4. You are the international manager of a U.S. business that has just developed a revolutionary new personal computer that can perform the same functions as existing PCs but costs only half as much to manufacture. Several patents protect the unique design of this computer. Your CEO has asked you to formulate a recommendation for how to expand into Western Europe. Your options are (*a*) to export from the United States, (*b*) to license a European firm to manufacture and market the computer in Europe, or (*c*) to set up a wholly owned subsidiary in Europe. Evaluate the pros and cons of each alternative and suggest a course of action to your CEO.

Research Task globalEDGE globaledge.msu.edu

Foreign Direct Investment

Use the globalEDGE™ site to complete the following exercises:

Exercise 1

The *World Investment Report* published annually by UNCTAD provides quick electronic access to comprehensive statistics on the operations of the largest transnational corporations. Gather a list of the top 10 non-financial transnational corporations from developing countries. Provide a summary of the countries and industries represented. Do you notice any common traits from your analysis?

Exercise 2

An integral part of successful foreign direct investment (FDI) is to understand the target market as well as the nature of the possible investment sector. As such, your energy company is seeking FDI opportunities in Jordan. The *Multilaterial Investment Guarantee Agency* has been identified as a resource to examine the energy industry internationally. Based on the information available at this resource, prepare a report indicating recent and important trends relevant to a possible FDI venture in Jordan.

CLOSING CASE

Spain's Telefonica

Established in the 1920s, Spain's Telefonica was a typical state-owned national telecommunications monopoly until the 1990s. Then the Spanish government privatized the company and deregulated the Spanish telecommunications market. What followed was a sharp reduction in the workforce, rapid adoption of new technology, and focus on driving up profits and shareholder value.

In this new era, Telefonica was looking for growth. Its search first took it to Latin America. There, too, a wave of deregulation and privatization was sweeping across the region. For Telefonica, Latin America seemed to be the perfect fit. Much of the region shared a common language and had deep cultural and historical ties to Spain. Also, after decades of slow growth, Latin American markets were growing rapidly, increasing the adoption rate and usage not just of traditional fixed line telecommunications services, but also of mobile phones and Internet connections.