**INTEGRATIVE CASES:**

**TEACHING NOTES**

For International Business 12e, we have included a set of 20 cases as value-added materials at the end of the textbook in addition to the 40 cases – Opening Case and Closing Case – which appear in the 20 chapters. These end-of-the-book cases replace what used to be cases included at the end of the core sectional “Parts” of the earlier versions of the textbook.

The end-of-the-book cases serve a better and more strategically aligned objective for the core features of International Business 12e. Specifically, we are able to build on and enhance the market leadership of our International Business textbook and its focus on current, application rich, relevant, and comprehensive materials by including a set of cases that both (1) tackle chapter-relevant topics and (2) serve as integrated learning vehicles covering materials across chapters. Several of these cases focus on company scenarios in China, Japan, Mexico, Germany, and other prominent world markets.

This allows us to include cases that can be used as a complement to the Opening Case and Closing Case of each chapter by teachers who prefer a case-oriented and practically focused teaching method. It also allows for an integrated take on the content across chapter topics for those teachers who prefer to delve into a more comprehensive set of issues in international business.

To understand the positioning of each end-of-the-book case, we have included a matrix that outlines which chapter are covered in the case and which textbook “Parts” are covered by a case (i.e., Globalization; Country Differences; The Global Trade and Investment Environment; The Global Monetary System; The Strategy and Structure of International Business; and International Business Functions).

The end-of-the-book cases have been composed to be similar in length to the Opening and Closing Cases (700 to 1500 words). For the International Business Course – whether it be at the undergraduate or graduate level – cases of the 700 to 1500-word length have been shown to resonate with both students and teachers. This length case serves as a motivation to learn the content material in a chapter and provides an application rich connection to relevant practice while also being able to comprehensively cover important topics.

**Integrative Cases Matrix**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Case | Chapters | Part I: Introduction and Overview | Part II: National Differences | Part III: The Global Trade and Investment Environment | Part IV: The Global Monetary System | Part V: The Strategy and Structure of International Business | Part VI: International Business Functions | Part VI: International Business Functions |
| Global Medical Tourism | 1  5, 17, 19 | X | X | X |  |  | X | X |
| Venezuela Hugo Chavez and Beyond | 2, 3  8, 13 |  | X | X |  | X |  |  |
| Political and Economic Reform in Myanmar | 2, 3  4 |  | X |  |  |  |  |  |
| Will China Continue to be a Growth Marketplace? | 4, 18 |  | X |  |  |  | X | X |
| Lead in Toys and Drinking Water | 5, 7 |  | X | X |  |  |  |  |
| Creating the World’s Biggest Free Trade Zone | 6  1, 7 | X |  | X |  |  |  |  |
| Sugar Subsidies Drive Candy Makers Abroad | 6, 7 |  |  | X |  |  |  |  |
| Volkswagen in Russia | 8, 15 |  |  | X |  | X |  |  |
| The NAFTA Tomato Wars | 9 |  |  | X |  |  |  |  |
| Subaru’s Sales Boom Thanks to the Weaker Yen | 10, 11 |  |  |  | X |  |  |  |
| The IMF and Ukraine’s Economic Crisis | 10,11 |  |  |  | X |  |  |  |

**Integrative Cases Matrix (cont.)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Case** | **Primary Chapters** | **Part I: Introduction and Overview** | **Part II: National Differences** | **Part III: Global Trade and Investment Environment** | **Part IV: The Global Monetary System** | **Part V: The Strategy and Structure of International Business** | **Part IV: International Business Functions** | **Part VI: International Business Functions** |
| The Global Financial Crisis and its Aftermath: Declining Cross Border Capital Flows | 12 |  |  |  | X |  |  |  |
| Ford’s Global Platform Strategy | 13, 14, 17 |  |  |  |  | X | X | X |
| Philips Global Restructuring | 13, 14 |  |  |  |  | X |  |  |
| General Motors and Chinese Joint Ventures | 15  13, 18 |  |  |  |  | X | X |  |
| Exporting Desserts by a Hispanic Entrepreneur | 16, 15 |  |  |  |  | X | X | X |
| Apple: The Best Supply Chain in the World? | 17, 13 |  |  |  |  | X | X | X |
| Domino’s Global Marketing | 18, 13, 14 |  |  |  |  | X | X | X |
| Siemens and Global Competitiveness | 19, 13 |  |  |  |  | X | X | X |
| Microsoft Holdings and its Foreign Cash Holdings | 20, 5 |  | X |  |  |  | X | X |

**Case 1: Global Medical Tourism**

Summary

This case explores the rise of medical tourism over the past 20 years, as increasing costs and a shortage of qualified specialists in the United States have led providers and patients alike to take advantage of lower-cost alternatives in the emerging global health care marketplace. Today, thanks to advances in technology, MRI images from patients in the United States may now be analyzed by radiologists in India, reducing both cost and turnaround time. Radiologists in the United States are in high demand and with average annual salaries in the $400,000 range, are very expensive. In contrast, radiologists in India cost about a tenth as much, and so for routine tasks such as reading X-rays, outsourcing can offer tremendous savings.

In addition to outsourcing routine tasks, some patients are now choosing to receive their scheduled healthcare, especially expensive operations, in foreign countries where costs are lower. Patients travelling to hospitals in India can expect to save as much as 75-90 percent on their treatment as compared to what they would pay in the United States. Today, about 150,000 Americans travel outside the country to capitalize on savings opportunities like these.

Medical tourism is not limited to U.S. buyers. Patients from China and other countries with a developing economy have also begun to engage in medical tourism by seeking advanced medical treatments in South Korea, India, Singapore, and even the United States. The attraction for these individuals is generally related to the higher quality of care they can receive in countries like the United States, generally recognized as a global leader in health care, as compared to their own countries.

Discussion Questions

1. What are the benefits to American medical providers of outsourcing certain well-defined tasks such as interpreting an MRI scan to foreign providers based in countries such as India? What are the costs?

ANSWER 1: Most students will probably focus on the cost saving associated with outsourcing tasks like interpreting MRI scans to lower cost locations like India. As medical costs continue to skyrocket in the United States, many students will argue that health care providers have an interest and perhaps an obligation to explore all opportunities to minimize costs. Students may point out that interpreting MRI scans typically does not involve patient contact even when the process is completed in the United States, and so in situations where patient care is not compromised, outsourcing could provide a significant cost benefit to the patient and healthcare provider. Some students may contend though, that there is no replacement for in-house patient care including routine tasks, and that outsourcing like this opens the window to costly errors.

2. On balance, do you think that the kind of outsourcing undertaken by American health care providers is a good thing or a bad thing for the American economy? Explain your reasoning.

ANSWER 2: Students will probably be divided on this issue. Some students will see this as just another example of exporting jobs that could and should be filled by American workers. Students taking this perspective will probably liken outsourcing in the healthcare industry to the outsourcing that has taken place in most manufacturing industries and suggest that while it may save money, it also potentially puts many Americans out of work, and creates associated spillover effects. Other students will probably disagree, pointing to the gains in efficiency outsourcing provides as well as the cost savings. Students taking this point of view may note that while it is unclear exactly how those cost savings are distributed between patients and medical providers greater efficiency is generally considered to be beneficial to an economy. Students may suggest that displaced workers be offered opportunities to increase their skills to take advantage of better paying healthcare jobs.

3. What are the practical limits to outsourcing health care provision to other countries?

ANSWER 3: The health care industry is unlike most other industries in that it caters to both planned and unplanned purchases. This distinction creates challenges in scheduling, inventory decisions, etc. that do not exist in most industries. When it comes to outsourcing health care, students should recognize the obvious limitations related to tasks that require face-to-face contact versus the more routine tasks such as reading X-rays as well as the limitations of scheduled versus emergency treatments. Students may also note other issues that could complicate outsourcing such as language barriers, time zone differences, skill levels, and so on.

4. Who are the primary beneficiaries of the growth of medical tourism? Who might lose from this trend?

ANSWER 4: While patients requiring immediate treatment are clearly not good candidates for medical tourism, most students will probably agree that for patients with scheduled treatment, it could offer significant cost benefit. As healthcare costs in the United States have continued to rise, treatment has become prohibitively expensive for some people. When faced with the choice of a costly hip replacement surgery or less effective, less expensive painkillers for example, some Americans will have no choice but to accept the painkillers even when the surgery could prove to be more beneficial. For these individuals, getting treatment in a lower cost country could be a viable alternative. Some students may wonder however whether patient care could be compromised in some countries. The United States is generally considered a leader in healthcare, so choosing to get treatment in a developing country could result in substandard care. Some students may note that it is important to consider medical tourism not just from the perspective of Americans travelling to foreign countries for lower cost treatment, but also from the perspective of wealthier individuals travelling from countries with poor health care options to countries with superior care. For people like these, medical tourism could be a life saver… no pun intended.

Teaching Notes

One approach to get students engaged is to begin the discussion by asking: “Would you be willing to buy a service from a foreign provider if it cost about 50 percent less than buying it at home?” Then ask, “Would your answer be the same if the service in question was medical treatment?” and "How many of you would be willing to go to India for medical treatment if it meant that you could save $10,000?" The students can then be asked to share what they like and dislike about the idea of receiving medical treatment in a foreign country, and especially in a developing country. It is likely that during the discussion some may bring up the quality and the price of the treatment. This nicely transitions to a discussion of the globalization of the medical industry. Today, thanks to advances in technology, routine service like interpreting X-rays are being outsourced to developing countries where the costs of such services are a fraction of those at home. Consider introducing ethics to the discussion by exploring whether health care providers have an obligation to their patients to offer the option of treatment in countries like India if it means they can save significant sums of money. Students might also explore whether healthcare providers should let patients know if they receive care, such as the reading of an X-ray, from foreign providers.

Another approach to the case is to divide the class in smaller groups with each group focusing on either the advantages or disadvantages of outsourcing medical care. Give the groups about ten minutes to generate a list of either the pros or cons of outsourcing healthcare. Then, have the students debate the advantages, disadvantages, and appropriateness of outsourcing healthcare and the pros and cons of medical tourism in general, and as they relate to the case.

This case works well with Chapter 1. It can also be used with Chapters 5, 17, and 19.

**Case 2: Venezuela under Hugo Chávez and Beyond**

Summary

This case explores the political and economic changes that took place in Venezuela under Hugo Chavez as well as the more recent situation in the country under Chavez’s successor, Nicolas Maduro. When Chavez, who was elected president in 1998, ran on a platform against corruption and economic mismanagement, Venezuela’s economy was in a deep recession. Once in office, Chavez consolidated his hold over the government by drafting a new constitution that put him in power until 2012. Chavez died in 2013, but during his presidency Venezuela was considered to be only “partly free.” Economically, things were also difficult for Venezuela. Chavez did achieve some gains. Unemployment, though still high, fell to 7.6 percent in 2013 from its high of 14.5 percent in 1998. Similarly, poverty remained a problem despite falling from 50 percent to 28 percent in 2012. Yet, corruption was rampant, and there was a move to take certain industries into state ownership, with the oil industry being a particular target.

Since the death of Chavez, Venezuela has fallen apart economically and politically. While new president, Nicolas Maduro continued to follow many of the policies of his predecessor, the country quickly moved toward a recession. With oil revenues down dramatically and inflation running as high as 65 percent in 2014, Venezuela’s economy rapidly deteriorated. The social programs started by Chavez fell apart, unemployment skyrocketed, and Venezuela’s currency depreciated precipitously. By 2016, the situation in Venezuela became even more desperate with inflation at 741 percent, the highest in the world, and the value of the bolivar at just 940 per U.S. dollar down from 64 per U.S. dollar in 2014. Perhaps most alarming was the lack of food and other basic goods in the country. On average, some 75 percent of Venezuelans lost nearly 9 kilograms in weight.

After the ruling United Socialist Party sustained large losses in elections held in 2015, Maduro quickly moved to secure his position within the Venezuelan government by essentially ordering the legislature to be in contempt of court. In doing so, the country became a dictatorship.

Discussion Questions

1. Under Chávez’s leadership, what kind of economic system was put in place in Venezuela? How would you characterize the political system?

ANSWER 1: Most students will probably agree that under Chavez, Venezuela moved toward a socialist regime. Numerous enterprises were taken over by the state, and other companies were forced into reorganizing as “workers cooperatives”. The government also extended its reach into rural areas, where it seized farms and turned them into state-owned cooperatives. Chavez has also used some of the profits from the country’s soaring oil revenues to increase government spending on various social programs, some of which were modeled after programs in Cuba.

2. How do you think that Chávez’s unilateral changes to contracts with foreign oil companies will affect future investment by foreigners in Venezuela?

ANSWER 2: In the oil industry, which the country depended on for some 70 percent of its exports, Chavez pushed out foreign companies, and expanded the hold of the state-run company. Chavez announced in 2005 that the state would increase its royalties on oil sales from 1 percent to 30 percent, and that in 2006, the tax rate of oil sales would also increase from 34 percent to 50 percent. Most students will recognize that by making it more difficult for foreign investors to do business in the country, in the oil industry or otherwise, Chavez threatened future economic growth. Indeed, oil production in the country fell by one third between 2000 and 2012.

3. How will the high level of public corruption in Venezuela affect future growth rates?

ANSWER 3: Corruption in Venezuela is rampant. In 2012, Transparency International lowered its ranking of the country to 165 out of 174, making it one of the most corrupt countries in the world. Government officials were permitted to demand bribes in return for permission to expand operations or enter new lines of business. Many students will recognize the challenges of operating in an environment like the situation in Venezuela. Some students will probably suggest that most foreign firms will reassess their current or planned investments given the new political and economic risks present in the country. Many students will probably conclude that a market that is considered to be a dictatorship, with rampant corruption and nationalization taking place, is no longer a worthwhile destination.

4. During the latter part of Chávez’s rule, Venezuela benefited from high oil prices. Since 2014, however, oil prices have fallen substantially. What has the effect of this has been on government finances and the Venezuelan economy?

ANSWER 4: Until 2014, high oil prices made Venezuela, then one of the world’s largest producers of oil, very rich. During that time, Venezuela used the oil profits for various social programs. Most students will probably recognize however, that as oil prices began to retreat, those programs suffered. Indeed, the International Monetary Fund predicted that Venezuela’s economy would be some 23 percent smaller in 2017 than it was in 2013. This decline is the worst in the world and has had a tremendous impact on Venezuela’s economy. Unemployment rates, poverty rates, and inflation have all increased sharply and basic goods are in short supply. Further compounding the difficult situation for Venezuela is the huge depreciation of its currency which has dropped from 64 per U.S. dollar in 2014 to just 960 per dollar by 2016.

5. During the Chávez years, many foreign multinationals exited Venezuela or reduced their exposure there. What do you think the impact of this has been on Venezuela? What needs to be done to reverse the trend?

ANSWER 5: A recent World Bank study puts Venezuela as being one of the most regulated economies in the world. The move to take various enterprises under state control is also impeding economic growth. In the oil industry, for example, Chavez reduced the stakes owned by foreign companies to give the state-run company a bigger position. Most students will probably conclude that given the levels of corruption and regulation, the country is just too risky to consider as a destination for international companies.

6. By 2016, Venezuela’s economy appeared to be on the brink of total collapse. What do you think needs to be done to reverse this?

ANSWER 6: Responses to this question will vary by student. Most students are likely to suggest that without a new government there is little hope that Venezuela will be able to regain its footing. Others however will argue that if Venezuela really wants to turn things around, not only is a new government necessary, but also oversight and financial assistance from organizations like the International Monetary Fund (IMF). Some students may suggest that foreign investment could help the troubled country by bringing in much needed capital, however convincing foreign companies to invest in the country could be difficult. Students who recognize this will probably note that without a significant reduction in corruption and assurances that foreign investment is welcome, most companies will probably be unwilling to make a commitment to the country any time in the near future.

Teaching Notes

This case provides an excellent opportunity for students to understand the implications of a country's political and economic environment for the practice of international business. The questions for this case can be used to guide a class discussion around these implications. In particular, ask the students how the facts presented in the case could impact a company's decision to enter Venezuela and how they think foreign companies that were operating in Venezuela during the turbulent rule of Victor Chavez should have responded to the political and economic turmoil.

At the time this case was written, the situation in Venezuela was becoming increasingly dire. The instructor can ask the students to conduct research to determine the current status of the country. Has the political environment changed? How is the country doing economically? This can lead to a discussion of what companies that are considering entering Venezuela today should do.

This case goes well with Chapters 2 and 3. It can also be used in connection with Chapters 8 and 13.

**Case 3: Political and Economic Reform in Myanmar**

Summary

After decades of strict military rule, Myanmar, formerly known as Burma, may be on the cusp of rapid economic growth. For half a century, Myanmar languished behind its more prosperous neighbors thanks to its corrupt leadership. Despite sanctions by both the United States and the European Union, the country continued its policy of state ownership of most economic activity and general repression in almost every part of society.

In 2010, new president, Thein Sein, began to make changes. While still a dictatorship, under Thein, Myanmar began to reduce the role of the government in several sectors including energy, forestry, health care, finance, and telecommunications. Thein also attempted to encourage exports, abandoning the country’s fixed exchange rate for a managed float, and a devalued currency. In addition, Thein made it clear that Myanmar was open for foreign investment. His efforts were successful, and Myanmar recorded the largest increase of inward FDI of any country in Southeast Asia apart from the Philippines for the period from 2010 to 2014.

The strides made by Myanmar to become part of the global economy are expected to continue with the recent election victory of the National League for Democracy, a party led Nobel-laureate Anug San Suu Kyi. Anug San Suu Kyi had been under house arrest from 1989 until 2010.

Lecture Note: Anug San Suu Kyi has come under strong criticism from world leaders and human rights groups for failing to stop the military mass shootings of Rohingya people in Myanmar. To learn more, consider: <https://www.cnn.com/2017/09/05/asia/rise-and-fall-of-aung-san-suu-kyi/index.html>

Discussion Questions

1. What explains the economic stagnation of Myanmar until very recently?

ANSWER 1: Myanmar has a long history of corrupt military rule that stifled economic growth by limiting the development of new industries and by siphoning profits from existing industries. Mismanagement of revenues meant that there was little transportation or communication infrastructure that could support a complex economy, and most of the country’s workers were employed in low-skill agricultural jobs. International sanctions meant to punish Myanmar’s military regime for jailing political opponents strongly affected its export industries. Despite the country’s wealth of natural resources, it was unable to compete in the global marketplace because of rampant corruption and the country's status as a political pariah.

2. What do you think motivated the government of Myanmar to start undertaking political and economic reforms from 2010 onward?

ANSWER 2: Many of Myanmar’s neighbors in Southeast Asia embarked on a period of political and economic reform in the second half of the twentieth century. Thus, by the early twenty-first century, China, India, Singapore, Taiwan, and Thailand had become fully integrated members of the global economy with flourishing manufacturing and service industries. Myanmar, however, remained far behind its neighbors in most measures of economic development. Most students will probably agree that the new ruling party in Myanmar recognized that privatization, democratization, and cooperation with foreign investors was the only viable path toward improving the country’s economic performance.

3. How would you characterize the nature of the economic reforms now being implemented in Myanmar? What is the government trying to do here? What do you think the results will be?

ANSWER 3: The government in Myanmar appears to be seeking greater integration with regional and global economies. By allowing the national currency to decline in value, the government hopes to stimulate greater demand for exports from Myanmar, which will, in turn, provide revenues that can be used to improve the nation’s transportation and communication infrastructure and support more lucrative industries. Students may suggest that by encouraging partnerships between foreign investors and domestic enterprises, Myanmar also hopes to develop a skilled workforce like those found in neighboring countries, workforces that can perform in-demand jobs in manufacturing, health care, finance, and telecommunications. With the recent election of Anug San Suu Kyi, all signs seem to point toward a period of economic liberalization and rapid growth in Myanmar.

4. What potential impediments do you think might stand in the way of further improvements in Myanmar?

ANSWER 4: Responses to this question will vary by student, but many will probably focus on the fallout associated with Myanmar’s long military rule. While Myanmar’s neighbors have forged ahead in their economic development, Myanmar has languished behind. As a result, the country’s infrastructure is out of date, it lacks the skilled workforce of other Southeast Asian countries, and its industrial sector is minimal. Together, these create a situation that make the country much less attractive for much needed foreign investment. Some students may liken the situation to the chicken and egg in that the country desperately needs the benefits associated with foreign investment, but foreign investors may see the situation as still too risky.

5. In November 2015, the democratic opposition won a landslide victory in a general election. How do you think this will affect Myanmar’s economic growth trajectory going forward? What are the risks here?

ANSWER 5: Many students will probably agree that the election of Anug San Suu Kyi represents a turning point for Myanmar. Even prior to the election, the country had moved toward more market-based policies with efforts to privatize some companies and encourage foreign investment. Now, many students will likely suggest that the country is poised to see rapid growth as companies like GE and IBM begin to explore opportunities in the country. Students may note though, that the process going forward will not be easy and that the country will probably experience ups and downs as it moves forward.

Teaching Notes

This case encourages students to think about the connection between a country's political and economic systems on one hand and economic growth on the other. At the same time, it provides an opportunity for students to consider how the political and economic climate of a country can impact international business. An interesting approach to the case is to ask students what the positive and negative aspects of Myanmar's political and economic environments are, based on the information presented in the case. These could be listed in the whiteboard. This exercise can lead to a discussion of the pros and cons of doing business in Myanmar (based on the political and economic climate). In addition, consider extending the discussion to include the recent mass killings of the Rohingya people by the Myanmar military (see Lecture Note above). How does this change the outlook for the country going forward?

**Lecture Note:** Consider extending the discussion of this case with *Yum! To bring First KFC to Myanmar in 2015* available in the MHE International Video Library.

This case goes well with Chapters 2 and 3. It also works well with Chapter 4.