

SUBJECT INDEX

- Act of Democracy, Peace, and Development 111–112
adjustable parity exchange rates 57
administrative costs 1
Agreement of Cartagena 111
Alaska 113
American FTA (AFTA) 158, 162–164
Americas 3, 193, 194
Andean Community 5, 106, 107, 110–113, 116, 117, 122, 123, 125, 126
ANDEAN Pact 3
Andorra 25, 26
APEC 3, 41, 158, 161
Argentina 5, 22, 30, 31, 58, 59, 70, 106, 111–113, 116, 121, 123–126, 152, 160, 263
 President La Rúa 109
Armed Conflict Database 235
Asahi Glass 171, 172, 176
ASEAN 3, 152, 155–157, 160–163, 258, 273
Asia 3, 5, 6, 49, 50, 58, 122, 131, 139, 146, 152, 156, 160, 161, 167, 168, 172, 182, 187, 193, 194, 238
Asian Free Trade Agreement (ASFTA) 162, 163
Asian Monetary Fund 41
Asian Pacific Economic Cooperation (APEC) 3, 41, 158, 161
Asuncion Treaty 111, 112
AT&T 185, 186
Australia 40–42, 45, 50, 55, 122, 168, 193, 206, 263
Bangladesh 43, 263
Bank of England 72
banking crisis 218, 222
Basque Country 204
beggar-thy-neighbor policies 57
Belgium-Luxembourg Economic Union 25
benkyo-kai 184
Berlin Wall 90, 91
best practices 184
bilateral agreements 39, 41
bilateral FTA 160, 162, 163
bilateral trade 2, 5, 7, 12, 13, 15–17, 33, 41, 46, 82–85, 94, 95, 98, 116, 119, 204, 205, 207–209, 213, 215, 216, 220, 221, 244, 245, 253
border effect 2, 16, 18–20, 22, 49, 119, 123–125
border policy 6, 220, 221
borders 1–3, 7, 11–18, 20, 21, 25, 29, 30, 33, 70, 71, 106, 108, 116, 119, 123–126, 159, 160, 205–208, 213, 220, 221, 244
Brazil 5, 30, 31, 58, 106, 108, 109, 111–113, 116, 121, 123–126, 160, 263
Bridgestone 6, 168
British Columbia 49
building blocks 50, 177
Bureau of Economic Analysis (BEA) 92, 253, 254
Cambodia 158, 258
Canada 18, 19, 24, 41, 45, 49, 55, 59–63, 71, 72, 79, 92, 107, 112, 113, 122, 123, 139, 147, 154, 191, 206, 207, 220, 221

- Canadian provinces 2, 17, 24, 49
 Canon 6, 168, 173, 180, 192–194
 capital controls 21, 46, 229
 capital mobility 20, 22, 23, 58
 capital outflows 21
 Cassis de Dijon 46
 Central African Monetary Union 27, 29, 32, 34
 Central American Common Market 40, 112, 273
 Chile 5, 21, 41, 106, 109, 111–113, 116, 121–126, 160
 China 3, 43, 81, 152–156, 158–164, 183, 193
 Chrysler 191
 CIA World Factbook 256
 civil conflict 227
 civil war 7, 227, 228, 232, 234, 235, 237, 238, 242, 243, 245
 Cold War 236–238, 240
 Colombia 5, 106, 109–113, 116, 121, 123–125
 common border 13, 16, 17, 20, 33, 120, 123, 215, 220
 common central bank 59
 common currency 15, 32, 33, 59, 64, 65, 70, 85, 86, 118
 common external tariff 111
 common language 13, 15, 16, 81, 83, 85–87, 90–94, 98, 99, 108, 118, 120–123, 207, 256
 common-language partners 81, 97
 common security perimeters 7, 221
 competition policies 45, 46
 complete specialization 2, 12–14
 COMPUSTAT 139, 140, 147, 149
 conflict and international trade 204
 Convertibility Act 109
 Costa Rica 112, 263
 Council for Mutual Economic Assistance 42
 Counterterrorism 6, 7, 204, 207
 country-specific advantages (CSAs) 177–179, 184
 covered interest rate parity (CIRP) 21–23
 cross-border jurisdiction 229
 cultural distance 5, 80–83, 85, 93
 cultural diversity 5, 80
 currency board 22, 31, 59, 60, 70
 currency consolidation 25, 30, 31, 33
 currency crisis 209
 currency depreciations 58
 currency risk 21, 22
 customs union (CU) 39–44, 158

 declaration of Foz de Iguazu 111
 Delors Commission Report 72, 74
 denationalization of money 30
 Direction of Trade Statistics (DOTS) 152
 Distance 1–3, 5, 7, 12–17, 19, 20, 49, 71, 80–83, 85–87, 90–94, 98, 99, 107, 108, 116, 118–124, 126, 207, 208, 213–215, 221, 254, 256
 Doha Round 52
 Dollarization 30, 31, 70
 dominant currency 25

 East Caribbean Currency Union 25, 34
 economies of scope 134
 Ecuador 5, 59, 70, 106, 111, 116, 121, 124, 125, 215
 El Salvador 42, 112
 Emergency Events Database (EM-DAT) 209, 259, 261
 European Central Bank 66
 European Monetary Union (EMU) 29, 30, 32, 34, 55, 64, 65, 69
 European Union (EU) 2, 50, 59, 112, 131, 152, 206, 221
 exchange rate 4, 19, 20, 24, 29, 56, 57, 59, 60, 62, 63, 67–69, 71, 155, 238, 240, 242, 276

- exchange rate risk 60, 62, 238
exchange rate stability 48, 238
exchange-rate pass-through 19
ex-communist countries 90, 91, 99
export-led growth 172
export promotion 108, 110
external shocks 4, 29, 63–66
- factor mobility 29
Far Eastern Asia Free Trade Agreement (FEAFTA) 152, 154, 155, 158–161
FDI inflows 226–228, 230, 233–236, 238, 242, 243, 245, 246
Fernando Cardoso 110, 126
finance capital 20, 25, 33
financial crisis 159, 258
financial integration 20, 21, 24, 25, 30, 33, 34
firm-specific advantages, see FSAs
first-best 44
fixed effects 32, 85, 118, 122
fixed exchange rates 56–58, 70
Fleming-Mundell theorem 58
Flextronics 6, 168
Ford 191
foreign direct investment (FDI) 132
forward markets 21
forward premium 21, 23
France 79, 87, 160, 190, 193, 194, 205
free trade agreement (FTA) 3, 43, 85, 151
free trade area 40, 43, 44, 50, 110–113, 158
FSAs 6, 132, 172, 174, 177
 national responsiveness 179, 180
Fujitsu 186
- G7 countries 5, 79–81, 83, 84, 87, 90, 94, 95, 98, 106, 252, 253
General Agreement on Tariffs and Trade (GATT) 40–44
Generalized System of Preferences 52
geographic diversification 25, 172, 182
geography 14, 101
Germany 19, 56, 62, 79, 154, 160, 193, 194
Globalization 5, 8, 12, 79, 107, 118, 125, 164, 167, 180, 205, 236
GM 189, 191
gold standard 11, 20, 25, 33, 56
Govindarajan 168
gravity equation 3, 5, 12, 13, 15, 18, 32, 80, 82, 83, 90, 92, 93, 106, 107, 117–126, 155, 204, 205, 207, 208, 211, 213, 216, 251–253, 256, 259
gravity model 2, 49, 71, 72, 106, 156, 208
Great Depression 56, 67
GTE 186
Guatemala 112
Guyana 1, 2, 15, 112
Guyanas, see also Guyana
- hard fixing 59, 60, 70
hegemony 160, 161, 163
hierarchical control over foreign production 228
Hitachi 172, 186
home bias 7, 24, 221
home region 5, 6, 132, 134–142, 144–147, 167, 168, 173, 174, 177, 179, 180, 183, 185, 187, 190, 192, 194, 195
home-region geographic bias 132, 135
Honda 6, 168, 173, 180, 190–192, 195
Honduras 112
Hong Kong 163, 194, 263
- IBM 185, 193
IMF World Economics Outlook 272
import substitution 40, 105, 108, 110, 111
incomplete information 230
incomplete specialization 12

- Indiana University Center for
International Business Education and
Research (CIBER) 251
- Indonesia 1, 2, 15, 153, 155, 161
industry-specific effects 93
- Initiative for Development in East Asia
(IDEA) 161
- Institutions 4, 7, 13, 14, 16, 17, 31, 40,
41, 61, 67, 68, 70, 110, 207, 208, 211,
215, 220, 221
- Integration 2, 4, 11, 12, 15, 16, 18,
20–22, 24, 25, 30, 32–34, 39, 40, 43,
45–47, 49, 106, 109–112, 132, 179,
227, 247
- interest rates 21, 56, 60–63, 67, 69–71
- internalization theory 133
- International Country Risk Guide
(ICRG) 211, 261, 262
- International Energy Annual 153
- International Monetary Fund (IMF)
57, 252
- International Monetary Stability Act of
1999 31
- international monetary system 57
- international production 227–230
- International Terrorism Attributes of
Terrorist Events databank
(ITERATE) 209, 213, 235, 236,
259, 260
- inter-provincial trade 18
- inter-regional foreignness 135
- Interregional Framework Cooperation
Agreement 112
- inter-state cooperation 32
- interstate war 7, 227, 228, 232, 234–238,
242, 243, 245
- intra-regional trade 20
- investment location 7, 226, 229, 230,
233, 234, 240, 242–245
- Itochu 172
- investment 2, 6–8, 15, 22, 23, 41, 68,
110, 132, 160, 164, 177, 226–234,
236–238, 240, 242–246, 259
- Israel 42, 204, 215
- Italy 62, 79, 87, 194, 205
- Japan 3, 19, 24, 41, 42, 79, 87, 151–155,
158–164, 172, 174, 181–187, 189–195
- Japan Company Handbook 195
- Japanese Ministry of Communications
186
- Japanese threat 172
- jishu kanri 184
- Jordan 41, 215
- Keiretsu 183–186, 189, 191, 195
- Keynesian paradigm 57, 63, 67, 68
- Korea 3, 41, 112, 151–155, 158–164, 194
- large economy 20, 23, 29, 155
- Latin America 50, 108–112, 162, 193
- Latin American Free Trade Association
(ALALC) 109–111
- Latin American Integrationist
Association (ALADI) 110
- law of one price 18, 19, 21, 23
- liberalization 2, 15, 41, 43, 44, 46, 47,
106, 108–110, 161, 208
- Liechtenstein 25, 51
- Malaysia 155, 159
- maquiladoras 191
- manufacturing firm 6, 144, 145, 147
- market deepening 46
- Marubini 172
- Mazda 172
- MERCOSUR 3, 5, 41, 42, 106,
107, 110–113, 116, 117, 121–126,
258
- Mexico 30, 41, 55, 58, 106, 112,
123, 151, 159, 190, 191, 207, 208,
220, 221
- Microsoft Encarta 256
- microwave ovens 19
- Mitsubishi 168
- Mitsui 172

- MNEs 3, 8, 131–133, 230, 244
 bi-regional firms 147, 174, 180
 global firms 147, 174, 180
 global' international Japanese firms 173
 home-region 5, 6, 180
 home-region oriented firms 137, 138, 174, 180
 host-region oriented firms 168
 OLI framework 229
 barrier to exit 230
 mobility of labor 65
 Monaco 25
 monetary regimes 2, 3, 13, 33, 207
 monetary unions 3, 4, 26, 55, 56, 64, 67, 255
 money and power 31
 Multifibre arrangement 42
 multilateral trading costs 18, 33
 multilateralism 42
 multinational enterprises, *see* MNEs
 multinational executives 7, 245
 mutual recognition 46
- NAFTA (North American Free Trade Agreement) 3, 40, 42, 45, 47, 111, 152, 153, 156, 158, 161–163, 178, 191
 nation state 40, 47–49
 national integration 227
 national monetary sovereignty 58, 59, 63, 68–71
 natural disasters 7, 204, 208, 209, 215, 221
 Nauru 25
 NEC 172, 180, 185–187
 network effects 81
 New Canadian dollar 59, 60
 New Regionalism 39, 45, 110
 New Zealand 40, 41, 50, 55, 122
 News Corp. 168, 179
 Nicaragua 112
 Nippon Steel 180, 182–184, 191
 Nissan 6, 168, 180, 190, 191
 non-home-region geographic bias 132
 non-tariff barriers 46, 50, 108, 112, 177
 North America 5, 49, 55, 113, 116, 131, 139, 140, 146, 147, 167, 168, 181, 185, 187, 188, 191, 193
 Northern Telecom 186
 NTT 186
- Offshore 21, 22
 Oki 186
 old regionalism 110
 openness 106, 109, 121, 236
 openness of the economy 18, 29
 optimal currency area 4, 29
 onshore 21, 22
 Ontario 49
 Organization for Economic Cooperation and Development (OECD) 22, 24, 52, 209, 259
- Pakistan 156, 215, 264
 Panama 25, 31, 59, 109, 112
 Patents 6, 133, 193
 Penn World Tables 90, 153
 perfection of capital markets 65
 performance of MNEs 133
 FSA's 133
 locational advantages 133
 resource-based view 133
 return on equity (ROE) 136
 Peru 109–111, 121–125
 Philippines 155, 158, 159
 Phillips-curve trade-off 57, 67
 physical capital 22–25, 33
 physical distance 5, 80–82, 85
 policy harmonization 45, 46
 Political Dialogue and Co-operation Agreement 112
 political instability 111, 204, 226
 civil war 7, 227, 228, 235, 245
 ethnic fractionalization 235
 interstate war 7, 227, 228, 235, 245
 political violence 7, 227, 228, 235, 245

- religious fractionalization 235
- transnational terrorism 227
- political risk 211, 226, 232, 243, 245, 259, 261
- political violence 227, 229, 232, 233, 239
 - anticipated 7, 230, 231, 234, 235, 237, 240, 241, 245
 - unanticipated 7, 228, 231, 234, 235, 237, 240, 241, 245, 246
- Portugal 119
- preferential trading arrangement (PTA) 43, 44
- product-development cycles 189
- product innovation 189
- price dispersion 19
- price stability 57, 65
- product differentiation 4, 12, 15
- propensity to trade 5, 106, 118–121
- province-to-state trade 18
- purchasing power parity 19, 23, 238

- random effects 87
- rational expectations 57, 68, 227, 245
- real interest rate parity 23, 24
- regionalism 33, 39–42, 45, 47, 110
- Regionalization 2, 3, 5, 8, 16, 79, 99, 106–108, 110, 112, 116, 118, 125, 126, 163, 164, 180
- regional matrix 133, 177–180, 194
- Regional Nature of Global Multinational Activity (the RNGMA database) 139
- regional trade agreements (RTAs) 2, 12, 39–54, 106, 163, 221, 256, 265, 276
- regional trade bias 7, 20, 221
- religious proximity 86, 90–92
- Renault 190, 191
- research and development (R&D) 134, 136, 139, 147, 177, 183, 184, 186, 192–194
- risk of default 62
- Romania 42
- rules of origin (RoOs) 45, 47
- Russia 30, 161, 162
- same currency 3, 15–17, 19, 20
- San Marino 25
- Sanyo Electric 172
- Saving 22–24
- second-best 44
- segmentation 12, 18, 21
- seigniorage 31, 60
- service firm 6, 142, 144, 145, 147
- settlement procedures 42
- Sharp 31, 172
- similar-language countries 92
- Simon Bolivar 109
- Singapore 41, 46, 49, 151, 152, 155, 160, 168, 194, 215
- size of nations 48
- small open economy 23, 29
- Sony 6, 168, 173, 195
- South America 4, 40, 55, 81, 106–108, 112, 113, 116, 119–123, 125, 126, 153
- South Korea 41, 151, 154, 155, 160, 194
- Southeast Asia 30, 58, 122, 194
- Soviet Union 51, 162
- Spain 62, 119, 264
- Standard International Trade Classifications (SITC) 13, 253
- Standards 2, 6, 15, 20, 46, 70
- Statistics Canada 92, 107
- stumbling block 50, 52, 159
- subsidiarity 48
- Sumitomo 172, 181, 183, 185, 186
- Sumitomo Chemical 180–185, 191

- Tariffs 2, 13, 40, 43–46, 48, 50, 61, 111–113, 207
- technological disasters 7, 208, 209, 211, 215, 221
- terrorism 6, 158, 203, 206, 209, 211–214, 216, 217, 227, 256, 258–260
 - anticipated 7, 8, 230, 235–237, 243–245

- cooperative arrangements 220, 221
- crime 207
- distant countries 7, 215, 220, 221
- economic growth 204
- economic importance 220
- ethno-national 205
- globalization 8, 205, 236
- hardens national borders 207
- ideological motives 205
- Iranian revolution 205
- Islamic countries 205
- neighboring trading partners 220
- redirected trade 7, 221
- regional trade bias 7, 221
- Religious 205, 232, 235
- substitution of home transactions for
 - cross-border transactions 7, 207, 208
- tourism 204
- trade diversion 7, 207, 208
- unanticipated 7, 8, 235–237, 244–246
- terrorist attacks 8, 62, 65, 204, 228, 230, 232, 233, 237, 244–246, 259
- terrorist incidents 204, 227, 232, 234–236, 238, 242–245
- Thailand 42, 155, 159, 161, 193
- the Vatican 25
- Tierra del Fuego 113
- time-varying effects 90, 94
- Toshiba 172
- Toyota 6, 168, 173, 180, 184, 187–190, 195
- trade barriers 18, 42, 44, 48–50, 108, 111, 155, 156, 158, 162–164
- trade creation 44, 45, 47, 162
- trade friction 13
- trade intensity 15, 123, 125
- trade liberalization 2, 15, 41, 43, 44, 47, 108–110
- trade policy 43, 44, 47, 110, 121
- trading blocks 164
- trading costs 1, 2, 5, 7, 12–16, 18, 20, 30, 33, 205–208, 213, 220, 221, 244, 254
- transport 1, 12, 51, 52, 222
- Treaty of Rome 39, 265
- Triad 5, 6, 131–136, 139, 142, 144, 145, 147, 163, 168, 173, 174, 179, 181, 182, 187, 188, 190, 192, 193, 195
- Trinidad Tobago 112, 257
- tripartite arrangements 3
- Tunisia 42, 215
- Tuvalu 25, 26, 276
- unilateral trade 93, 94, 109
- United Kingdom (UK) 40, 79, 87, 154, 190, 194, 206, 264, 253
- United States 4, 18, 19, 24, 31, 40, 55, 58, 65, 108, 139, 147, 152, 154, 158, 160, 172, 188, 190, 191, 195, 205, 207, 208, 220, 221
- United States Census Bureau 154
- Uruguay 5, 30, 106, 109, 111, 112, 116, 121, 123–125
- Uruguay Round 41, 161
- U.S.-Canada Free Trade Agreement 45
- Venezuela 106, 109–113, 116, 121, 125
- VW 191
- wage rigidity 29
- Wal-Mart 168
- West African Monetary Union 29, 32, 34
- Western Europe 40, 69, 116, 122, 123, 193
- Windows Encarta 101
- World Development Indicators 238, 254
- World Trade Analyzer 251–252
- World Trade Organization (WTO) 41, 100, 153
- Yen 19, 59, 185
- Zaibatsu 181