable activities. That is to say, the institution clarifies the rules to provide certainty. IBV has two key statements: Handlers and companies pursue interests rationally and make choices under the institutional constraints; formal and informal institutions work together to govern the business behavior.

2. Resource-based View (RBV)

RBV believes that the success or failure of a company is mainly enslaved to the environment. However, the question RBV tries to answer is why different companies have different activities and performances under a similar environment. Resources refer to the asset, ability, knowledge, information and organizations which can be used to increase company's efficiency and optimize company's performance. A competitive company resource should have four features: valuable, rare, imperfectly imitable and non-substitutable.

International business—Two evolutionary ideas

Everyone agrees that "Economic globalization is one key character of today's world economy and also an irreversible tendency." Trade liberalization and investment liberalization are the most substantive contents of economic globalization. From the international trade's actual operation view, pushing trade liberalization forward is to push trade facilitation. Trade facilitation refers to simplifying and coordinating various systems to reduce trade distortions and to accelerate the trade factors' cross-border flow and then facilitate the efficient development of international trade. Building an efficient trade system, eliminating the obstacles in the elements of cross-border flows and reducing the trade cost have been a general consensus in the world and a necessary process to push trade liberalization forward.

Investment liberalization refers to a process in which since the end of the 1980s and early 1990s, in order to adapt to the requirements of economic globalization development, countries deregulated the international direct investment and improved the remuneration. In order to realize interests, developed countries and multinational corporations push high-level investment liberalization and developing countries implement investment liberalization to one degree or another in order to make use of foreign direct investment. In accordance with the opinion of United Nations Conference on Trade and Development (UNCTAD), investment liberalization refers to reducing or eliminating the government limits to the investment and adding incentives. The government offers fair and equitable treatment, abolishes discrimination and market distortion to ensure the normal run of the market.

The fundamental of free trade and free investment is to accelerate the optimizing configuration and the increase in productivity of the global capacity and other production factors. Under the order of free trade, global economy, like a cake, will be bigger and bigger, but benefit distribution requires companies to take part in future services and investment negotiations. Since the economic crisis in 2008, the global value chain and industry chain have experienced deep reconstruction. The international business environment changes influence international business management decisions. Most governments in the world are pushing the trade and investment facilitation forward. The theory of trade liberalization and investment liberalization have enjoyed wide support and the global economy shows the tendency of integration—market globalization and enterprise globalization.

Market globalization influences companies' value chain directly. Market globalization forces the companies to organize purchase, production, marketing, and other value-added activities on a global scale. Objectively, market globalization requires the companies to become global. And every Fortune 500 company is facing market internationalization and all of them are carrying out transnational strategy.

The Ethics of International Business

As for domestic business management, international business management cannot steer clear of ethics and morality. Business ethics management will influence the satisfaction of company stakeholders. Some activities, such as bribes and malicious information gathering, which will break the contract spirit, still exist. So when a company is making the ethics rules of international business, the company should take reasonable consideration of consistency and flexibility. Successful international business ethics should be included in the enterprise culture and should be in line with the core spirit. On the other hand, when running a business in a cross-cultural environment, the company should remember the philosophy of survival of the fittest.

Subjects of International Business Activities —Multinational Corporation

The research object of international business is international business activities whose main participants are multinational corporations and small- and medium-sized enterprises. And the main body of the international business activities is multinational corporations.

Four Types of Participants in International Business

A variety of organizations are required to collaborate in international business activities. And for different purposes, these organizations contribute different professional skills and inputs.

Focal firm. Such enterprises are the sponsors of international business trading activities, meeting the consumption demand of consumers all over the world through conception, design and production. Core enterprises occupy the central position of international business, mainly including large multinational corporations and small- and medium-sized enterprises.

Distribution channel intermediary. This is one link of the international supply chain and, as professional companies, provides value-added services such as logistics services and marketing services for core enterprises at home and abroad.

Facilitator. This means banks, legal consultation, customs clearance, professional companies or individuals of relevant assistance agencies who help international business with trading activities. Facilitators help the core enterprises by playing their respective functions.

Government or public sector. The public sector usually takes an active part in international business activities as buyers, suppliers and planners.

To some extent, international business activities of the focal firm, intermediary and facilitator overlap. While completing certain activities within the company, the focal firm also needs to provide professional assistance to the intermediary and facilitator at the same time. In this case, the focal firm is called client by the intermediary and facilitator in international business activities.

Multinational Corporations —Main Body of International Business Activities

The name and definition of multinational corporation have not been unified internationally. They can be called transnational corporations or enterprises (TNC or TNE), or multinational corporations or enterprises (MNC or MNE). The United Nations has achieved consensus for the defining elements of the multinational corporation and put forward three elements that the multinational companies must have.

- The multinational corporation is an industrial and commercial enterprise and the forming corporate entities must be engaged in business activities in two or more countries or regions.
- The enterprise has a central decision-making system and common policy which should

reflect the global strategic goals and the strategic deployment of the enterprise.

- The corporate entities share resources, information and responsibility.

Therefore, multinational corporation can be defined as an enterprise engaging in global production and operating activities with the control of the subsidiary or branch in other countries; as do the industrial and commercial enterprises using a common strategy while sharing resources in the home enterprises and each branch system. Different entities in the multinational corporations tend to be independent of each other legally while being the constituent parts of the whole under the control of the parent company economically. This unique relevance of the multinational corporations brings its international business relationship great flexibility and initiative. In today's world economy, the multinational corporation has become the leading role and the carrier of economic globalization. There is no doubt that the multinational corporations have literally become the leading role of the modern international business activities, especially of international direct investment.

Because of its ownership advantages, internalization advantages and location advantages, multinational corporations can make international direct investment. This view was put forward by J. H. Dunning, a famous multinational company theory expert, a professor at the University of Reading, UK, as well as the book editor of the United Nations' *Multinational Corporation Series*.

- **Ownership advantages** are the advantages of multinational corporations in business assets and the basis of multinational corporations being engaged in international production. There are three categories of ownership-specific advantages: 1) In the same location, the advantages of multinational corporations are stronger than domestic enterprises such as the proprietary technology produced by scientific research, scale economy, scope economy, unique products or trademarks or goodwill, larger demand of capital, and so on. These advantages are mainly produced in the possession of intangible and tangible assets. 2) The advantages are formed by the branches of the multinational corporations in the concentration of production and business. Multinational corporations have unique management, marketing and financial skills. 3) The advantages can be formed by multinational corporations engaging in internationalized management.
- **Internalization advantages** are the characteristic advantages that multinational companies use to make the transaction internalized so as to form market internalization. The motivation of internalization advantages in an enterprise is to avoid the adverse impacts on the enterprise production and operation that are caused by an imperfect external market structure of resource configuration, imperfect information or asymmetry, and to maintain the monopoly position by making use of enterprise technology innovation.

- **Location advantages** are determined by the following factors: the geographical distribution of inputs and market status, quality of production factors cost of various countries, transportation and communication costs, infrastructure, scope and degree of government intervention and adjustment measures, financial status and financial systems of various countries, and the differences between the foreign market and domestic market types.

Born-Global Multinational Corporations — Main Participant of International Business Activities

Oviatt and McDougall (1994) put forward the concept of born-global international enterprises. They are enterprises that use international resources to sell products to different countries and actively seek obvious competitive advantages from the beginning of the establishment of the enterprises. Knight and Cavusgil (1996) defined the born-global internationalized enterprises as small enterprises which usually with technology as the forerunner seek quite a big part of their income from international market sales since its inception. Some experts and scholars call them "global international enterprises," "global start-up enterprises," "instant international enterprises," and "international new ventures."

These enterprises are international since the early days, or they all have an obvious tendency of internationalization. Global international enterprises adopt a "proactive" strategy. They don't necessarily have overseas assets or make foreign direct investment, but can sell products directly to foreign countries from the beginning of the establishment of the enterprises, competing with other multinational companies, which are totally different from traditional internationalizing enterprises. In other words, the focus of the born-global internationalization theory is on how the born-global enterprises internationalize directly, rather than on a gradual process.

The traditional theory of enterprise internationalization states that the development of enterprise internationalization is a gradual and slow process. At first, enterprises need to develop in the domestic market and then begin to make internationalization based on a certain market. The process of internationalization is divided into some steps: First, choose countries with a geographically close position and similar culture; then adopt the mode of entry by asking the agent and export directly; and then set up manufacturing enterprises overseas. Born-global enterprises which appeared after the 1980s don't adopt the traditional model. These enterprises have not carried out internationalization in accordance with the traditional stage model, but have taken highly internationalized strategy at the start-up stage, and finally succeed in the world market.

There is a close relation between the rise of born-global business and international innovative spirit. Small enterprises with innovative reform are looking for business opportunities at home and abroad. Communication technology and transportation technology, the reduction of trade barriers and the rise of niche markets around the world all lead the enterprises to make the whole world their market. Managers with entrepreneurial spirit have creativity, enthusiasm, and the experience of risk processing. And they are usually able to quickly adjust corporate strategy to adapt to environmental changes. The widespread born-global enterprises prove that regardless of what size they are or how much experience they have, any enterprise can succeed in international business.

Features and Opportunities of Modern International Business

The Major Features of Current Global Trade Development

First, the total volume and value of international trade saw a remarkable growth between 1980 and 2011, most of which was attributed to manufactured goods trade. As a matter of fact, service made a bigger contribution to the growth calculated by added value. The global trade has witnessed a much faster growth than GDP which, to some extent, can be blamed on the increasing role of international chain in the global economy. But from the angle of the degree of production, intensive margin of trade accounted for growth during the time; meanwhile, extensive margin of trade played an important role.

Second, recently, new forces such as China, India, South Korea and Thailand have been emerging constantly in the international trade market. These developing countries have taken a larger proportion in global trade (manufactured goods trade and service trade). China especially has become the world’s largest exporter. In contrast, such developed countries as America and Japan suffered a decline in the proportion of global export from 1980 to 2011. And for those countries and regions who export natural resources, their proportion in global trade which had changed with the price fluctuation of the primary commodity, was small in the late 1990s and early 21st century and is now enlarged. Therefore, Africa’s export in global trade in 2011 shared nearly the same percentage as that in 1990. Brazil, a primary commodity and manufactured goods exporter, has seen an increase in the proportion of global imports and exports but remains at the same rank since 1980.

Third, the structure of global trade has changed and service trade will dominate the global trade in the future. Currently, tangible goods trade accounts for around 80% of the world trade. But with the adjustment of the global economy, world trade has been in a transition to the service trade and a trend toward service-based economy is gradually getting obvious and clear. Because the service industry has been a leading industry in the national economy in developed countries, and with the deepening of the industrialization process, the number of orders of production of internationalization in the service industry is rising. The deepening of the international division of labor will in some degree lead to fragmentation of production which, in turn, will promote the need for integrating and coordinating the global industrial value chain. Under these circumstance, transnational service based on manufactured goods trade will definitely be the new trend of international trade development.

Fourth, international trade is increasingly being done by developing countries within the region, especially in Asia. On the contrary, the proportion of trade in the developed regions has come to a standstill (such as in Europe) or decreased (such as in North America), which can be attributed to China's rise in global trade. China's growth in global trade has prospered the trade in Asia and even promoted trade with the rest of the world. A few large transnational trade companies dominate the global trade. These "superstars" play a very important role in deciding the global trade model.

Last, the division of labor of production within one country or between countries poses problems in the trade statistics method, making a new method in trade statistics mainly calculating by added value which can accurately show the relationship between trade and economic activities. According to the current trade statistics method, the claim of cargo clearance is counted as import or export. Nevertheless, this method cannot fully reflect the reality of global industry and value chain.

Global Value Chains and Development: Investment and Value Added Trade in the Global Economy, published by the United Nations Conference on Trade and Development on the February 27, 2013, drew three convincing conclusions by tracing the distribution of added value in international trade. First, trade dominated by developed countries within global value chain accounts for about 80% of global trade. Second, a large amount of "repeated accounts" appear in global trade statistics provided by custom because of global value chain. Third, service trade included in global value chain accounts for 20% of the total value of global export (data by custom). But the service trade sector contributes nearly half (46%) of the added value to global exports due to the large amount of service needed by the manufactured goods exports. Currently, most of the global production network of transnational trade in developed countries is increasingly moving to provide service input.

Table 1.4 Major Countries' Ratios of Service Trade & Trade of Goods in 2012

Unit: billions of dollars

Country (region)	Service Trade						Trade of Goods					
	Import & Export		Export		Import		Import & Export		Export		Import	
	Amount	% of foreign trade	Amount	% of foreign trade	Amount	% of foreign trade	Amount	% of foreign trade	Amount	% of foreign trade	Amount	% of foreign trade
World	85022	18.7	43499	19.1	41523	18.2	370020	81.3	184010	80.9	186010	81.8
China	4706	10.8	1905	8.5	2801	13.3	38671	89.2	20487	91.5	18184	86.7
India	2682	25.5	1407	32.4	1275	20.7	7838	74.5	2942	67.6	4897	79.3
Indonesia	559	12.9	226	10.7	333	14.9	3789	87.1	1885	89.3	1904	85.1
Japan	3172	15.8	1424	15.1	1748	16.5	16844	84.2	7986	84.9	8858	83.5
Singapore	2297	22.6	1119	21.5	1177	23.7	7881	77.4	4084	78.5	3797	76.3
South Korea	2167	16.9	1096	16.7	1071	17.1	10675	83.1	5479	83.3	5196	82.9
Thailand	1017	17.6	492	17.6	525	17.5	4771	82.4	2295	82.4	2476	82.5
Turkey	609	13.5	420	21.6	189	7.4	3890	86.5	1525	78.4	2365	92.6
South Africa	319	13.1	147	14.4	172	12.2	2115	86.9	873	85.6	1242	87.8
UK	4539	28.0	2800	37.1	1739	20.1	11644	72.0	4745	62.9	6899	79.9
Germany	5507	17.6	2572	15.5	2934	20.1	25743	82.4	14071	84.5	11672	79.9
France	3827	23.5	2107	27.0	1721	20.3	12427	76.5	5689	73.0	6738	79.7
Netherlands	2505	16.7	1312	16.7	1192	16.8	12469	83.3	6557	83.3	5912	83.2
Switzerland	1368	24.4	902	28.5	466	19.1	4237	75.6	2259	71.5	1978	80.9
Russia	1625	15.8	583	9.9	1042	23.7	8647	84.2	5293	90.1	3354	76.3
USA	10528	21.3	6281	28.9	4247	15.4	38812	78.7	15457	71.1	23355	84.6
Canada	1827	16.4	775	14.6	1052	18.1	9297	83.6	4548	85.4	4749	81.9

The Features of the Current Global Direct Investment

With the increasing gross amount of international direct investments, the contemporary international direct investments mainly presents the following features.

1. The strong growth of investments is driven by the increased level of transnational mergers and acquisitions, especially the mergers and acquisitions in developed countries.
2. The international direct investments mainly flow to services and emerging industries.
3. The flow of foreign direct investments is still given priority over the two-way investments between the developed countries and the leading role of multinational companies is obvious.
4. Developing countries, especially the emerging economic entities have become the important driving force of international direct investments.
5. Sovereign Wealth Funds (hereinafter referred to as SWFs) is playing a more and more important role in the international direct investments.

Opportunities of Modern International Business

Opportunities of Micro Enterprise Under the Internet Technology

The biggest difference between cross-border deals and local deals is the geographical distance. A study found that when geographic distance increases every 10%, the average global traditional trade will be reduced correspondingly by 18.4%, while online trade only decreases by 3.1%. The sensitivity of online trade on the increase of geographic distance is relatively low. Internet technology helps solve the geographical barriers of business internationalization so that micro enterprises can also be faced with the international market and seek opportunities like traditional multinational companies.

Along with the development of Internet technology, on one hand, the international division of labor will be more refined and micro enterprises will face a huge international market; on the other hand, the reduction of communication cost and the internationalization of people's demand give micro enterprises the possibility of doing multinational management.

Compared with large multinational companies, micro enterprises have incomparable advantages: First, the tide of the world that encourages entrepreneurship and innovation provides entrepreneurship policy support and intellectual support for micro enterprises; second, the concise organization structure and the flexibility of decision of micro enterprises make them have more market orientation and more flexibility in strategic adjustment.

Opportunities for Talents Under the Vigorous Development of International Business

Multinational corporations must have the support of human talents, especially international business talents, if they want to succeed in international business. On one hand, with the vigorous development of global international business activities, there is a greater demand for the international business talents with global thinking; on the other hand, with the increase of the attention and input degree on the international business disciplines of the MBA, EMBA, even graduate students teaching in various business schools around the world, the number of international business talent is increasing.

Questions for Discussion

1. What does micro international business mainly study and involve?
2. What are the four fields contained in international business management?
3. How many types of participants are there in international business?
4. What are the three elements that multinational companies must have according to the definition of the United Nations?
5. What advantages do multinational corporations have to make international direct investment according to J. H. Dunning?
6. What makes the born-global multinational corporations come into being?
7. What are the major features of current global trade development?
8. What are the characteristics of the current global direct investment?
9. What advantages do micro enterprises have compared with large multinational companies?
10. What are the four main organizations required to collaborate in international business activities?

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