# Executive Summary

ING Direct is a subsidiary business line of the Internationale Nederlanden Groep, a global financial institution offering services such as commercial and retail banking, as well as insurance, mortgage, and retirement products. Internationale Nederlanden Groep employs nearly 100,000 employees in more than 65 countries (ING, 2009).

ING Direct is unique in that it is a strictly online banking organization and currently has operations in nine countries throughout the world: Canada, Australia, France, Germany, Italy, Spain, USA, and the UK. When discussing the potential entry into additional countries, there are several issues a company must consider. Issues such as competitors operating in the proposed markets, geographical location of the country, competitors already operating in the market, and the legal environment must be analyzed prior to attempting expansion.

Because ING Directs parent company, Internationale Nederlanden Groep (ING), has a strong global presence, this gives the online banking giant a competitive advantage over smaller, more localized banking operations. Despite the economic crisis that has affected financial institutions globally; ING Direct has remained the largest online banking institution worldwide and anticipates further expansion and exponential growth during the next decade. The following narrative will discuss why ING Direct is prepared to handles the risks and opportunities associated with the increased global business expansion of online banking.

Overview of ING Direct

In 1997, Canada launched the first ING Direct “virtual bank” in the world.  Canada became the first profitable ING Direct in 2001. (ING DIRECT CANADA, 2010)

The US operation started in 2000 and currently has 7.5 million Customers, and 21 million Customers spread out in Canada, Australia, France, Spain, Italy, United Kingdom, Austria and Germany. (ING DiRECT, 2010).   
 The organizational structure consists of a CEO and board of directors.  All countries execute the same business model, which enable consistently high levels of customer service and product deliverance.

***Products, Services, and Market Niche***

ING Direct has competitive products appropriately referred to as “Orange” products which comprise five categories: personal checking and savings, home loans, investment, retirement, and business banking.

According to INGDIRECT.com (2010), the company offers highly competitive rates due to lower overhead costs as a result of online banking. The Orange savings account offers a 1.25 % annual percentage yield (APY), which is generally higher than other banking institutions. Electronic orange is a checking account that earns interest of up to 1.45 % APY. Finally, Orange CDs are twelve month certificates of deposit that carry a 1.60% APY (INGdirect.com.2010).

The target market for ING Direct is internet savvy customers who are able to shop around for the best rates, benefits, and do not want to worry about maintaining minimum balances or paying associated fees. ING Direct also targets consumers and business who find it convenient to bank online, as opposed to those who are interested in mortar and brick banks.

***Orange Home loans***

Another popular product offered by ING Direct is the *Easy Orange Mortgage*. This type of loan features low rates, ability to maintain the rate 5 years at a time, self service and convenience, low closing costs, as well as no cost biweekly payments option. The target market for this product is individuals with great or excellent credit who may not be interested in a 30 year term in order to save money on interest by paying off sooner.

***Investing***

ING Direct also offers a wide variety of investment options for consumers through ShareBuilder Securities Corporation, a registered broker-dealer and member of the Securities Investor Protection Corporation (SIPC). ShareBuilder is a subsidiary of ING Bank (ING Direct, 2009). ING Direct also offers IRAs and rollover services for 401(k) or 403(b) accounts. These investment products are targeted towards customers interested in investing for the future for themselves or their children.

ING Direct offers a wide variety of services for businesses as well, such as the *Business savings account*, which earns 1.00% APY, twelve month *Business CDs* at 1.60% APY, and affordable ShareBuilder 401k plans for businesses. These products are for business owners interested in saving money and who appreciate the flexibility of internet banking.

***Other products***

ING DIRECT Cafes are physical banking locations where customers may come enjoy a cup of coffee and surf the internet for free. Potential customers may speak to banking specialist on ways to meet their financial needs.  Although ING direct functions online, café locations satisfies some customers’ desire for a physical bank.

# Competitors

Competition amongst financial institutions is rigid, with almost all offering the same or similar services (Kiplinger, n.d.). When a new service or product is introduced by one financial provider, it isn’t long before others follow suit. According to Hoover (2009), ING Direct’s top three competitors are E\*Trade Bank, Bank of America, and Citibank. E\*Trade Bank, like ING Direct, is an online only bank. Bank of America and Citibank, while online banks, are also brick and mortar banks.

ING Direct and E\*Trade have an advantage by being online only banks. Their lack of physical banking locations allows them to maintain low overhead costs. As a result, they are able to offer higher interest rates than their counterparts, Bank of America and Citibank. These higher rates allow them to attract consumers quickly.

However, as online only banks, they suffer the same disadvantages. It is difficult for consumers to make deposits other than those made through direct deposit, such as a payroll deposit. As these banks have no physical locations, consumers are left with three methods for making deposits: mail, ATM, or linked account. Mail delivery adds an additional cost to the deposit process and the cost increases with expedient service. Yet, once the deposits are received by the online institution, the consumer’s deposit is still subject to the clearing or funds availability policy instituted by the bank.

Bank of America and Citibank both have an advantage of being traditional banks with physical locations. Their online banking products are integrated, with increased accessibility and control, making it simpler for consumers to transact against their various accounts and the additional banking products.

Despite common advantages and disadvantages, ING Direct stands out from these competitors in several ways. First, ING (ING Group) is expanding into regions where others are pulling back. Whereas many companies are downsizing and refocusing, ING is seizing opportunities from the voids (Jubak (1), 2008). Once establishing itself in these regions, it becomes easier for ING to introduce any of its six business lines. As an example, Citibank, due to the effects of changes in the economy, sold its German consumer-loan business (Jubak (1), 2008). Shortly thereafter, ING announced the purchase of a German online mortgage broker (Jubak (2), 2008).

In addition to seizing opportunities, ING Direct is backing their loans with low cost deposits rather than investments in the capital market (Jubak (2), 2008). By limiting investments in the capital market, the company was able to curtail the financial obstacles faces by its counterparts as a result of instability in the housing and credit card markets.

Lastly, ING Direct has not faltered from their strategic model. Many companies have tried to emulate ING Direct’s strategy. However, while offering high yields, many of these companies had unstable profit margins due to poor cost management (Pasha, 2005). These companies also attracted short term customers. Known as “day savers”, these customers search for the highest yields, frequently moving their money around (Pasha, 2005). While not batting with competitors to provide the highest yield, ING Direct has attracted more long term customers.

# Operations

ING Direct has its headquaters located in Wilmington, Delaware and numerous Café locations throughout the US and some countries worldwide. As already established, ING Direct is governened by the Dutch Central Bank. As a global company, there are certain jurisdictions law applicable in accordance to state and country of origin of the business location. However, due to globalization, regional economic intergration have been implemented and many more developing countries are begining to adopt this strategy. According to ING Group (2009), “the company has successfully reached a critical size in asset management, established a strong direct global banking operation with ING Direct, increased its banking footprint in Europe through acquisitions and bolstered its presence in selected emerging markets in Asia,Central and Eastern Europe and more recently in Latin America”.

ING Direct is a registered trademark of ING Groep N.V, and is used under license by ING Bank of Canada. The trademarks of the company extend on all products names previously dicussed above.As demonstrated by ING Groep N.V, the trademarks used by ING or any of its affliates are to add value to the company’s products.As reported by ING Direct(2010), “trademarks may be registered in other countries as applicable.In addition, the display of some trademarks on the pages of their websites does not imply that a license was granted”.In all, the company prohibits any unathorize use of both their registered and unregistered trademarks.

ING Direct has copyright protection governed by the United States codes and international copyright laws.The company has a current copyrights which will not allow any infringement of its reserved contents.

# Environmental and Demographic Factors

The financial sector, over the past several years has experienced significant hardship as is evident in stock market instability, bank failures, and the increased need for federal assistance. The banking industry has taken advantage of such assistance and continues to move toward a more global framework to minimize risk and benefit from the collective resources of foreign markets. In doing so, there are several environmental factors affecting the financial sector and specifically the online banking industry worth consideration. Perhaps the most critical and pertinent are market volatility, increased integration of technology in personal banking, and macroeconomic policies (regulation).

*Market Volatility*

ING Direct is considered a thrift banking operation, the substantial national decline in home values and the increase in foreclosures does have an impact. According to Oja (2009) the “home price index for 20 major metropolitan areas had risen…but was still down 29.1% from its peak in June 2006,” (p.8).In 2009 alone, 140 banks were forced to close in the U.S. (Proquette, 2010, p.12). Attempts have been made to restore consumer confidence in the banking industry. According to the Federal Deposit Insurance Corporation October 2008, Congress raised the insured deposit threshold from $100,000 to $250,000 through 2013. In The Deposit Insurance Fund (DIF) while struggling to maintain solvency insures all funds for individuals with accounts beyond the $250,000 threshold of the FDIC. Safeguards such as this will fuel depositor confidence in banking industry and assist in the rebuilding of the entire financial sector.

The International Monetary Fund (IMF) is a global organization that has been critical in mending the financial instability and economic climate through lending reform. According to the IMF, they have assisted troubled countries with strong macroeconomic policies by offering a “flexible credit line.”

While the market is in a period of volatility, there has been evidence of a shift towards recovery leaving the sector and business hopeful. Orja (2009) asserts that increased consumer spending, housing prices, and oil prices are a few signposts that the industry is indeed posed for future recovery and growth.

# Financial Data

2008 was an extremely difficult year for the global economy and one of the most affected industries was banking. Increased regulations over the banking industry coupled with significant changes in accounting for investments and derivatives propelled many financial institutions into bankruptcy. While ING Direct remains the largest online bank in the world, the company posted significant losses during 2008 and 2009. Despite this, during the third quarter of 2009, ING Direct added 150,000 new clients worldwide, bringing the total to 22.8 million (ING Quarterly Report 3Q, 2009). The following table represents key financial information, including significant ratios.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **ING Direct Key Figures (in EUR Millions)** |  | **3rd Q 2009** | **3rd Q 2008** | **Change** | **2nd Q 2009** | **Change** |
| **Interest** |  | 820 | 647 | 26.7% | 813 | 0.9% |
| **Commission Income** |  | 54 | 21 | 157.1% | 44 | 22.7% |
| **Investment Income** |  | -597 | -207 |  | -351 |  |
| **Other Income** |  | 6 | -2 |  | -80 |  |
| **Total Income** |  | 282 | 458 | -38.4% | 425 | -33.6% |
| **Operating Expenses** |  | 402 | 420 | -4.3% | 431 | -6.7% |
| **Gross Result** |  | -120 | 38 | -415.8% | -5 |  |
| **Addition to Loan Loss Provision** |  | 238 | 85 | 180% | 170 | 40% |
| **Underlying Results Before Tax** |  | -358 | -47 |  | -175 |  |
|  |  |  |  |  |  |  |
| **Key Figures** |  |  |  |  |  |  |
| **Interest Margin** |  | 1.6% | 0.96% |  | 1.14% |  |
| **Cost/Income Ratio** |  | 142.5% | 91.7% |  | 101.2% |  |
| **Risk-Weighted Assets** |  | 70,082 | 51,260 | 36.7% | 70,385 | -.4% |
| **Underlying RAROC After Tax** |  | -9.6% | -0.7% |  | -0.4% |  |
| **Economic Capital** |  | 4,461 | 3,484 | 28% | 3,957 | 12.7% |
| **Staff (FTEs)** |  | 9,401 | 9,744 | -3.5% | 9,521 | -1.3% |

Source: ING Quarterly Report 3rd Quarter 2009

**ING Group**

**Insurance**

**Banking**

**Executive Summary**

When an organization decides to enter into business in foreign markets, there are many issues that must be taken into consideration. Cultural, political, and legal considerations can vary greatly across borders, making it progressively more important to research all aspects of the potential country of entry.

Taiwan is a large island located off the southeastern coast of mainland China and is governed by the Republic of China (CIA World Fact Book, 2010). Taiwan has experienced improved economic growth over the past decade, which has made the country increasingly more desirable to foreign corporations and investors. Taiwan has high rates of literacy and has made major investments in post secondary education, resulting in “one of the deepest reserves of high-tech talent in the world” (Einhorn, 2005 p. 1). Taiwan is a major exporter of electronic goods, which has caused many multinational corporations to set up shop in the country. According to Bruce Einhorn (2005), “the island combines an entrepreneurial culture with effective government involvement” (p. 1).

Egypt, a large country located in northern Africa, is considered to be one of the most populous and diversified economies in the Middle East region. According to the AFP (2008), Egypt has a population growth rate of 1.642%, indicating the country is expanding, which makes it a good potential country for ING Direct’s business model. In addition, the political environment in Egypt has been steadily improving for the past five years. According to Doing Business (2010 Egypt was on the list of “top ten reformers” of 2010, which is based on a progressive reform in three of the ten areas covered by the report. The following analysis will examine the business, political, legal, and demographic data for Taiwan and Egypt.

**Population and People**

Based on June 2009 statistics, the current population of Taiwan is approximately 23,063,027. In 2009, the growth rate of Taiwan was established at 0.23%, whereas in 2007, it was 0.30% and more in previous years, which indicates that the country’s population has been on the decline. On the other hand, Egypt’s current population is 83,082,869 with a growth rate of 1.642%. Additionally, the density of population in Taiwan is 668 per square kilometer and that of Egypt is about 2000 per square kilometer (AFP, 2008). This population density shows favorable business conditions for ING Direct. Appendix A and B show the map of Taiwan and Egypt, respectively.

In Taiwan, the number of households is about 6,495,751, while the average size of the household is 3.4. In the same series, the number of households of Egypt expected in the year 2010 is about 21,560,000 while the average size of the household is estimated 3.78. For ING Direct, the household size is significant because it creates more opportunity to penetrate countable resources.

Although Egypt has a lower literacy rate than Taiwan, both countries still have potential scope for ING Direct’s business expansion. In Taiwan, the literacy rate and education level of the people is good for utilizing the financial services provided by the company, which would enhance the growth of the company. However, one obstacle that could challenge ING Direct is the vast majority of people being more interested in the industrialized activities of investment rather than typical day-to-day financial services. In contrast to this, the economic condition of Egypt has shown steady improvements over the past couple of years. The education level of the general population is an area that still needs improvement. Being educated is an important aspect of online banking in that the potential customer will need to have fundamental technological skills such as ability to use the internet. Education, unemployment, and poverty are the major unfavorable factors for business expansion. However, the great mass of the population as well as the high growth rate are evidence that there are opportunities for ING Direct in the Egyptian market. **Demographic Data**

In Taiwan, the age structure comprises of 16.7% of the general population between 0-14 years, 72.6% between 15-64 years and 10.7% are 65 years and over. The proportion of urban population is about 81% of the total population. In Egypt the age structure of the population is 31.4 % between 0-14 years, 63.8% between 15-64 years and 4.8% are 65 years and over (CIA world fact book, 2010).

**Economy**

The table in Appendix C reflects the key elements of Taiwan’s and Egypt’s economy that are useful for ING Direct in considering foreign expansion. The summaries are as follows. The year 2009 has been a major economic setback and Taiwan and Egypt are no exception. Inflation plays a great factor in a country’s economy because it determines the purchasing power of a currency. Taiwan has an inflation rate of -0.7 as estimated for 2009 (CIA world fact book, 2010) and is ranked 10th in world when it comes to inflation. The country is also ranked 37 in the world for its debt of 82.68%.

It is important to note that Taiwan has a low birth rate which among other issues may represent a challenge; with “one child per woman”, the country may not be as populated as others (CIA world fact book, 2010). This means that a working parent who has an average of one child may have more dispensable income than someone who has more children. More dispensable funds mean more funds to invest and may also mean an increase in the quality of life, which is an advantage for ING Direct.

Egypt on the other hand has strengths and weaknesses that differ from Taiwan. As noted, there are 25.8 million people employed in 2009 (CIA world fact book, 2010). Egypt has been experiencing a steady growth that was interrupted in 2009 by a global recession. However the government plans to take action by providing economic stimulus of over 3.3 billion in U.S dollars to boost the economy in year 2010 and to encourage foreign investments (CIA world fact book, 2010). Economically, both countries are stimulated, creating greater potential for growth in its financial markets which is advantageous to ING Direct.

.**Infrastructure**

The table in Appendix D summarizes the key elements of Taiwan’s and Egypt’s infrastructure. A country’s infrastructure is an indicator of the country’s potential economic growth (Sullivan, 1999). Taiwan and Egypt have infrastructures that will support ING Direct’s decision to enter into these regions.

**Natural Resources**

Egypt’s natural resources include gas, oil and metals, which comprise the majority of Egypt’s exports (CIA World Fact Book, 2010). Taiwan’s exports consist primarily of finished goods: electronics, machinery, auto parts.

**Energy**

Although Taiwan’s overall energy consumption exceeds the country’s production, Taiwan’s current account balance is $34.04 billion (CIA World Fact Book, 2010). This suggests that Taiwan has a stable energy infrastructure. In 2010, funding of $125 billion was approved for infrastructure development projects. Although Egypt’s energy production matches or exceeds the country’s consumption, their current account balance is -3.32 billion. However, in 2009 Egypt’s government also implemented a $2.7 billion stimulus package favoring infrastructure projects and considered an additional $3.3 billion for 2010 (CIA World Fact Book, 2010). Infrastructure funding is key for international business developments (Sullivan, 1999).

**Transportation**

Transportation structure is an importantconsideration concerning the delivery of goods and services to the region. Both countries have modern air, rail and water transportation systems with high percentages of paved roads. Both Taiwan and Egypt have land barriers making access to certain regions difficult. Taiwan’s eastern region is covered with rugged mountains, while Egypt is mainly covered by desert. As ING Direct’s products and services are provided via the internet, these obstacles should present minimal challenges.

**Telecommunications**

Both Taiwan and Egypt have modern communication systems which includes satellite systems and underwater cables linking them to major international communication hubs. Both countries also have significantly higher cellular lines than land lines. However, despite Egypt’s population size difference, their internet user ranking follows closely to that of Taiwan. This suggests that a large number of Egypt’s population may not have Internet access. This will affect the marketability of ING Direct’s web based products and services.

**Legal Environment: Trade**

Hill (2009) discusses the principle of free trade as one in which the government creates an environment unencumbered by barriers that would prevent the purchasing or selling of goods and services outside of one’s own country. Taiwan’s long and turbulent history with China has left free trade as a controversial issue. Taiwan currently has diplomatic relation with over 20 countries and their potential Free Trade Agreements with China may make it easier to forge relationships with other countries (Anonymous, 2009). This would assist in creating an environment ripe for new business opportunities like the entry of ING Direct. Due to the Economic Reform and Structural Adjustment Program (ERSAP), Egypt, over the last 15 years, has experienced significant stabilization of their economy and trade capabilities. According to the Project Performance Evaluation Report (2000) the goals of the ERSAP were as follows: “stabilization of the economy in order to restore macroeconomic balance and reduce inflation; structural adjustment to stimulate medium and long term growth; and modification of social policies to minimize transitory effects of economic reform on the poor and vulnerable groups” (p. ii.).

**Government Structure**

A country’s political environment can have a significant effect on the overall business environment. Taiwan’s government is a civil law system while Egypt’s current government structure is based on Islamic and Civil Law (Central Intelligence Agency, 2010). Due to recent elections, Taiwan’s political environment is vastly improving. “Political risks abated considerably with President Chen Shui-bian's departure on May 20 last year, when he was replaced by the Kuomintang's (KMT) Ma Ying-jeou, breaking a legislative stalemate and promising to ease tensions with China,” (Taiwan, 2009). Taiwan’s relationship with China will have a large impact on its subsequent relationships in the global marketplace.

In Egypt, while officially unacknowledged as a political power, the Muslim Brotherhood is tolerated. Today’s climate in which political religious groups are feared and stereotyped as terrorist organizations, entry into this political climate may prove challenging. However, due to the online nature of ING Direct, its success is still feasable.

**Transnational Concerns**

While Egypt continues to experience growth over the past several years, it still has issue related to human trafficking and illegal drugs. According to CIA (2010), Egypt, because of its location, remains a country through which women are transported from other Eastern European countries to Israel. In addition, inadequate enforcement of financial regulation also makes it a transit point for North Africa and European drug couriers.

Taiwan has several transnational issues that indirectly affect its political and legal climate. According to the CIA (2010), Taiwan has a land dispute with numerous countries including China, Malaysia, Philippines and Vietnam. In addition, it serves as a transit point for various drugs.

**Business Environment**

Doing Business (2010) is a report that incorporates ten indicator sets in 183 economies and aims to “provide an objective basis for understanding and improving the regulatory environment for business” (p. v). Some of the key measures of the report include ease of starting a business, employing workers, protection of investors, and enforcing contracts. The Doing Business (2010) report also details reforms made in certain economies during the year, which could result in ease of doing business within that country. The report interprets and focuses on the regulatory environment, as well as the holistic economic health of the country.

According to Doing Business (2010), Taiwan ranks 46th with regard to ease of doing business, which is up from 61st in 2009. In addition, Taiwan is ranked 3rd overall in the ease of starting a business (p. 10). During 2009, Taiwan made significant strides in improving the business and regulatory environments, which has made it highly desirable for companies to set up shop there. Doing Business (2010) reports Taiwan simplified its tax code and streamlined its tax payment processes for corporations, including electronic filing.

Doing Business (2010) reports Egypt was on the list of “top ten reformers” of 2010, which is based on a progressive reform in three of the ten areas covered by the report. Egypt implemented reforms in starting a business, dealing with construction permits, getting credit, and enforcing contracts, all of which make doing business within the region easier for outside companies. With regards to the ease of paying taxes, Egypt made several reforms to the tax code during fiscal year 2009 to increase competitiveness, reduce unemployment, and provide a more modern, comprehensive tax system. Egypt also “eliminated all tax exemptions and introduced a flat tax of 20% on corporate income, down from 32% or 40%, as well as electronic filing and self-assessment” (Doing Business, 2010 p. 47). According to Doing Business (2010), Egypt ranks 106th overall, with the most needed area of improvement being the enforcement of contracts, whereas they rank 148th (p. 119).

Regulatory and economic reform is essential for countries to attract new businesses and to remain globally competitive. In essence, each time a new corporation sets up shop in a country, the nation will benefit economically through increased trade and taxation income, also increasing GDP and GNP.

**Mode of Entry Matrix: Acquisition for Taiwan and Joint Venture for Egypt**

|  |  |  |  |
| --- | --- | --- | --- |
| **Area** | **Pros/Opportunities** | **Cons/Risks** | **Mitigating Factors** |
| **Taxation** | Purchasing shares of a Taiwan target company is subject only to securities transaction tax of 0.3 percent on the purchase price and there is currently no capital gains tax on the sale of shares | Penalties for non-compliance are very high. | ING Direct must be careful to abide by all prevailing tax laws and regulations in order to avoid incurring tax penalties and fines. |
| **Employment** | The labor laws in Taiwan are relatively easy to understand. Because ING Direct is a professional organization, they do not have to worry about industries that are more difficult to acquire, i.e. chemical manufacturers. | Companies fully acquiring another organizations operation must notify current workers. In addition, 10 to 30 days. advance termination notice and must pay severance  and pension in accordance with requirements of the Financial Holding Company Act (FHCA) | ING Direct must handle all employment and labor transfers in accordance with Taiwanese labor laws. |
| **Ease of Acquisition** | The business environment in Taiwan has become very acquisition friendly | There have been several changes in how the acquisitions of financial service organizations are handled, including the FHCA. | The new laws have made it easier to acquire assets, and therefore this will work in ING Direct’s favor. ING Direct will still have to be sure they are in compliance with all provisions of the law. |
| **Political Environment** | Taiwan is a multi party democracy that operates in a free market. | In recent times, there has been some turmoil between the Chinese and Taiwanese governments regarding trade and tariff regulations | ING Direct must be careful to provide all documentation necessary to facilitate the acquisition. |

**Taiwan- Acquisition**

**Egypt- Joint Venture**

|  |  |  |  |
| --- | --- | --- | --- |
| **Area** | **Pros/Opportunities** | **Cons/Risks** | **Mitigating Factors** |
| **Taxation** | A five year exemption from corporate tax starting from the first financial year following the commencement of the company’s activities | ING Direct will be subjected to income tax of the country of origin of capital, which can lead to loss of income in host country budget | ING Direct will take advantage of the signing of free trade agreements, which exempt taxes for at least 5 years on corporations and the introduction of interbank foreign exchange in 2003 which makes Egypt an important recipient of FDI. |
| **Employment** | Provides access to local management and resources needed to manage difference in environments such as culture, political, and economic. In addition, the size of the population shows potential for long term value and growth, making it an integral market | The value of the joint venture is determinant on the partner’s ability and willingness to deal with a foreign company and its employees. | ING Direct will take advantage of the employment pool in Egypt and will also be careful to be in compliance with all Egyptian employment and labor laws. |
| **Ease of setting up a Joint Venture** | Egyptian law No.8, the Investment Incentives and Guarantees Law, allows foreign investors to own any amount up to 100% in projects in most sectors. In addition**,** foreign equity in joint ventures can be as low as a few percentage points depending upon mutual agreement. | Egypt is signatory to most international agreements on arbitration so businesses particularly foreign are advised to make sure that a clause on international arbitration is inserted in all contracts for joint ventures. Foreign equity in a joint venture is generally limited to 49% | ING Direct must be in compliance with the Egyptian Law No. 8, as well as other statutes regarding entering into joint ventures in Egypt. |
| **Political Environment** | Investment capital from this mode of entry may be repatriated without prior approval of the government’s investment authority, the General Authority for Investment and Free Zones (GAFI). | Control and operational issues pertaining to business activities conducted may result in difficulty in implementing acquisition strategy, the need to retain and recruit key technical and management personnel. Also, cultural differences and religious beliefs impact political propositions and influences management style. | By partnering with local organizations, ING Direct will create a low risk of being subject to nationalization or other form of adverse government interference. ING Direct must perform research on local customs and cultural differences prior to entering the market. |

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