
ABSTRACTS**1. THE EFFECT OF GLOBALIZATION ON THE DISTRIBUTION OF PRODUCTIVITY GAINS**

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ABSTRACT

The integration of many previously-closed low-income countries into the world economy, starting around 1980, has been referred to as the Third Wave of Globalization. Large low-wage economies that opened to trade such as China, India, and Mexico led to an unprecedented equalization of goods prices between rich and poor countries during this time.

The Factor-Price Equalization Theorem, a standard part of modern trade theory, predicts that equalization of goods prices should lead to an equalization of factor prices between high-wage countries such as the United States, and low-wage countries like India and China. Unlike the Second Wave of Globalization, 1945-1980, which was primarily among rich countries with similar factor prices ex ante, the Third Wave of Globalization between rich and poor countries should lead to a much greater adjustment in factor prices.

Gains in U.S. real compensation during the Second Wave period were nearly equal to gains in productivity, as compensation of factors moved proportionally to their marginal products. However, in the 1980-2003 period, real compensation in the non-farm business sector grew at only 52 percent of the rate at which labor productivity increased. For the non-financial corporate sector, labor compensation grew at only 36 percent of the growth rate of labor productivity.

The purpose of our paper is to explain the breakdown in the relationship between labor productivity and compensation gains in the United States during the Third Wave period, and to consider who may be capturing those gains. We examine the possibilities that the gains may have been captured by capital in the U.S., or may have been transferred abroad to U.S. trading partners by movements in the terms of trade, and to present evidence relating to both. It appears that neither U.S. labor nor U.S. capital are fully capturing those gains and that a portion of U.S. productivity benefits are leaking out of the United States.

2. ABSTRACT PRICE CONVERGENCE AND THE GCC MONETARY UNION

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This study tests for the real exchange rate mean reversion among the Gulf Cooperation Council (GCC) economies (including Bahrain (BH), Kuwait (KW), Oman (OM), Qatar (QAT), Saudi Arabia (SA), and the United Arab Emirates (UAE)) using the Saudi riyal as a base currency. The study also calculates the half-life of the real exchange rate reversion to its long run level in the wake of a shock. While GCC real exchange rates are stationary, the estimates of half-life vary considerably across members. The exchange rate arrangement and the weak inter-regional trade can partially explain the varying convergence. While varying convergence implies asymmetric business cycle it does not necessarily, imply that GCC economies are not ready for a monetary union; business cycles can be correlated ex post the union. The implied inflation differentials means the region wide monetary policy must be complemented by measures that will reduce the impact of the varying real return across countries.

3. TARIFFS, TAX REGIMES, AND ECONOMIC DEVELOPMENT: A POLITICAL ECONOMY APPROACH

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ABSTRACT

Governments face many constraints when making taxation decisions, including revenue needs, political objectives, and administrative capacities. Tariffs have an appealing combination of features for politicians: they provide a stream of revenue that is easy to collect, as well as satisfying political objectives in import-competing industries. This paper describes the tax structure governments choose when they are not purely benevolent. Specifically, the government must finance an exogenous stream of public expenditures while simultaneously seeking campaign contributions to maximize political support. The predictions of the model are consistent with observed taxation decisions in developing and industrialized countries.

"Whereas it is necessary for the support of government, for the discharge of the debts of the United States, and the encouragement and protection of manufactures, that duties be laid on goods, wares, and merchandise imported:" From the United States Tariff Act, passed July 4, 1789 (italics added).

4. MEASURING THE EXTENT OF THE OPENNESS OF THE CHINESE ECONOMY: THE PARITY TEST

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ABSTRACT

In measuring the degree of openness of the Chinese economy, this paper empirically examines the likelihood of any long-run relationship between real exchange rate and real interest rate differentials in using vector autoregressive model (VAR) and hybrid cointegration methodology. The estimated results based on monthly data over the period 1985-2003 are indicative of a rather weak long run relationship. However, the empirical investigation also highlights the fact that since the foreign exchange reforms of 1994, the deviations from the parity conditions is correlative with foreign exchange reserve and money supply.

5. Changes in the Sensitivity to Global and Local Risk Factors in Latin American Capital Markets

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ABSTRACT

A state-dependent approach is used to capture changes in reward to local and global risk in seven Latin American Capital markets as a result of three consecutive international crises. Our findings point to an unambiguous shift of risk perception in all national markets as a result of the Asian Flu. This change in risk aversion results from a shift in investors' psyche beyond what could have been expected during previous periods. This state of risk aversion remains similar during the Russian Virus crisis period. We also uncover a delayed shift in aversion to local and global factors in the period following the Tequila crisis, which might indicate that the contagion of the crisis to other Latin American markets was delayed.

6. INCOME CONVERGENCE BETWEEN JAPAN AND THE REST OF EAST ASIAN COUNTRIES

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ABSTRACT

This study empirically examines the hypothesis of long run convergence in real GDP per capita between Japan and each of the East Asian countries during the period of 1960 to 1997. The findings show that these East Asian countries can generally be divided into two main groups based on their income disparities with Japan. The first group consists of Hong Kong, Singapore and Taiwan, which are able to catch up or even converge with the richer Japanese economies over the years, due to liberal trade policies adopted by these countries. The remaining countries of the region- China, Indonesia, Korea, Malaysia, the Philippines and Thailand, made up the other group, which are still far off from Japan. Therefore, it appears that the issue of income disparity among these countries should be given greater attention as the East Asian region is currently taking initiatives to foster greater regional economic cooperation and integration, with the vision of forming the 'East Asian community'.

7. A CUTTING EDGE RESEARCH ISSUE OF TWO LEARNING OUTCOMES IN INTERNATIONAL STRATEGIC ALLIANCE

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ABSTRACT

A large part of American firms currently entering International Joint Ventures (IJVs) in China is pursuing longterm strategic success that requires a successful organizational learning from both sides to achieve the goals for each partner of IJVs. This study investigated learning goals and hypothesized that Chinese and American partners in Sino-American IJVs have different learning goal priorities and evaluations of the success of their learning goals achievement. This study also measured learning success for each partner of the IJVs. The results strongly supported the hypotheses in this study.

8. STOCK OPTIONS AND CONVERGENCE: FOREIGN VERSUS DOMESTIC FIRMS

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ABSTRACT

With the passage of the Sarbanes-Oxley Act reforming corporate governance, auditing, financial reporting, and the oversight of the accounting profession, both the FASB and the IASB decided to revisit the issue of accounting for stock options. Unlike in 1995, domestic and foreign political, financial, and economic forces are aligned to favor periodic (quarterly) expensing of stock option costs. The major issues left to be decided concern the selection of a fair value model, revaluation or marking the fair values of options to market, and the period of revaluation and expensing. This article describes the flaws in the current requirements to determine stock option values and the amount of periodic option expense. Next, the article illustrates the impact of applying these rules on the EPS amounts of a matched sample of foreign and domestic firms. Our findings indicate that while the financial impact of expensing options is less severe for foreign firms than the impact found for U.S. firms, the differences are not statistically significant. We recommend that the FASB and IASB adopt the theory and procedures used in the

exercise date model to account for all options, where a simple, reliable, and understandable valuation model is used to determine the option expense until the option is exercised or expires.

9. THE GOVERNANCE MODE OF THE ENTERTAINMENT MNCs UNDER WEAK COPYRIGHT PROTECTION: HOW RELEVANT IS THE TCE TO THE ENTERTAINMENT INDUSTRY?

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ABSTRACT

Enforcement of intellectual property laws has been a critical issue, particularly with regard to the conducting of international business between developed and developing countries. Much of the previous research on the relationship between intellectual property rights (IPR) and international business is based on transaction cost economics. The IPR research focused mostly on patents, even though copyright is another important IPR, which has many different characteristics from patents and plays a key role in determining the governance mode in the entertainment industry. The authors show that the TCE has limited ability in explaining governance mode choice in the global music industry and argue that the institutional environment is more important than the transaction characteristics in the music industry because the characteristics of the music industry and copyright have more impacts on the governance mode choice .

10. STOCK MARKET INTEGRATION AND THE SPEED OF INFORMATION TRANSMISSION: THE ROLE OF DATA FREQUENCY IN COINTEGRATION AND GRANGER CAUSALITY TESTS

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ABSTRACT

Using a unique dataset covering eight months of high frequency data on the indices from the markets in New York, London, Frankfurt, Paris, Warsaw, and Prague, we investigate the issue of stock market integration from a novel perspective. We perform cointegration and Granger causality tests with data of different frequencies (from 5 minutes to 1 day). Our aim is to describe the time structure in which markets react to the information revealed in prices on other markets. Particularly, we want to detect the speed of information transmission between the different markets. Our results suggest that markets react very quickly to the information revealed in the prices on other markets. In all cases the reaction occurs as soon as within 1 hour. The market in New York seems to be an important source of information for the markets in London and Frankfurt that react to it within 30 minutes, with the first reaction occurring already in 5 minutes. Information transmission between the market in London and any of the two continental markets in Paris or Frankfurt appears to be relatively unimportant compared to the information transmission between the two continental markets. The stock market in Paris seems to react to the information revealed at the stock market in Frankfurt with a delay of 40 minutes to 1 hour. Similarly, the two relatively small Eastern European markets in Warsaw and Prague are found to react to the information revealed in the stock market prices in Frankfurt. The reaction of the market in Prague seems to be faster, occurring within 30 minutes, while reaction speed of the market in Warsaw is around 1 hour.

11. CONGRUENCE BETWEEN PRODUCT VARIETY AND MANAGEMENT POLICIES AND EFFECT OF THIS CONGRUENCE ON PERFORMANCE OF FIRM: ANALYSIS OF INDIAN GARMENT SECTOR

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ABSTRACT

This study examines a sample of 50 firms from Indian garment sector. The results of the study reveal a contingency relationship among product variety strategy, supply chain structure, production oriented strategies, demand oriented strategies, and overall firm financial performance (profit `ratio). Specifically, the nature of this contingency relationship suggests that a firm's product variety strategy must be enabled with a complementary design in management policies and supply chain structure to promote firm performance. This study also examines whether or not a firm achieving a congruency in product variety strategy and supply chain structure and management policies design will necessarily enjoy higher performance. The implications of the preceding findings are discussed accordingly.

12. COMMODITIES AND SECURITIES IN OPTIMUM PORTFOLIOS: FULFILLING A COMPLEX BUSINESS NEED?

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ABSTRACT

Maximizing security portfolio returns by diversification is a complex business when there is increasing correlation between equity returns and heightened market volatilities. In such a scenario, diversification into commodities seems an attractive option in the light of the strong growth and low volatility in their indices in recent years. In this paper, the possibility of optimum allocation across stocks as well as commodities is explored by studying the correlations between selected stock and commodity indices and their fundamental sources of risk. It is seen that it is indeed possible to increase the Sharp Ratio of a pure stock portfolio by diversification into the commodity indices included in the study.

13. EFFICIENCY OF AGRICULTURAL COMMODITIES FUTURES MARKETS IN EMERGING MARKETS: A CASE OF INDIA ABSTRACT

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ABSTRACT

This study is an investigation into the futures markets in agricultural commodities in India. The results obtained from regressions for a sample of five commodities traded in six exchanges reveal that the futures exchanges fail to discover prices and provide efficient hedge against the risk emerging from price volatility. The futures markets in these commodities are not efficient and futures prices are not unbiased predictors of the future ready rates. The analysis also reveals that futures markets are not able to incorporate information effectively. The time series data in respect of spot prices and futures prices exhibit presence of unit roots. The cointegration tests reveal that the futures and ready markets do not bear long-term equilibrium relationship.

14. RISK, CONTROL, AND TRUST-BUILDING IN INTERNATIONAL BUSINESS PARTNERSHIPS

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ABSTRACT

Among business scholars and practitioners alike, the topic of uncooperative behavior and relational risk has not received adequate attention even though it is often the reason for international business partnerships' failure or dissolution. This paper tries to fill this paucity by presenting preliminary results from our research on international business partnerships. The aim of this research is to shed light on the following two questions: Do cultural differences increase the potential for relational risk and how do international business partners cope with this kind of risk? The data stem from German interview partners who co-operate with either Japanese or Mexican business partners. Furthermore, some national, i.e. German-German business partnerships are analyzed. The results corroborate the expectation that the perceived relational risk is higher in international than in national business partnerships. Differences concerning the control activities and trust-building behaviors applied in national and international partnerships are illustrated and discussed. Based on the empirical results, we introduce a tentative integrative model of national culture, risk, control, and trust. The paper closes with a discussion of the study's limitations and implications for future research.

15. MOTIVES OF FOREIGN PHARMACEUTICAL FIRMS' FDI IN CHINA: A COMPARISON BETWEEN EASTERN AND WESTERN FIRMS

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ABSTRACT

This study examined the determinants of foreign pharmaceutical firms' foreign direct investments (FDI) in China, and compared FDI determinants between eastern and western pharmaceutical firms. The analysis suggested that foreign pharmaceutical firms' FDI in China was determined by China's specific advantages, and China's market size played the most important role. China's incentive policy received moderate attention, and low labour cost was not a significant consideration. The results did not support the traditional FDI theories of market imperfection and firm specific advantages. The results also showed that eastern firms had a tendency to agree that the incentive policies was one of the China's specific attractions which attracted their FDI to China, whereas, western firms tended to disagree. Both eastern and western firms were unlikely to consider China's low labour cost as an important factor in their decision to invest in China, this being even more so for western firms.

16. FDI AND CHINA'S MANUFACTURING GROWTH

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ABSTRACT

This paper demonstrates how FDI has contributed to China's manufacturing development using both empirical data and a cointegration analysis. Two important conclusions are drawn. First, although FDI play an important role in China's manufacturing growth through its contribution to capital formation and industrial output growth, its success in earning foreign exchange and improving the total factor productivity (TFP) growth is limit. Second, we really found evidence that in the consumer goods industry, there exists a two-way link between FDI and the gross value of manufacturing output (GVMO), while for the intermediate goods industries, equipment goods industries, as well as the whole manufacturing

industry the causal relationship flows from GVMO to FDI appear to be a short-run phenomenon, suggesting that FDI promotion strategies adopted in China only have a short-run effect on the growth of GVMO. Government policies biased against FDI are main reason for such result.

17. THE ANNOUNCEMENT IMPACT OF BANK RATE ON COMMERCIAL PAPER RATE: EVIDENCE FROM INDIAN MARKET

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ABSTRACT

Central bank actions are designed to influence asset prices and yields, which in turn affect economic decisions. Following the reforms in the Indian financial sector, the Bank rate has emerged as an important indicator for signaling the stance of monetary policy for the market and guiding the interest rates to the desired trajectory. Commercial Paper (CP) has evolved as an important source of resource mobilization by the corporates during last few years. Like other money market rates, CP rates are also influenced by the changes in the Bank rate. This paper attempts to capture the extent and nature of influence of announcement of bank rate changes on Commercial Paper rates in India. It concludes that the time series data of CP rates and Bank rate are non-stationary at level. However, these data series are found to be cointegrated. The Error Correction Model reveals that the changes in Bank rate are not quickly reflected in the CP rates. The regression equations reveal that there is a statistically significant relationship between Bank rate and CP rates. The result obtained from using regression analysis for 30 days window period for each of the eight times when Bank rates have changed reveals that compared to 1999-2000, the CP rates have become more sensitive to Bank rate changes during 2001-2003. The bank rate has thus established itself as a potent signaling rate for CP rates in recent years.

18. YOUNG ADULTS AND CONSUMPTION IN THE AGE OF GLOBALIZATION: A CROSS-NATIONAL COMPARISON OF MOTIVES

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ABSTRACT

The youth segment is frequently heralded in the popular business press and academic marketing circles as the most global of all. Using data collected in the United States, France, and Cote d'Ivoire, the current study investigated jeans consumption motives of young adults in the three countries to ascertain the adjacent claim of an imperative for greater worldwide marketing communications standardization by firms marketing to this segment. Though the findings confirmed a broad continental proliferation and intensification of consumer culture, and a widespread hunger for Americana, they revealed important nuances as regards consumption motives.
