DECIDE WHERE TO INVEST $30 MILLION

Babco Brands, a U.S.-based company that produces and sells consumer products worldwide, has asked you to help it solve a problem. Until now it has focused on building markets in the U.S., Europe, and Africa, so its presence in Asia is relatively small. But Babco wants to share in Asia's growing prosperity. It already has plants and offices in the best-known markets—China and Japan. Now it wants to branch out into the lesser-known nations of Eastern and Southeastern Asia.

Babco has earmarked an investment of $30 million for this effort—enough to build a soft drink factory and start up a sales and distribution force. It has narrowed its choices to two nations: Country C and Country D. Which of the two provides the best climate for such an investment? Read the facts about each country. Then use the questions below them to guide your thinking.

	Country C	Country D
Population	45.5 million	74 million
Location	Eastern Asia	Southeastern Asia
Comparative Size	Size of Indiana	Size of New Mexico
Terrain	Mountainous with wide coastal plains	Deltas with rugged highlands
Telephones	16.6 million	800,000
Highways	61,296 km, mostly paved	105,000 km, mostly unpaved
Literacy rate	98%	94%
Political System	Multiparty democracy	Communist state
Property Rights	Highly protected	Little legal protection
Court System	Independent judiciary	Subject to government pressures
Economy	Dynamic capitalist economy, stressing manufacturing for export	Largely state-run, despite reforms that permit some private enterprise
Work Force	27% mining, manufacturing; 21% agriculture, fishing; 52% services, other	53% industry & commerce, 22% services, 16% agriculture.
Unemployment Rate	2% ('95)	25% ('95)
Gross Domestic Product	$591 billion ('95)	$97 billion ('95)
GDP Per Capita	$13,000	$1,300
Rate of Economic Growth	9% ('95)	9.5% ('95)
Inflation Rate	4.3% ('95)	14% ('95)
Expert Summary	War-torn and poor in the 1950's, Country D has managed more than 30 years of record growth, achieving an output per person that is 9 times India's. Growth is expected to slow as it deals with some of the problems of success, including pollution.	Ravaged by war to the mid-70s, Country D managed to keep economic growth over 8% during the 1990's. The reason: its Communist regime relaxed its grip on the economy, permitting foreign companies to do business there. Many investors await legal and banking reforms before committing more money there.

Questions to Guide Your Thinking

1. Which five facts should Babco pay the most attention to when deciding where to invest?
2. Which facts, if any, can Babco safely ignore?
3. Which nation seems the most free, economically?
4. What drawbacks do you see to an investment in Country C?
5. How might Country D's reforms and recent growth spurt make it desirable as a place to invest?
6. What different challenges might each nation pose to Babco's attempt to market a soft drink?
7. To win Babco's much-needed investment, what might officials of each country promise investors? (For example, one might offer tax breaks, another might offer to change a particular government policy.)
8. What might each country stand to gain—and lose—from Babco's investment?