

International Business: A Digital Perspective

First Edition

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Dr. Mustafizul Haque Dedicates this book

To my parents, without whom none of my success would be possible.

Mr. Adheer.A Goyal Dedicates this book

“To my late father Mr.Arun Goyal, who told me the stories that always mattered. To my mother Mrs.Sunita Goyal, who taught me to remember them”.

Mr. Shakir Ali Dedicates this book

To My loving father, who though dwells in paradise, is always with me Late Mr. Md Ali Asghar. His strength and great dreams for me keep going in life. His blessings protect me.

Also, dedicated to my mother, Teachers & Family Members. They understand me, and always held me by my hand and showed me the way whose compassion.

Mrs. Ashima Varghese Dedicates this book

To the “Almighty” for His wisdom to understand the world in a better way.

To my father Mr. Arthur Joseph, a man of extra-ordinary will- power. To my mother Sandhya, who has great strength to fight against all odds. Also dedicated to my Family Members, Teachers & Students.

Dr. Rizwana Dedicates this book

To the great Almighty for providing strength and confidence and my beloved family members for their constant support.

Dr. Padmalini Singh Dedicates this book

To the God for blessing me immensely.

*My husband who is a strong pillar and a constant source of encouragement.
My parents and brothers for extending their love and support unconditionally.
My daughter who is my life.*

Preface

I applaud Dr. Mustafizul Haque and Prof. Adheer. A Goyal for writing a book on “International Business for Global and Digital Perspective”. This book perfectly tells how International business helps in strengthening the economic relations among nations and what role does digitization plays in international business.

This book will speak about the intricacies of the combination of International business and digital marketing and how it is helping to build up global economy. The authors have justified the title of the book with relevant examples.

I wish all the success to Dr. Haque and Mr. Goyal for their successful launch of this book and wish all the best for all future endeavors.



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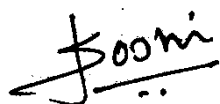


Preface

It is with immense pleasure I would like to congratulate Dr. Mustafizur Haque and Mr. Adheer Goyal for coming up a book on International Business for Global and Digital Perspective. With the change in era and the outbreak of the pandemic the business paradigm has completely shifted to the digital mode. The business across the world has affected because of the pandemic. But the digitization of almost everything has paved the way of future business.

The book will provide vision to the stakeholders in change management and addressing the issue related to globalization and digitization through global examples as well with case studies. The authors have given justice to the subject matter and addressed the minutest of details related to the global and digital business of contemporary era.

I wish all the success to Dr. Haque and Mr. Goyal for their successful launch of this book and wish all the best for all future endeavors.



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Chapter 1

International Business

Objective

International commerce may boost a company's sales and lower its costs, both of which are possible outcomes. In both cases, the firm sees an increase in revenue. Firms in the global marketplace might accomplish a variety of objectives, each of which can help the company improve its performance.

Attract Foreign Demand

There is a lot of competition in the industry, and some companies are unable to gain market share. The company's products' popularity may wane as a result of shifting consumer preferences. These two factors can help a corporation locate foreign markets that could be interested in its products. Since you've already made a name for yourself in these markets and know some of your customers, you've made the strategic decision to focus on expanding your business there. Your firm must target an expanding market in order to succeed in the electric sector. [1] Some people feel that only the most competitive companies will be able to offer appropriate service to their employees and shareholders as globalisation progresses. According to a Procter & Gamble research, the reasons why companies generate demand outside of the United States are laid forth in the annual report. We believe that if you continue to focus on these areas, P&G will be able to grow in some of the world's most important and largest economies. [2]

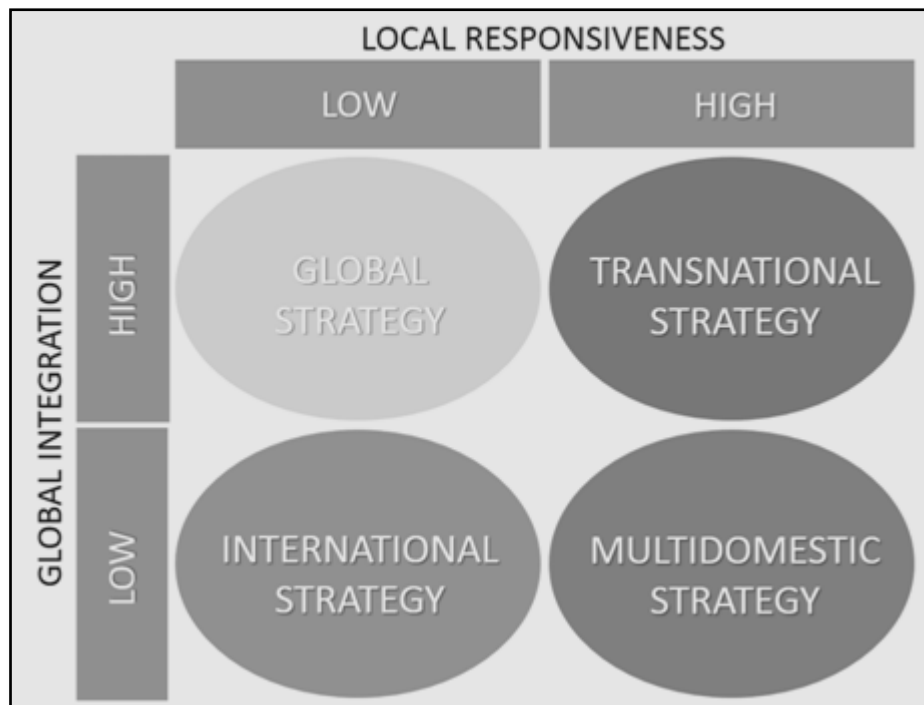


Figure 1.1

Make Use of Technology

As technology becomes more expensive, more enterprises are starting up in poor nations. Others have built new communication networks in emerging nations. Other infrastructure-related businesses, such as those building power plants and highways, are well-represented in these nations. In order to take advantage of the rapidly expanding Asian, Latin American, and Eastern European markets, both Ford and General Motors have opened production sites in these regions.[3]

Economic Resource Utilisation

Prices for labour and land vary widely among countries. Low land and labour expenses are important considerations for many companies when deciding where to establish their operations. In rich nations, the cost is substantially higher than in underdeveloped countries. [2] In nations with cheap labour costs, a large number of corporations have subsidiaries. Because of the cheaper labour costs, several firms have built manufacturing facilities in Singapore and Taiwan. Many firms have also set up low-cost manufacturing plants in Hungary, Poland, and other Eastern European nations. Mexican assembly line workers are paid roughly \$ 10 per day (plus benefits), but those in the United States are paid approximately \$ 220 per day (plus benefits).[4]

International Diversification

When all of a company's assets are set up to generate sales of a single product in a certain nation, earnings can be extremely erratic. This uneasiness is caused by companies' exposure to changes in the industry or economy. The demand for a product and the economic conditions in which it operates have a direct impact on a company's performance.[5] Companies who offer their products in different nations do so to minimise this risk. Many multinational enterprises are less impacted by economic situations since they differ by country. Overall performance may be more stable when a corporation sells items in numerous nations rather than just one. This avoids being impacted by the economic climate in a single country. Product demand may decline if the economy is poor, but economic growth in other regions of the world may increase total demand for products[6]

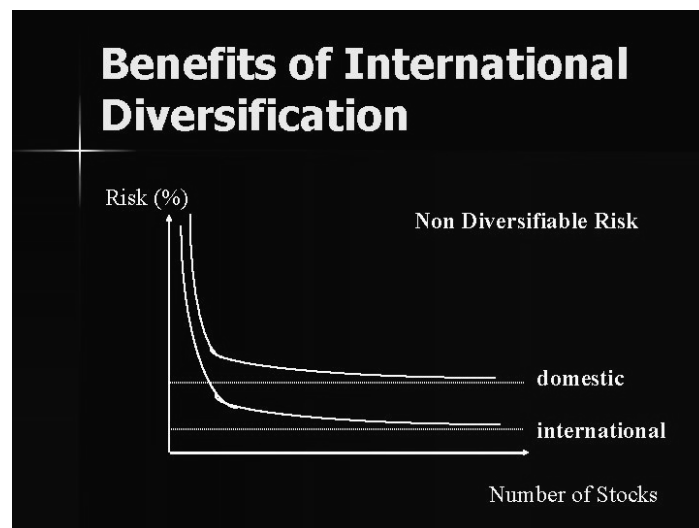


Figure 1.2

What is International Business?

Definition

Commodities and services produced or delivered across national borders are what we mean when we say "business." As the world's economy becomes increasingly interconnected and integrated, new avenues for international trade are opening up. Globalization may happen if trade barriers are eased and customer preferences shift. Another notable example indicates that manufacturers may easily acquire goods and services from foreign countries. It's not uncommon for some Google

employees to believe that foreign business is just "business." An expanded view of international business may be advantageous to both your personal and professional well-being in an increasingly globalised environment. Any trade involving the exchange of goods, services, or resources beyond national borders is considered international trade.[7]

In addition to human beings, intellectual property (e.g. patent and copyright protections, trademarks, and data), and contractual assets or obligations might be included in this category (e.g., the right to use some foreign asset, provide some future service to foreign customers, or execute a complex financial instrument). There are just as many little importers and exporters as there are large corporations with hundreds of employees doing business in different nations. Non-financial benefits and profit-driven border crossings have an impact on a company's future (e.g., triple bottom line, corporate social responsibility, and political favour).[8]

Strategic Management and Entrepreneurship

It will be simpler for you to understand multinational organisations if you are familiar with both strategic management and entrepreneurial concepts. Strategic management professionals are there to assist firms establish and accomplish their long-term goals. In order to attain its performance goals, a company's strategy must have basic, integrated, and externally focused principles. under the influence of Mason Carpenter's and William G. Sanders' theories of transformation (Upper Saddle River, NJ: Pearson Education, 2007). A strategic assessment of strengths, weaknesses, opportunities, and risks is essential (SWOT).[4] Using the SWOT analysis, a company's strengths and weaknesses may be analysed in order to devise a strategy for maximising its advantages while minimising or eliminating its disadvantages. As with the internal section, SWOT's external (opportunities and threats) component allows you to evaluate external factors that either support or hinder the company's plan. SWOT analysis will help you better understand how international business aspects should be taken into account in the company's strategy. [9]

Entrepreneurs are typically seen to be those who seek to meet a market's demands by identifying their own preferences (i.e. wants and needs) and the requisite means to put those discoveries into action through the creation of new, well planned firms. Entrepreneur is a term used to describe someone who is actively involved in business. It's only via new

markets, fresh ideas, and entrepreneurship that you can even consider the possibilities. To think that Google was founded only ten years ago by two college students is incredible, considering the company's global acclaim today. Larry Page and Sergey Brin, both Stanford University students, founded Google in 1998. On September 4, 1998, it was formed as a private company. Because to globalisation, firms may now take advantage of a wide range of benefits, including those related to social, environmental, and economic well-being. It's a fantastic idea to be business-minded as a result of this [10].

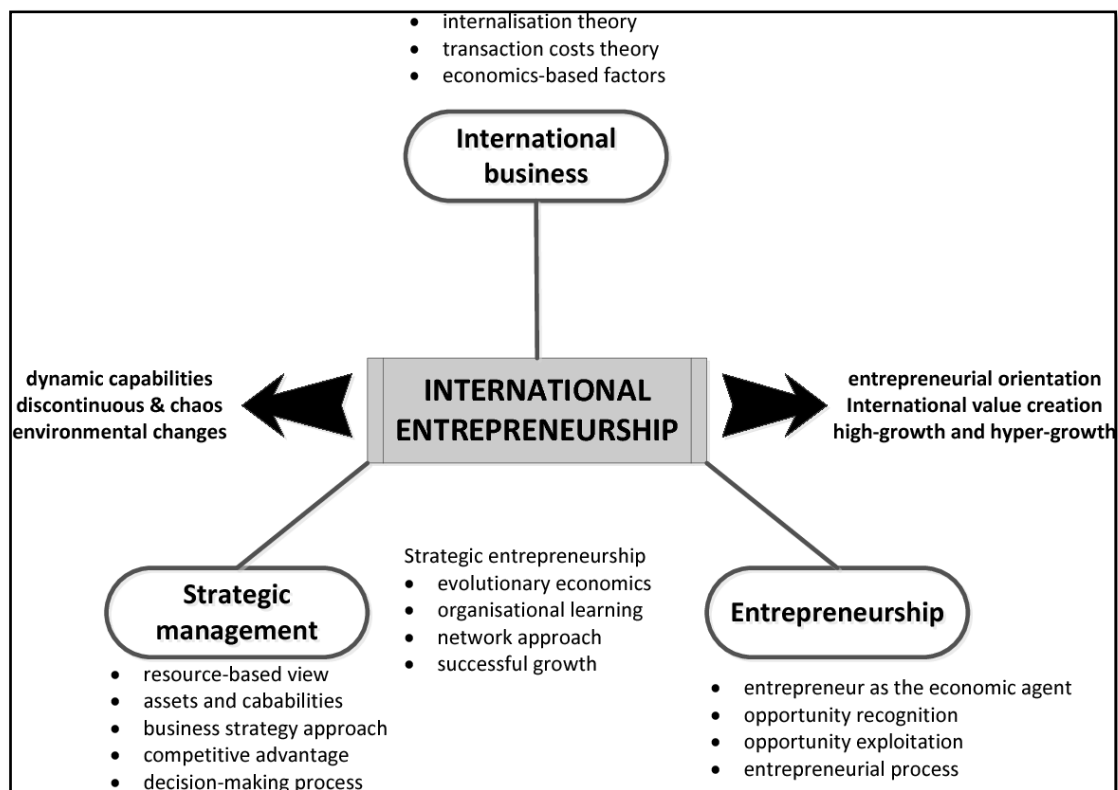


Figure 1.3

Why do Companies go International?

It is common for globalisation to be driven by the desire to grow or extend one's activity. It is possible to reap the benefits of new sources of revenue as well as increased competition in the marketplace, as well as investment opportunities, diversification, cost savings and the possibility to attract new employees. International growth is often a long-term plan due to many variables. Governments may encourage businesses to enter a country's market in an effort to strengthen that country's economy.

Increasing Profit Margin

Increasing profit margins is one of the most compelling arguments for expanding into foreign markets. International expansion is typically the next step after launching national growth initiatives. Your consumer base will grow as a result of international distribution. You're seeing an increase in sales because you're providing customers with innovative solutions and gaining international recognition.

Foreign affairs can also save a substantial amount of money in the long run. In order to save money, a company may decide to move closer to a supplier or extend operations to another nation where the manufacturing costs are cheaper. Doing business on a global scale can lead to new investment opportunities. Additionally, the cheaper cost of acquiring new customers may be a persuasive justification for expanding internationally. [11]

Competing for New Customers

The urge to boost sales is intrinsically related to the goal to expand profit margins. Even if business owners are content with their existing income levels, global growth can assist boost total revenue. In many cases, the struggle to develop internationally is fought over establishing a foothold in new markets. The advantages of being the first to join a new market might be considerable.

The market is ready for your answer if you don't enter it. In addition to losing the cash flow, you also lose other important assets that might be utilised to advertise your firm both domestically and abroad. Smaller companies that flourish worldwide and grow swiftly through global synergy can often overtake a large local firm.[12]

Because of technology advances, many enterprises are already global in today's economy. To stay ahead of the game in the rapidly expanding global market, companies employ a specific international strategy.

Business Diversification

A corporation can diversify in a number of crucial ways when it expands its operations to other continents. One way to decrease the danger

of diminishing demand is to spread it out over various nations. You can prosper in other nations by filling the hole left by a stagnant or declining consumer interest in your items. In addition, you may build partnerships with suppliers in other countries and obtain access to raw materials and resources that aren't readily available in your own country.

Additionally, organisations that operate in many nations tend to be more innovative and provide a larger variety of solutions. In the same way, having a wide selection of products keeps you from being bored with a particular item. [13]

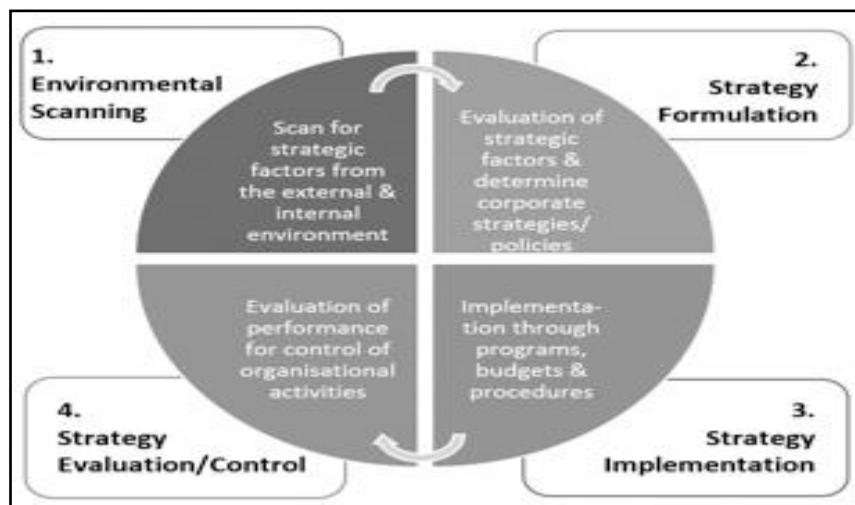


Figure 1.4

Diversification Examples

For example, Xiaomi, one of China's most popular smartphone makers, plans to expand into India in the coming years. They'll also be selling fitness bands and self-balancing scooters in addition to their mobile gadgets. To reach a wider audience and pursue new business ventures, this would be beneficial.

Among the most common motivations for global business development are product and customer base diversification. Some products aren't horrible products; they just don't match the market in which they were introduced. It's possible to relaunch a product in a new market, with a different demography, culture, and budget, and receive an entirely different response.[14]

Recruiting New Employees

Businesses that operate in foreign marketplaces have access to a wider and more diversified pool of talented workers. It is easier to build relationships with a wider customer base when employees speak different languages and cultures. A well-known worldwide company hires the best and brightest. There are several ways in which a company may benefit from forming a global team to help build its brand.

People who are involved in global commerce Businesses of all sizes and in all industries engage in international commercial dealings. Customers outside of their own nations are sought after by manufacturers, service providers, and merchants of all stripes. As stated above, an international corporation is directly involved in any form of worldwide commercial activity, such as export, import, or international manufacturing. When it comes to international business, there are many different types of foreign firms, and we'll examine them in further detail on these following pages. [15]

International commerce and investment are becoming increasingly important for small enterprises throughout the world, as well. A rise in global trade has shortened export turnaround times and has hastened company growth. 4 As a result of technical improvements, electronic distribution has become a low-cost and effective way for a number of small enterprises. Web-based communication is all that some small businesses need to stay in touch with their clients (WWW). Small enterprises that are capable of exporting aren't taking use of the latest technical breakthroughs. There are several myths that prevent small businesses from exporting: no export financing is available for small businesses, small businesses cannot obtain export advice, and export licencing requirements require no effort, only large businesses can export successfully, small businesses do not have the right people to export, and small businesses find it difficult to export.

Despite this, small firms play a critical part in their country's economy, generating employment, inventing new goods and services, and frequently exporting international operations. Trade fairs have resulted in a growing number of entrepreneurs and federal and state export programmes that are eagerly welcomed by overseas customers. 25% of all exporting companies employ less than 100 people.[16]

International management abilities are becoming increasingly crucial for managers in industries other than huge companies as small enterprises grow their operations throughout the world. The issue is that most small firms cannot afford to build an overseas office, and many enterprises are too autonomous to relinquish responsibility to anybody else. However, it takes a long time for an entrepreneur to learn about business laws and practises in other countries or to fly overseas to negotiate and execute a commercial arrangement. They often don't have the time away from their domestic business and must rely on export managers to handle all the details.

A variety of strategies are employed by smaller firms since they are confined by their ability to export their products. Small businesses benefit greatly from franchising because of the low capital and labour costs involved in setting up franchises. Multinationals can be as small as a security firm or as large as a car manufacturer, depending on their size. Units of large multinational corporations can function independently or as part of a global network that is interconnected in a variety of complex ways. As a result, independent businesses frequently have a better grasp of the local culture and are more equipped to respond quickly to shifts in the local marketplace.

Companies that operate as a worldwide network are more flexible in responding to changing conditions by shifting manufacturing, marketing and other national unit operations. Depending on the type of company, any of these structures might be acceptable. Multinational corporations are notable for the economic and political heft they possess. There are a large number of employments, increased investment, and considerable tax income generated by big firms in the areas where they operate. It's also clear that several big international corporations have shrunk in size or closed their plants throughout the world, making them more visible. In addition, the transactions of these firms involve significant sums of money. According to Daimler-announcement Benz's in 1998, they will combine with Chrysler in the United States for a total of \$40 billion dollars. Exxon and Mobil, two global oil giants, merged in the same year for a combined 86 billion dollars in revenues.[17]

Worldwide, multinational corporations (MNCs) are already massive. The long-term planning horizons of these venerable conventional industrial giants are a driving force behind globalisation. Increasingly,

service organisations like Citigroup, Wal-Mart, and MCI-WorldCom are expanding their operations over the globe. As a consequence of their engagement in cross-border relationships with suppliers, consumers, and entrepreneurial partners, they have achieved global trend leadership. Thai conglomerates Charron Pokphand and Nynex in the telecom sector and Wal-Mart in retail have opted to form global alliances with other international companies, generating \$7.6 billion in sales between them. Exxon Mobil Oil and Hoover are two examples of American multinational corporations (MNCs) that derive the bulk of their revenue outside the United States; Daimler-Chrysler, IBM, and Coca-Cola all generate more than half of their revenue outside the country. Furthermore, many non-profit organisations, such as the Swiss Red Cross and the Roman Catholic Church, are MNEs (multinational enterprises).[18]

Church in Italy Operates Abroad.

A large number of multinational businesses (MNCs) have become complex conglomerates, making it nearly impossible to establish which companies or properties belong to the MNCs' parent company. International MNCs possess a large number of large American firms, yet many American MNCs own large foreign enterprises. For example, RCA is owned by Thompson SA of France, and Vaseline is controlled by Unilever, a UK–Dutch conglomerate. RCA and Vaseline are both well-known American brands. Seagram owns Tropicana Orange Juice, whereas Green Giant is owned by Grand Metropolitan in the United Kingdom.

First 50 Fortune Global 500 firms of 2005 are shown in Exhibit 1.2. A limited number of the world's largest firms will be permitted entry to the exhibit (MNCs).[10]

In addition to the United States, these multinational companies (MNCs) have locations in the United Kingdom, Japan, Germany, the United States of America and other countries. These multinational businesses everywhere you look you'll find them. They're mostly worldwide in scope.

Rank	Company	Revenues (\$ millions)	Profits (\$ millions)
1	Wal-Mart Stores	287,989.0	10,267.0
2	BP	285,059.0	15,371.0
3	Exxon Mobil	270,772.0	25,330.0
4	RoyalDucth/Shell Group	268,690.0	18,183.0
5	General Motors	193,517.0	2,805.0
6	Daimelar Chrysler	176.687.5	3,067.1
7	Toyota Motor	172,616.3	10,898.2
8	Ford Motor	172,233.0	3,487.0
9	General Electric	152,866.0	16,819.0
10	Total	152,609.5	11,955.0

Participants in International Marketing

Participants in International Marketing fall into a variety of groups. The following are some of the most significant subcategories.

Firms Owned by Individuals

Private corporations, other large firms, and (small and medium-sized enterprises) SMEs do the vast majority of foreign transactions.[19]



Figure 1.5

International marketing is dominated by multinational corporations (MNCs). One-third of international commerce is expected to involve corporate transfer, i.e. trading between MNC affiliates or divisions in different countries. In addition, they sell a vast number of items to clients across the world.

The following are some of the world's largest corporations: Large numbers of smaller businesses are also involved in worldwide marketing. Many of these companies, even if they don't qualify as MNCs, have manufacturing and other operating facilities in nations across the world.

There is a big role for small and medium-sized businesses (SMEs) in international business, and they play an important function. Many of them conduct significant business outside of the country.[20]

Many companies fall under this group since their primary focus is on exports. Small businesses account for the majority of exports from the two largest exporting nations, the United States and Germany. Village and small industry products account for 35% of India's exports.

Depending on the country, the public sector can play a significant role in international commerce. In communist nations, state commerce was the norm. In communist nations, there was a lot of state commerce. The importance of state commerce was evident even in countries like India, which had a mix of economies. India's overseas commerce has been heavily canalized (only a public sector organisation can export or import canalised items). The government's involvement in the market has shrunk dramatically as a result of deregulation. In the entire activity of state trading agencies, such as STC and MMTC, the percentage of canalised products has significantly decreased. They are now forced to operate mostly on their own, much like private trade businesses. [12] “Many public sector organisations, in addition to the state trading agencies, engage in substantial foreign commerce, such as promoting their products and purchasing other people's needs.

There are a number of foreign-trade-focused trading enterprises, including public sector organisations like STC and MMTC. They are traders in exports, and they (i.e. those which export products manufactured by other firms). Large quantities of commerce are handled by trading firms in nations like Japan.

International marketing is a popular career choice for many people. Empowerment of people and small businesses to establish and expand their businesses is a major factor in the growth of the international web and the internet. Their access to global information and the ability to communicate with consumers and sellers on a worldwide scale has been greatly facilitated.[21]

Because business and marketing encompass both home and foreign markets, the term "international" may no longer be necessary in international marketing or international business. Marketing in a globally competitive context may be characterised as international marketing, regardless of whether the market is domestic or foreign.

Globalization and worldwide marketing are likely to become increasingly prominent in the future as a result of a number of current developments. These are some of the most significant ones.

Globalization of supply chain and operations management. International marketing will become more important as supply chain and operations management become more globalised.

Worldwide marketing is becoming increasingly important as a result of the continued high levels of foreign investments and expanding international output.

In the case of polyester intermediates like PTA and MEG, producers like Reliance Industries follow the prices of other international manufacturers, offering Indian customers a reasonable level of confidence with international pricing (to prevent any imports into India). When foreign prices fall, they immediately match them with an extra discount as a comfort measure.[22]

The Participants in International Business

Companies of all sizes and in all industries are involved in international commercial dealings. There is a constant search for new clients outside of one's own country by enterprises of all kinds. An example of an international business enterprise is one that engages in operations such as exporting, importing, or international producing. It doesn't matter whether international business transactions take diverse

forms; there are numerous sorts of multinational firms, and we'll go through each in depth below.

One of the primary drivers of small businesses' expanding global trade and investment activities has been their incorporation. Exporting allows companies to develop more quickly because of the faster turnaround times.

Because of technological advancements, electronic distribution has become a viable option for many small enterprises. Small businesses are increasingly relying on the internet to provide all of their customer support needs (WWW). However, despite having access to the latest in technical advances, many small enterprises have yet to begin exporting their goods. There are various fallacies that keep small firms from exporting, despite all of the misconceptions: Small firms cannot get export financing, and they have no one to turn to for export guidance. Export licence requirements are also not worth the effort, and only major corporations can effectively export. Despite this, small firms have a significant impact on their nations' economies. Despite the fact that globalisation only affects small companies insofar as they compete with other foreign items, the increasing number of trade exhibitions throughout the world may entice overseas buyers to collaborate with entrepreneurs.[23]

According to the International Trade Administration, 25 percent of all exporting enterprises have less than 100 employees. Managers of small and medium-sized firms (as well as major organisations) must have international management abilities as they develop worldwide. As a result of a lack of international-focused small enterprises, it is difficult for entrepreneurs to empower others. Entrepreneurs must spend time researching foreign trade legislation and corporate practises, or fly to the other side of the world to close a deal.[15] As a result of their lack of time away from their home company, exporters frequently rely on export management firms to handle the technicalities. Because of the limited resources available, small enterprises are more likely to try alternative approaches. Another smart technique for small firms is franchising, which doesn't need a lot of capital or personnel to get up and going. From a small security firm to a medium-sized car factory, corporations come in many forms and sizes, making it difficult to know which one best fit your needs.

This means that multinational corporations can either function as independent entities or be part of a larger global organisation. Businesses that operate independently are more likely to be familiar with local customs and have the flexibility to respond rapidly to market shifts. They have found it simpler to shift production, marketing, and other economic operations from one country to another as conditions have changed. The structure of a business is determined by the sort of business it is. Transnational firms have a lot of power, both financially and politically. In contrast, the reduction or closure of huge international firms' global factories makes these companies more prominent. Furthermore, the quantity of money involved is enormous. [24]

What is the Point of Studying International Business?

When it comes to international business, no matter where a person lives or what country they are currently living in, it has a direct influence on their daily lives and on the businesses and governments they work for.

Global marketplaces for a wide range of products and services are being created as trade barriers are being reduced, competition increases, and consumer tastes become more similar. For the first time in history, consumers throughout the world are able to purchase more and more things at cheaper prices. Workers are usually in a race against one another for work.



Figure 1.5

Growth in the Volume of World Merchandise Trade by Selected Region, 2000-2004(Annual percentage changes)

Export				Import		
2000-2004	2003	2004		2000-2004	2003	2004
4.0	5.0	9.0	World	4.5	5.5	10.0
0.0	1.0	7.5	North America	3.5	4.5	10.5
6.5	6.0	13.0	South and central America	1.5	1.5	17.5
3.0	2.0	6.5	Europe	2.5	3.0	6.5
3.0	1.5	6.5	European Union (25)	2.0	2.5	6.0
9.5	13.0	13.0	Commonwealth of Independent States (CIS)	15.0	13.0	15.0
8.0	11.5	14.0	Asia	8.0	13.0	14.5
3.0	5.0	10.5	Japan	3.5	7.0	7.0
6.5	10.5	14.5	Six East Asian traders	4.5	5.5	14.5

In contrast to workers in another country located thousands of miles away, Companies that are directly involved in international production or marketing have to deal with cultures, political systems, and economic systems that are often vastly different from their own.. Governments at all levels work together to create jobs by offering financial incentives to businesses to locate in particular areas. We see the results of dozens of international business transactions every day. For example, you might wear an Egyptian-made Gap T-shirt, drive a Japanese Toyota assembled in Kentucky, USA, with parts manufactured in 120 different countries, wear Chinese-assembled Nike shoes, and drink coffee brewed from beans grown in Brazil or Kenya back in your hometown of Nicosia, Cyprus. Even if you don't travel far from home, global business has an impact on your life. An international transaction, such as purchasing a Sony CD player from Tokyo with your credit card while you're in Moscow can be carried out via e-commerce. It is inevitable that you will one day work for a company that is involved in international business, and you will have to travel somewhere at some point in the future. Almost definitely, you know someone who is from another nation, or you know someone who knows someone who is from another country, and so on. And so forth.. The more

you study international business, the more sophisticated you will become as a consumer, job seeker, and "student" of the world around you. You will also be more aware of the distinctions across cultures and more sensitive to them.

International business trends will continue to evolve in the years ahead. It's becoming increasingly difficult for global management teams to keep up with the expanding amount of international trade while also competing with emerging economies and trading blocs (NDEs). Global firms are spending large sums of money to compete against one other. [25] This will be another emerging trend to keep an eye on as the corporate landscape grows more complicated. Global interdependence means that keeping up with the quick and unpredictable shifts in politics, economics, technology, regulatory and monetary factors will be a never-ending challenge. Those in positions of leadership must keep an eye on the big picture in order to seize new possibilities as they arise.

Development nations are home to more than one-fifth of the world's obese population

Young women in the United States and Britain are most likely to become pregnant as teenagers.

- In China, 44 million women have vanished.

In Brazil, it is thought that there are more Avon women than military personnel.

As a result, retailers and government officials in Britain have a greater understanding of the needs of their customers.

Half of the world's people live on less than \$1 a day.

- Upwards of 44 million children are working in child labour in India, according to the United Nations.

Average annual consumption of food additives in industrialised nations is between 6 and 7 kg.

- Golfer Tiger Woods is the world's highest-paid sportsman. He makes 78 million dollars a year, or \$148 a second.
- This translates to 125 individuals for each member of Congress in the nation's capital.
- Two individuals are killed by vehicles every minute.
- In comparison to the Christian cross, McDonald's golden arches are more easily recognised by the general public.
- A third of the typical Kenyan household's income is spent on bribery and corruption.
- Illicit drug trade is estimated to be worth over \$400 billion, which is similar to the worldwide pharmaceutical sector.
- One in five of the world's population, or 800 million people, is hungry every day.
- An estimated one-third of the world's population is living in a state of war.

By the year 2040, the world's remaining petroleum reserves might be gone.

Developing countries account for 82% of the world's tobacco smokers.

According to the CDC, 30 million people in Africa have HIV.

Pornography is expected to cost the United States \$10 billion each year.

- There are currently 77 million slaves in the globe.

The Global Perspective of International Business

People throughout the world are now more linked than ever before, making it easier for them to communicate with one other. People are moving quicker than ever before when it comes to information and money. Increasingly, commodities and services produced in one part of the globe are being exported to other parts of the world. Global communication has become the norm. "Globalization" has been coined as a term to refer to this change in society. To describe the contemporary period of technological progress, the phrase "globalisation age" is gradually becoming mainstream. Those of us who care about the status of the world need to investigate the phrase "globalisation," dissect it, figure out what makes it

tick, and then nurture the great elements while reducing or halting the harmful components.[26]

As with a wildfire, globalisation swiftly spreads. In and of itself, fire is neither a good nor a terrible thing. When utilised appropriately, cooking, sterilizing equipment, making iron, and heating our homes may all be achieved. An errant use of fire may decimate entire cities and forests in a matter of seconds.

Both freeing and constraining aspects of globalization's influence are present. Mass fear and upward social mobility are both possible outcomes of this situation. It encourages whales to expand and minnows to become more powerful. It's gradually edging away from you and fast closing in on you. Individuality may now be expressed to others because of globalisation, since cultures are becoming increasingly similar.

As a result of globalisation, there are many dangers and an ugly, gloomy aspect to it. Many advantages come with it as well as numerous chances and possibilities. A network of regulatory procedures is required to keep globalisation from swallowing whole civilizations, but the rule of law and constant vigilance are also required to counteract it. Even though "globalisation" was created in the 1980s, the notion of globalisation predates this in many situations since commercial empires founded by Spain, Portugal and the United Kingdom might be regarded precursors of globalisation. In the minds of some, worldwide trade and migration began only 100 years ago, when the world was still a much smaller place.[27]

The Great Depression of the 1930s ended that. Countries began to withdraw from international markets when they realised that these markets may bring about poverty and joblessness. A post-WWII redoubling of international relations efforts by Western nations established the foundation today for the global interconnectivity we see today. Amidst the demise of national boundaries, other areas have witnessed the fusion and integration of distinct marketplaces. Businesses have been able to set up shop in a variety of areas across the world because to the elimination of obstacles to trade.

There has been an even greater acceleration of this train because to current technical developments in telecommunication and the advent of the Internet. Customers and those who consider themselves to be capitalists

stand to gain the most from this principle. Increased spending, better living conditions, and an increase in foreign travel have all experienced a surge as a result of robust commerce. In addition to that, there are even larger icebergs that have yet to be discovered.

There are others who argue that globalisation has improved information flow, enabling people to learn about and appreciate different cultures, as well as aided bring democracy to those who had been under authoritarian control. Critics argue that Western countries have benefited at the expense of underdeveloped countries. From 2.3% to 1.4% of worldwide sales, it has decreased during the preceding 15 years or so. Even in the industrialised world, no one has emerged triumphant. Globalization has led to a rise in employment insecurity as a result of its wide range of alternatives.

Companies are moving their production lines to low-wage nations in order to save money on prices, but manual labour is particularly vulnerable because of the specialised skills necessary for each position. Increasing usage of satellite television and global media networks, as well as increased travel, worsen the effect of these changes on national identities and cultures.[28]

70% of moviegoers in France see Hollywood productions in the theatres. Because international companies are becoming more powerful and influential than elected governments, they are concerned. Indeed, they are more concerned with serving their own stockholders' interests above those of the public or of those who do business with them. According to environmentalists, the world's most powerful businesses are ignoring the environment in their pursuit of profits and control. According to several human rights organisations, corporations have too much influence and are therefore limiting people's freedoms.[29]

Small-company owners are sympathetic to the effort because they are concerned that global economies of scale may drive them out of business. We may be living in a global community if the debate can take place simultaneously in many nations and continents. To define the current political, economic, and cultural milieu is to use the term "globalisation."

However, globalisation is much more than just a worldwide business. When borders are erased, there are a number of additional

problems that arise, including increased pressures on businesses to continue operating, such as lower transaction costs, and increased pressures on union organisers and other professionals to act across international borders. These professionals include labour activists, academics and journalists and others.

One of the terms used to characterise the process of moving from an economically disparate and interrelated global economy to a more cohesive and interdependent global economy is "globalisation." As a result of market and production and distribution globalisation, globalisation has two primary components. No, globalisation does not occur only once in a lifetime. There is no question that this is not a fad. Every country's domestic politics and foreign relations are affected by the international system, which we must recognise to comprehend it.

The "globalisation of markets" refers to the coming together of historically distinct and independent marketplaces into a single, vast global marketplace. Some have claimed for some time that the tastes and preferences of customers in different nations are beginning to converge on some worldwide norm, therefore contributing to the formation of a global market, although this has not been substantiated. ⁷ A wide range of items, including Citicorp credit cards, Coca-Cola, Levi's jeans, Sony Walkmans and Nintendo game players, are regarded classic instances of this trend, which has expanded over the globe. With the help of their standardised goods, they are helping to build a global market.

There are various worldwide marketplaces where the same corporations fight against one another as competitors. Coca-Cola and Pepsi have a worldwide competition, just as Ford and Toyota, Boeing and Airbus, Caterpillar and Komatsu, Nintendo and Sega, among many other firms and sectors.... Competitors from all over the world compete for a single, more homogenous global market. Multinational firms play a crucial role in this process of market consolidation.

By "globalisation of production," we mean that companies are increasingly sourcing their products and services from all over the world in order to take advantage of the widening gap between the relative costs and quality of production inputs in different nations (such as labor, energy, land, and capital). With this, companies want to reduce their overall costs while simultaneously enhancing the quality or utility of their product

offerings, which would allow them to compete more effectively in today's competitive marketplace.[30]

Consider the Boeing 777, the most modern commercial jet aeroplane from the firm. 132,500 key components are manufactured by 545 different suppliers from across the world for the 777. For the fuselage, doors, and wings, there are eight Japanese firms as well as one Singaporean company; three Italian companies create wing flaps, and so on. As one of the primary justifications for Boeing's choice to outsource so much production to foreign suppliers, the firm points to these vendors as some of the best in the world. An advantage that Boeing has over Airbus is the ability to produce a higher percentage of total aircraft orders as a result of having a worldwide network of suppliers. So, in order to increase its prospects of securing huge contracts from airlines based overseas, Boeing has decided to transfer part of its production to other nations.

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Chapter 2

Change in Trends of International Businesses Adopted by Indian Companies

Indian Companies

Many Indian companies now follow foreign best practises since they are easier to track and provide more sensible allocation of funds and resources. Indian organisations have been pressured to include a Western flavour into their programming frameworks as a result of several substantial technological advancements. It's a first step in eliminating what might accurately be regarded as an outdated, tiresome tangle of corporate practises. "

In light of the present economic climate, Indian businesses have come to choose international ideas since they make it easier to manage and allocate resources more effectively. The following are a few global developments that have had a major influence on Indian businesses: [1]

Increased Use of e-commerce

Many B2B and B2C enterprises have been developed by Indian entrepreneurs as a result of their entrepreneurial drive.

Indian ecommerce has developed at a compound annual growth rate of 35 percent, from large e-retailers selling a wide variety of products to linking businesses to niche sectors like fashion, baby products, and medical. Furthermore, it is predicted that India would overtake more established economies like the United States and the United Kingdom in the following decade.

As a result of COVID-19, the gig economy has seen a surge in popularity.

Gig and freelancing options in India skyrocketed following the epidemic's economic devastation and widespread joblessness. In India, the gig economy stretches back to the days before COVID-19, when daily wage workers and domestic assistants were common. As a result of the pandemic and technical improvements, the barriers between service providers and clients have been weakened.[2]



Figure 2.1

The Digital Revolution

Bill Gates once said, "If your firm is not on the internet, it will go out of business shortly." There has been a proliferation of SaaS organisations, from cloud computing to a freelancer with a website, as a result of the digital revolution.

Taking this course of action sets the groundwork for the Indian economy's growth and provides employment possibilities for future generations. There has been a shift away from a reliance on paper-based transactions thanks to government efforts like Digital India, Startup India, and many others that have been implemented in the country. Having a paperless layer of operations helps the environment to breathe easier. New

methods of expanding a company's revenue are predicted to appear and flourish at an unprecedented rate in the future years.

Outsourcing and working remotely before the development of the personal computer, there were jobs that didn't require a human to be there. Before the phrase "next normal" entered our vernacular, the Indian subcontinent's remote work culture was frowned upon. In reaction to the continuing epidemic, companies that had previously prevented workers from working from home overnight began to allow this style of operation, and staff productivity surged dramatically. Red herrings were thrown in throughout lunch, during coffee breaks, and even during the journey to work. Legislating remote work isn't the ideal approach for India's future since that many people are opposed to it.[3]

Adoption of AI — Chatbots, Automation of Businesses

In India, AI is changing the way businesses think about and implement strategy and decision-making. Fashion, information technology, health care, agriculture, and education all benefit from this tool. Chatbots have been used by businesses to handle customer interactions, such as answering questions, accepting orders/sending messages, and getting in touch with a corporate person.

Businesses have trained AI models that use recommendation systems to make upselling items an entirely new ball game, reducing the need for constant sales calls to persuade the consumer to upgrade their purchase plans.

Western firms and other foreign investors have begun to see India as a potentially rich and diversified marketplace. Economic changes adopted by successive Indian governments have simplified the entry procedure for Western multinationals and other business magnets. In the past, starting a business in India was tough. As long as India's particular commercial and socioeconomic culture persist, it will always be difficult to do business in or with India. Investors and multinationals from the West operating in India have had to adapt their business strategies in the past to better serve their customers. As a result of huge adjustments in business practises by Western businesses, the Indian market has become increasingly challenging for them to succeed.[4]

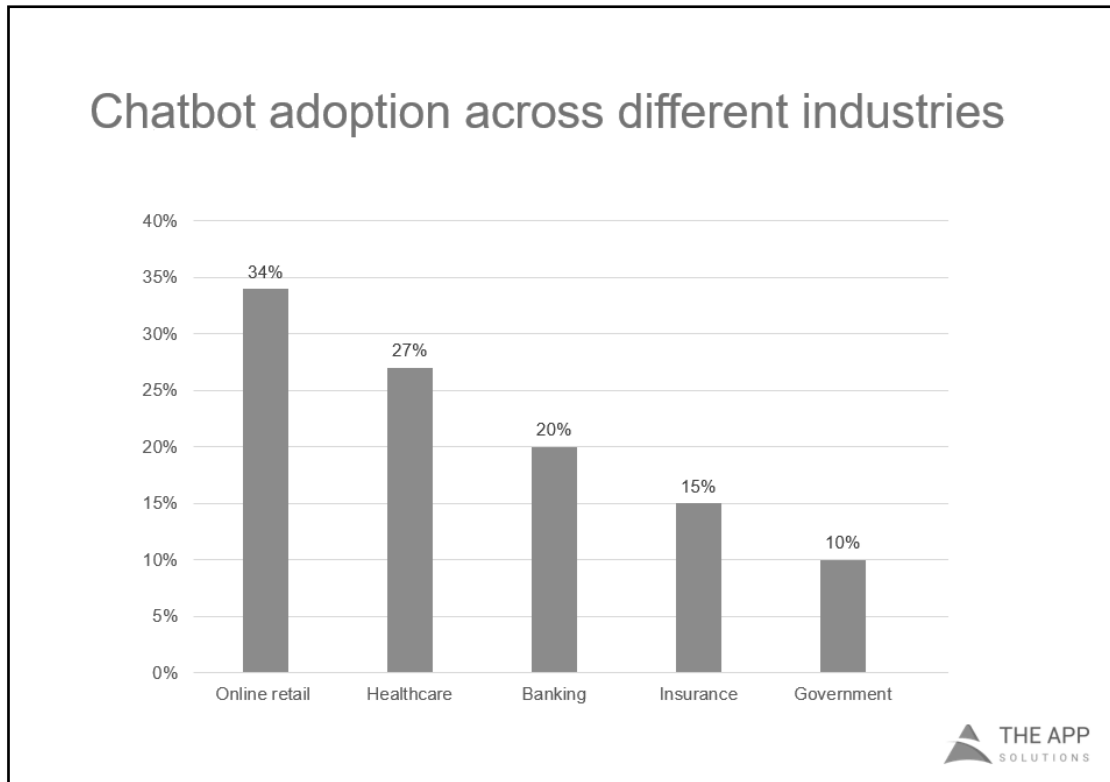


Figure 2.2

Business, Socio- Economic and Cultural Environments of India

❖ Family businesses and non-corporate cultures

However, India's underlying economic model has stayed constant with family-owned firms, despite dramatic changes since the country's independence. Companies like Birla and Tata and Reliance have full control over the businesses they advertise. Responsible members of the family are always in high-ranking positions in these corporations. A significant desire to operate a company exists despite the decline of the joint family arrangement in Indian households.

The non-corporate sector makes up the great bulk of all business in India, which is another unique trait of the country. Most people get their livelihoods from these places of employment. When it comes to growth, the non-corporate sector is outpacing the corporate sector by a wide margin. There are a broad variety of manufacturing and service businesses in the non-corporate sector, the great majority of which are owned and operated by a single family. With contemporary conditions and systems, the non-corporate sector adapts its business models to fit in with those limits. In this way, India resembles a vast, faraway civilization.

Commercial agreements with non-corporate and family-controlled corporate sectors in the West must recognise the power of families.

❖ **A multilingual and culturally diverse market that poses political challenges**

A mix of regional dialects and English is used in the corporate world in metropolitan India. A beginner businessman may find it challenging because it is mixed with Hindi and other regional dialects, making it tough for them to communicate effectively. India has a large number of different dialects. There are several reasons why skill in one language does not ensure the success of a Western business negotiator in India.

Despite the fact that the middle class in India predominates, this group is heavily influenced by eastern culture, making it imperative that international corporations doing business in India cater to this preference. International firms may find it challenging to standardise their goods on a national level in India due to the country's cultural variety; nevertheless, regional standardisation may be achieved. A further requirement for overseas MNCs before entering the Indian market is to research the preferences of Indian consumers.[5]

Companies from around the world are making adjustments in order to better serve their Indian clients. When multinational corporations adjust their business practises to better suit the needs of their local markets, the entire industry benefits. With India's marketing and other elements, Western companies have made a lot of good selections. There are significant differences between foreign and domestic markets, and this necessitates changes in corporate strategy. In order to better serve their Indian clients, Western multinational firms have implemented many adjustments.

❖ **Organized retailing and direct marketing**

There are just a few outliers in India's retail market, such as Bata shops and others, and it has remained disjointed and unorganised. An important development that Western MNCs have brought to India is the organisation of retail locations and trendy chain stores in order to attract a younger clientele. Even though the general tendency is the same as in Western nations, the organisational strategy has evolved. Franchises and

other partnerships with international firms are being used to help family-owned businesses expand into retail locations and create a nationwide network of outlets they can operate under one brand name. The likes of McDonald's, Levi Strauss, and other successful businesses serve as instances of this.

More and more Indians are turning to organised retail. As a result, the market share of manufacturers is decreasing. Pantaloon and Shoppers Stop, two local shops, compete with the manufacturer-owned storefronts. It is time for a new age of retail franchising to begin. Franchises from western multinational organisations are also sought by family-owned enterprises. Joint ventures with domestic retail behemoths have been a popular method for many global firms to enter the Indian market.

In addition to direct marketing, global firms have also contributed to the rise of this tendency. For the most part, the usage of joint venture marketing has been replaced by the use of direct marketing. There is no third-party agency selling our products. MNCs don't make anything; instead, they trade it through their own or franchised chain stores. The practise of locating low-cost manufacturing facilities in India and then marketing the products through joint venture agreements with local giants was formerly prevalent. MNCs continue to reap the benefits of low-cost manufacturing, but the trend is shifting toward direct sales to consumers.[6]

European Businesses

Business etiquette

It is the cornerstone of any culture and the building block for the development of corporate culture that attitudes and values are important. Ethnic and national groups and nations have varying degrees of cultural impact, attitudes, and behaviours. As a result, German business etiquette is heavily influenced by them.

In a wide range of disciplines, Germans are great planners. People in this culture like to plan ahead and know exactly what they'll be doing on a particular day. In the German method of thought, every facet of a project is meticulously examined. In both one's professional and personal life, one's sense of security is enhanced by meticulous planning.

Structure

German life and work are governed by a strict set of rules and regulations. For instance, laws, rules, and procedures may be found in virtually every sector of business, government, and even society. People may better plan their life when they have a clear idea of what is expected of them through the use of rules and regulations. Germany has a strong belief that separating people, places, and things is the best approach to ensure a well-planned and organised existence. In Germany, the following business culture and etiquette rules are in place: Adaptability and spontaneity are implied in this statement.

The Germans are not a fan of surprises. It is unpleasant to have rapid changes in business transactions, even if they might lead to an improvement in the outcome. Business and etiquette are extremely important in Germany. In the workplace, Germans are not fans of comedic situations. In addition, there is no need to commend or predict equivalents.

A crucial aspect of German business etiquette

As a result of the Green Party's recent inclusion in the ruling coalition, Germany's energy and environmental policy objectives have been significantly influenced. Throughout the European Union, Germany has been a pioneer in efforts to reduce greenhouse gas emissions and make alternative fuel sources feasible. As a result, Germany has overtaken the United States as the world leader in wind energy.[7]

Punctuality – German business etiquette

People in Germany feel more at ease when they can break down their surroundings into smaller and smaller pieces. It is imperative that calendars, timetables and agendas are strictly adhered to as a result. Organizational charts, project plans, and train schedules are all precisely planned and rigorously executed.

Make sure you're on time for all of your appointments. Because to this, even a few minutes' delay irritates Germans. Always notify your employer if you anticipate being even a few minutes late. Always be a few minutes early to appointments that are crucial.

Gift-giving – German business etiquette

In Germany, the practise of exchanging gifts with business associates is rare. Business travellers are increasingly putting less emphasis on customs and traditions like monetary offerings and more on getting the job done. It is more typical to give as a present at larger social gatherings. Consider the following considerations while selecting a gift:

You should bring a little gift that symbolises your native nation or area when you are welcomed to a German's house. • Gifts like flowers, wine or chocolates, as well as a little token from your native nation or area, are appropriate while visiting a German house (unless wrapped in cellophane). Do not provide any sort of 13 flowery or red flower. If the bouquet was made by a professional florist, this rule does not apply.[8]

- Do not offer carnations, lilies, or chrysanthemums as a gift since they reflect sorrow and mourning, which are frequent in funeral arrangements.
- It is customary to unwrap presents as soon as they are received.
- Europe as a whole follows the same rules when it comes to gift-giving as Germany.

Chinese Companies

In recent decades, the diversity of business trajectories in companies' internationalisation processes has resulted in new strategies for companies and organisations, particularly those that have quickly advanced through the various stages of internationalisation and thus are referred to as "born global" firms (Dunning and Lundan, 2008; Madsen and Servais, 1997; Knight and Cavusgil, 1996). As shown in this article¹, Huawei has a globalisation strategy that targets mass telecommunications markets throughout the world with the use of its technology and adaptive skills. As a starting point, we'll outline the company's primary structural strengths in Mexico: assembly operations and R&D. In the following sections, we'll go through the company's local structure's important capabilities. The Chinese company Huawei is a significant player in this new chapter of the difficulties of firms' internationalisation strategy. With a history dating back to 1987, Huawei is a market leader in its field. Huawei is based in Shenzhen, China, and has offices all over the world. The company's digital economy activities include infrastructure for carriers, terminal equipment,

business solution development, and R&D (research and development) to support Huawei's inventions.

One of several studies looking into how multinational businesses in Mexico are now structuring their operations (Carrillo, 2013) to better understand how they transfer their specialised knowledge and skills across borders (Carrillo, 2013). (Dunning, 2006; Dicken, 1992). By focusing on one aspect of globalization's influence on Mexico's products and services, this essay hopes to broaden our understanding and add greater precision to our research.[9]

Importance and Structure of the Company

Despite only having been in business for a quarter of a century, Huawei's global revenue in 2013 was \$38.9 billion. China, 35 percent; Europe, the Middle East, and Africa, 35 percent; Asia, 16 percent; and the United States, 14 percent. 5. Over 80 percent of its 150 000 employees were located in China in 2012, while the other 20 percent were spread out throughout the following nations. 7.5% in other Asian nations, 4.9% in Europe, 2.9% in South America, 2.8% in Africa, 1.7% in North America, and 0.2 percent in Oceania⁶. 2.9% in South America. Keep in mind that 70 000 Huawei employees are involved in R&D. (Zhang, 2013).

When it comes to its business strategy, Huawei's success can be traced back to the obstacles it encounters as an IT company. As Huawei competes in a worldwide market with other companies of a similar kind, these procedures integrate the production of hardware and software on a global scale. The corporation's challenges are in the areas of technology, innovation, and organisation. To get a larger proportion of the market, the business flourished by quickly and cheaply responding to the needs of existing and potential customers. The first time this method was used was in China, but it was also used in Mexico. On the worldwide market, it requires the production ability to rapidly adapt and create electrical items and software programmes.

Mobile devices and energy solutions all fall under Huawei's purview. The company manufactures a number of dynamic and information society-based products for use in a wide range of markets. An international corporation that responds to demand pressure and quick response through products and services originating largely in China

requires an organisational architecture that meets the needs of a global company.[10]

There is now an enterprise design that is responsive to the global complexity of its company, focuses on direct interactions with its customers, and tests this with potential customers while constantly giving a better price than the competition and greater flexibility to meet customers' demands. The company's three organisational levels in China, the regional headquarters, and field offices, all work together to create strong co-operation ties with other businesses and research centres across the world.

That's why there are separate groups for primary production and those offering services to support the output of those primary production groups. They are centred in China, but their functional units are distributed across the world, allowing for a centrally controlled supply chain, as well as regional or country-by-country operations on a decentralised basis. Field offices are tasked with getting to know the customers and pushing the company's operations on the ground level in their respective regions. Figure 1 depicts this structure in a stylised manner.

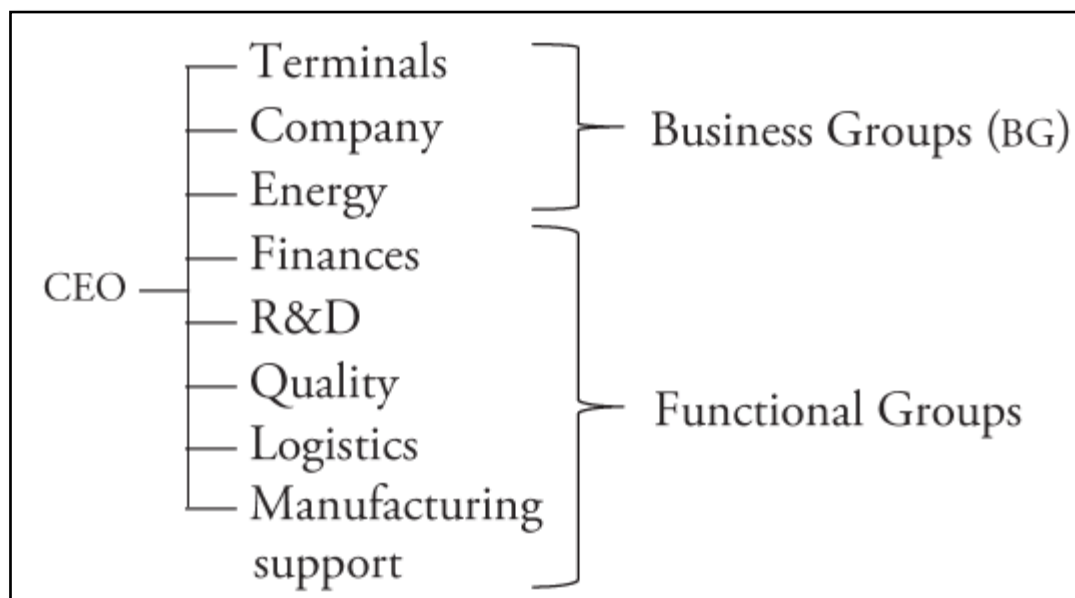


Figure 2.3

Huawei in the Framework of New Internationalization Patterns

A new organisational difficulty arose in the 1990s with the seeming expansion of multinational corporations' R&D operations outside their

home countries' borders: the coordination of R&D activities across different regions of the globe (Cantwell, 1992; Chiesa, 1996). Client closeness was especially important for IT and telecommunications-related businesses. (Siedschlag, Zhang, and Smith, 2013). Foreshadowed a new phase of globalisation of high-tech and service firms.

The authors of a comprehensive and well-informed text on the multinational phenomenon, Dunning and Lundan (2008), outline this process of internationalisation that involves closeness to customers; these authors point to the existence of a co-evolution where the expansion of operations in more national markets and with a greater diversity of products is linked to the internationalisation of R&D activities in such a way that even if an important part of mult It is not the lower cost of labour that drives this trend toward globalisation of R&D, but rather an extension of a company's activities and a need to adapt its innovation processes to meet local demands in other countries (Dunning and Lundan, 2008).[11]

New multinational enterprises that originate in emerging nations have strengthened internationalisation and globalisation theories (Williamson et al., 2013; Dicken, 1992; Hymer, 1976; Frobel, Heinrich, and Kreye, 1981; Vernon, 1966). Internationalization allows these new enterprises to gain competitive advantages, the most notable of which is the ability to establish and/or acquire a thorough understanding of their target markets. Johanson and Vahlne (1977) argue that an organization's understanding of other countries' marketplaces is critical to its efforts to become global. As a result, new ideas and corporate experiences in the internationalisation process challenge classic theory, which sees the global corporation as just the product of its competitive advantage, obtained ex ante in its region of origin. As a result, in the contemporary Chinese economy, many global corporations have begun as importers of technology and as local distributors (Aguilar et al., 2006). Considering the numerous parties engaged in the inter-nationalization process is an important aspect of any new theory on Chinese corporate development. "For example, China's current drive for globalisation is a combined outcome of several interaction elements, including state policy, local competitiveness, patriotic fervour, ambitious aim, desire for cutting-edge technology and global brands, and changing laws of global game" (Ping Li, 2007:315).

Internationalization under these new patterns creates R&D and innovation comparative advantages in the high-tech industry for enterprises. Consequently, they are able to swiftly adapt global product technology to the unique needs of individual clients and to do so with short product cycles. Local knowledge and robust communication between headquarters and R&D headquarters are necessary for this adaptation. (Johanson and Vahle, 1977; Barbosa, Loureiro, and França, 2014). Chinese telecoms equipment businesses' worldwide expansion is characterised by their ability to customise their products, a combination of marketing and R&D expertise (Fan, 2006).

For example, Huawei has been studied as a crucial actor in the internationalisation of Chinese enterprises and a major player in the global ICT sector. The following are some of the most significant aspects that make Huawei what it is. Huawei's globalisation approach, according to Wu and Zhao (2007), is based on market and industry conditions in the respective countries. [16] ICT products have a systemic impact since they are not used in isolation, but in combination with other ICT products, and the first relates to the requirements of different local clients.[21] Since it takes time to make its first sale once it is established in any region, Huawei always aims for joint ventures, exports, and contracts in Russia, the United States, and Europe (Wu and Zhao, 2007).

For example, high transaction costs, an inefficient supply chain, and a lack capacity to integrate corporate systems are all barriers to Chinese enterprises' competitiveness. When it came to the organisational aspects of internationalisation and subcontracted operations that were not critical for the final value chain, Huawei took advantage of a valuable partnership and learning experience with IBM: "manufacturing, assembly, delivery and logistics, which had made a system integration enterprise of supply chain without [having to have] workshop and inventory" (Xing and Wei-dong, 2014). This strategy emphasises the importance of scale and market share and adjusts its product line and technological processes in accordance with this thinking. Huawei has been defined as a latecomer company, an imitator more than an innovator, that takes advantage of its familiarity with local markets and factors, and that rapidly adjusts to fast-changing conditions and markets; (Zhang and Vialle, 2014).[12]

The Huawei Story by Tian Tao and Wu Chunbo, a successful business case study, was published in 2015 and evaluated the firm and

showed Ren Zhengfei as a contemporary entrepreneur whose approach overcame all barriers. The Chinese firm's worth is recognised only as a result of what it does today, because he is seen as keeping his feet on the ground and realising that his company may deteriorate or even die. In summary, Huawei is part of a new reality in the world of multinational companies that are moving forward in their internationalisation, based on adaptive capacities in local markets based on customization, operations centred on R&D, and the formation of manufacturing networks that respond to demand at the lowest possible cost. The founder of Huawei plainly explains this:

Huawei is a company devoid of notable founders. For Ren Zhengfei, it's important not to put undue strain on the company's history. "The firm will not idolise anyone, not even the boss," remarked a Huawei manager. Ren Zhengfei pays more attention to the present and the future, while his existing competitiveness and earnings are compared to the rest of the globe. For Huawei, the past is a clean slate (Tao and Chunbo, 2015:130).

Huawei Internationalization

In the backdrop of China's economic reform in the 1980s (Fannin, 2013), the corporation was founded, producing an economic zone in Shenzhen and a wave of firms supporting China's economic success, changing China into an economically leading country since 2014. Most Chinese businesses were dominated by the government at the time, but Huawei was an exception since it was an independent cooperative⁷ that received state assistance in land grants and contract awards. Victor Zhang (2013), Huawei's CEO, says the change.

A domestic market conquest phase followed by two globalisation phases have been the company's three major stages since the end of the 1980s. The company's R&D and manufacturing/logistics operations allowed it to consistently manufacture innovative goods tailored to its customers' demands, cheap pricing, and quickness in reacting to demand. R&D and logistics are both necessary to service a global client base and transport thousands of items to hundreds of locations across the world, and both must be constantly updated. The dynamic and globalisation of Huawei can only be understood by looking at the R&D, production, and logistics triangle. First, Huawei was a firm selling PBX equipment, and then he started making motherboards using his own designs. Others chose

metropolitan marketplaces instead of the rural one since it was cheaper and less competitive. [13]

The company's initial research and development centre was established in 1990, giving it a significant advantage over other Chinese communications businesses that only functioned as business agents for Western corporations that entered China's large new market. Between 1993 and 2000, Huawei had a period of rapid economic growth and organisational reorganisation, establishing the company as a global player. Increasingly, both fixed and mobile telecommunications equipment are being sought by the Chinese government, which is making the market more accessible to foreign firms⁸ (Dussel, 2014). Huawei maintains its rural sector domination because to lower costs resulting from Huawei's R&D capacity. Huawei

With the help of the Hay Group, IBM, and Price Waterhouse, Huawei began the process of becoming a corporation based on the best global practises in 1997.

According to Larçon, the third phase has been a process of globalisation, which has resulted in about 65 percent of the company's sales coming from overseas since 2006, compared to 10 percent in 2000.

As Prahalad and Hamel (1990) explain in their work on core competencies, Huawei's three stages of development may be seen as a series of times in which it has developed a unique set of capabilities that other firms have found difficult to match.

A firm's core competencies include the following characteristics

1. They raise the perceived value of the product by consumers;
2. They are unique to the company and hence difficult to imitate; and
3. They are extensively applied to a number of different goods. And (Prahalad and Hamel, 1990).

*Chapter 2 - Change in Trends of International Businesses
Adopted by Indian Companies*

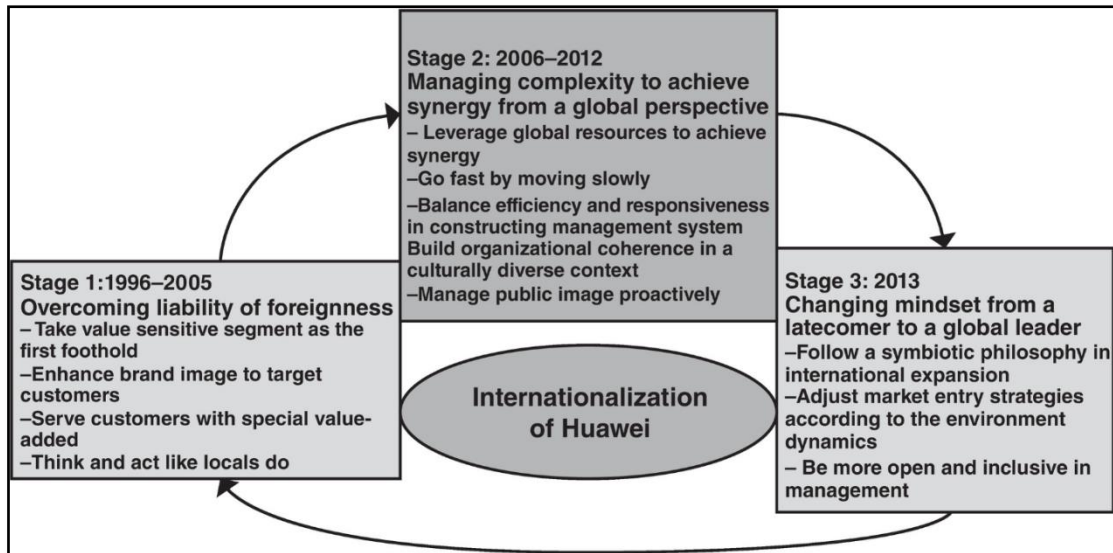


Figure 2.4

Global mobile phone demand has increased from one billion in 2000 to six billion in 2012, 30 percent of which is concentrated in China and India (World Bank 2012; Chavlé 2012). One may see an overview of Huawei's internationalisation efforts in Table 1.

With its current competitive advantage in transmission infrastructure equipment, Huawei is at the heart of today's information society. Competing capabilities in hardware and software that can be tailored for numerous national telephone providers' marketplaces are necessary. When compared to its most important rivals on the global market, it has a significant market share in the information society, as seen in Table 2.[14]

Table 2: Participation of Huawei in the telecommunications market

Company	Average growth of sales 2007-2010 (percentage)	Participation in the telecommunication infrastructure market 2010 (percentage)
Huawei	31.3	16
Cisco	9.2	9
Alcatel	6.9	13
Ericsson	5.2	20

Compiled by the authors based on Ahrens information (2013).

With 69 percent of income coming from its operator network, Huawei divides its business into three segments: consumer business, which accounts for 24 percent of its revenue; and company-to-company sales (7 percent) 9.

Three types of businesses exist: network operators, consumers, and companies. Network operators develop and manufacture wireless networks, landline networks, software, and carrier solutions. Consumers develop, manufacture, and supply mobile wideband, domestic devices, and smartphones and their apps. Companies manufacture and supply these products and services (production development).

The Digital Encement and Current Huawei

Mobile phone use and new phone use has led to a shift in telecommunications networks, which has resulted in an increase in data and drop in voice transmission, resulting in more commercial activities relying on mobile devices and network apps.. 'Consumer demand for the newest wireless devices and more bandwidth has become a driver of development in telecommunications services, while transitioning to cloud solutions adds value to the network' (send2press, 2014).

Changes in the structure of telecommunications networks have been characterised by a considerable decrease in voice and SMS profits and a hunt for ways to develop the value added services market (games, social networks, music, maps, etc.) In 2011, the typical telecommunications company margin was between 45 and 50 percent, largely relying on traditional services like phone calls and text messages, as data traffic grew at a rapid pace. Data services, on the other hand, were predicted to reduce operator profits by 45 percent in 2015, according to a telecommunications industry research (Ey Global Telecommunication Group, 2013).[15]

There have been new forms of communication developed by firms that employ OTT (over-the-top content). These include Skype (the most trafficked company on an international basis), Facebook, Apple, and Google. Between 2005 and 2010, the percentage of these new players in network traffic climbed from 5% to 25%, with the trend being a shift from speech to data traffic (Ey Global Telecommunication Group, 2013).

Competition is causing value chain companies¹⁰ to suffer; carriers are losing service value as a commodity and need to offer more customised services.¹⁰ (Delgado, interview, 2014; Funes, interview, 2014; Wang, interview, 2014).

There has been a surge in data-based services and a new mass market opened up because of applications that increase phone functionality. 1.2 billion people, or 17% of the 6.8 billion cellular connections in the globe, were expected to use an app in 2012. (Mitchell, 2013). With a projected annual growth rate of 29.8 percent, there would be 4.4 billion individuals using apps by 2017. Various programmes' downloads are shown in Table 3. [16]

Table 3: Application downloads (Billions)

Downloads	2012	2016
Free	40.5(89%)	287.9 (93%)
With cost	5.1(11%)	21.7 (7%)
Total	45.6 (100%)	309.6 (100%)

Compiled by the authors using Mitchell information (2013)

For industrial firms, the major competitive challenge is monetizing new infrastructure services, which means that new business and application models may be invented and their coverage increased via infrastructure at the lowest possible cost. This is how the company operates in order to fulfil its goal of being a hardware and software provider for carriers.

As a founding member of the firm, Ren Zhengfei has a unique perspective on how the information society is perceived as an open marketplace. The organisation must be a leader in the construction of infrastructure because of the focus on the big data phenomenon.

ICTs began collecting large amounts data in 2000, and the term "big data" was coined to describe this phenomenon: "Big data refers to things that can be done on a large scale... in ways that change the markets, the organisations, the relationships between citizens and the government etc." (Mayer-Shönberger and Cukier 2013). There was a data revolution that gave rise to a burgeoning science, allowing for correlation, forecasting, model discovery and aggregation on previously unimaginable sizes, as well as metadata definition and algorithm generation.

According to Ren Zhengfei, the deployment of ultra-broadband technology would usher in a new era of competitiveness among the main enterprises in the information society. Hundreds of other firms operate the

equipment and thousands more handle the information, giving Huawei an advantage in the internet market as a provider of transmission infrastructure. In reality, the productive pyramid of the Internet business may be regarded, in which Huawei aims to maintain its privileged position.

Huawei is well-versed in the complexities of the Big Data age. Because of this, its R&D capacity is focused on laboratories that are constantly "studying the approaches to adapting disruptive technological innovations and the ways to apply sustaining innovations to today's technologies, so they can use its advantages and produce products that meet high quality standards to meet consumer needs". (Huawei, 2013:5). [17]

Mexico's Huawei

The business has been operating in Mexico since 2001. There are three critical pillars to the business strategy for this complex structural framework [where local decision-making domains are integrated with those in China], according to the local study done for this article Marketing and customer service.

The ability to quickly assemble large numbers of units and ship them around the United States and Latin America.

Customization operations in the R&D centre

Mark Xueman, Mexico's executive director of Chinese ancestry, serves as the region's operational headquarters. When Huawei's two Chinese engineers and three Mexican engineers worked together to develop a certain number of mobile phone designs, the company claims that its local business structure was born. Initial sales to the Mexican Social Security Institute were Telmex's primary goal. As in other emerging nations, the company's development in Mexico is characterised by attempts to target specific clients, cheaper prices and faster delivery times, as well as adaptability to local conditions and the testing of potential customers.

After a crew of Chinese experts arrived in Mexico to investigate the commercial prospects of Huawei's telecommunications technology, the company established a five-year presence in the Mexican market.

Consulting and training for Huawei equipment technicians at client firms, as well as providing them with an environment of customer trust and competitive pricing, excellent quality and a willingness to adapt to their needs are some of the ways in which Huawei helps its customers (Dussel, 2014).[18]

Among other notable moves, Huawei made to Brazil in 1998 (China-Brazil Business Council, 2013) and Venezuela in 2002 (Delgado, interview, 2014). As part of a larger strategy to expand across Latin America, Huawei has set up shop in Mexico. As a result, it's important to consider Huawei's role in Mexico from the perspective of both the company's regional interest and the Mexican market as a whole. As a result, the company has a presence in Mexico as part of its global strategy and as a result of its focus on the Mexican market.

According to several interviews, Mexico is Huawei's seventh-largest market, in this order: In order of importance: (1) China; (2) India; (3) the United Kingdom; (4) Australia; and (5) Japan; and (6) Russia. However, according to the same sources, sales in Mexico account for only 2% of Huawei's worldwide market. Mexico's strategy is primarily geared toward expanding telephone and cable operators and the local market as well as the area that has its headquarters in Mexico¹¹, since network infrastructure markets are critical for national telecommunications companies.

Facts relating to Huawei's operations in Mexico and the size of the company's market may be seen by looking at the following: As a result of nine percent yearly increase, Latin America accounted for 10 percent of worldwide mobile phone income in 2013. As of 2017, 20% of the world's population has access to a smartphone, and this number is expected to rise to 44% in 2017. A significant growth in 4G and LTE technologies is expected as a result of infrastructure spending. To put it another way: The percentage of regional GDP generated by the mobile phone industry will rise from 3.7% to 4.5% by 2020.

Investing 750 million pesos on the fibre optic trunk system, which would improve Internet coverage by merging resources with the mobile service network, is expected to cost 750 million pesos over a ten-year period, according to official information (SCT, 2014).

In Mexico City, Huawei has an R&D Center, a training centre, a call centre and offices in Monterrey, Guadalajara and Tijuana, as well as branches in Merida, Puebla and Queretaro (Huawei Technologies, 2014). In 2014, Huawei opened a regional call centre in Querétaro, Mexico, to serve a large number of clients in Latin America with technical assistance (there are two similar centres in China and Russia).

The supply chain department of the corporation now employs 1,200 people directly in Mexico and another 5,000 indirectly in the sectors of manufacturing, sales, technical support, administration, R&D, and logistics (Huawei Technologies, 2014).[19]

The bulk of Huawei's 1200 Mexican employees (85% in Mexico City) are fluent in both English and Spanish. As a reminder, the company has Chinese-sources management personnel interacting in business and technological decision making and reporting to headquarters in China, so that there is always a co-responsibility which provides transparency in communications and decisions, and thus overcoming and creating cultural barriers.

Both R&D and logistical operations are housed in the two operational centres below.

Guadalajara, Mexico, Center Supply

As seen in Figure 2, Huawei's supply centres are a part of the company's global logistics infrastructure (also known as IBS, or international support for the business). The center's support structure is intimately tied to production, as it is here that components are customised for use in assembly operations (a process known in technical business terms as customization).

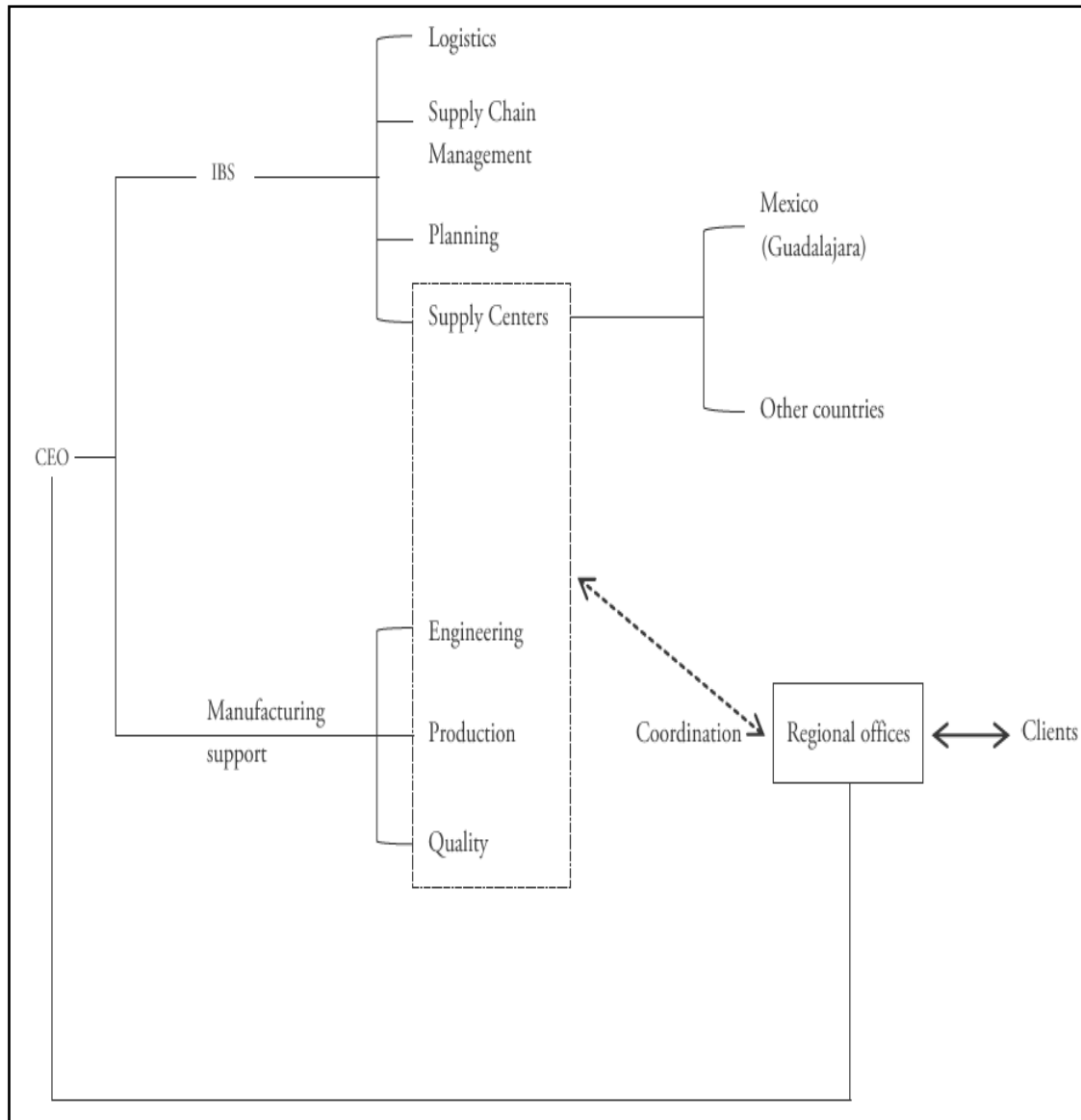


Figure 2.5: Huawei global structure Guadalajara plant

Note: The dotted lines represent functional links between distinct structural elements.

Compiled by the authors with material from the Esquivel (2014) and Pérez interviews (2014).

Regional offices play a critical role in driving demand and overseeing product opportunities, quality, and customer service after the sale. As a result, the centres play a critical part in Huawei's business strategy, combining product manufacturing capacity for final assembly in the Chinese market with a Huawei subcontracted logistics and assembly operation and a regional supply network.

Since 2010, Huawei's northern Latin American supply centre has been located in Mexico, where the primary tasks are to consolidate inputs from various telecommunications network components (radio bases, boards, and parts) and now operate for the telephone operator business group to be sent to the installation site in accordance with the needs of c. (except for Cuba and Brazil). [20]

Enhanced equipment software, improved manufacturing and packaging, dispersed workloads based on customer demand, finalised network configuration in accordance with the physical circumstances on the equipment site are some of the responsibilities of customisation. To address urban difficulties caused by network congestion or natural catastrophes, the centre is pleased to have the experience and the resources to do so. For Huawei's worldwide expansion, it plays a critical role in ensuring low costs and rapid product delivery to its markets, as do all of Huawei's centres. The value chain's logistics and assembly phases are adaptable, combining Chinese inputs for the final product's production in Mexico¹³.

Flextronics' outsourcing strategy at the industrial park prompted the construction of this facility in Guadalajara, Mexico, in December 2013. Original equipment manufacturers rely on Singapore-based Flextronics, a third-class contract manufacturer, for its manufacturing services. Supply centre in Hungary (Biatorbagy) in 2013 is an example of how Huawei's interaction with its assembling and logistics suppliers is depicted. It supplies 55 countries across Europe, North Africa and Russia with Huawei products (china room, 2014).

When it comes to manufacturing and logistics, Flextronics relies on the people and physical resources of contracting companies to staff and manage its operations. Contracts with Flextronics were signed in order to offer a clear picture on how 20 percent of manufacturing is outsourced, and 80 percent of logistics and maintenance services are outsourced in Huawei's case¹⁴. 250 people were involved in Huawei operations at the time of the interview: 67 were from Huawei (50 from China and 17 from Mexico), while the rest were Flextronics employees.

As a result, Flextronics' subcontracted assembly represents just part of this facility's activities in Guadalajara. As for logistics, it works with DHL and CEVA, as well as companies like Kuene&Nage and North Star

for non-Chinese materials. For this to be the case, there must be a hub of activity where a diverse range of businesses engaged in various aspects of the value chain management process can be found.[21]

Center R and D

Located in Mexico City, the headquarters of Huawei in Santa Fe, the company's Research and Development Center for northern Latin America serves the region. It's one of the company's 31 R&D centres throughout the world. Founded in 2007, it is a young company. What this project aims to do is modify and/or build the software that is needed for network components, which are basically the telecommunications processes that make up a network structure. It was created as a bridge between Mexico and China since Huawei has to know the specifics of the Mexican market in order to build the software locally, which is why the facility was built. In order to provide the best possible client service, the company's technological goals include customising them as quickly and cheaply as possible.

Working in tandem, the R&D centre and the marketing department identify and answer client needs while also setting service price parameters. It's possible to divide work orders into three categories based on how long they'll take to complete: urgent (1 month), medium (2-to-3-month) and long (4-6 months) (large requirements). A product manufactured by the company in a month costs around 10 million pesos. The majority of its work orders fall into this category. China's orders comprise both the adaptation of Chinese software to local requirements and the creation of new software from the ground up; the majority of R&D work is devoted to adaptation (about 60% of the total), while fresh invention accounts for roughly 40%.

When making decisions in Mexico, Huawei's R&D centre reinforces China's skills by relying on its own resources in the country. When an order calls for a significant change to a product that Mexico is unable to provide, China typically steps in. In each working group, there is a project leader and an architect for solutions as well as development, customer, and service teams. There were 14 persons from Mexico and three from other Latin American nations involved in R&D at the time of the interview. [22]

South East Asia

Everywhere you go in Southeast Asia, there are always pleasant surprises waiting for you. Following a successful election, Malaysia now has a reforming administration that is confronting the country's challenges squarely. The last decade has seen a remarkable shift to democracy in Indonesia. AirAsia and Grab, two unicorn-themed budget airlines, have just launched.

These kinds of examples give me reason to be optimistic about the future of Southeast Asia. Singapore, a world-class city-state with one of the greatest standards of life in the world, is located in South East Asia, as is Laos, an impoverished nation characterised by rugged mountains and dense jungles. I have faith in the region's ability to overcome whatever obstacles that occur. Asian financial crisis of 1997-1998 is one of several crises in Southeast Asia's history. It is her ability to bounce back from adversity and adapt rapidly to changing global conditions that will decide her long-term success.

Trends in the Population's Aging

Is there a good or negative reaction in Southeast Asia to this shift? So, let us begin with demography, which affects so many other aspects of our lives. Rapid population changes have resulted from this. Consequently, as the population grows older, the pace of population increase will reduce. There will be a slower rate of population and labour force growth in nations with younger populations, such as those in Malaysia and the Philippines. With regards to Singapore and Thailand, the ageing process is expected to be more faster. It's time to say goodbye to cheap and plentiful labour in the region.

By 2030, urban populations in the United States are predicted to rise from 49% to 56% of the country's present total. Competition for employment and resources in cities and towns across the United States is extremely fierce. There are 80 million individuals in a booming city that can learn new skills and make more money. Businesses who sell a wide variety of products and services will find this market lucrative.[23]

Do you think future technology breakthroughs will help the area deal with these demographic transitions in the future As manufacturing

processes become more automated, what new product options will they open up as a byproduct? Making things will become more creative and competitive as a result of this. There is a good chance that there will be unintended repercussions. Point-to-point travel has made it possible to fly to Southeast Asia for much less money, opening the door for new types of long-haul flights.

The following are some additional examples

Business owners should have greater access to customers and a greater potential to boost revenue by taking use of SMAC (Social, Mobile, Analytics, and Cloud). The use of less polluting fossil fuels might help the region's energy security.

Certain genome-based medicines will revolutionise medical therapy for many diseases and may even increase not just life expectancy, but also the quality of life for many patients. These improvements have made Bangkok a global medical centre, for example.

A new generation of technology will be required to keep up with the rapid pace of regional integration and globalisation. Perhaps the present gloom and doom about globalisation is overblown. Industrialized nations have seen a reaction against free trade and immigration, but this is only the beginning. There should be a new social contract and better policies to recompense the losers of globalisation, both in developed nations and Southeast Asia, as a result of this reaction.

Forms of integration

Even when economic cooperation and globalisation deliver increased benefits, regional structure may alter. "Global" multilateral undertakings are more difficult to carry out on a single level. Regional economic ties and border trade are projected to grow in importance in the coming years. For example, there is the ASEAN Economic Community 2025 (AEEC) strategy in existence. In order to increase the movement of people and commodities across Southeast Asia, this nation-specific integration plan allows each country to pursue its own distinctive approach to achieving its long-term goals.[24]

As a whole, regional integration has been demonstrated to be helpful in the past. Those nations that border the Mekong River basin, the Greater Mekong Subregion (GMS), have partnered with each other during the past two decades to strengthen their economic ties, with notable improvements in transportation and increased trade and labour flows, for instance. Large-scale shifts in population, lifestyle, and economy have occurred across Thailand as a result of trade with its neighbouring countries. It's possible that Southeast Asia's integration efforts might serve as an example for other emerging nations. This example supports the claim that recent globalisation has upped the stakes for national competitiveness since countries exposed to this level of integration have an enhanced motive to change and improve their competitiveness.

It is projected that Southeast Asia's economy will continue to be closely tied to the global economy in the years ahead. There are two problems with the current state of global financial flows, at least for the time being. An important fact is that right now there is a far higher potential for financial market turmoil than at any other moment in recent memory. Global financial markets remain highly complex and volatile in developing areas like Southeast Asia and others, despite post-crisis reforms. It is therefore difficult to implement monetary policy, and this uncertainty has a negative impact on the economy as a whole. International capital flows have the potential to be much more destabilising during particular seasons of the year, resulting in panics in currency, stock, and bond markets, as well as setbacks for economic development and stability.

When China's vast savings pool is made available, it will play a larger role in global financial markets. Chinese involvement in major projects such as the Belt and Road Initiative and the Asian Infrastructure Investment Bank will help shape the global financial system in the future.[25]

New technologies are currently being developed

First and foremost, consider the geographical ramifications of emerging technologies. It's hard for me to imagine that a large-scale labour exodus will occur in the near future. Businesses constantly come and disappear in a capitalist system. Displacement is likely to pick in speed over the next few decades, but new jobs are also expected to be created.

An entire new business centred around cybersecurity, it is widely believed, will be born from the Internet. According to a 2017 poll conducted by CompTIA, an information technology organisation, 768,000 people in the United States are certified "cybersecurity professionals." As a result of the rise of AI and data analytics, new employment will also be created.

It is imperative that the countries of Southeast Asia have a strategy to deal with the impact of industrial transformation and other issues that threaten to undermine the region's competitiveness. In the not-too-distant future, manufacturing may move from developing to industrialised countries. Some technologies also provide network effects, which benefit consumers, suppliers, and rivals in large economies. Alibaba, Alphabet, Facebook, and Tencent did not appear by accident, it appears.

In the next years, China's infrastructure and general business environment are likely to improve, allowing it to continue climbing the value chain, while India's infrastructure and overall business climate are expected to allow it to increase its manufacturing footprint. There will be no exceptions for late-developing countries such as Indonesia and the Philippines.

The introduction of new technology is unlikely to lead to the obsolescence of any service requiring labor-intensive effort. Textile, clothing, and footwear manufacturing can only accomplish so much automation. Southeast Asian economies are in dire need of a technological boost if they are to go forward. Business process outsourcing was born in the Philippines as a result of the country's technological advancements in computers and communication. This type of opportunity will appear as a result of the increasing diversity of developing technology.

GCC – Changes in they Dointernational Business

Special report: How the GCC has evolved over the last 20 years

When a brand-new monthly magazine on the region's slew of fast expanding sectors made its debut in May 1996, the Gulf Cooperation Council took notice.

Twenty years later, Gulf Business has established itself as one of the area's most renowned and trusted business newspapers, bringing readers

the most essential news, interviews, analysis, and insider tales from the region.

Nothing fundamental has changed. There are legions of readers who still read the journal in print and online some 250 issues later, according to its official website. However, its popularity and quality have stayed same, but its publication environment and content have evolved dramatically. [26]

Many changes have taken place in the region since it was initially created 20 years ago. It's hard to tell what was there before these big constructions, massive retail malls, and sweeping towns. On the other hand, smaller, slower-moving changes have occurred. Women in business have seen a shift in global perceptions, as has the dependence on conventional industries like oil and gas, for example.

It's a timely reminder that we're all living in a period of fast change, and 2016 is considerably different from 1996. Take a look at the aftermath of 9/11, the global financial crisis, and the legacies of previous international leaders. Many people across the Gulf Cooperation Council are still feeling the effects of this economic crisis today as the region's governments, CEOs, and residents plan their future.

There have been a number of noteworthy remarks made by Gulf Business. Although civil unrest and economic decline have afflicted most of the Middle East in recent decades, the Gulf States have largely prospered throughout that time period.

As cities like Dubai have established themselves as global leaders, recruiting not just the world's finest and brightest individuals and organisations, but also using their abilities to build a distinct identity, one that is always looking forward. All of these ups and downs have been documented over the years by Gulf Business.

Observing the region's connections with neighbouring nations has been an interesting experience thus far! Even though the Gulf Cooperation Council (GCC) has long pushed to attract international investors, it is notable that the rest of the world is suddenly scrambling to get into this region.

In the wake of its winning bid to host the FIFA World Cup in 2022, Qatar has become a focal point for new opportunities. A lot of challenges have to be overcome, though. Issues that surfaced 20 years ago are still relevant today." Topics including economic diversification, oil reserves, gender equality in the workplace and political relationships have all been trending recently. We must also keep in mind that when growth is hindered, there is a desire to improve circumstances for ourselves and our loved ones as well.

When looking back on the magazine's 20-year history, this may be the most important lesson to take away. Many difficulties have been and will continue to exist throughout history. As a consequence of their drive to overcome them and build something greater than what came before, an optimistic and hopeful spirit has evolved. After more than two decades of doing business with this mentality, the GCC is poised for more success in the future than it has achieved thus far.[27]

Meanwhile, work on the project goes on as usual, with the use of smart technologies becoming increasingly common. Many people are concerned about the regulation, variety and long-term survival, and security is a major concern.

According to the facts, some countries' aims and development are behind those of others. Countries like Oman need to do more to restore confidence in the economy and succession plans among citizens, companies, and investors. Oil price declines, geopolitical tensions, and the global economic downturn haven't affected American optimism. at all.

These problems are getting increasingly common. When it comes to spending money prudently in the face of future calamities, the area has learnt its lesson after 20 years of hard effort.

To summarise, the GCC has come a long way from its inception. In spite of the fact that it's clear, the speed at which it has evolved and the maturity with which it's dealt with uncommon issues is a testament to the individuals who have devoted themselves to developing a creative and forward-thinking community."

Every journey is fraught with perils and difficulties. Every aspect of society, economy, and international politics will play a role in determining

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the final conclusion. The next two decades will be filled with mystery, and Gulf Business can't wait to report on all of it!

May 1996: A new dawn



The first edition of Gulf Business featured a man who has appeared on the cover of the magazine several times throughout the years. The creator of Kingdom Holding Company, Prince Alwaleed bin Talal bin Abdulaziz Al Saud, has invested wisely across the world and developed a number of businesses and charitable organisations worth an estimated \$25 billion today. Because of his prominence in the Gulf business community, it's only fitting that he was the cover star of the inaugural issue.[28]

June 1996: Women in business



Business women were a major focus of the June 1996 issue, just as they are now. A lack of development over the last two decades may be attributed to the disparities that exist between men and women in the workplace as well as the restricted social factors that women face in their professions. Interviewees' testimonies, on the other hand, reveal that the conversation has progressed much beyond where most people think it has.

May 1997: Building upwards



In order for the Gulf to flourish, it had to adapt to a constantly changing environment. Skyscrapers, architectural ambition and the push they gave for cities like Dubai and Riyadh to modernise were examined in this issue. Burj Al Arab, once known as the Chicago Beach Tower Hotel, depicted both a transit area and an exhilarating wave. "Perhaps the Gulf will draw international attention to its economic resurgence and conversion to market economics by building its own stunning skyscrapers," says the report. This and a lot more has already been done.

August 1999: Saudi oil



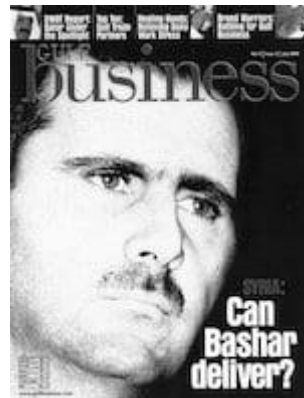
It said, "The 260-billion-barrel bonanza," on the cover. The Gulf Business pages were never far from oil, and this Special Report from 1999 examined the effects of OPEC oil quota reductions, rising global prices, and the promise of gas. Lowering fuel costs is being referred to as a "important discussion" with "a grim tone beneath the smiles," according to the statement. Efforts to get oil-producing countries together to discuss their budget shortfalls serve as a reminder that these difficulties are nothing new. Whether governments and business players have learnt from the mistakes of the past is the most basic question.[29]

December 1999: Tech revolution



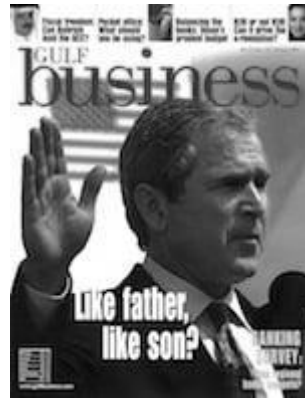
Dubai When Internet City was first proposed in 1999, it was little more than an audacious idea. The first free trade area for e-businesses in the world was not a success, and several digital players recommended banking on the success of their plans for their whole future in this magazine issue. It was Sheik Mohammed bin Rashid Al Maktoum, then Dubai's crown prince, who set the tone for the city's future expansion with a large-scale effort.

July 2000: Concerns for Syria



When the world's media reported on the death of his father, we hoped that Bashar Al Assad would modernise Syria and take it out of its economic catastrophe. Things didn't go as planned, as we can see in the rearview mirror. This year's survey has a wealth of information that might help us better understand Syria. Uncertainties about the country's external relations, the fragmentation of industry, and the general public's rising anxiety were all factors contributing to the situation. Assad was seen as a "tonic" by the people at the time, but history portrays a far different picture.

February 2001: George Walker Bush



In February 2001, only a week after becoming the 45th president of the United States, another controversial person appeared on the cover of the magazine. Bush and his staff's effect on the Middle East wasn't considered while discussing Bush's possible Mideast strategy. It's true that the Gulf Cooperation Council (GCC) has a solid alliance founded on oil and "steady, modest support" for economic progress, but that's about it. The overwhelming support for Bush's plans in the Middle East suggested a "soft" strategy. Something would have drastically altered in a few months.

October 2001: When the world changed



Everybody in the world remembers the date. In 2001, the World Trade Center in New York City and Pentagon in Washington, D.C. were attacked by terrorists on September 11. We questioned, 'what does it mean for the Middle East?' Without being able to predict the military actions that would follow, the editorial team presented a gloomy assessment of how Arab-Muslim relations, trade, and treatment were likely to evolve.

November 2002: Investing in the future



Due to Dubai's record-breaking \$28 billion investment boom in 2002, the emirate was transformed into the modern metropolis it is today. Reporters pondered, "Will the emirate's gravity-defying housing market ever fall to earth?" The majority of the 51 projects detailed in this issue have been completed, which is a testament to the leadership's foresight despite potential future economic restrictions.

July 2003: Sky high ambitions



Sheikh Ahmed bin Saeed al Maktoum, the face of Emirates on the cover of our May 2016 issue, first appeared on the front page of the New York Times in 2003. After a \$19 billion aircraft purchase and the SARS pandemic, he remarked, "Swimming against the current is perilous only when you act hastily, but our actions and choices are grounded on long-term sound strategic goals and business strategies." It's been 13 years, and his airline strategies are still working.

December 2004: Farewell to a leader



Her late husband, Sheikh Zayed bin Sultan Al Nahyan, was remembered throughout our visit. An icon in the region, former President Hussein bin Talal's role as architect and "father of the nation" has "left significant impressions on the UAE economically, socially, and politically - effects that will continue to lead the country long after his departure," as the magazine put it. Additionally, the problem looked to the future of the presidency of Sheikh Khalifa, who succeeds Sheikh Zayed. It is a person who has conquered several difficulties in the recent decade.

July 2007: Growth and more growth



As the emirate continued to flourish, Dubai's Sheikh Mohammed appeared on the cover once again in 2007. It has been said that Dubai and its ruler have "reshaped business as we know it and remade the global economy" by luring multinational firms, multi-billion dollar acquisitions, a growing entrepreneurial culture, and grand architectural goals. However, a research revealed that the development of small businesses was also being encouraged in addition to the city's new focal point, the Burj Khalifa. Strengthening the pillars of every industry was a priority. Prepare yourself for what is going to occur.

February 2008: Global calamity



When the subprime mortgage crisis in the United States triggered a worldwide financial disaster in 2008, the world came to a standstill. Gulf Business asked, "Where do we go from here?" when billions of dollars in market capitalization disappeared in a matter of days. The GCC had a positive outlook since it was doing better than the rest of the globe at the time. Positive real interest rates resulting from currency peg and high inflation are all grounds given by the GCC for optimism in the face of one of the most difficult periods in the millennium's history, according to this analysis.

December 2013: Emerging strong



Dubai secured the bid for the World Expo 2020 five years after the financial crisis hit the world stage. Her Excellency Reem Al Hashimy, UAE Minister of State and Executive Director of the Offering Committee, talked with us just prior to her crowning. Interview and successor displayed a constructive outlook that helped shape the current state of affairs in Dubai.. Dubai Expo 2020 will have a long-lasting effect on the United Arab Emirates and the rest of the world, according to her. You might make the case that Dubai and the UAE's acceptance of the offer was a legacy in and of itself. [30]

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Chapter 3

The Culture Challenge in International Business

Increasingly, small and big enterprises will be able to access the global market in 2017, which will lead to additional prospects for international expansion in 2017.

Another trend is the increasing use of cross-cultural and international teams to bring new ideas and views to solving corporate problems. Additionally, cultural and linguistic differences might cause problems for multinational corporations doing business internationally.

One way to think about what we mean by "culture" is that it is a society's recognised and shared norms. The norms and practises of one country's professionals may be radically different from those of a colleague from a different country if you work in an international firm. Understanding the influence of culture on international business in the three core areas of communication, etiquette, and organisational hierarchy is critical to avoiding misunderstanding with foreign colleagues and clients and to succeeding in a globalised corporate environment. [1]



Figure 3.1

1. Communication

Even when your message is at risk of being "lost in translation," the importance of excellent communication cannot be overstated." English is the primary language of business for many international organisations. More essential than the words you choose is the method you convey your message. In terms of communication, Finns may like to be clear and concise, whereas Indian professionals may want to be more enigmatic. Even if fluency in English isn't a requirement for international business, understanding nuanced nonverbal communication between cultures can be just as critical.

A vigorous handshake, direct eye contact, and even a cheek kiss may look weird or unpleasant to someone from another culture. Take time to learn about the culture of the person you're going to be working with before the meeting ever happens. Always pay attention to how others are expressing themselves and ask questions if you have any doubts. While intercultural conversation can be difficult, openness and inquiry can help everyone feel more comfortable with one another.

"At Hult, there is a mutually respectful and supportive atmosphere.

All of our cultural and personal peculiarities astonish and fascinate us. It's a fantastic feeling." Everyone is encouraged to strive for greatness in this atmosphere."[2]

Tatiana Ufimtceva, Hult MBA Class of 2014

Over 130 nations are represented in the student body of Hult International University. Cross-cultural communication is a major focus in our business programmes, as students come from all over the world to learn from one another. An interview with Hult Professor Jean Vanhoegaerden is included in this video:

2. Business etiquette

Workplace customs vary widely over the world, as do methods of communicating professionally. Business etiquette differs widely depending on where you go in the world, as seen in this infographic from CT Business Travel.

You should always use a formal tone of voice while communicating with colleagues and business partners from other nations. Does the usage of titles and surnames make more sense than simply using the first name? It is customary to address people by their official titles such as "Mr./Mrs." First names are preferred by Americans and Canadians, whereas surnames are preferred by Europeans. When in doubt, go with the more formal option.[3]

Punctuality might mean different things to different people in different countries while working in an international company. As a result of cultural differences, misinterpretations of what constitutes "on time" might occur on a regular basis. In the case of an Italian or Mexican coworker, they may be several hours late rather than just a few minutes early (and still be deemed "on time").

Things like workplace conflict and the norms that regulate them, as well as working hours, aren't only a matter of variations in manners. The sacrifice of family or personal time may be seen as a sign of dedication and success by some, while others may see it as a sign of inefficiency.[4]

3. Organizational Structure

Intercultural differences may also be seen in organisational hierarchy and managerial duties. Senior management may be influenced by cultural norms that prevent junior and middle managers from speaking up in meetings or expressing their disapproval of senior choices. The country's principles or socioeconomic disparity may have a role in these sentiments. It's possible that, if you're from a society that places a great value on seniority and hierarchy, you'd benefit from implementing this strategy in the job. As a result of this structure, roles and duties inside the organisation are clearly defined. Junior team members are also expected to be formal and reverent by senior managers, who demand the respect of their peers.

Norway, a Scandinavian country that places a high importance on social equality, is known for its flat organisational hierarchy. As a result, a more relaxed tone of voice and a higher focus on teamwork may develop inside the company. How can defining roles in global teams be challenging when there are various attitudes and expectations about organisational structure in each country and region?

Hult's aim is to equip students for the problems and possibilities that arise when working in a global context. This course's most important component is its emphasis on cultural sensitivity and how it affects global business. Many characteristics of the Hult classroom mirror today's business atmosphere because of the 130 various nationalities working and learning together in the same room. Our students and instructors are not the only ones who come from a variety of backgrounds. There are a number of individuals who have travelled widely and have experience in a variety of cultures.[5]

Students at Hult have the opportunity to see some of the world's busiest business hubs outside of the classroom through the university's global campus rotation programme. In a genuinely global learning environment, students obtain a unique grasp of cultures and business practises from throughout the world.

In other terms, the study of managing in a cross-cultural environment is known as "cross-cultural management". Managers and employees' cultural preferences will be examined, as will the effects of culture on management and management practises. Individual values and reactions to and comprehension of one's cultural context and experience are important considerations at the individual level of analysis. Management and organisational behaviour as well as international human resource management (IHRM) have made significant contributions to intercultural psychology. A few broad issues include cultural context, multinational management duties and cultural influences on organisational structure and operations.[6]

Trends in History and Culture Behaviour of Management.

There are four main disciplines that make up the backbone of cross-cultural management. When each subject was compared, the field of cross-cultural management was born. McClelland's achievement motivation study from 1961, England and Lee's 1971 management objectives study, the 1966 study of cultural differences and managerial responsibilities, and Child's 1981 organisation study are only a few of the early cross-cultural management research studies. [7] Roberts wrote this piece in 1970 as a criticism of the literature on cross-cultural management at the time. The now-classic study of management values by Hofstede in 1980 led to a significant emphasis on cultural value components as explanations for

managing phenomena. Peterson and Sndergaard's four-volume reference collection covers them all (2008). Using a cognitive process model to explain cultural variety in the context of multi-country surveys appears to be the new trend in the area.

Cultural Context of Management

Anthropology, sociology, and psychology were among the methodologies utilised by some managers to better understand the influence of cultural variations on their organisations' management practises. Knowing how values work in psychology is critical to understanding cultural groupings. One of the methods used to categorise culture as a set of values or qualities was to develop a thorough national mapping. It has lately been possible to explain a wide range of cultural constructions, such as dimensions, using theories of cognitive structures and processes.

Artistic Thinking

Several maps were drawn up to depict various aspects of culture. Cultural variables, even if they were formed at different eras and by different methods, cannot be compared. It is generally agreed upon that the most important frameworks for management research are Kluckhohn and Strodtbeck (in 1961) and Hofstede (in 1980), Schwartz (in 1992), and House et al. (2004). (2004). While Gelfand et al. (2006) bring a new dimension to density, Triandis (1995) goes into considerable length about individuality and group dynamics. Data from the World Values Survey and European Value Studies such as Inglehart and Basanez, which focused on variations in values across nations over time, is becoming more prominent.[8]

Thought and Mental Structures

Erez and Earley (1993) claim that management literature is built on the principles of cognitive structure and process. Based on Tajfel and Turner's 1986 "The social facilitation of mental processes," this study sought to explain the psychological effects of culture, and so relied on social awareness. Members of diverse cultures have varied ideas of self, according to Markus and Kitayama (1991), Taylor (1981) investigates the cognitive foundation of stereotyping, and Schuster, et al. Other research in

this part, such as those by Peterson and Wood (2008) and Nisbett (2003), focus on how cognitive theory may be used to cross-cultural management situations.

A Leader's Ability to Inspire and Lead Cross-Culturally

Content and process theories are widely used to describe motivation at work. Both of these were examined to determine whether they might be used in other cultures. People's decisions are based on their motives, according to the motivation theories, not satisfaction, as per content theories. Cross-cultural comparisons of the theory of content may be found in Sagie et al. 1996, in which Sagie et al. conduct a comparison of various achievement reasons across cultures. New research on cultural content theories is now accessible, say Steers and Sanchez-Runde (2002).[9]

Research in the field of cultural process theory is dominated by Dubinsky and others in 1994, and Erez and Earley in 1987, who concentrated on the expectation theory. The findings of the Meaning of the 1987 International Research Team reveal that motivation in the job depends on whether the work is meaningful to people from diverse cultural backgrounds. In terms of how much weight and importance it has in different cultures, the capacity to influence others in getting them to attain their goals differs. The Dorfman model of cross-cultural leadership is, according to Dorfman (1996), one of the few available models. The GLOBE project, according to House et al. (2004), includes a wide-ranging examination of cultural leadership that also investigates GLOBE study participants, whereas Ayçan (2006) highlights an indigenous leadership idea known as paternalism that can be found in numerous communities.

Making Decisions across Cultures

Management choices are typically isolated from their descriptions (what managers should do) (what managers actually do). There are always a variety of outcomes that might be taken into account while making a decision. How people construct and make decisions is heavily influenced by society. A rational model such as Radford, et al. 1989's limitations were examined by taking into account cognitive and heuristic biases, such as those found in Yates, et al. 1989 and Greer and Stephens 2001, as well as motivational biases found in Bontempo, et al. 1990. Choi and Nisbett

(2000) and Nisbett et al. (2001) have analysed distinct cultural groups in terms of holistic vs. analytical ways of cognition.[10]

Culture and Organizational Structures and Processes

Intercultural ties between individuals and their organisations may be examined by assessing how the organisation is represented in their thinking as one method of analysing the interaction between people from various cultures and their organisations. This strategy, for example, is employed in a variety of psychological contract research. This strategy can be supplemented by theories of social structure. Numerous investigations undertaken by multiethnic teams have revealed a variety of collective features that have been incorporated into these ideas. Despite the fact that they aren't actively participating, their place in the group has an impact on them. If you're interested in a specific intercultural phenomenon, such as cultural impacts in fusion and acquisition, you can apply these two methodologies in combination with each other.[11]

Contracts Based on Cultural Psychology

The psychological contract is made up of individual views or opinions on how individuals and organisations trade agreements and how those agreements are carried out. It is becoming increasingly important for organisations to take into account how employees from different cultures interact and engage with them in order to remain competitive in today's global marketplace.

The psychological contract provides a great foundation for analysing these interactions because it focuses on people's impressions of the promises made by their employers.

In two major studies, Rousseau and Schalk in 2000 and the European Commission in 2007, the psychological contract was examined across a wide spectrum of cultures and societies. The notion put out by Thomas and colleagues (2003) that cultural differences in the formation of psychological contracts are influenced by cognitive and motivational factors has been proven correct via study. Many studies, such as those by Kickul et al. (2004), have examined the implications of psychological contract breaches.[12]

Universally Applicable Machinery

Making the most of the working groups and teams in your organisation is a key management problem. People from various cultures contribute different norms for group function, cultural diversity and cultural distinctness to the workplace. Researchers have looked at the impact of cultural differences on process loss in research like Earley's (1989) and Watson and others' (1993), as well as the impact of cultural differences on self-management in studies like Kirkman and Shapira (1997).

As a result of their research into team variance, Gibson and Zellmer-Bruhn (2001) employed cultural metaphors to better understand how cultural differences effect team performance. Many companies, known as global virtual teams, are now tackling the challenges of a worldwide working environment by developing working groups with geographically scattered structures, which is becoming increasingly popular. Investigations by Maznevski and Chudoba in 2000, Mortensen and Hinds in 2001, and Shapiro et al. in 2002 are only a few of the many studies that have been undertaken recently.[13]

Competencies and Capability in Working across Cultures

Effective cross-cultural connections are an essential topic for internal management due to their impact on company success. Assessing cross-cultural effectiveness abilities and talents may be traced back to anthropologists who stated that managers must have a solid awareness of culture.

Behavioural approaches to antecedents of cross-cultural effectiveness have been established through cross-cultural communication studies like Ting-1999 Toomey's and research of sojourner adjustment like Church's 1982. Bennett's model from 1986 and Hannigan's model from 1990 are two examples of skill models that have been produced.

After the Second World War, companies began to grow internationally, and the focus of this study moved to understanding the skills and talents related with the effectiveness of expatriates on assignment, as illustrated by Mendenhall and Oddou 1985. One of the most recent advancements is the growth of metacognitive abilities

connected to Earley's idea of cultural intelligence, which was introduced in 2002.[14]

Cultural Difference

The term "culture" has a broad variety of meanings. Many parts of culture are involved in thinking, knowledge, morality, and the values and behaviours of individuals. Material from the social world and high culture mingle in this concoction.... Cultural variations have a large role in how people think in various countries. Slowly and unknowingly, people's lifestyles and activities are being changed by a long-term cultural phenomena. Culture is the product of a country's history, traditions, and religious beliefs. For example, because individuals from various regions have distinct cultural features and methods of thinking than those from other places and ways of viewing the world, because they have lived in a given area for a long time

Consider these three features of cultural differences:

International business negotiations:

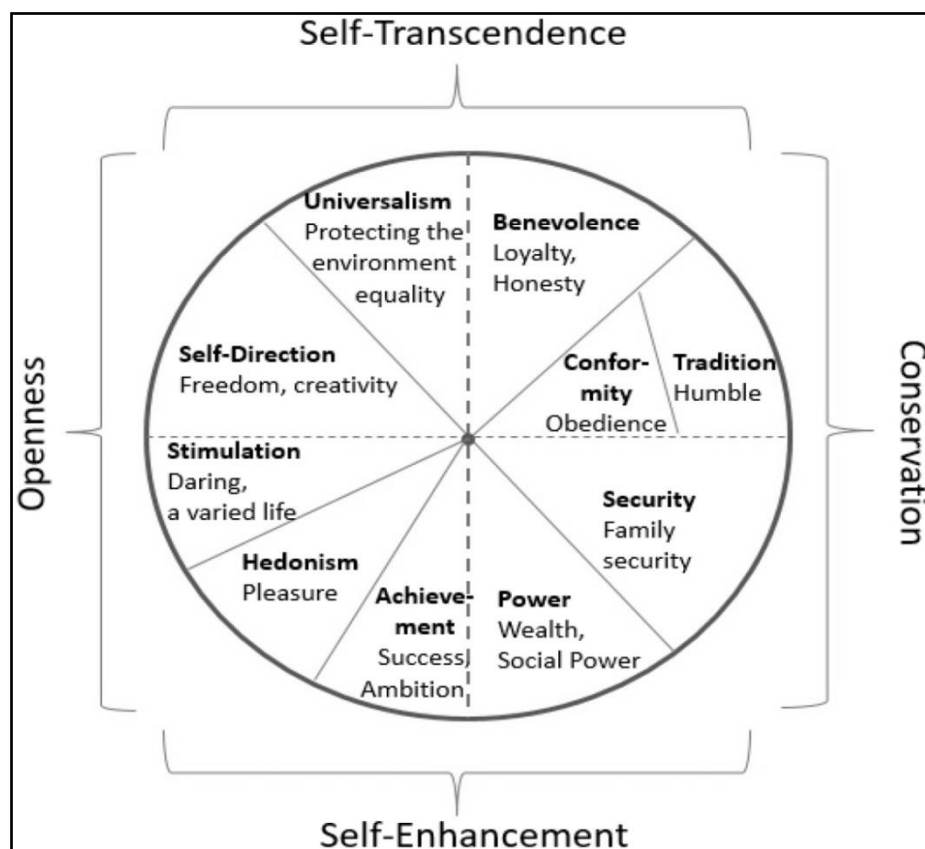


Figure 3.2

1. Regional

Regional cultures are as diverse as the many institutions, arts, and economics that make up our world! Parenthood and the psychology of obedience are two examples of this phenomenon. " When it comes to kinship, the Chinese are the best of the best. Chinese people's global perspective is the best known. Everyone agrees that this is true. The Chinese have a strong sense of place and longing while they are away from home. Many families have ancestors living in the same village. People's birth, development, marriage, and death might all take place in the courtyard of their home. Du Fu returns to his birthplace and makes good friends with Li Bai, who used to "guide his village." [15] "China China," he said, according to Lu Xun. Everybody has an attachment to their hometown and is easily swayed by larger-than-life figures. Fellowships are organised by overseas Chinese organisations, which typically organise huge cultural events and activities for the benefit of the general public. Geographical factors play a role in compliance. For example, the Orientals place a higher value on interpersonal relationships and groupthink than the Westerners do. And, of course, there's the issue of equal treatment.

2. Nationality

Depending on where you live, you'll have different cultural nationalities. It includes national consciousness, national feelings, and national traditions. The characteristics of distinct civilizations vary. This cultural trait accumulates throughout time as society's history unfolds. Cultural symbols such as characters in the language, national rituals and religious beliefs are all examples of a distinctive emblem of national culture. These qualities are present or implied in the people who make up the nation. That which is prescriptive about the Ming I'm always on the lookout for people who are upbeat, conservative, and so on. That each country has its own distinct national character is what accounts for the wide range of behaviour found across the world.

3. Influence

People's lives are influenced by their culture in subtle and profound ways. International commercial negotiations need that the parties involved have a thorough grasp of cultural and religious differences, as well as the

effect that one has on the other, if they are to be successful. In terms of the cultural context Hofstede's various cultural facets

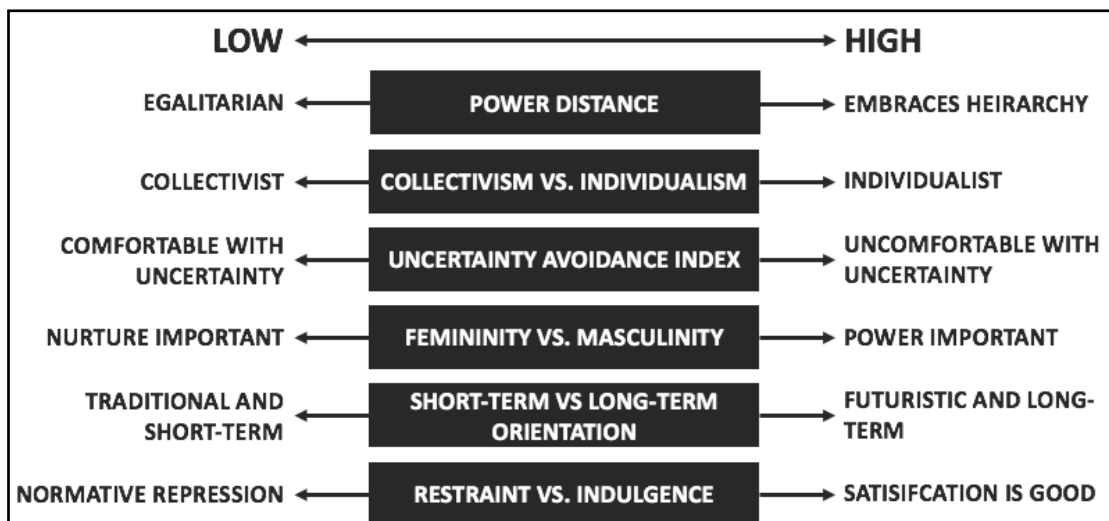


Figure 3.3

Individuals develop cultural values and take pleasure in developing their own distinctive point of view on a wide range of topics. Environments and natural values of the United States are distinct from those found in other places across the world. Each country has its own set of universally applicable ideals. Hostage Gert was an important contributor to commercial activities because of his research on the differences in cultural values and his study of thousands of individuals in dozens of different countries. Differences in workers' performance can be attributed to the following four indicators. (2002)[16]

1. Collectivism

Hofstede describes individualism as a predisposition to care just for oneself and one's family, whereas collectivism refers to people's desire to emphasise that they belong to a certain group and trade allegiance for one another. Selfishness and selfishness are commonplace in the old mainstream culture of individualism. A person's sense of belonging is more important than his or her own identity in today's collectivist culture, when individuals place higher value on the group than on the individual.

American individualism is ranked highest in hofstede's analysis; the country comes in first place. Another example is the care they provide for their own children, who, at a certain age, must leave the family and look

after their own survival, while the elderly do not expect to rely on the younger generation to look after them. They are. Japan's index, a ranking of individualism, a low individualism index means that individuals tend to stay in a firm for a lifetime and that hopping is not only encouraged but a very no-face is not impacted since others will assume that you have a communal basis and not the bottom of it. It's interesting to note that the ways in which children in these two nations are punished reflects vastly different cultural perspectives. Leaving the house and leaving a group of people in Japan is punishable by death, yet adults in the U.S. are admonished, "Go to your room and never leave without losing your freedom for a day. It's not only China that has a strong collectivist culture. kung fu movies and martial arts from China are very popular across the world. [17]

There are schools specifically for masters-level students. One by one, the martial arts will suffer the gravest loss. (1998) 2. The index of powerdistance (PDI) Use this index to evaluate popular approval of society's uneven allocation of rights. PDI is evaluated from two perspectives: one is the decision-making method of superiors (democratic vs. authoritarian), and the other is the fear of conflict. Unequal distribution of rights, as well as money, is common in communities with a varied population. PDI may be divided into two categories depending on the parameters described above: high power distance index (HPDI) and low power distance index (LPDI) (LPDI). Discuss China and the United States from a social and historical viewpoint, as well as their individual performance.

1. A case study of China's high right distance index (HPDI).

Chinese culture emerged from a system of clan communities. Elders in both patriarchal and matriarchal cultures acted as tribe chiefs in both societies. Relationships were mostly based on kinship. A subsequent religion, Confucianism, adopted this cultural legacy. For the most part, mediaeval societies passed along their wealth through bloodlines. This ancient philosophy was revered by the Chinese people. For thousands of years in China, individuals have been shaped by the hierarchical idea of seniority. While contemporary society is no longer feudal, the notion of hierarchical privileges endures.

In other words, people don't care about society's skewed distribution of power. As a rule, subordinates are obedient to their superiors and ready

to carry out their orders. Superiors in many circumstances will not enable their employees to speak out.[18]

2. A study of the low power distance index (LPDI) in the United States

American society and history are intertwined because of the major role played by Christianity. Humans and environment have been at odds ever since the ancient Greeks.. The primary body and one's own weight are examples of values that have evolved over time for individuals. As a result of this protestant culture of equality, people opposed absolute power and hierarchy. Those who believe in God hold that the world belongs to him, that the human beings he has chosen to be in it are all created equal, that society strives for free demand equality, and that they may speak directly with God via their own efforts. is the only way to ensure one's survival?

As a concrete example, individuals are outraged by society's uneven rights and will not accept them. People think that bosses and subordinates are inherently equal, although the social division of labour and momentary ability are dissimilar, and hence the assigned jobs are unique. To them, rights are a result of one's ability to understand and be treated with dignity.[19]

3. Index of Aversion to Uncertainty (UAI)

Using this index, we can see how well people handle uncertainty and unpredictability in society. Western countries have a low uncertainty avoidance index, whereas Chinese people live in countries with a high index of uncertainty avoidance. I'll look at it from two different angles: It is important to note that because of China's long history of preparing for the worst, constantly projecting into the future in order to avoid both its benefits and disadvantages, people in China have a difficult time trusting new ideas until they have been proven true. [20] Westerners, on the other hand, have a positive attitude toward the unknown, enjoy new experiences, believe that life should be as colourful and changeable as a stage, and believe that the future is like gambling, with no need to predict what will happen in the future. Because of their lack of awareness of their own self-awareness, Chinese people are often misunderstood as lacking in self-awareness when it comes to competition. "The first bird to shoot is the first bird to catch the worm," a Chinese proverb, indicating that the Chinese have low tolerance for competition and conflict. People in the West, on the

other hand, enjoy competition. Innovation is sparked by the tension and conflict that arises between rival factions. Social progress can only be achieved via healthy competition. Business talks across borders are impacted by cultural differences.

Cultural negotiating methods are mostly studied in two ways. Developing and analysing the negotiating techniques of various cultural groups is a good start (Goh, 1996; Pye, 1995). Thematic analysis, or the personality culture technique, is used in this sort of study. It's also possible to look at commonalities and differences between two cultures. It seeks to uncover some essential characteristics of negotiating style and to analyse how these elements present themselves across cultures. Cross-cultural settings require a variety of frameworks and procedures to be implemented. For example, Donald W. Hendon, Rebecca Angeles Hendon, and Paul Herbig's cross-cultural business negotiation and Pervez n. Ghauri and Jean-claudeUsunier's international business negotiation both apply the second sort of study approach. Researchers from throughout the world are still working on similar topics. Some 310 people from across the world and in various professions have been inspired by Salacuse of Tufts University's book "Ten Ways that culture impacts negotiating style: some survey results." It's been shown via research that a lot of them approach discussions in the same way: from the same cultural and professional background. Effects in multicultural negotiation are discussed extensively in his work. These three components were postulated by George et al.: individual differences, cross-cultural differences, and circumstance. If you're doing business with someone from a different country, you're going to have to deal with cultural differences, according to Bezi dominant et al. [21] in his book *The Importance of Cultural Differences in International Negotiations* ("The Importance of Cultural Differences in International Negotiations"). For example, the authors of "Business Negotiations in Canada, Mexico, and the United States" found significant stylistic differences between French-speaking Canadians and English-speaking Mexican entrepreneurs, as well as between American entrepreneurs and Canadian entrepreneurs of both nationalities. Aniko: What do you mean? "Foreign language knowledge and cultural differences can have an impact on international miscommunication, but to what extent? A lack of proficiency in a foreign language, rather than a lack of cross-cultural competency, has been blamed by several Hungarian businesses working in multicultural industries. Chapter 33 of Acheson and Maule's book indicated that whether cultural allegiance is inherited, enforced, or selected

has an impact on the economy. [22] Ethnicities, religions, dialects, ideologies, and creative pursuits are just a few of the facets of culture that span national boundaries. From the Silk Road to today's technological networks, enlightening ideas spread over the globe. Since time immemorial, cultural factors have shaped global commerce. By entering into trade agreements, countries willingly agree to regulate the policies of their trading partners. Devoted to preserving and promoting the nation's cultural heritage

Disputes in the business world are more nuanced and complicated because of the multiple impacting elements. Is There an American Style of Negotiation?" by Druckman D Article It is possible to better understand a country's negotiation if negotiators and terms of negotiators are taken into account. Because different negotiating behaviour necessitates system research, including research design that compares the differences between negotiator countries and various types of negotiators, this can be done. "When an intercultural business negotiation fails: Comparing the emotions and behaviours of negotiators," by Lusaka (106) and 114 Indians in the scenario of negotiation analysis. Conflicting feelings will be experienced if intercultural talks based on individualism and collectivism fail (depressed vs emotion). Tse et al (2003), the author of "Cultural variations in intercultural negotiations: a Sino-Canadian comparison," showed that Chinese managers are more likely to avert conflict because they provide more options of suspending or abandoning discussions if disputes arise.[23]

However, the connection mechanism between cultural differences and international economic talks has been mostly overlooked in the literatures above. International commercial talks have a detrimental influence on cultural differences, and this research examines the mechanisms through which cultural differences affect these agreements. Cultural differences between China and the West

For each country's worldview is influenced by its own unique culture. A person's ability to communicate effectively is impacted by these variances. All of us are familiar with the rich history of Chinese culture. It's possible to communicate a wide range of ideas with Chinese letters. It's easy for Westerners to depict a vibrant environment via the use of letters. Because of this, understanding Chinese and Western cultures requires

examining the distinctions between the two. The distinctions are worth noticing.

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perceptions of things and situations; persons from differing social and cultural backgrounds may see things and problems in a completely different light.

1. Individual and Collective Values

Our values differ from those of the West primarily in terms of communal and individual values. Countries where people value individualism and freedom, rights, competition, and self-reliance place a high value on personal interests. The importance of group relations is greater in countries that place a high value on social cohesion. As a result, individual interests are weighed against the interests of the group. Differences between individualistic and collectivist countries can be seen in international corporate activities, where individual skills and achievements determine pay and promotion but group groups are seen as a whole and individual score cannot be divided from collective scores. Hey. Individualism is highly valued in Western societies, particularly the United States. Chinese negotiators repeatedly emphasised that individual interests are influenced by a broader context of the overall situation. In order for individuals to progress further, the collective must grow first. Historically, the Chinese have placed a high value on the group, thanks to Confucianism. According to Confucianism, people must follow orders from their government as well as the rest of society. Individualism is a Western ideal. They have a strong belief in the existence of other people and groups and place a high value on their own sense of worth.[30] A person's experience, location, and cultural level are all factors in determining what is considered "honour" in Chinese culture. In China, therefore, their position and position in the relationship between superiors and subordinates are given greater attention. These people's attitudes and behaviour will be influenced by this vertical relationship. Concepts like this encourage people to adjust their interpersonal relationships in positive ways. It's a way of thinking that enables people to better coordinate their interpersonal relationships, and in particular their interpersonal relations, in order to maintain social harmony. A lack of equality and democracy in such harmony, on the other hand, is a form of oppression. Development of one's self-confidence. Relationships are equal and horizontal in the Western world. Nevertheless, the relationship between the superior and subordinate is not unclear in Western society, and the superior's relationship with the subordinate is also very clear there. Get your thoughts out there right away.

2. View of Space

Self-reliance and a strong sense of personal space are emphasised by Westerners. The work area is separated from the rest of your home by windows or partitions. Any time the doorbell rings, you know it's an important phone call. Similarly, the distance between people reflects this sense of space in the conversation. Both parties' social positions can be reflected in the distance they have to travel. Speaking with his subordinates in Western social settings necessitates that the boss maintains a considerable physical distance. Talking close together reduces the distance between people. To maintain a polite distance, the two sides of the conversation can speak softly but not closely observe each other's facial expressions, which is called polite distance in social contexts.

The Chinese have always placed a high value on the concept of the group. People work together even when they're working for a company. There are no walls separating them; they're all in it together. There are times when everyone feels this close to each other, but it is counterproductive. A few companies began to learn how to work in the West, creating a staff office and establishing some privacy for everyone in order to improve the productivity of their employees.[31] In Chinese social situations, the distance between people is also determined by the relationship between the parties involved in the conversation. If the two people are in a happy relationship, the distance between them will be greater and the distance between them will be longer. Maintaining a certain distance between the top and bottom levels is essential. This is a feature that is shared by the rest of the world. Disparities in the way people think

Another factor that contributes to cultural differences is a person's way of thinking. When we think, we're actually expressing the inner workings of our brains. Fundamentally People from different cultures have different ways of thinking about the world around them. People's thoughts are diverse and shared by many. How people think differently now. While Westerners are more analytical and logical thinkers, the Chinese are more holistic and intuitive thinkers. China's mentality may be described as a form of subjective thinking. What it proposes is an examination of human nature's difficulties through an examination of the humanities, as well as ethics and morality. Nature, rationality, extroversion, and the emphasis on objectivity are all hallmarks of Westerners' thinking. Problem-solving is

facilitated by the integration of law, science, and technology China's goal is peace and harmony; the West's goal is innovation and rivalry. People in China frequently shift from broad generalities to detailed details during talks. They must first agree on a basic course of action and then focus on individual concerns. Because the West places a high value on specialised concerns, it is imperative that these topics be addressed at the outset of any discussions. I'm hoping that the issue may be resolved quickly. Let's have a look at the differences of opinion between Chinese and Western negotiators in the negotiating process. [32]

1. Overall thought and Analysis

Things are understood in terms of their roles and interrelationships by integrating a variety of different types of thinking into a single system of thought. As a result, Chinese people pay less attention to local analysis and more focus to understanding the overall situation. People's subjective thinking always gets mixed in with inductive reasoning since it relies on things being performed, and this distorts the objectivity of the assessments that come out of it. Sometimes it is possible to make decisions. Some degree of subjectivity exists. When analysing an issue, Westerners tend to focus more on the objective nature of the situation and argue for a sensible response. In addition, items are frequently broken down into smaller components in order to conduct more in-depth analyses. It is possible that their way of thinking and the procedures they employ will have an impact on and lead to their final conclusions. There are some circumstances where it's better to "see only trees, no forests." Prior to the discussions, Westerners do their best to gather reliable data so that they can make judgments when negotiating; they also tend to fine-tune the terms of their contract, such as the substance of the obligations of the parties, claims, and other details. The Chinese believe that if all parties agree, then each party should work together to seek common ground, saving disputes for achieving big aspirations are in order.[33]

2. Perceptual thought and Rational Thought

Based on their own experiences, the Chinese prefer to build up high-levels from outside as a whole; they notice the inherent nature and rules of things, and then learn more as a result of their connections. Intuition and image work together to guide this kind of thinking, which is both direct and vague, toward a deeper understanding of reality. These thoughts are

often linked to everyday life. Westerners strive to be unbiased in their assessment of the world and the things in it. By looking at things that exist and are rationally organised, we can discover new things that we didn't know about. The logic here is impeccable. As a result, the Chinese public's view of the world will be shaped by social and political trends. Even though negotiators' subjectivity is on display here, their rationality can't be affected by emotions. Other explanations for the traditional job paradigm may be found in Chinese and Western philosophical traditions. "Personal relative" and "meritorious individual" are the best words to describe China. To put it another way, the Western work model is only "personally worthwhile" While Westerners tend to do business and avoid discussing their emotions, the Chinese tend to use language to express their sentiments during negotiations.

3. Right and Spiral Thinking

Using data gathered from studies of international students studying abroad in a variety of nations and languages, the American researcher Robert Kaplan was the first to put out the idea that Chinese thought is spiralling. Linear thinking. It's not uncommon for the Chinese to begin by describing a difficulty, and then gradually go on to the matter at hand. This path twists and turns like a spiral. It's common for Westerners to imagine that everything is separate and evolved vertically. They tend to take a more hands-on approach. Think of it this way: You're thinking in a linear fashion. Westerners don't know what a Chinese person is, despite the fact that Chinese people often engage in lengthy conversations with them. I'd want to go through the issue in detail. I'd want to explain myself. Differences in culture might complicate international commercial discussions.

To look at it, international commercial talks are nothing more than a technological showdown. After the initial level of analysis and divestment, it is clear that there is a cultural conflict and collision taking place. Author argues that human engagement in negotiations will ultimately lead to subjective thinking. His social and cultural upbringing and achievements have shaped this subjective opinion. The adage goes that objects are talked about, but people talk about other people. This is just a reflection of the importance of human dynamics in the talks, particularly for the parties from different cultural backgrounds involved. We can't ignore how serious this is. Inquiry on why this happened.[34]

It's impossible to deny the fact that cultural differences exist. International business talks place it in a unique position because of its many facets and functions. In the era of globalisation, cultural exchanges are a kind of economic collaboration between enterprises from diverse cultural backgrounds. Economic cooperation's "cancer cells" are catalysts and coagulants, i.e., cultural clashes. The way negotiators engage with them, from their gestures to their ability to play the word, is heavily influenced by their cultural variables. International business negotiators can better achieve their goals in negotiations by understanding cultural differences, showing respect for the customs of the other party, and integrating their own culture into the culture of the other party.

Human culture and values are multifaceted and diverse. Cultural differences may have a significant impact on the course of international talks. A cultural conflict viewpoint is used in international business negotiations to guarantee that the negotiating parties stick with their closed cultural circles and so lead the discussions to be resisted. International business negotiations. Cultural exchanges between different ethnic groups were less frequent since they were more segregated before globalisation. Since the advent of globalisation, individuals from all over the world have been brought together to compete for the same resources in a condensed area. Rights, dangers, and prevention have all been considerably enhanced. In the modern era of globalisation, conflicts of interest and power are directly responsible for conflicts of value. Culture and value are emphasised in nations with sophisticated economies and strong cultures. As a result of the struggle for cultural survival and progress in emerging countries, conflict might arise. Conflicts over negotiating tactics, morals, beliefs, etc., are sure to arise in international trade discussions under this situation. Specified outcome

Culture is defined by its influence on, restriction of, and control over human behaviour in all human endeavours, not because it is a specific thing linked to economics, politics, science and technology, natural activities, or other distinct objects. The nitty-gritty, technical details. This means that cultural differences have the ability to influence international commercial discussions. An individual's culture is based on a group of people, and is defined by a shared or recognised set of behaviours. These cultural aspects are influenced by the deeper processes of negotiation, such as cultural factors impacting psychology, negotiation motivation, negotiation composition, and negotiation situation, for example.[35]

1. To begin with, cultural influences have a significant influence over quality and negotiation structure. The cultural structure refers to the way in which various facets of the cultural system are linked and interact with one another. There are a variety of cultural structures that define the kinds of cultural systems, their features, and their purposes in society. Disagreements exist among academics as to how the cultural structure's primary subsystems should be broken down. According to the author, there are four primary types of material culture:

Institutional and behavioural culture, spiritual and informational culture. When humans engage with nature, they leave behind a trail of material civilization. The production of human materials and the goods made from them is a part of this tactile cultural topic. It is the interplay between individuals and society that produces such things as social norms, practises, and organisational structures as the most important part of the cultural system. It is important to note that spirituality is an integral aspect of culture, and it can be seen in everything from values to ways of thought to aesthetics to national identity. People employ language, phrases, gestures, and other information symbols across the cultural system to create, preserve, construct, and propagate culture.

2. A business negotiator's notion might be impacted by cultural variables. Negotiations may be influenced by cultural differences in the blink of an eye. They unwittingly create their own values or judgements when they include cultural aspects in negotiations, regardless of whether they are dealing with a person, a group, or a whole organisation.
3. Cultural influences influence the negotiator's thinking, ways of negotiation, and negotiating strategies. People's thoughts are always a factor in negotiations. Negotiators rely heavily on their capacity for thought while negotiating a deal. It is important to note, however, that the varying cultural practises of countries across the world affect how negotiators approach their work. While the outward space offered by the Japanese is somewhat restricted, the ideological overtones of the inside space are more prominent in this case. As a result, many outsiders simply see the Japanese people's bright smiles and have no idea what they are really thinking. [36]

Many negotiators in international business don't recognise or appreciate the significant role that culture plays in the negotiation process. Some negotiators may have noted the "strange" and even "incomprehensible" approaches of some of the negotiation's parties because of the culture of foreign negotiating partners, but they have not gotten much attention. In the minds of some, "intercultural negotiation is founded on facts and evidence, both specific to each culture and universal in scope." In the same way, when negotiators travel to another country,

Because he wants to keep things amicable, he typically just looks at the things that are culturally similar, neglecting the cultural distinctions that exist. For example, "We shall seek for substantial parallels between the two sides when conducting cross-border discussions with completely different culture, and we should legitimately think that people are people and business is business," one analyst stated. Cultural Darwinism is being debated in this situation.

Negotiation is a multi-factor activity, and players utilise strategy to accomplish their goals. We make strategic decisions based on our beliefs and aspirations, and culture is at the core of our beliefs and aspirations. It is commonly acknowledged in certain societies that other cultures' behaviour, conflict, and issues indeed exist. As a result of the industry's secrecy, conflicts of interest are not made public and issues are only mentioned in passing. Russian and Japanese negotiators tend to approach discussions from a position of strength, whereas Japanese negotiators prefer to avoid direct confrontations with their opponents. As soon as possible, some cultural negotiators feel, it is self-evident to state one's own aims. In some cultures, expressing one's opinion is seen as a huge deal, and they may enjoy slapping someone on the backside for it. When it comes to dealing with sensitive situations, there is a wide range of viewpoints across cultures. When it comes to sensitive problems, comedy may be a useful tool in some cultures, but it can be harmful in others. Because it's an interesting joke in one culture, it might be considered gibberish or even an insult in another. The use of blackmail, buy-outs, and threats is common practise among negotiators in several nations. For some, they are unethical methods. It's impossible to have productive conversations if the two sides come from completely different places. [37]

What is the Purpose of Cross-Cultural Education?

Corporate training that takes into account the cultural differences between different countries is known as "cross-cultural training," and it is an important factor in ensuring that international trade runs smoothly. Cross-cultural training is essential in today's multi-cultural world. An in-depth knowledge of the country's culture is essential while conducting business there.

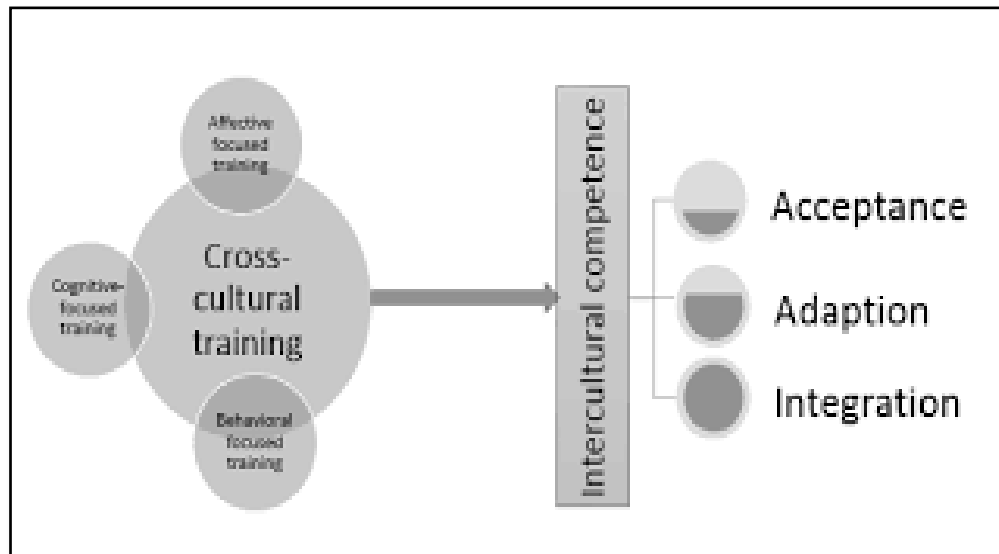


Figure 3.4

Importance

Having the ability to work with individuals from various nations and cultures is a must in any circumstance involving cross-cultural communication or teamwork. By providing context and preparation, individuals are better able to function in a new country and cultural milieu than they would have been on their own without it. More information and awareness lead to greater judgement, therefore it's a win-win situation for everyone. It's imperative that companies with a global workforce include cross-cultural training in all of their employee benefits packages.

Types

You can choose between formal or informal intercultural education. An introduction to working with people from various cultures, such as improving understanding of the challenges of managing international teams, handling cross-country negotiations, etc.

Another alternative is culturally-specific training. People who often go to that country would benefit from this. These courses are often focused on a single nation's values and beliefs.

It is also necessary to grasp the following facets of a culture in order to fully appreciate it.

According to a variety of circumstances, the power distance is affected, including: Other high-power nations in distant lands include Mexico, Africa and the Arab world.

As a result of this, individuals prefer controlled and pre-planned situations. A lower uncertainty avoidance score will lead to a more relaxed and risk-taking attitude than a higher uncertainty avoidance score. One's preference for solitude above social interaction.

People prefer to prioritise the long-term above short-term goals in their nation. The United Kingdom and the United States perform poorly in this area. [38]

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Chapter 4

Theories of International Trade and International Investment

What is International Trade?

Hypotheses of international commerce are basically several theories used to describe how international trade works. Trade refers to the exchange of products and services between two or more parties. People and firms in two separate nations are engaged in international trade when they engage in this transaction.

As a result of the transaction, individuals and organisations trade. It's conceivable that the products or services you're looking for are essential or desired. There is a lot to ponder here, even if it appears simple on the surface.[1]

Over the span of a century, there have been a number of different business theories established. In addition, we'll discuss the elements that drive international trade and how firms and governments employ these aspects to achieve their different aims and objectives.

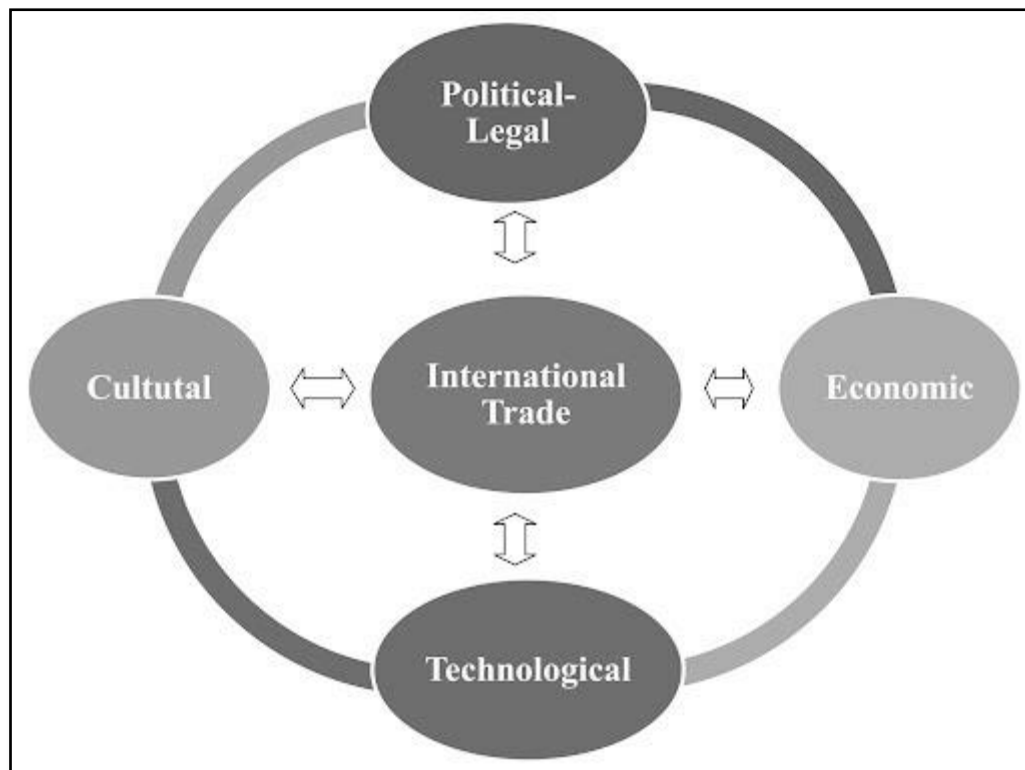


Figure 4.1

What are the Different International Trade Theories?

"Around 5,200 years ago, Uruk was the first city in southern Mesopotamia to be built around a wall that had more than 50,000 residents. Uruk, the city of the first class of intermediates, trade intermediaries, was famed for its agricultural prosperity, which was supported by irrigation canals. For the following 6,000 years of human history, the tone is set by a cooperative commerce network..." The Wall Street Journal published this item on May 22nd, 2010, and it was available at on December 20th, 2010, at It's no secret that Matt Ridley is a professional football player. "Humanity: the reason for their triumph."

In the last few centuries, economists have focused their attention on trying to comprehend and explain these trade trends. In Section 1,4 of Chapter 1 'Introduction,' Thomas Friedman's flat-world approach to globalisation was broken down into three stages: globalisation 1.0 in the era 1492-1800, globalisation 1.0 in the period 1800-2000, and globalisation 1.0 in the period 2000-2000. The first wave of globalisation was the engine that propelled the world's growth. Globalization 2.0 has allowed multinational firms to expand across the globe. The breakthroughs in technology are now driving the next phase of globalisation.[2]

In order to better comprehend how current global commerce has evolved, it is essential to know how nations have traded in the past. They've come up with theories on how global commerce has worked throughout time. A country or a set of countries is the basis of classical historical ideas. By the mid-twenties, the focus had shifted from describing commerce from the standpoint of a country to that of a firm. A company-based or corporate theory is what we call a "modern" theory. Theories from all around the world may be found in both the classical and contemporary subcategories.

Trade Theory	Main Explanation for Trade	Tourism Example
Linder	Preference (similarity)	Cultural affinity, such as pilgrim tourism
Ricardian theory	Technology/ productive efficiency	Price competition among tourism destination countries
Hecksher-Ohlin theory	Natural endowments (capital, labor, and land)	Sun, sand, sea and cultural heritage
Multinational firms	Ownership advantages (firm-specific technology)	International hotel chains
Neo-technology	Innovation/ diffusion patterns	Adventure parks, internet marketing for tourism
Agglomeration	Externalities, infrastructure, chance	Tourism clusters, investment in tourism infrastructure

Classical or Country-Based Trade Theories

Mercantilism

Mercantilism, a philosophy initially proposed in the sixteenth century, was an early effort at economic development. That a country's total prosperity was determined by its stockpile of gold and silver. In order to build the country's gold and silver stockpiles, mercantilists recommend encouraging exports and limiting imports. As a result, other countries are sending you gold and silver as compensation because they buy more of your products (exports) than they sell to you (imports). As far as exports were concerned, they were seen to be desirable when they exceeded imports in value, and a trade surplus was desired by every country (trade surpluses were regarded as favourable when they were higher in value than the total value of imports).[3]

Because of this, mercantilism thrived throughout this time period in world history. “New monarchy arose in Europe throughout the 1500s, including Spain and Portugal. For the sake of their country, they constructed enormous standing armies and national institutions. Royalty might boost their nations' income and riches by increasing commerce and promoting exports. New administrations have used import restrictions as one tool to boost exports. As a tactic still in use today, "protective measures" are what we call protectionist protectionism.

Nations were able to increase their wealth while also amassing more riches by creating colonies all over the world. When the British Empire set out to acquire raw materials from North and South America as well as India, it was one of the most successful historical instances of this strategy. Another group of countries that had significant success with colonial empires were France, the Netherlands, Portugal, and Spain.[4]

Even though mercantilism has been utilised in contemporary philosophy for millennia, it is by no means extinct. A neo-mercantilist strategy is taken by most nations such as Japan, China, Singapore and Taiwan, where protectionist restrictions and constraints are paired with domestic-industry subsidies to favour exporting more than importing. A country that hasn't taken any sort of protectionist action to safeguard significant industrial sectors of its economy is practically hard to locate. Trade-exposed enterprises are more prone to favour export-oriented policies that benefit their own business or industry, but these measures can have a negative impact on other businesses and consumers. Some export corporations receive subsidies from the government through increased taxes paid by the public. For products and services produced outside the nation, consumers pay a greater premium due to restrictions on importation. In contrast to mercantilism, which enriches certain industries at the expense of others, proponents of free trade say that free trade benefits all parties involved. by challenging then-dominant economic theory, Adam Smith succeeded in his quest for personal financial success.

Adam Smith has written an investigation into the nature and origins of national prosperity. – Adam Smith (London: W. Strahan and T. Cadell, 1776). Scholars' and economists' latest versions have both undergone revisions in recent years. For Smith, the term "absolute advantage" stands for the opposite of what would be called "absolute disadvantage" in a trade theory. Smith argued that the government should not strive to control or restrict foreign trade.[5]

Commerce should take place naturally as a result of market dynamics. Generally speaking, countries that can create a product more cheaply or quickly are more likely to succeed when they square off against each other. This allows the person who is solely responsible for the production of the desired good to concentrate on narrowing their scope of expertise. Countries A and B may choose to focus on specialisation if Country A has a good track record in another product. A more specialised workforce means that many nations' economy will be better served by the increase in productivity. Due to greater specialisation, new and improved manufacturing technologies will be created throughout time.

Traders on both sides of the border would gain from trade in Smith's perspective. To him, a country's riches should be judged by the general well-being of its population, rather than the amount of money and silver it holds.

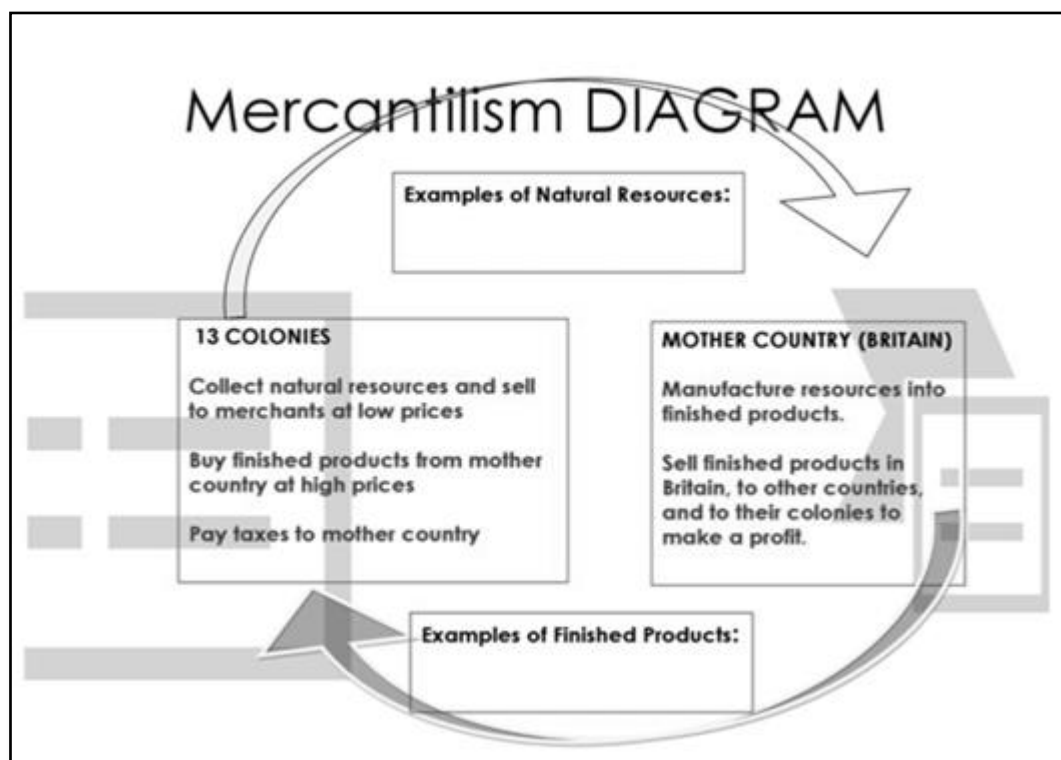


Figure 4.2

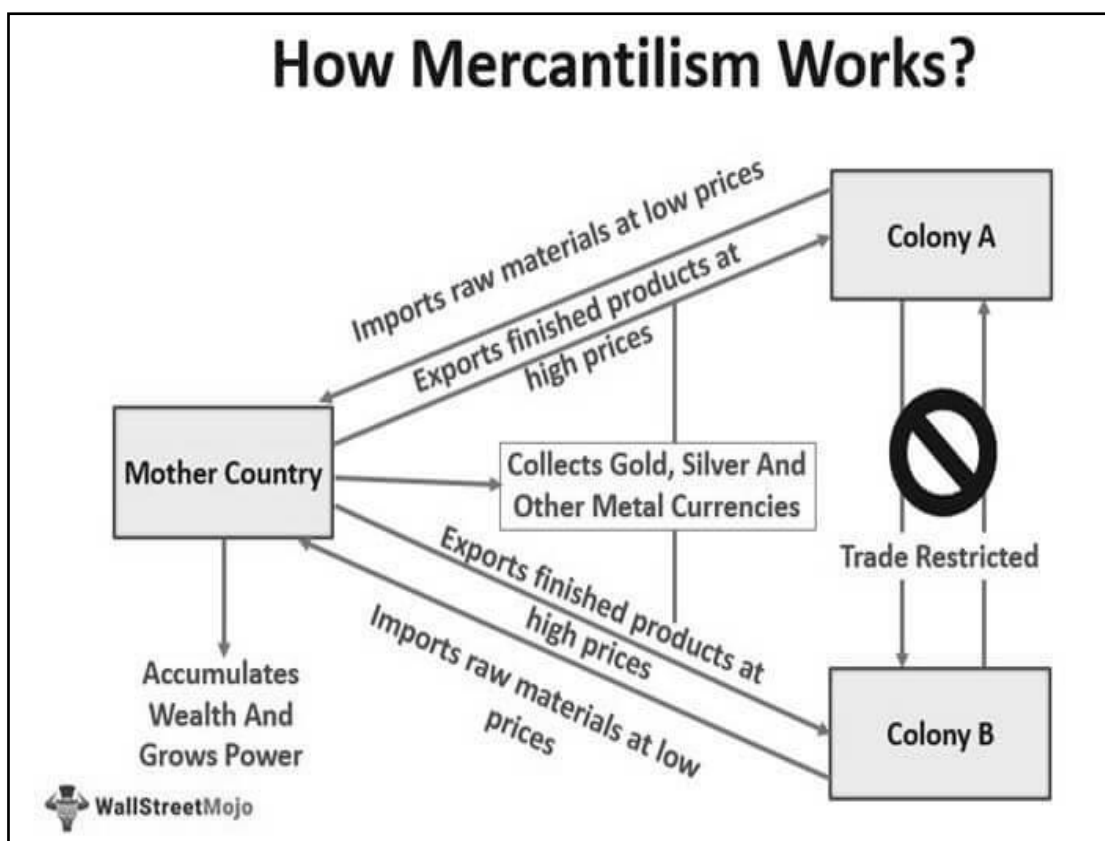


Figure 3

Table 1: Absolute Cost Difference in Two Countries

Country	Units of Labour (Man-days)	Commodities		Ratio of Exchange
		x	y	
A	1	20	10	1 Unit of X = 0.5 Unit of Y
B	1	10	20	1 Unit of X = 2 Units of Y

The absolute cost advantage of country A in the production of X and that of B in the production of Y can also be expressed as below:

$$\frac{20 \text{ units of X in A}}{10 \text{ units of X in B}} > 1 > \frac{10 \text{ units of Y in A}}{20 \text{ units of Y in B}}$$

It is possible to explain the cost difference in two countries A and B concerning the commodities X and Y geometrically through Fig. 2.1.

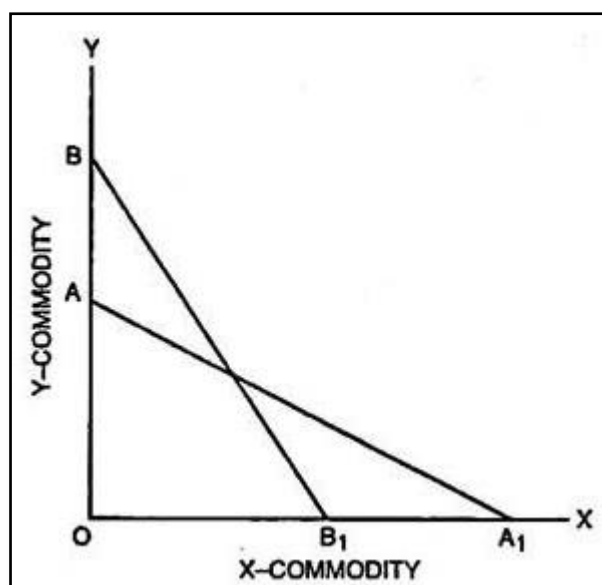


Figure 4.4

In Fig. 2.1, AA1 is the country A's production capability curve. In light of the techniques and factor endowments, it is conceivable to manufacture an OA1 quantity of X by utilising all accessible resources. As an alternative, if every resource is used to generate Y, country A is capable to producing OA amounts of Y. Country B's manufacturing capability curve is BB1.

It is possible to produce OB1 quantity in this country's situation by using all resources to produce X product. Or, Y can be produced in an OB amount if every resource is put to good use in its production. The ratio of labour productivity in X countries to labour productivity in Y countries determines the slope of the potential production curve.[6]

AA1 has a slope equal to L_X/L_Y .

BB1's slope equals L_X/L_Y

Because the slope of AA1 is steeper than the slope of BB1, country A has an absolute cost advantage in manufacturing X commodity, whereas country B has an absolute cost advantage in producing Y commodity.

The maximisation of global output would be achieved through specialisation based on absolute cost advantage, as well, according to Smith. Profits from international commerce are seen in Table 2.2.

Table 2: Gain form Trade

Country	Before Trade		After Trade		Gain from Trade	
	X	Y	X	Y	X	Y
A	20	10	40	-	+20	-10
B	10	20	-	40	-10	+20
World production	30	30	40	40	+10	+10

Prior to international commerce, Country A produces 20 units X and 10 units of Y. In the end, A produces 40 units of total X output while producing zero units of Y due to its specialisation in the production of X commodities. Country B makes 10 X units and 20 Y units prior to the trading of their products. There are 40 Y units produced, but no X units, because it is an expert in Y after tradesmanship. Productive output in both sectors is equal to 10 units of each commodity, which yields the profit. To put it another way, Country A's trade benefit is +20 X +10 Y +10 X, and the net trade gain is +10 X. As a result of this, country B's net gains are also +10 units Y.[7]

Smith's 'Vent for Surplus' concept has proven to be an intriguing part of his trade research. If a country produces more than it can consume domestically, the excess may be sold on international markets, according to him. Traders and future theorists alike have placed a high value on international commerce because of this basic need for growth.

Comparative Benefit

The problem with the thesis of absolute advantage was that certain nations might manufacture both goods better and hence had an advantage in particular locations. For other countries, however, there may be no relevant absolute advantages to be gained. For this, English economist David Ricardo in 1817 developed the idea of comparative advantage. Though Country A had an absolute advantage in manufacturing both items, Ricardo claimed that specialisation and commerce could still exist between two countries.

A country has a comparative advantage if it cannot manufacture a product more effectively than another country, but it can make it better and more efficiently than other goods. Both of these hypotheses are slightly

different. There are two distinct types of advantages: comparative and absolute.

As an example, let's look at a simple hypothesis. Miranda is a Wall Street lawyer who charges \$500 an hour for her services. The \$40-an-hour administrative employees in her office, it turns out, can type Miranda more quickly than she can.[8] In spite of Miranda's obvious advantage in both skill sets, is it best if she splits her time between the two jobs? No. It costs \$460 per hour to undertake legal work for Miranda; thus, she would lose \$460 per hour. [6] If she focuses on higher-paying legal services and employs the best administrative officer, she will be more productive and earn more money. As a team, Miranda and her assistant produce more because they each focus on a specific task. This is an advantage when compared to anything else. A person or country's specialisation lies in doing things much better than the average person or country. In reality, the global economy is far more complicated, encompassing countries and products from several different continents. Commodities must be carried, stored, and disseminated in order to be traded. Comparative benefits may be shown in this elementary example.

Comparative Benefit

All of a country's resources allow it to produce 30 million cars or 6 million trucks, whereas 35 million vehicles or 21 million trucks can be produced by country B. In a table, this information may be summarised.

A comparative advantage in trucks is evident in this case since it is far easier to build them in Country B. There are 3.5 times more trucks and 1.17 times more vehicles in Country B.

It's clear that Country B should focus on truck manufacturing and let Country A to focus on car manufacturing. Economic theory predicts that the combined output of nations that implement the notion of comparative advantage will be higher than the combined output of countries that are self-sufficient and dedicate resources to the manufacture of both goods. For a total worldwide output of 45 million units if nations A and B distribute resources equally, the combined output of both vehicles is: cars = $15 + 15 = 30$; trucks = $12 + 3 = 15$; consequently, global output is 45 m units.[9]

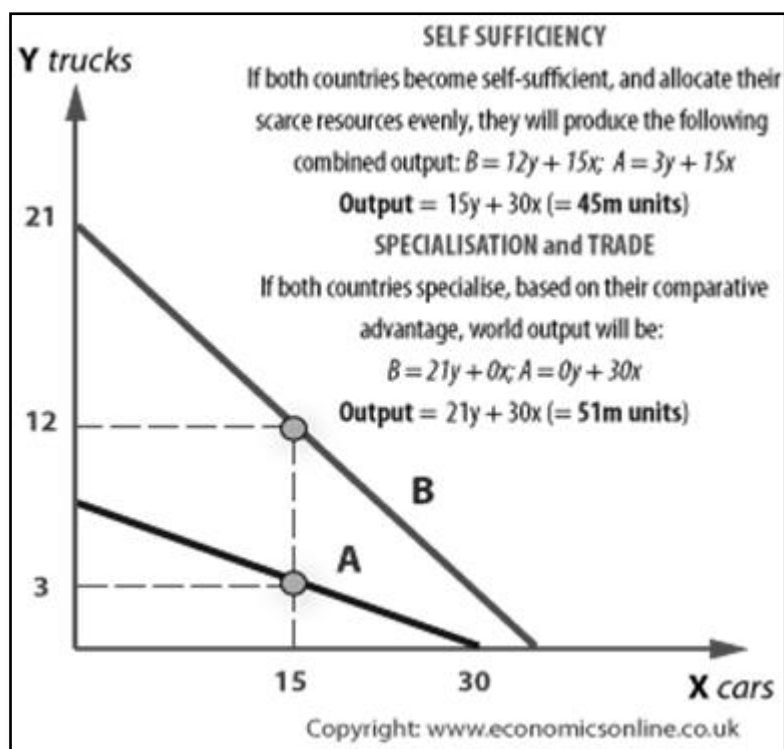


Figure 4.5

Cost Opportunity Ratios

It can generate commodities with fewer resources at a lower cost of opportunity that gives countries a comparative edge. The gradient of a PPF represents the cost of manufacturing opportunities. Increasing the production of one good entail producing less of another. The gradient represents the loss output because X output is increased.

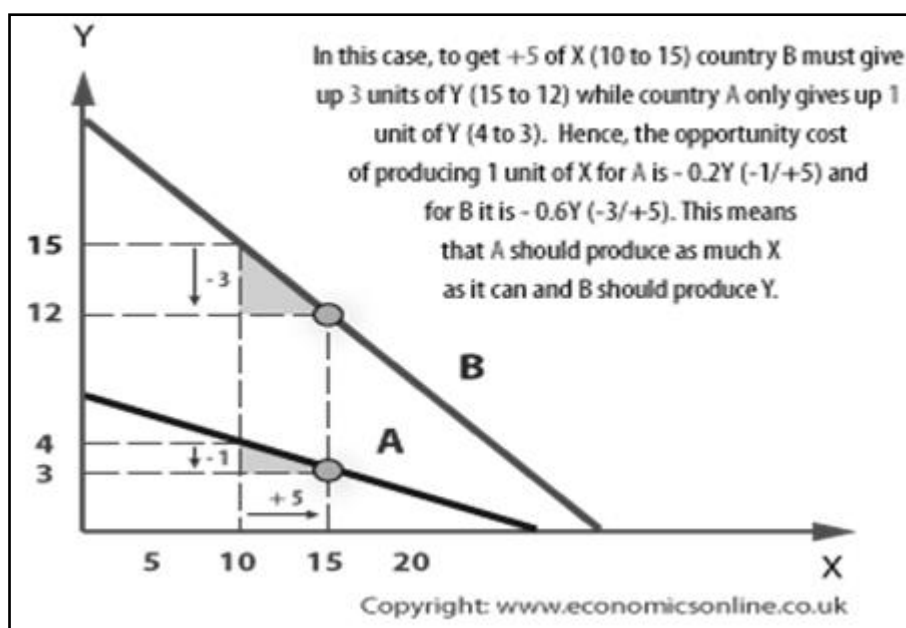


Figure 4.6

The comparative advantage of Country A in X results in a smaller loss of Y than the loss of advantage of Country B. Differing PPF gradients lead to varying ratios of opportunity costs between two nations producing two goods, hence specialisation and commerce increase global productivity.

To be lucrative in commerce, a country has to have a distinct edge over its rivals in their gradients. [10]

The Identical PPFs

Neither nation will have a comparative advantage if the PPF gradients are the same, hence the opportunity cost ratios will be the same. In this case, international trade is of no use.

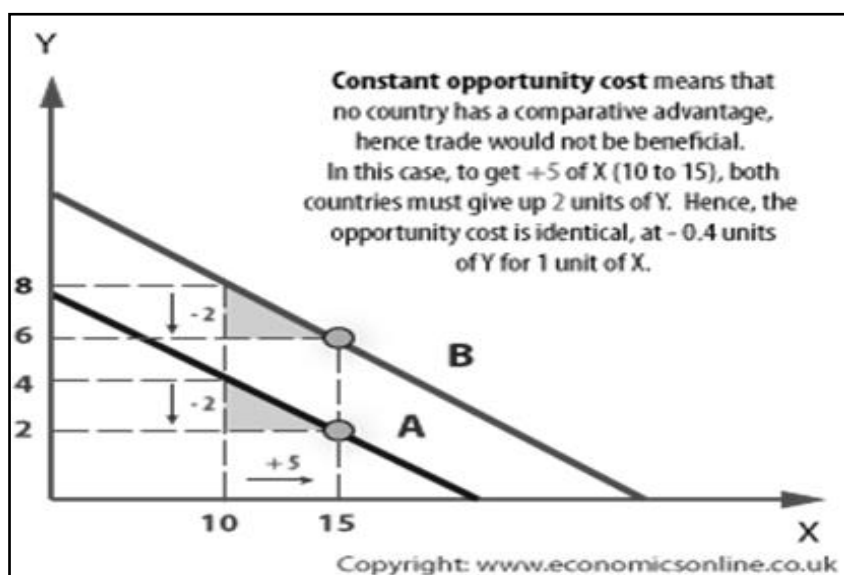


Figure 6.7

Maximum outputs	Country A	Country B
CARS	30 m	35 m
TRUCKS	6 m	21 m

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Figure 6.8

Heckscher-Ohlin Theory (Factor Proportions Theory)

It was impossible for the theories of Smith and Ricardo to pinpoint a country's competitive advantages. In an unrestricted market, governments and producers should be able to decide for themselves whatever goods they can produce the most effectively. Both of these hypotheses are unfounded, of course. Early 1900s researchers Eli Heckscher and Bertil Ohlin realised that countries may gain an edge by manufacturing goods based on the country's abundance of resources.. In order to invest in plants or equipment, money, land, and labour are necessary. That's the way they see it. As a general rule, supply and demand dictated the price of every item or resource that existed. Consequently, low-cost variables with high supply and low-cost variables with strong demand are more common. Commodities with low manufacturing costs are more likely to be exported by nations that have plentiful resources or components. Commodities that required precious resources and were in great demand but were rare on the opposite end of the spectrum would be imported by countries that needed them.

When it comes to cheap labour in countries like China and India, there is no shortage of options. This has made them ideal places for enterprises requiring a huge number of labour, such as textiles and garment manufacturing.[11]

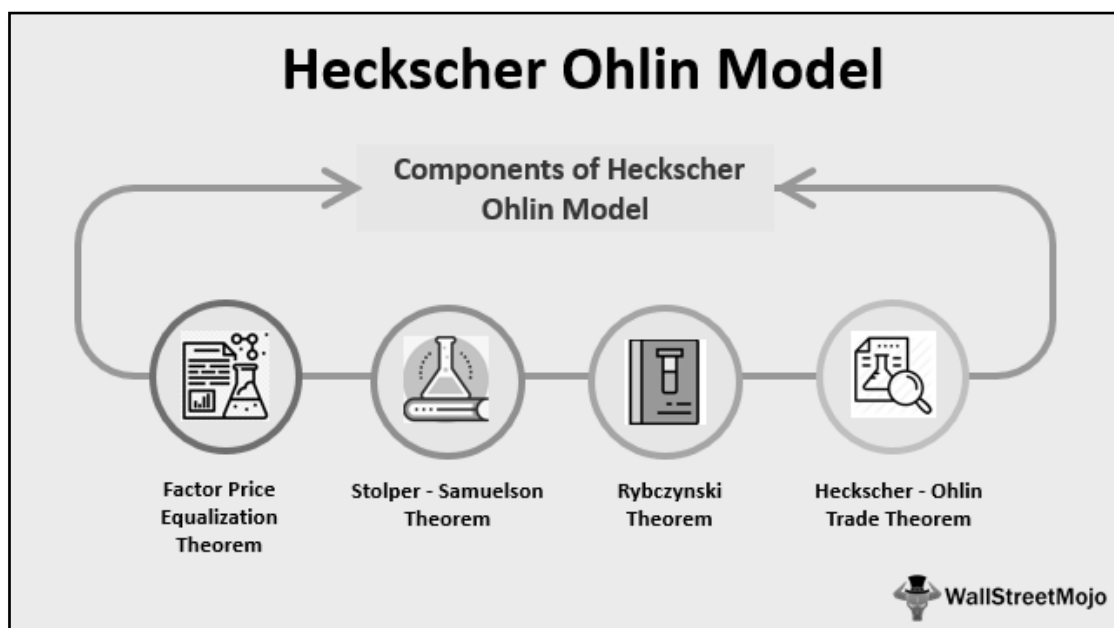


Figure 6.9

The Leontief Hypothesis

Leontief, a Russian-born American economist, saw that the United States had a capital surplus and should thus export more capital-intensive products in the early 1950s, when he examined the economy intensively. The United States, on the other hand, imported a greater number of capital-intensive products. Labor-intensive goods should have been imported instead than exported, according to factor proportions theory. Leontief called it because it defied factor proportions theory. When labour was plentiful and more productive in the United States than in many other nations, exporting labor-intensive goods made sense. The paradox has been explained and minimised by a variety of economists throughout the years. It is undeniable, however, that global commerce is complicated and subject to a wide range of continuously shifting influences and variables. The ideas of international commerce are also changing.

Trade Theories of the Modern Era or Firm-Based Trade Theories

Post-World War II saw the rise of company-based trade theory, which differs from previous theories focused on countries. Economists were primarily responsible for the development of this theory. Corporate values evolved in tandem with the company's expansion (MNC). MNCs and intra-industrial trade, which refers to the trading of goods produced in the same industry between two nations, cannot be fully explained by country-based theories. Mercedes-Benz automobiles are imported from Germany, whereas Toyotas are exported from Japan to Germany.

Other product and service characteristics like brand loyalty, technology and quality are included in trade flow analysis by business theories rather than nation-based theories.[12]

The Theory of Country Similarity

Steffan Linder, a Swedish economist, came up with the country theory of similarity in 1961 to explain intra-industry trading. Consumers in nations with equal levels of development, according to Linder, would have similar preferences. In this company-based paradigm, according to Linder, the initial goal of corporate production is to produce for the local market. Exporting organisations often discover that their clients choose markets that are comparable to their home markets when they are looking for new

markets. Countries with comparable per capita incomes are more likely to trade with each other, according to Linder's nation theory of similarity. This theory is most suited for analysing commerce in items where brands and products play a significant role in the purchasing and decision-making processes of purchasers.

Product Life Cycle Theory

In the 1960s, Harvard Business School professor Raymond Vernon developed the product life cycle hypothesis. According to marketing theory, a product has three unique life cycles: a brand-new product, one that is maturing, and a third that has been standardised. New products could only be made in the nation where they were conceived, according to this belief. This was a great method to explain the US industrial success in the 1960s. After World War II, the United States became the dominant producer in a wide range of sectors.

Even the lifespan of a home computer may be summed up in terms of this (PC). The personal computer (PC) was first introduced in the 1970s, and it grew into a mature product in the 1980s and 1990s. The PC is now a mainstream product that can be purchased everywhere thanks to the manufacture and production taking place in low-cost Asian and Mexican nations.[13]

The product life cycle hypothesis has a harder time explaining current global trade patterns including innovation and manufacturing (PLC). Research & development is frequently carried out by multinational firms in developing countries, where the cost of highly qualified workers and facilities is lower than in more industrialised countries. Companies across the world benefit greatly from the lower costs of labour and new research facilities available in these developing or emerging-market nations, such as India and China.

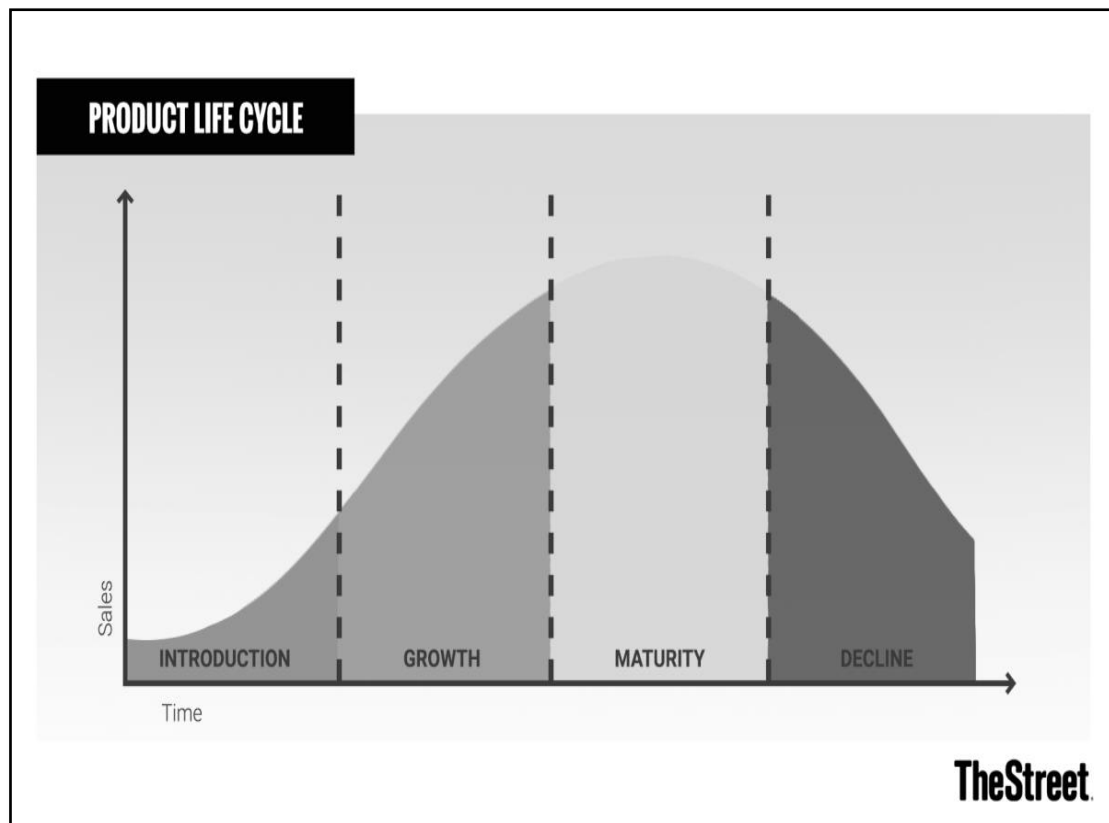


Figure 6.10

Theories of Global Strategic Rivalry

Paul Krugman and Kelvin Lancaster proposed the idea of global strategic rivalry in the 1980s. In their minds, multinational corporations (MNCs) and their efforts to obtain a competitive advantage over other global businesses in their field were important. Competitive advantages are essential for organisations to survive and thrive in their respective industries. The primary means through which businesses may obtain a long-term advantage over the competition is by lowering the industry's entry barriers. A new firm may face barriers to entry while seeking to join a new market or area of the economy. Corporations can lower entry barriers by controlling resources or gaining preferential access to raw materials, in addition to conducting research and development, protecting their intellectual property rights, taking advantage of economies of scale, and accumulating a wealth of industry knowledge and expertise.[14]

Porter's National Competitive Advantage Theory

Michael Porter of Harvard Business School came up with a novel model to explain national competitive advantage in 1990, while

international trade views were evolving. A nation's competitiveness in an industry, according to Porter's thesis, is dependent on the industry's ability to innovate and upgrade. He wanted to understand why certain nations are more competitive than others in certain businesses by looking at their economies. Using Porter's four factors, he explained his hypothesis. Local market resources and capabilities, local market demand circumstances, local suppliers and adjacent industries, and local business characteristics are the four factors.[15]



Figure 6.11

1. Local resources and abilities in the local market (factor conditions). The factor proportions hypothesis, which emphasises the relevance of a country's resources (e.g., natural resources and available labour) in determining which commodities it would import or export, was recognised by Porter as important. There is a new category of advanced factors included by Porter to this list, namely skilled labour, education investments, technology investments, and investment in infrastructural infrastructures. A country's edge in the long run might be secured by adopting such cutting-edge qualities, according to him

2. Market circumstances in the immediate area. To maintain a long-term edge in the marketplace, Porter asserted that a well-educated home market was essential. Businesses that operate in highly competitive domestic markets require constant innovation and the creation of new goods and technologies. US software companies are said to have a long-term competitive edge in software goods and services because of the demanding nature of the American consumer.

US software companies are said to have a long-term competitive edge in software goods and services because of the demanding nature of the American consumer.[16]

3. A local network of suppliers and businesses that support them. A robust, efficient supporting and linked industry is essential to the success of global firms. Geographical concentration of some sectors boosts productivity and efficiency.
4. The characteristics of local enterprises are also included in this category. Strategy, industry structure, and industry competitiveness are all aspects to consider while evaluating a local business. Local strategy has an influence on the competitiveness of a company.. Innovation and competitiveness are boosted when there is intense rivalry among local enterprises.

Along with the four diamonds, Porter noted that both government and chance contribute to an industry's national competitiveness. Companies and whole industries can benefit from government policies and actions that help them compete.

Porter's theory, along with other modern firm-based theories, gives an interesting description of international trade patterns. Despite this, they are still essentially untested and unproven theories.[17]

Contemporary Trade Policies

For a variety of reasons, regulating and promoting international commerce are critical today. Nations utilise a variety of methods to improve collaboration, including bilateral or multilateral agreements, as well as more ambitious efforts to unify the economy via supranational organisations (EU). Bargains

A trade agreement, also known as a commercial agreement, is a pact between governments that governs the conduct of their business activities. Bilateral agreements can either be bilateral or multinational in nature.[18]

Agreements on Trade between Two Nations

Provisions governing all business conditions between the parties are commonly included in trade agreements of all types. Such subjects include legislation controlling tariffs and other charges on import and export, commercial and fiscal constraints, transit arrangements, customs valuation bases, administrative processes, and quotas. The reciprocity, most-favored-nation treatment, and "national treatment" of nontariff trade barriers are common features of treaties.

Reciprocity

For the sake of fairness, trade agreements call for reciprocal concessions. In commercial agreements, the principle of reciprocity has been around since the start of time. It is possible that the concessions might be positioned in a variety of places. Tariff cuts of 20 percent were agreed upon by the French and British in the 1860 trade agreement. For free access to all French items, Britain gave duty-free entrance to everything except wine and spirits. The idea of reciprocity persists as long as international commerce benefits all parties.[19]

Favored Nation Trade Agreement

The MFN clause requires governments to extend any tariff reductions they provide to imports from another country to their trade partners. For the purposes of applying the Act, products and the specific concessions provided to particular nations shall constitute the parameters. Any third-country offer, provision, or provision may be covered by this policy. These safeguards are in place so that if an agreement is reached with a third nation, no advantages earned by the signatory countries would be forfeited. In this way, it protects the firms from unfair competition.

Each state's customs tariff is combined into one due to the MFN clause in every trade agreement it has ever made. Clauses decrease interest rates to the lowest rate offered by any agreement if agreements on interest rates have different configurations. [*] [*] Items coming from a country

with duty-free treatment under an international trade agreement (such as MFN) are taxed at the reduced duty rate for imports from countries with a later trade agreement.[20]

As a result of the MFN clause narrowing its scope, an agreement that appears to be a global agreement is only binding on one nation in practise despite the fact that it has a broad meaning. The German Tariff of 1902 offers a textbook example of this strategy, which offered special rates for certain exceptionally large, mottled mountain cattle raised at least three thousand metres above sea level and allowed to graze at least one month per year on high, remote pastures at least eight thousand metres above sea level.

Conditional or unconditional benefits are possible under the MFN clause, but they are determined on an individual basis. No matter what happens, an unconditional clause is always effective. As long as the recipient country doesn't make more concessions, nobody is obligated to. There must be an equal amount of concessions from both parties when a conditional MFN clause is used. There is a term in the 1911 United States-Japanese treaty that declared that the United States and Japan have mutual respect for each other's sovereignty.[21]

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Chapter 5

International Economic Integration

Increasing global economic interdependence is achieved by the reduction of trade barriers and the alignment of monetary and fiscal policies, all of which are part of the process of economic integration. Economic theory holds that the global economy benefits from markets running in harmony with minimum government intervention. Economic integration is compatible with this notion.

Countries' economies are becoming integrated through a process known as "economic integration". Another word for it is globalisation, which simply refers to the connectivity of businesses and commerce across countries. According to this definition, an economy is a system for allocating limited resources through a network of interrelated activities. There is a market system in place in all of today's economies. The economic forces of supply and demand disperse these limited resources in a market-based economy.[1]

In the past, economies were considered to be different for each area or nation, with each country operating its own independent economy and staying mostly disconnected to others. A shift of economic power from one country to another is facilitated by globalisation since it allows the flow of goods, services and capital across borders.

In today's world, no economy is completely independent of the rest. In the vast majority of cases, commerce is good for everyone. Specialization and trade are possible across countries with different levels of comparative advantage.[2]

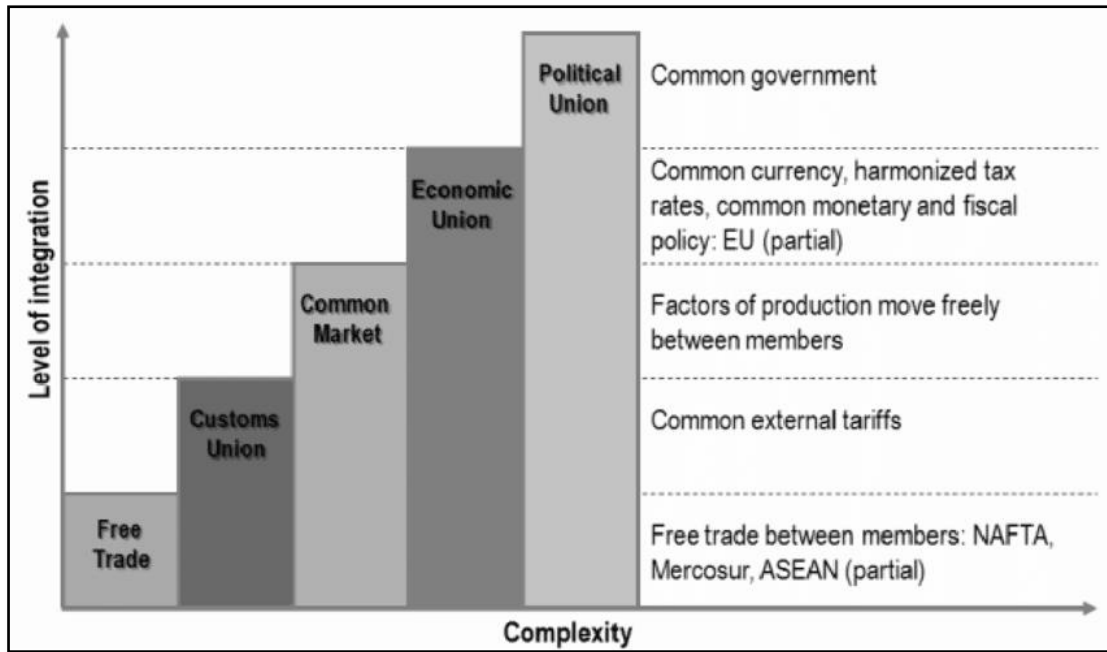


Figure 5.1

Stages of Economic Integration

Numerous economists and officials anticipate that economic integration will benefit all economies. There are seven steps in economics that lead to complete economic integration:

1. Area of Preferential Trading
2. Zone de libre-échange
3. Union douanière
4. Affluent Market
5. Economic Cooperation Union Economical Monetaria



Figure 5.2

Integrated Economic System

A preferential trade area (also known as a preferential trade agreement, PTA) is a commercial bloc that offers member nations preferential access to specified products. Cutting tariffs but not abolishing them is the way to do this when it comes to economic integration, this is the first step.

To put it another way, tariffs are reduced to zero in a free trade zone. The following list does not include advanced forms of a PTA, such as free trade zones, customs unions, common markets, economic unions, customs and monetary unions, and economic and monetary unions.[3]

Multilateral

- Organization for Economic Cooperation (1992)
- Integrated Preferences System
- GSP (Global Preference System for Trade in Development) (1989)

- Latin American Integration Association (LAIA/ALADI) (1981)
- The Melanesian Spearhead Group (MSG) (1994)
- A set of rules for conducting trade negotiations (1973)
- South Pacific Regional Economic and Trade Coordination Agreement (SPARTECA) (1981)[4]

Bilateral

Hundreds of bilateral PTAs have been signed since the beginning of the twentieth century. Canada International Policy Economic Research Chair's TREND [6] database covers around 700 bilateral trade agreements.

- The European Union and ACP nations, first via the economic components of the Cotonou Deal and later through the Everything But Arms (EBA) agreement
- This includes the following matches: • India-Afghanistan 2003 • India-Mauritania 2007 • India-Nepal 2009 • Chile 2007 • India-Mercosur 2007 (2009). (1991)[5]

What is a Free Trade Area?

- If a group of nations develops an economic partnership through a free trade agreement, such area is known as a free trade area (FTA). Trade obstacles, such as tariffs and import restrictions, are the primary goals of the FTA.
- Countries that want to establish economic ties with each other by signing free trade agreements are doing so. There are specific duties and levies that are imposed on Member States for imports and exports under the agreement.
- Export goods are the opposite of import goods - producers in a single nation sell their products to foreign purchasers. Import goods are things created in one country and transported to another country and eaten by the people of that country's citizens. Their differences are more than just superficial.[6]



Figure 5.3

1. Free trade area

Trade agreements between nations in a free trade zone (FTA) foster economic cooperation between the participating countries. Free trade in products and services between members of the FTA is the primary goal of the agreement, which is aimed at eliminating trade barriers, including tariffs and import quotas. A When two or more nations want to formalise their economic ties and agree on trade regulations, they enter into a free trade agreement (FTA). It's up to the Member States to determine the exact tariffs and duties that will be charged on each other.

Products imported from other nations are known as imports, and they are shipped to the destination country where they are eaten by locals. Exports, on the other hand, are items produced inside a single country and sold to customers outside. In many respects, they are similar, yet they are not.[7]

2. Customs union

A Customs Union that resembles an FTA lowers tariffs for its members while simultaneously imposing a single foreign tax on products imported and sold to countries outside the union. • When it comes to international trade, an FTA is more regulated than when it comes to customs unions (bureaucracy).

3. Single market

As a result, the single market works deeper and more effectively than the customs union. In the group, everyone understands that every product is fit for sale, distribution, and consumption since it was produced by everyone else in the group.

With a single market, residents of all member states may work anywhere in the EU without fear of being discriminated against because of where they live or where they are from.[8]

Complete economic integration is the highest level of economic integration possible. There is no or little impact on economic policy from the integrated components, including full monetary union and near-total fiscal harmonisation, until economic integration is complete.

This type of economic cooperation is more widespread among nations than supranational agencies. The first thirteen colonies of the United States, which may be considered as a collection of strongly connected, quasi-autonomous nation states, are a good illustration of this. A federalistic governance system may be expected in this situation, as a single economy needs political unification.[9]

Advantages of a Free Trade Area

The free trade area has several advantages, among them:

- 1. Increased efficiency:** In order to keep up with its rivals, a country's efficiency can only be improved by joining a free trade area. Improved products and services are therefore more affordable.
- 2. Specialization of countries:** During times of intense rivalry, countries tend to produce the commodities and services that they are best at. In order to maximise profits, one must make optimal use of available resources.
- 3. No monopoly:** Competition among countries encourages them to focus on making their own products and services more efficiently. When resources are used wisely, profit maximisation may be attained

- 4. Lowered prices:** Competition always results in lower pricing for consumers, and this is especially true when it occurs on a global basis.
- 5. Increased variety:** Because imports are now more reasonably priced, buyers may select from a greater variety of goods. Many nations with other partner countries cycle through the stages listed above. There is no better illustration of economic unification than the European Union (EU).[10]

European Union Involves the Following

- Germany
- France
- Sweden
- Spain
- Italy
- Switzerland

Numerous additional EU member states exist, making up a total of 27 separate nations. However, each nation has its own boundaries, laws, and systems of governance, which are unique from one another. Economically, the 27 nations are one, with free trade between them and a unified monetary and fiscal policy.[11]

Benefits of Economic Integration

With more economic integration, nations may specialise and trade freely, which is good for everyone's economy. Cost reductions and a rise in overall wealth are the outcome. As the cost of doing business is cut, the economy is made more efficient. In a well-functioning economy, resources are allocated to where they are most needed.

When economies are integrated, workers may move freely between countries. Working abroad typically entails navigating the complexities of visas and immigration regulations. Workers can migrate freely across countries as a result of more market expansion and technological interchange, which ultimately benefits all economies.

As a final result, political cooperation is made easier, and political disagreements are reduced to the bare minimum. Trade wars and even

military confrontations are common causes of economic losses in political disputes, resulting in astronomical costs for everyone involved.[12]

Drawbacks of Economic Integration

People who believe their country is superior than others, known as nationalists, are opposed to economic integration. Using protectionist policies to appease nationalists can result in tariff increases and a reduction in global free trade.

The dissolution of national central banks is one of the most noticeable results of economic unification. There is a loss of national sovereignty and an external entity is responsible for the central bank. External control becomes an issue when attempting to coordinate monetary and fiscal policy across numerous nations.[13]

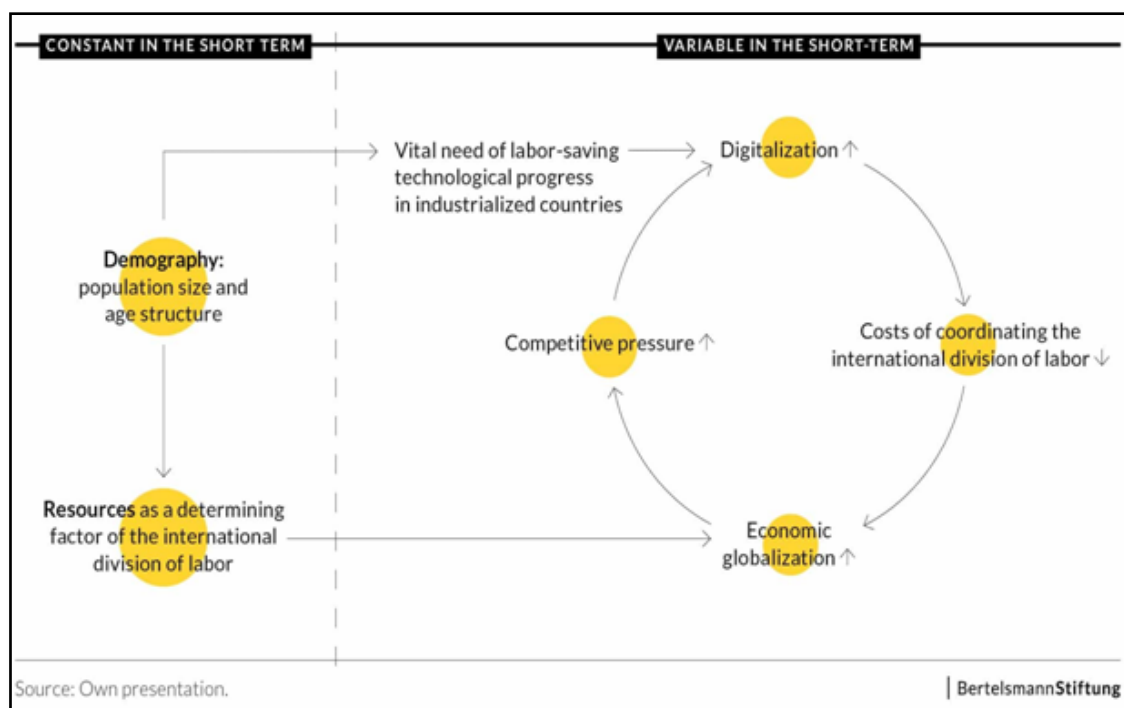
Globalization and International Trade

The interrelated character of our world is the result of a myriad of intricate economic transactions, social and environmental issues, and international political partnerships and conflicts. The media is full with reports regarding the state of the world's economy on a daily basis. Ethanol (a form of fuel that contains an additive generated from maize) subsidies by American officials are widely believed to have contributed to the present high level of grain prices across the world, especially in the US. There is evidence that China's meteoric ascent to prominence as a major exporter of manufactured products has had an effect on salaries around the world, wealthy and poor alike. By expanding global production networks like Microsoft, Intel, Toyota and General Electric into new affiliates in numerous countries around the world in order to produce increasingly complex goods that can be sold anywhere in the world, these corporations have created global production networks that share technological knowledge across locations. There's a good chance that major cultural goods, like the latest Hollywood movie or the most recent jazz band CD, will need a global team of creatives to record, mix, and edit their many components.[14]

International trade, investment, and the provision of specialised services are all made possible because of the seemingly insignificant effort of designing and manufacturing and then marketing a new product like an

elegant woollen men's suit. At a large fashion house like Armani or Hugo Boss, designers work on suit designs, which is a very creative process. There are a number of potential providers for raw wool, including farms in Argentina, New Zealand, and Scotland. Woven textiles are then made from the yarn that was spun from the wool. This is done in low-wage economies like Vietnam and Bangladesh, both of which are known for their textile production. Afterward, the textiles are delivered to manufacturing facilities, where they are mixed with additional materials, including as buttons and zippers, to produce clothes of the greatest quality. China, Malaysia, and Mexico are the most probable candidates for this sort of labour, and the companies engaged are more likely to work as independent subcontractors to several stores than as affiliates of a single retailer. These countries have higher productive economies. The products are subsequently shipped to high-end department shops and specialised retailers, as well as generic trade businesses, which may offer them at discount or outlet stores further on down the road.[15]

Figure 5.4: Stylized connection between demography, digitalization and economic globalization



There are many important aspects of international trade and investment that can be gleaned from this simple storyline. In most cases, brand-name companies are not involved in manufacturing at all. Instead, it is up to them to design products that entice customers to pay a premium

for both quality and style. The management of the global supply chain does not feature highly on their priority list because they are primarily concerned with creating new designs.

A number of outsourcing companies specialise in supply management, which means they become an important player in the process of getting suits from raw wool to finished products. Li & Fung Limited, a Hong Kong-based sourcing company with offices in dozens of rich and poor countries and global revenues of more than \$14 billion in 2008 is one of the most notable examples. 1 Subcontractors in a variety of industries work together to produce products that meet the requirements of their clients. The fact that most Americans, Canadians, and Europeans have never heard of it is an excellent example of a multinational enterprise. Finally, the flow of wool from New Zealand to Vietnam, the flow of yarn from Vietnam to Mexico, and the flow of garments from Mexico to the United States and Canada for final sale are all described in this example.[16]

It discusses the underlying causes and effects of this massive globalisation of economic activity, which includes everything from trade to investment to offshoring to the globalisation of knowledge. An excellent starting point for this journey is to look at the history of contemporary globalisation. Globalization is a result of a wide range of factors.

Globalization can be defined in a variety of ways, depending on the context in which it is being discussed. The term has a simple meaning for international economists, but it has important implications. Market integration and interdependence occur when economic transactions across national borders bring together markets in different countries. This is the most concrete definition of globalisation.

These transactions can include the purchase and sale of tangible goods, the provision of various services, the purchase and sale of financial instruments, the establishment of multinational manufacturing facilities in foreign countries (a process known as foreign direct investment, or FDI), the movement of temporary and permanent labour, and the transfer of technological information. Individuals, trade between unrelated businesses, transactions within multinational corporations, and governments can all be involved in these transactions. What makes these

transactions happen and how they are organised is an endlessly fascinating question, and this book attempts to answer both of those questions.[17]

Identifying the sources of globalisation, the channels through which transactions are carried out, and the effects that globalisation appears to have on national economies are all important considerations.

Before anything else, take a look at the origins: what is it that causes economies to become more integrated over time? All three of these major factors, which have contributed to the recent expansion of global interdependence in financial markets, preoccupy most economists.

As a starting point, governments have decided to become more integrated by gradually decreasing their prohibitions on international commerce in products and services, as well as their barriers to foreign direct investment. Small groups of wealthy nations began working together after World War II to cut their tariffs, or import duties, via discussion and renegotiation. Beginning in the late 1940s, this process has been ongoing.[18]

The General Agreement on Tariffs and Trade (GATT) (GATT). 2 This organisation has been around for about 50 years, since it was finally founded in 1994. Nearly every nation in the world is now a member of the World Trade Organization (WTO), which mandates that members limit their tariffs and engage in periodic discussions to eliminate trade barriers. Two of the quantitative obstacles to trade liberalised by GATT and the WTO were import quotas and government procurement favouritism, respectively.

Members of the World Trade Organization (WTO) have lately began opening their markets to foreign providers of certain services such as transportation and commerce, as well as insurance and financial services. Overseas corporations can now invest in developing and developed nations with less restrictions. Firms may now easily establish their affiliates in nations with the best combination of labour skill sets, public infrastructure, natural resources, and other criteria that attract FDI.. Foreign direct investment (FDI) is no longer viewed as a threat by developing countries, but rather as a potential source of economic growth.[19]

This is owing to the fact that FDI frequently brings with it new employment and improved technologies.

The World Trade Organization (WTO) has not been solely responsible for reducing trade and investment barriers. Many countries realised that removing trade barriers may result in large economic efficiency benefits, as well as increased consumer welfare and growth prospects, so they opted to do so on their own. They were also obliged to do so by international agencies like the International Monetary Fund and the World Bank. In the 1990s and 2000s, a number of regional preferential trade agreements, such as NAFTA between North America's three major trading partners and MERCOSUR between South America's four largest trading partners, helped reduce trade barriers. Tariffs on intra-regional trade and special investment obstacles are both eliminated by these agreements in general.

International trade has seen a huge reduction in transportation costs since the 1950s, which is an important second contributory element. ³ When a product is being shipped across international borders from a manufacturing facility, there are several costs to consider. Expenses for intra-exporter rail or truck travel are also included. Those nations that have invested in roads and other transportation infrastructure have experienced a considerable reduction in these expenses over time.[20]

It's also critical to have well-functioning marine and air ports. Shipping costs Sea ship trade has been boosted by the increasing use of containers for the transportation of huge quantities of securely packed goods. The huge cargo planes of today also have strong jet engines that allow them to transport vast quantities of cargo by air, especially where speed of delivery is a concern.

Additionally, the freight charges of shipping firms and the insurance premiums to cover losses if the items are damaged or destroyed during transit affect the cost of transportation.. Containerization's lower costs have been countered in recent decades, however, by a lack of competition and exorbitant fees in the marine business. ⁴ That means that the rate at which products are exchanged has grown dramatically, since air freight now accounts for a larger portion of global trade than it did even only 20 years ago.

Commercial loans from banks, which are used to pay for short-term expenses and subsequently returned when exporting businesses have paid for the commodities they deliver to importing enterprises, can also affect shipping prices. When the global credit crunch struck in 2008 and 2009, the number of trade loans fell sharply, resulting in a major reduction in international commerce. According to a March 2009 research, 47 percent of banks cut the quantity of letters of credit (short-term loans) issued for exports between the end of 2007 and the end of 2008. 5 Commerce financing must quickly recover if the global trade in goods is to avoid another slump.[21]

The third main source of technical progress that binds international economies closer together is globalisation, and one illustration of this is the decrease in transportation costs.. Exemples abound, and they're all around us. Customers from Toronto may now talk to technical support staff in Kuala Lumpur about their PC, which was built in Texas and shipped to Mumbai. Consumers may now easily search the Internet for attractive goods and services offered by firms all over the world, thanks to sophisticated computer programmes on their computers and other devices. Instead of spending hours on the phone with a travel agent and hundreds of dollars on plane tickets, a family may now secure accommodations for their international relatives and save hundreds of dollars every transaction.

The same is true for companies looking for high-quality industrial inputs and suppliers that leverage complicated information networks between organisations to find worldwide sources.

Significant technical advancements emerge from sources that go beyond telecommunications and software. The quality of a company's products may be improved and differentiated by investing in research and development. International product diversification and quality improvements provide customers more choice, just as people want to buy more items made in their own countries. Observe the wide variety of wines available at local stores from all around the world.[22]

Manufacturers and service providers, on the other hand, gain from better and more unique input supplies from a wide range of global suppliers, which lowers their costs or boosts earnings. You might take a look at a Boeing 747 passenger airliner as an example. Boeing relies on inputs from more than 200 vendors, many of whom are situated in various

countries, to build this jet. Boeing, for example, is involved in R&D in order to develop new goods. Later in the book, this symbiotic relationship between technological advancement and product diversity is important to the expansion of global trade.

An example of this may be seen in Boeing's use of outsourcing, which involves procuring inputs and services from companies outside the ultimate manufacturer. As a specific kind of outsourcing, offshoring, or using suppliers and subcontractors from countries other than the originating firm's headquarters location, helps to globalisation in several ways. To put it simply, offshore is the process of dividing a product's manufacturing into separate phases, which are subsequently carried out by unconnected companies throughout the world. This is what goes in and this is what comes out.

It has become easier to do worldwide business thanks to the rise in technology and the reduction in trade restrictions. International commerce in products and services; portfolio capital movements; foreign direct investment; contracts for technology; and migration of labour to and from the country are examined here. Thus, residents and businesses from around the world may do business with one another. These people are the ones who make it feasible for countries to integrate their marketplaces.[23]

Several countries' recent economic development patterns are highlighted here. Table 1.1 demonstrates that nominal per-capita gross national income rose dramatically between 1980 and 2007, about the most recent phase of considerable globalisation (GNI).

PPP exchange rates, which adjust each country's currency value relative to the US dollar to reflect the underlying costs of consuming a certain basket of goods and services, are used to compute these values, which are adjusted to the closest tenth of a dollar.⁶

When it comes to property prices and salary levels in the United States as an example, To account for the greater cost of living and lack of import competition in Western Europe, the PPP rate lowers per-capita GNI in those countries. PPP rates are used in this region. Due to low labour and land prices in most emerging nations, however, local services are quite inexpensive. Per-capita GNI rises as a result of the PPP rate in these nations.[24]

Two columns of data demonstrate that the US average family income climbed from \$12,150 to \$45,840 between 1980 and 2007. In terms of real income and buying power, this translates into a 4.8 percent annual gain. The other developed economies in the table showed comparable percentage rises. It was because of this that the incomes in Asia's growing nations increased rapidly. Both Singapore and South Korea witnessed their average yearly gross national earnings more than ninefold increase, hitting \$47,950 in Singapore. So much so that calling these nations "developing" is no longer accurate. Inventors and manufacturers of cutting-edge technology hail from both nations. With an increase in nominal average income of 22 times, China's nominal average income climbed during a 27-year period in the highest nominal average income rise documented. There was a rise in India's roughly sevenfold

Real GDP growth, which accounts for changes in domestic production capacity over time as well as nominal income growth, are both critical. Interestingly, the US output growth averaged 3.1 percent, making it the greatest among wealthy nations. Despite the fact that the 1980s had fast development and the 1990s and 2000s saw relatively sluggish growth, Japan's yearly average growth rate was 2.3 percent in 2007. Mexico, Brazil, and South Africa are the three countries with the slowest growth rates in the world (Asia).[25]

Over the previous 27 years, China's real economic growth has averaged 10%, which is a historically high level. Korea, Singapore, and India were not far behind.

These data reveal a slew of intriguing details. Growth rates vary greatly among nations. In general, emerging economies are anticipated to expand faster than developed economies, partly because they are catching up in terms of access to technology, money, and education. A gradual convergence of incomes occurs as a result of the catch-up economies' increased production and income. East Asia's economy are rising at a tremendous rate, there is no doubt about that.. Globalization and economic growth may not be directly linked, but facts like these pose an important issue concerning the relationship between these two phenomena. International trade and investment have been shown to boost the economy of many countries.

In order to shed light on this matter, we'll look at global economic patterns.

Globalization and Trade

It is also vital to know what items are exchanged and how they affect the economy. Facts concerning the international trade volumes and patterns of a few chosen nations will serve as the starting point for this investigation. Table 1.1's fourth and fifth data columns indicate the merchandise trade, which is the total of all commodity exports and imports divided by GDP. Using this method, you may determine a country's level of openness to foreign commerce. While many other factors influence the proportional magnitude of international trade exposure, nations that decrease their trade barriers should anticipate this ratio to grow over time.[26]

Most nations have seen an increase in the value of international commerce, as seen by these numbers. Trade in commodities rose from 17 to 23 percent of GDP in the United States, as one illustration could illustrate. Consequently, we might infer that international business has a far higher proportion in employment, income, and consumption than it did in 1980. In Canada, this proportion rose from 48 to 61 percent. It's easy to see why these two countries have such vastly different trade volumes. Canadian and American economies are vastly distinct.

In terms of exports, smaller countries tend to rely more on them, whereas larger economies have a wider range of products and services to choose from. Canada's main trading partner is the United States, according to the forecast. In Mexico, where the trade to GDP ratio increased by 2.7% over this time period, the storey is similar. When NAFTA was signed in 1995, Canada and Mexico both saw a huge boost in commerce.[27]

From 48 to 72 percent, German exports grew throughout this time span, whereas UK exports decreased. The proximity of key European Union commercial partners to this country is one factor contributing to the rise (EU). International trade significance also depends on the distance to markets. Because of Japan's size and physical isolation from key markets in North America and Europe, this is a significant consideration. Large distances also have a big influence on the trade of Australia. Australia.

Using Singapore as an example, the country's merchandise exports and imports total more than three times the country's gross domestic product (GDP). It's because Singapore has traditionally been a hub of entrepot commerce, which means that items often arrive in Singapore and are rapidly transferred abroad after a little local processing. To reach nations like the United States or Japan, goods are transported via Singapore from Indonesia or Malaysia. As a result of these transactions, Singapore generates trade flows. A transshipment site like Hong Kong, China's special administrative territory, is available for Chinese commerce.[28]

China's figures are once again remarkable. China became the world's largest trading nation when it joined the World Trade Organization in 2001. Trade in China's goods has grown from 20% to 68% of the country's GDP since 1980. Taking into account the brisk

A far quicker growth in commerce is expected as a result of this change in policy. The trade-to-output ratio in India has more than doubled. As trade barriers have been eased, global economic activity has risen dramatically in both countries throughout this time period as well. There is little doubt that the arrival of these two nations, which have exceptionally substantial labour forces involved in export manufacturing, has altered the global competitive scene in recent times. Exports and imports for 2007 are shown in Table 1.1, with goods (including agricultural, mining, and manufacturing items) and services (including financial and professional services) representing the two major facets of the trade balance. To emphasise the fact that many services are offered on a local level and do not transcend international boundaries, economists often refer to these products as "non-traded." Trade in services such as transportation, tourism, business and engineering services, as well as electronic offshore to contact centres, is becoming increasingly essential. Patients from one nation can go to another for a less priced surgical procedure or specialised therapy. Since the 1990s, the pace of this change has been astronomical. Furthermore, overseas students pay tens of billions of dollars each year in tuition to attend American colleges and institutions.[29]

On an annual basis, the US trade imbalance was \$858 billion in 2007, with the US exporting \$1.162 trillion worth of products and receiving \$2.020 trillion in commodities. Amidst all the talk about trade imbalances, economists point out that trade in services should also be

taken into consideration in this context. As a result, the United States had a service surplus of \$120 billion, which left an overall current account deficit of \$738 billion. In 2007, Germany was the world's top merchandise exporter and had a huge trade surplus, despite the fact that its services trade with other nations was virtually balanced. China also exported more items in value terms than the United States, as a result of its enormous workforce and industrial capacity. The fact that China is a major importer of both products and services, however, is less generally recognised than it should be.

International commerce has increased significantly in the first 10 years of the twenty-first century, as shown by the figures 1A, 1B, and 1C. “For the three countries shown in the figures, we can see a progression of goods exported, imported, and the trade balance through time (Figures 1A through 1C). With a combined value of almost \$250 billion in 2000, China's commerce was nearly perfectly balanced. Exports totaled \$1.4 trillion in 2008, while imports totaled \$1.1 trillion.[30]

While aggregate data are intriguing, one of the most essential aspects of our study is determining which items nations choose to export and import in the first place. Essentially, this problem is founded on the idea of comparative advantage, which stems from the fact that certain nations are generally more efficient at manufacturing specific things than others, depending on technical developments, factor endowments, and customer preferences and other characteristics.

Our country's comparative advantage may be roughly measured by looking at the export and import data in Table 1.2.

The latest in commercially sensitive information U.S. exports tend to be specialised in some fields including basic materials and scientific equipment, industrial machinery and chemicals according to the statistics. Resources and forest area are abundant in the first industry, although major capital, engineering, and technological endowments are present in the other two. The bulk of the United States' imports are petroleum, clothing and textiles, and drinks and tobacco. For obvious reasons, manufacturing labor-intensive textiles and garments is no longer economical in the United States, thus a substantial chunk of the sector has moved to developing nations.

Other nations' trading patterns can be compared to ours. the world's largest exporters of primary goods such raw minerals, food and petroleum are Canada and Australia.[31]

Japan, Germany, and the United Kingdom all have export packages comparable to those of the United States, whereas all developed economies import clothes from other nations. With so little natural resources and fertile land, Japan must import gasoline and food. On the other hand, major garment exporters such as Mexico, Brazil, India, and China also specialise in a wide range of other items such as toys and video games. Most industrialised countries export capital-intensive commodities like machinery and transportation equipment whereas developing countries sell comparatively labor-intensive items like textiles and garments. This is according to the World Trade Organization. In light of this reality, sector-based commerce between countries looks to offer major advantages in moving items from lower-cost places to higher-cost locations.

Despite the fact that these estimates are conducted at a high level of industry aggregation, readers should be warned that they may not always be correct. Some nations export some types of transport equipment or industrial machinery while importing others based on their location, while others export some types of these items and import the rest. As a result, this data does not reflect the substantial two-way or intra-industry trade. The significance of this phenomena will be explored in further depth in Chapters 12 and 13.[32]

Foreign Direct Investment (FDI) and Technological Innovation

Even while international trade has grown significantly since 1980, it has been multinational firms' worldwide activities that have led to a rise in foreign direct investment. Here are some examples: between 1980 and 1990 there were high FDI stocks relative to GDP (see Table 1.3). The ratio of a country's sectoral exports, such as transportation equipment, divided by total exports, and the equivalent ratio of sectoral imports, divided by total imports, is used to compute the country's revealed comparative advantage (RCA). For example, an economy with a significant overall trade deficit tends to lower exports compared to imports in all sectors. This adjustment effectively neutralises this reality. Therefore, comparing the export-to-import ratio across industries will be incorrect. For an economy to have an export specialisation, the RCA must be more than one;

otherwise, the economy has a lower-than-average net exports in that industry. If it's less than one, the industry has more net imports than average, suggesting a disadvantageous position. Table 1.2 shows the ratios of export and import industries, which range from much above one to well below one.[33]

2005.8 An investment in a foreign company's affiliates and subsidiaries within the country is known as "inward stock," whereas an investment outside is known as "outward stock." Capital stock at the assembly plants owned by Honda Motor Company, for example, is counted as part of the company's inward calculation. Microsoft is a Seattle-based private enterprise with research and distribution centres all around the world.

Between 1980 and 2005, foreign direct investment (FDI) grew significantly, according to Table 1.3. FDI stock into the United States has risen from 3% to 13% of GDP, showing a major expansion of MNE activities there. In fact, in 2005, almost 5.7 million employees in the United States worked for foreign firm affiliates. 9 Direct employment by American affiliates overseas totaled approximately 11 million jobs, a rise from 7.8% to 16.4% of US GDP. However, it wasn't just restricted to North America that this spread occurred. Foreign direct investment in Canada nearly doubled, while inbound investment in Mexico surged by a ratio of 7.6 as a percentage of the country's total output. In Canada and Mexico, most of the growth may be ascribed to the consequences of NAFTA, which has promoted North American production rationalisation and investment from abroad.[34]

Foreign direct investment (FDI) ratios rose significantly in all three European economies.

As a result of decreasing investment barriers in Europe and the inclusion of Eastern European nations in the European Union, these changes are partly a reflection of globalisation in production both inside and beyond Europe. It's no coincidence that firms from the United Kingdom, Germany, France, and Switzerland have all relocated their manufacturing to Eastern Europe to avoid paying higher wages in the United States and Canada.

Outward FDI from Switzerland is greater than the country's yearly GDP, which makes the country's predicament extremely noteworthy. Switzerland is a classic example of a tiny, rich, and highly trained nation that is home to design-intensive and technology-intensive enterprises that outsource a large portion of their manufacturing. The city-state of Singapore has developed as a fascinating alternative to this model. Foreign direct investment (FDI) flows into the country at a rate 59 percent higher than its GDP. A considerable number of Singapore-based multinational enterprises (MNEs) are really the result of global corporations from the United States, Japan, and Europe establishing regional headquarters in Singapore. Depreciation has further diminished the value of previous investments, which is what a stock is made up of. FDI's effects on current output and employment can be better understood by looking at the stock of investments rather than just the current year's investment flows.[35]

An in-depth look into US FDI and MNE activities may be found on the Bureau of Economic Analysis's website.

When it comes to foreign direct investment (FDI), Japan stands apart from the rest of the developed world. Even in Japan's domestic market, global MNEs continue to be a point of controversy for policymakers in both the country and the United States. 10 It's unclear why this is the case, despite the strong obstacles to foreign investment and takeovers. South Korea's numbers may be larger, but the country's economic resources are limited.

In comparison, China and India's inland FDI boom during this time period was exceptional. Even in businesses and locations where international ownership was almost non-existent in 1980, formal ownership limits were significantly eased. 11 Taiwan, Malaysia, Canada, Australia, and other nations with large Chinese heritage populations are major contributors to this investment in China. These individuals have been successful in establishing East Asian industrial networks centred on China.[36]

Additional information on intellectual property rights such as patents and trademarks as well as royalty and licencing fees is also included in Table 1.3. International rights to sell and licence technology for machine tools and electronics, as well as wind power, are significant for high-tech German corporation Siemens. A large rise in these flows, as can be

observed, reflects a global growth in both MNE- and non-affiliated company technology transfer throughout the period under study. Net income from new technology is a huge benefit to the United States, which is the world's largest producer of new technology.[37]

International Migration of Labor

Additionally, the number of people moving around the world to find work has increased significantly since 1980. A standard measure of international human integration, the percentage of a country's population that was born outside the country, is shown in Table 1.4 for the four main destinations. Immigrants from outside the United States now account for 12.6 percent of the population, up from 6.2 percent in 1990. In recent decades, the majority of these individuals have come from Central and the Caribbean, Eastern Europe, East Asia, and South Asia. Construction workers, farmers, retail employees, highly trained medical personnel, and software engineers are all examples of people with less education and training than these individuals. Legally, most of them enter the country under a certain visa category, but illegally, many can cross the border several times a year.

A higher standard of living is sought by the vast majority of migrants, with the exception of those with political motivations. See Prestowitz for details (1988). A former US government official's book was alarmist about Japan's growth, which seems odd in light of the country's subsequent economic problems.[38]

Immigration is strictly regulated in every country, despite the fact that the United States and Canada are among the most open in terms of law. Australia has a long history of migration, with recent flows mainly coming from Asian developing economies. There was a small increase in the population's percentage of non-natives as a result, from 21.1 to 23.8 percent. At least in terms of legal immigration from outside the EU, the United Kingdom and Germany are more restrictive than the United States. However, while the UK has long allowed significant immigration from former colonies, Germany's guest-worker programmes have allowed migrants from Turkey and southern Europe to enter for many years.. More recently, EU members have agreed to relax restrictions on immigration from all over the EU, resulting in large influxes into the more prosperous countries in the union. Both the United Kingdom and Germany saw a

significant increase in the percentage of foreign-born residents from 1990 to 2005, as shown in Table 1.4.

Table 1.4 is misleading because it implies that migration from poor countries to rich countries is common. Mass migration is also taking place within developing countries, but this time it is due to people hoping to find better jobs and living conditions. In India, the Philippines, the Persian Gulf, Zimbabwe, and Lesotho all have large populations of Bangladeshi workers. Central Asian Russia also has a large population of workers from Bangladesh. International labour migration is, in fact, a world phenomenon in and of itself. Effects of Globalization

International transactions are highly controversial because they have a significant impact not only on the well-being of countries but also on the well-being of individuals. The way society uses resources and makes decisions is also fundamentally altered. The purpose of this section is to provide a general overview of some of the ramifications, rather than provide in-depth analysis.[39]

Economists generally support free trade, or the complete opening of markets to foreign competition via trade and investment. International free trade allows countries to focus on the products and services for which they are most productive, which is based on the basic logic of competition. Specialization boosts national output and income through trade, which is impossible in small, isolated countries like China and India. What would happen if every single state in the United States were not engaged in trade with the rest of the country? Nebraska would be without oranges if it didn't produce its own wheat, as Florida would be without wheat. Furthermore, if Italian investors were prevented from using Swiss brokers, the European financial sector would become more fragmented and unproductive than concentrated and efficient. For international economists, the foundation for their claim rests on the simple but powerful concept of specialisation. Chapter 18 explores the economics of labour migration in light of globalisation.[40]

Every country has a different standard of living. Concentrating production in areas where one has a distinct competitive advantage helps countries become more productive.

This is just one of many reasons why countries that openly trade with other countries will reap the benefits of globalisation. Customers have access to a wider range of products than would be possible in a domestic market. In addition to lowering the household's overall consumption costs, this process expands the quality and price options available to customers. Local businesses benefit from increased productivity as a result of having a wider range of input options available to them.

As a result of globalisation, the number of markets into which domestic producers can export their goods grows, giving them more opportunities to benefit from globalisation. The lifting of export restrictions in 1993 resulted in substantial income gains for Vietnamese rice producers, as well as a significant reduction in rural poverty and child labour. 13 A third advantage is that foreign competition can aid in the breakdown of domestic monopolies, bringing prices closer to the cost of production and thus benefiting customers. [41] 14 By opening their telecom markets to foreign competition, many developing countries have seen an increase in the variety of services available to their citizens. This means that inefficient domestic firms are often forced to reduce their output or even close their doors if they cannot invest enough in greater productivity to compete with global firms. There are many economists who believe that allowing workers and capital to be used in more productive ways is a good thing because it frees up resources that could otherwise go to waste. 15 Innovation and competition have created the global equivalent of that well-known concept of "creative destruction" as a result of globalisation.

In addition to FDI, licencing, and imports, all of which have a high information content, globalisation benefits us. Foreign capital goods may be more cost-effective than domestically produced ones. International corporations and licenced partnerships often bring new technology and better production methods to domestic businesses. It's possible for spillovers to occur when engineers switch jobs or multinational companies share technical standards with their input suppliers, for example. 16

The well-known study on Turkish trade liberalisation by James Levinsohn lends credence to this assertion (1993).

It has recently been shown that the proposed opening of Tunisia's closed service sectors will result in large welfare gains of this kind. Please check out Konan and Maskus for more information (2005).[42]

According to Keller, there is a thorough examination of this issue (2004).

International labour migration, economists point out, generates significant economic gains. People from places like Mexico, Central America, Africa, and South Asia move to countries like the United States and Germany, where they can earn significantly more money than they could back home. 17 Million of dollars and euros in remittances are sent by migrants to relatives back home, providing a vital source of income and assisting low-income families to save and build productive assets in their home countries of origin. Global workers' remittances in 2005 topped \$100 billion in value, greatly surpassing the amount of help moving from affluent countries to impoverished countries. 18 Ten percent of gross national revenue in five Latin American nations is believed to have been generated through remittances from overseas workers. One of the advantages of migration is that skilled workers may transfer their skills to their new locations. Foreign software developers are in high demand in American IT firms, for example.

Free trade and investment have several advantages that have been shown in numerous nations. There are a lot of economists that strongly support globalisation and oppose any attempts to slow down the trend toward tariff reductions and investment liberalisation [43]

The fact that many individuals have lost their employment as a result of import competition or outsourcing, or that entire towns have been devastated by the closing of manufacturing companies that were their primary employers, should serve as a warning to consumers. Many experts at non-governmental organisations believe that farmers in developing nations are unable to compete with agricultural subsidies in Europe and the United States (NGOs). Because of this, farmers are being forced to abandon their land, which in turn leads to more rural poverty, say these analysts.

Increasing trade and investment leads to a rise in economic activity, which leads to pollution and contributes to climate change, as highlighted by others. Indeed, a growing number of prominent economists are

debating whether global free trade is doing more harm than benefit 20. Winters (2004), for example, predicts that governments in industrialised nations might boost their limits on internal movement of both skilled and unqualified temporary workers to 3 percent of their workforce and earn \$150 billion in global welfare benefits. In Chapter 18, the implications of migration are thoroughly examined. References: Clarke, Jennings (2005).¹⁹ Examples include Jagdish Bhagwati's *In Defense of Globalization* and Martin Wolf's *Why Globalization Works* (2004).

Is globalisation taking things to an extreme? via the eyes of Dani Rodrik (1997) both *How can trade improve development* by Joseph E. Stiglitz and *Fair trade for everyone* are major works along the same vein (2005).

As a result, globalisation is a powerful and intricate phenomenon with several causes, propagators, and effects. International commerce and factor flows must be analysed systematically and advanced to give a solid foundation for studying this complexity. As an example, trade and technological change may significantly alter the income distribution among different worker groups, geographical areas, nations and continents. People who can manufacture high-quality exports benefit from an open economy in the long term. It tends to deteriorate the number of people and areas producing tight competition with imports, intra-FDIs and migrants to commodities and services. It appears that in many developed and developing nations, the effects of these influences tend to increase economic inequality.[44]

Furthermore, globalisation has been often criticised for interfering with the attainment of profound social preferences because of growing international interconnectedness. For example, a country or town may find its culture more influenced by worldwide practises that appeal to the majority of customers, yet some may find it unappealing. Consequently, both France and Canada have rules in place to keep their cultural sectors, notably Hollywood and American television, from being overrun by foreign media like films. Peru, India, and other developing countries have lately passed legislation to protect local plant resources, traditional folklore, and cultural practises from foreign enterprises. [20]

Others worry that, despite the benefits it brings economically, globalisation brings people from all over the world together, which has the

potential to transmit issues more swiftly over the world. Influenza A, sometimes known as "swine flu," is a prime illustration of this trend.[45] A more pressing issue is the spread of financial crises' effects across the economy. The global financial crisis of 2008-2009 began in the United States when a housing bubble burst, but it quickly spread throughout the world as a result of globalised investment markets. Some countries worry that globalisation is forcing them to adopt policies they don't necessarily agree with or support. The World Trade Organization's norms or those of other international organisations may need such a modification. To recruit multinationals and lower manufacturing costs, governments might use them competitively. "bottom-up" tax and environmental policy races are often stated to accompany investment globalisation, although it is not clear whether this is true. 22 Is it possible for globalisation to succeed? Is it possible that the world will become more global?

They argue against the concept that free trade is the best advantageous policy for a country. Even while economists favour free markets, they are unwilling to accept and in some cases openly resist this concept. According to a Wall Street Journal poll conducted in the latter part of 2007,

Whether the US economy has grown more global is a good thing or a negative thing depends on your point of view. Is it a good thing because American firms and employees have been exposed to unfair competition and cheap labour?

As of June 2007, 42 percent of Americans polled thought globalisation was good, while 48 percent thought it was bad. After widespread media coverage of job-offshoring, manufacturing plant closures, growing income disparity, and emerging economic instability, just 28 percent of respondents believed globalisation was good, while 58 percent said it was negative by December. Changing one's mind may happen in a flash.[46]

This raises the question of whether current globalisation is sustainable or whether it will eventually reverse itself as political forces grow against it. It's worthwhile to delve a bit deeper into history to answer this topic. Rapid global integration is unparalleled in breadth and scale because of the importance of information technology and the admission of

massive new populations from China, India, and other developing countries into global competition. It does, however, have a long history.

Globalization has been dubbed "the Third Wave of globalisation" in some circles since the 1980s.

24 The First Wave, which lasted from 1870 to roughly 1915, was just as astonishing as the current era. The industrialised economies of Western Europe as well as the agricultural sectors of the United States, Canada, Australia, and Argentina were particularly hard hit. Commodities sent to Europe in great quantities were common during this time period, as enormous expanses of fresh farmland were opened up throughout the new globe. Crop prices and farm incomes declined steadily throughout Europe as a result, displacing rural labourers. Meanwhile, the cheap wages in the United States fostered the production of labor-intensive commodities such as clothing, footwear, and textiles, helping the country establish itself as an industrial superpower. There were many evictions from land and factories throughout Europe's "old world" in Germany, Italy, Greece, Ireland and Scandinavia, among others. Several of them swam across the Atlantic.[47] Capital from Europe poured into the development of infrastructure such as railways, ports, and industries across North America and Australia. It's hard to overstate the magnitude of these flows. World merchandise exports to global production were approximately 35 percent by 1910, which is nearly the same as it is now; this figure has not changed since. Developing countries including the United States, Canada, and Australia had a foreign capital stock of approximately 9% of GDP at the time. One million immigrants became lawful residents of the United States every year from 1905 through 1914, peaking in 1907 at 1,285,349 people. 25 A similar number of legal residents has been added year since 2000, although in the early twentieth century, this group comprised a far bigger percentage of workers.

There was a comparable transfer of industrial capacity from high-wage to low-wage locales during the period from 1870 to 1915. These years were critical in propelling both the U.S. and Canada's economies forward.

Global integration disintegrated after 1915 as a result of this first wave's rapid demise. There were just 23,068 legal immigrants to the United States when World War II began in 1932, a drop of 5 percent of

world GDP. The explanations were clear and concise. After World War I (1914-1918), many European economies did not fully recover until the 1920s. As a result of the Great Depression, trade, investment, and migration obstacles increased dramatically. [48] When the Tariff Act of 1930 was signed into law in the United States, it was widely regarded as the most notorious occurrence in American history. Tariffs on 200,000 imported items were dramatically increased under this measure, which was aimed at shifting increasing unemployment to foreign labour markets. In response, other major trade partners raised tariffs as well, which some believe hastened the development of the global economic crisis. 26 As a result, major countries restricted the number of visas that may be issued to immigrants.

Protectionism was the order of the day, and as a result, integration was on the decline.

Learning this lesson was a difficult experience for me. Western European countries joined the United States, Canada, Australia, and other industrialised economies following World War II (1938-1945) in order to create a worldwide system of integration that may avoid another similar incident. With the creation of the World Bank, International Monetary Fund, and General Agreement on Tariffs and Trade (GATT), the World Trade Organization (WTO) was founded in 1995, among other things. As a result of the GATT, wealthier nations have been able to lower their tariffs and remove some of the obstacles that prevented investment from flowing. Because of this cooperative attitude, trade and investment surged again. From 1950 and 1980, the Second Wave of globalisation was generated, however the figures were small in compared to those in the present Third Wave.

What can be done in light of this history to reverse the current trend of globalisation? Many things rely on how politicians react to the 2008-2010 economic slump and the impact of rising unemployment and public discontent of wealth inequities. [49] Signs of an increasing inclination toward protectionism, such as increased tariffs in many emerging economies, government buying policies that favour domestic manufacturing, and limits on multinational businesses' ability to take over domestic enterprises in certain nations, were evident by 2009. 27 The failure of WTO members to reach agreement on the long-running Doha Round of trade discussions is arguably the most worrisome symptom.

It is also important to note that there are three key contrasts between today's world and the early twentieth century. This is the first time that globalisation has been genuinely worldwide in contemporary times. Only a few countries in Africa's sub-Saharan region have yet to achieve a substantial degree of trade and investment liberalisation, though. Export markets and foreign technology have made their economies ever more dependent on exports. Globalization makes it more difficult for countries to go backwards. To begin with, thanks to the widespread use of information and communication technology (ICT) and multinational companies (MNCs), worldwide production networks have grown significantly.[50] Consequently, they tend to oppose protectionism rather than support it, as political measures to safeguard employment in one nation are likely to increase operational costs in other countries. According to Chapter 24, the World Trade Organization (WTO) restricts governments' authority to unilaterally establish trade or investment barriers. A big turn toward protectionism will not occur unless that institution falls apart.

What is the WTO?

For the purpose of keeping tabs on international trade regulations, the World Trade Organization (WTO) was established in 1995. After World War II, GATT was superseded in 1947 by this agreement. Agreements signed by the majority of WTO members laid the groundwork for the organisation. To help producers, exporters, and importers safeguard and manage their businesses is the primary objective of the company. A total of 25 "observer" nations and administrations joined Liberia and Afghanistan in July 2016 as WTO members.¹

Trade regulations between countries are enforced by the World Trade Organization (WTO). The organisation serves as a forum for member governments to debate and resolve trade concerns.. The World Commerce Organization's principal purpose is to facilitate trade among its members. The WTO has facilitated more commerce among its members by reducing trade barriers. [51] However, it has also held trade restrictions in place when it is in the best interests of the global economy. Thereafter, the WTO promises to interpret a settlement in case of future disagreements. The WTO acts as an impartial arbiter of disputes in all of its agreements and accords.

WTO General Council appointed Ngozi Okonjo-Iweala as director-general on February 15, 2021. She is the first African-American woman to occupy the position. Her tenure begins on March 1, 2021, and concludes on August 25, 2025. 23 Nothing like negotiations, mediation, or settlement would be possible without the WTO accords. It is these pacts that rule global trade under UN watch. Limits are imposed on a country's government when it comes to future trade policy because of this. All of these agreements protect producers and push governments to meet specific social and environmental objectives... 1 The Pros and Cons of the WTO (WTO)

Both positive and bad consequences have resulted from the WTO's efforts to accelerate globalisation. The organization's activities have boosted global commerce, but at the expense of human rights and local communities.[52] According to the World Trade Organization (WTO) supporters, such as multinational corporations (MNCs), the organisation promotes free trade and lowers trade disputes, which they believe is good for the global economy. Opponents of the World Trade Organization (WTO) argue that it degrades democracy and widens the income gap. Because of weakening domestic industry and increasing foreign influence, the global economy collapsed.

As part of his efforts to renegotiate US international trade agreements, former President Trump threatened to withdraw from the WTO, calling it a "disaster." Trillions of dollars in commerce may have been impeded by the US leaving the WTO. President Obama did not remove the United States from WTO during his time in office. 4

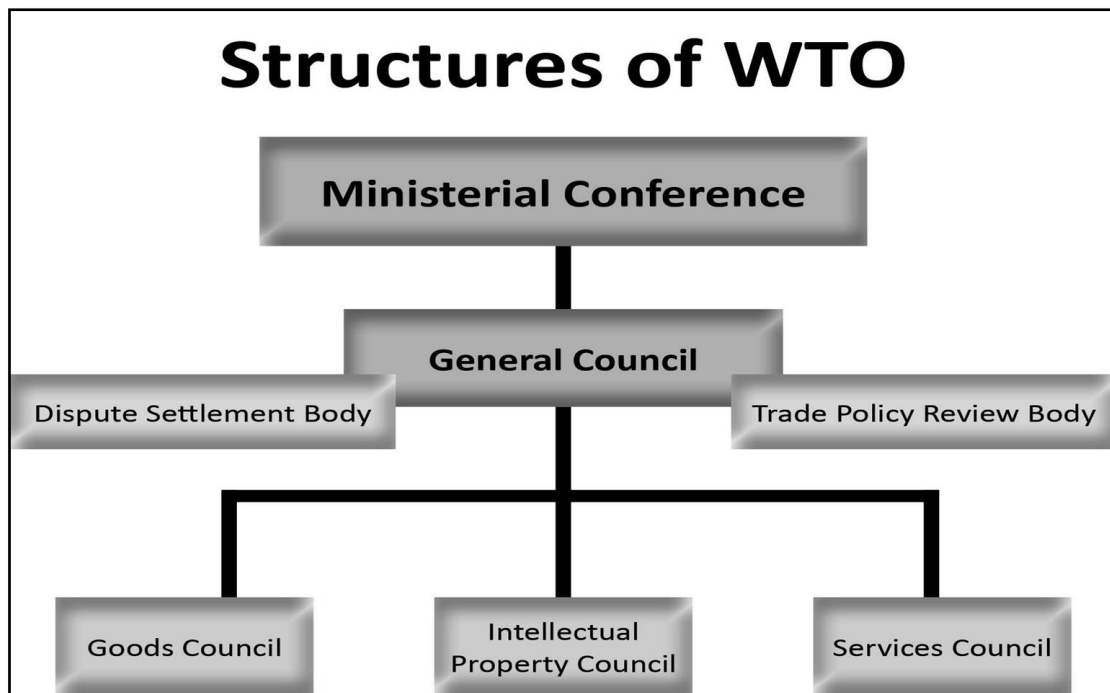


Figure 5.5

IMF

Their ambition was for an agency that would regulate the international monetary system, exchange rates, and payments so that countries and their populations could buy goods and services from each other. They expected this new global institution to maintain exchange rate stability and encourage member countries to remove trade barriers. [53] The IMF was founded in December 1945 with 29 members. (At Bretton Woods, the Soviets refused to join the IMF.) The French were the first country to borrow from the IMF in 1947, its first year of formal operation. In the 1960s, various African countries joined the IMF. Until the fall of the Berlin Wall in 1989, the Soviet bloc countries were excluded from the IMF. In the 1990s, Russia joined the IMF, becoming a member of the executive committee. The IMF now has 187 members, with 24 of those nations or groupings represented on the executive board.[54]

The IMF's Goals are as Follows

1. An international financial institution should be established in order to facilitate international collaboration in the field of money.
2. To promote and maintain high levels of employment and real income, and to develop the productive resources of all members as primary objectives of economic policy.

3. To promote and maintain high levels of employment and real income, and to develop the productive resources of all members as primary objectives of economic policy. Preserve orderly exchange arrangements among members and avoid competitive exchange depreciation.
4. To help in the creation of a multilateral payment system for current transactions among members and the abolition of foreign exchange restrictions that inhibit global trade growth.
5. Achieving confidence among members by temporarily releasing general Fund resources under adequate management, so enabling them to address payment imbalances in their balance of payments without compromising national or international prosperity.
6. To lessen the length and severity of imbalances in members' international balances of payments. Article I—International Monetary Fund Objectives,[55]

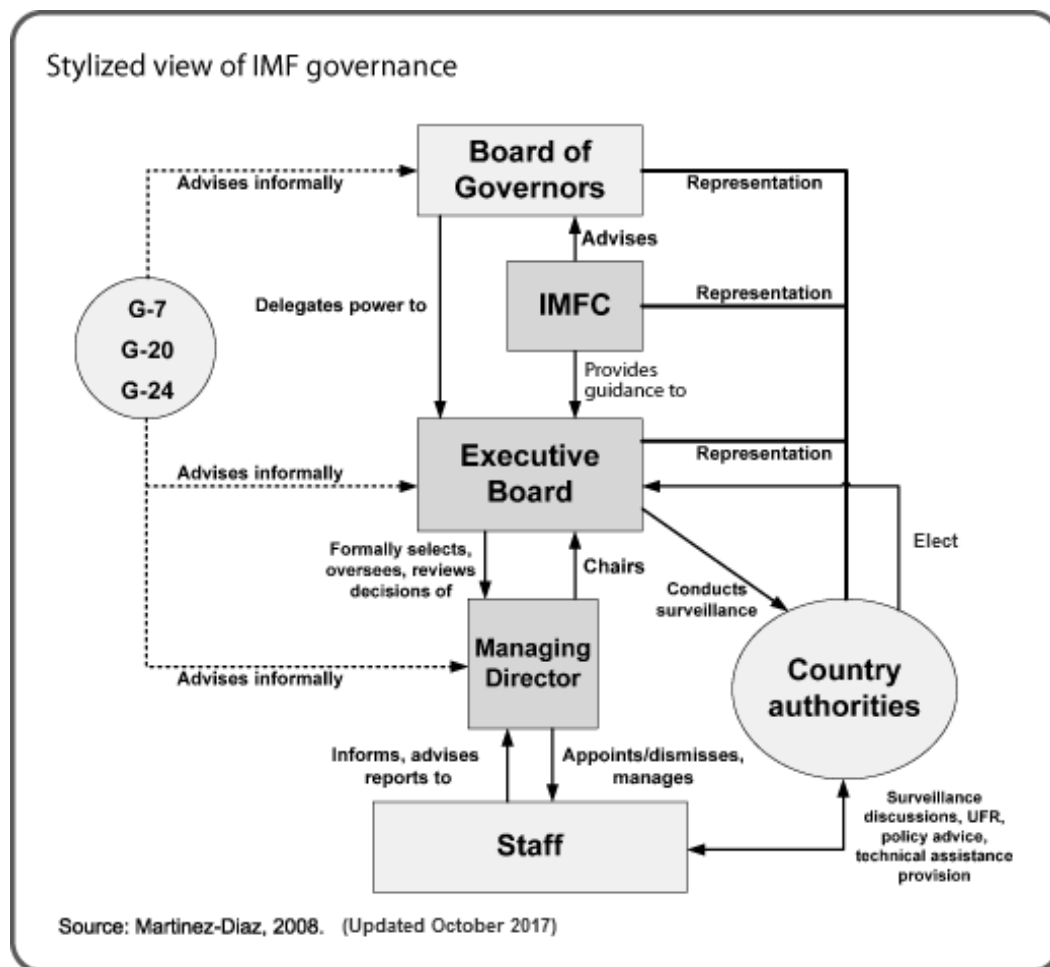


Figure 5.6

Drawing Privileges (SDRS)

To put it another way, an SDR is a form of international reserve asset. SDRs were created by the International Monetary Fund (IMF) in 1969 as a solution to the Triffin paradox. According to the Triffin Paradox, countries that use the US dollar as a reserve currency have less trust in the US government's capacity to convert it to gold. Because of the Triffin Paradox, SDRs were supposed to take over from the dollar as the world's monetary reserve. In the years following Bretton Woods, the SDR idea gained traction. There are four major IMF currencies included in today's SDR value: US dollars, British pounds, Japanese yens, and the euro. SDRs are traded in USD. The International Monetary Fund's executive board analyses the basket every five years, taking into account the currency's importance in international commerce and finance. See the % value of each currency in this graph.

Currency	Weighting
U. S. dollar	44 percent
Euro	34 percent
Japanese yen	11 percent
British pound	11 percent

The International Monetary Fund makes use of the SDR despite the fact that it is not a currency. If you want to buy, sell, or swap SDRs, this isn't an attempt to sue the IMF. SDRs are allocated to countries and are a component of their reserves. Both currencies and Special Drawing Rights can be exchanged between nations. In times of financial difficulty, states borrow SDRs from the IMF and other international organisations, who use them as a standard accounting unit.[56]

Conditions for Loans

The International Monetary Fund (IMF) makes loans conditional on nations implementing specified economic policies, which frequently include the following:

- Reducing the amount of money the government borrows (higher taxes and lower spending)
- Keep the currency steady by raising interest rates.

Privatization, deregulation, and reductions in corruption and bureaucracy (i.e. privatisation)

Austerity measures have succeeded at times, but they always have a political cost because the impact on regular citizens is typically significant. The first scenario in Chapter 2, "International Trade and Foreign Direct Investment," illustrates how the IMF's policies are influencing Greece at the present moment. Some say the loan terms are "based on what is known as the 'Washington Consensus,' which emphasises trade, investment, and financial sector liberalisation, as well as deregulation and privatisation of nationalised businesses." The prescriptive approaches of the World Bank and IMF frequently fail to ameliorate the nations' economic problems because conditions are attached without appropriate respect for the particular circumstances of the borrowing countries. A state's ability to govern itself may also be lost since IMF packages predetermine national economic policy," according to the International Monetary Fund (IMF).[57]

Exchange Rate Reforms

Following IMF intervention in Kenya in the '90s, capital flow rules were removed from Kenya's Central Bank. Corrupt officials might shift money out of the economy more easily as a result of this action, everyone agreed (known as the Goldman scandal). Another example of the IMF's inability to grasp the dynamics of the country with which it was dealing, critics argue, pressing for wide reforms.

Devaluations

IMF-enabled inflationary devaluations were widely derided in the beginning.

Free-Market Criticisms of the IMF

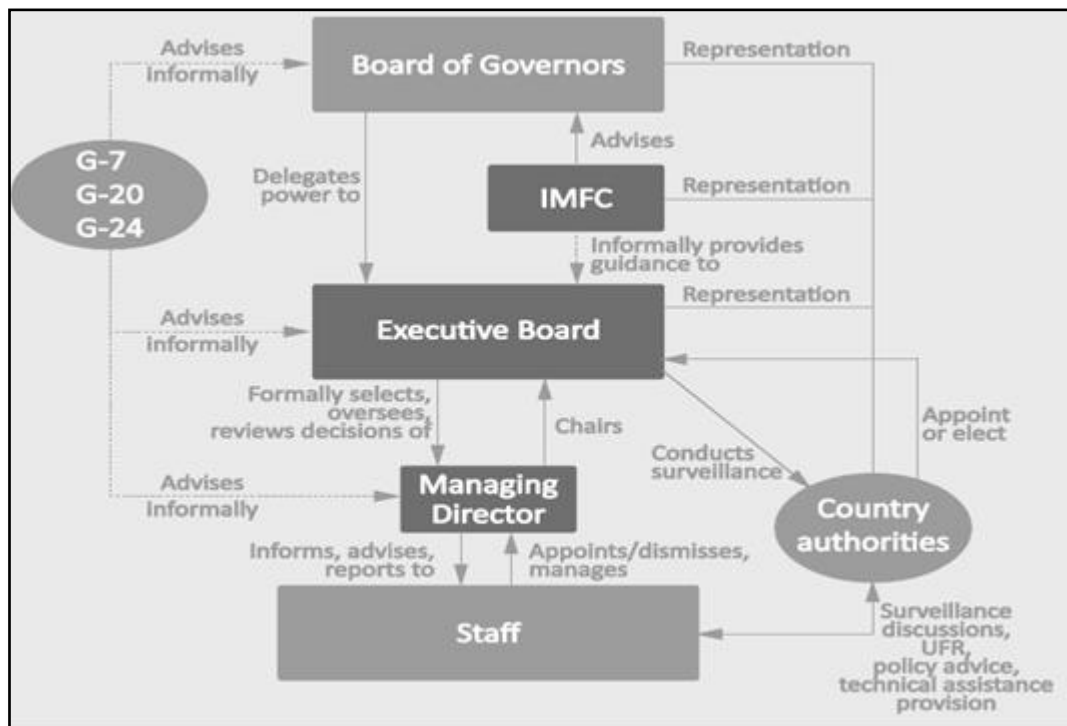
Those in favour of free markets argue that capital markets should be allowed to operate freely. They argue that attempting to influence exchange rates just makes things worse, and that it is best to allow currencies to achieve their market level." Bailing out nations with large debts is ethically risky, according to these critics, since governments that know they will constantly be bailed out would borrow and spend more recklessly.[58]

The IMF has been slammed for "imposing policies without consulting the impacted nations," according to critics.

The Encouragement of Autocratic Rulers

Military dictatorships have been blamed for decades on the IMF.

Figure 5.7: Simplified view of IMF governance



The World Bank and the World Bank Group

At the Bretton Woods Conference in 1944, the World Bank was established. Known as the International Bank for Reconstruction and Development (IBRD), the organization's primary purpose is to support economic growth. Loans were made to Western Europe's war-ravaged economy in late 1945 by the global bank, which was established in 1947. In the wake of these countries regaining a measure of economic independence, the World Bank shifted its attention to providing assistance to the world's poorest countries. Through economic and social advancement in developing countries, the World Bank aims to help the people of these countries lead a better and more fulfilling life.

For 303 projects in poor countries throughout the world, the World Bank gave \$46.9 billion in financial and/or technical assistance.[59]

Currently, the Bank is involved in over 1,800 projects across a wide range of industries and nations. As diverse as microcredit in Bosnia and Herzegovina, AIDS prevention education in Guinea, education support for Bangladeshi girls, improvements in Mexico's healthcare system, the recovery of East Timor's independence, and the reconstruction of Gujarat after an Indian earthquake, the projects are being undertaken there.

As of today, the World Bank is made up of the International Development Association of 1960 and the International Bank for Reconstruction and Development (IBRD) (IDA). One of the World Bank Group's five affiliated organisations is the International Bank for Settlement of Investment Disputes, which was established in 1966 and is part of the IBRD, IDA, the International Finance Corporation, and the Multilateral Investment Guaranty Agency. [60] These new members of the World Bank Group have certain goals in mind. The International Development Association (IDA) typically provides interest-free loans to sovereign-guaranteed countries. Lending, equity, risk-management tools, and structured finance are all available through the IFC. Its goal is to improve private sector investment to aid in long-term sustainable development. Investment in developing nations is a goal of the MIGA. Governments and private investors can use the ICSID to settle their differences and improve capital flows.

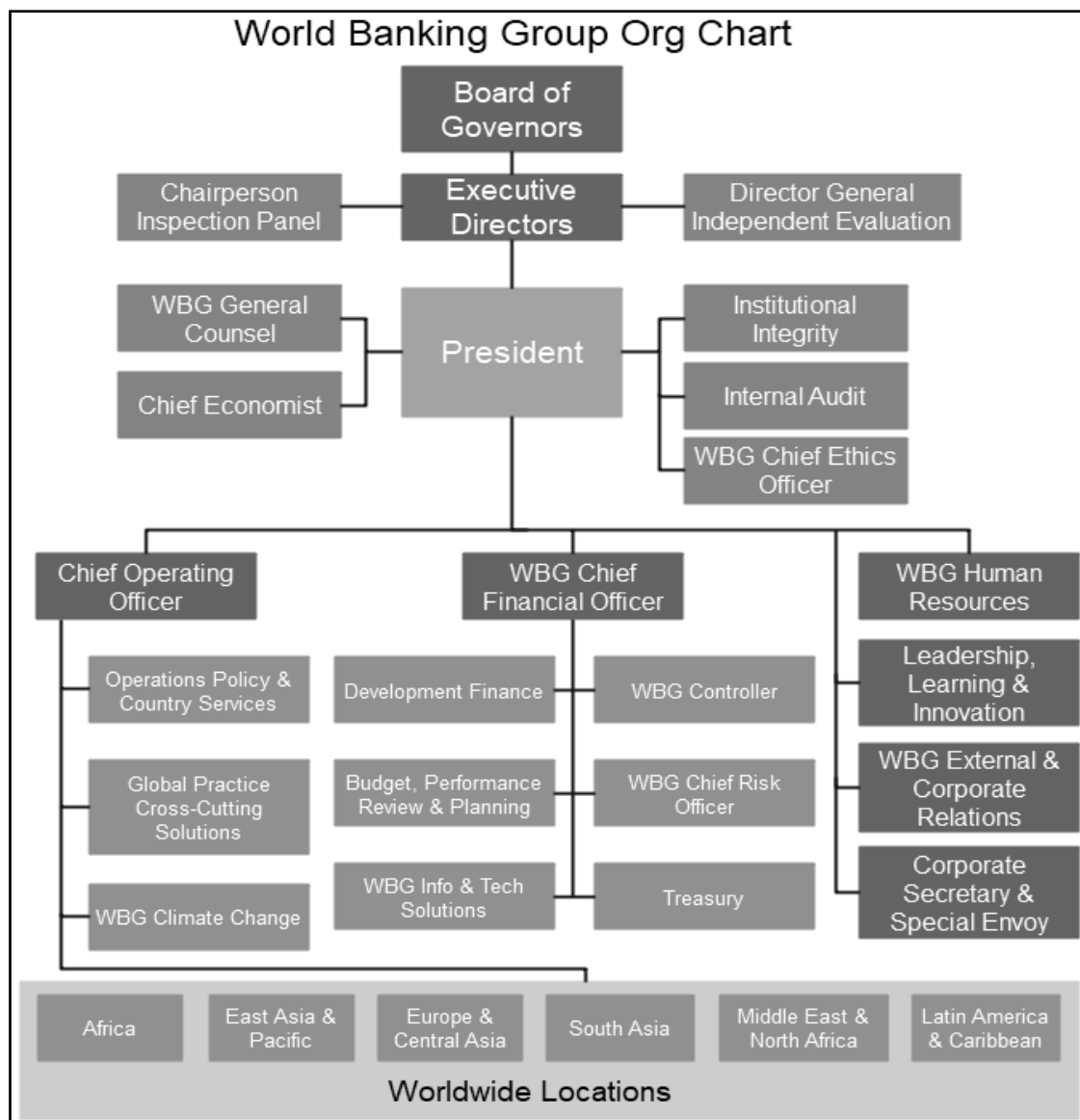


Figure 5.8

The World Bank's Current Main Focus is on Six Strategic Topics

1. The countries with the lowest human development levels. To help the world's poorest countries, especially those in Africa, reduce poverty and promote long-term, steady growth.
2. Post-conflict and vulnerable states. Specific solutions for post-conflict nations and weak states
3. Economies in the centre of the scale. As well as middle-income finance for the creation of customised services

4. Public commodities that are accessible to everyone across the world. Cross-border concerns including climate change, infectious diseases and trade should be addressed at the regional and global levels.
5. The Arab world is a fascinating one. More chances in the Arab world due to increased development.
6. Consciousness and education. Taking use of the greatest information from across the world in order to aid in growth.[61]

The World Bank provides low-interest loans, interest-free credits, and subsidies to poor nations. Under normal circumstances, a guarantee of repayment (also known as a "sovereign") is always present. The World Bank's role is to provide loans for specific projects, not to cover trade deficits. It is imperative that these loans are returned in a timely manner. The International Development Agency (IDA) was created to provide an alternative source of finance. Loans from the International Development Association (IDA) are interest-free and given for decades, with a ten-year grace period before the country receives the money to begin repaying the loan. In the media, they're referred to as "soft" credits since they're so subtle.

In 1947, the IBRD issued its first bonds to raise money for its expansion on the international financial markets. The World Bank typically issues bonds totaling \$25 billion each year. Since these bonds are supported by the combined capital of the Member States as well as the sovereign guarantees of the borrowers, they are rated AAA (the highest possible rating). The AAA credit rating of the World Bank allows it to borrow at low interest rates. Because the majority of developing countries have a bad credit rating, this is a more affordable source of financing. A fee of about one percent covers the administrative costs of the World Bank.[62]

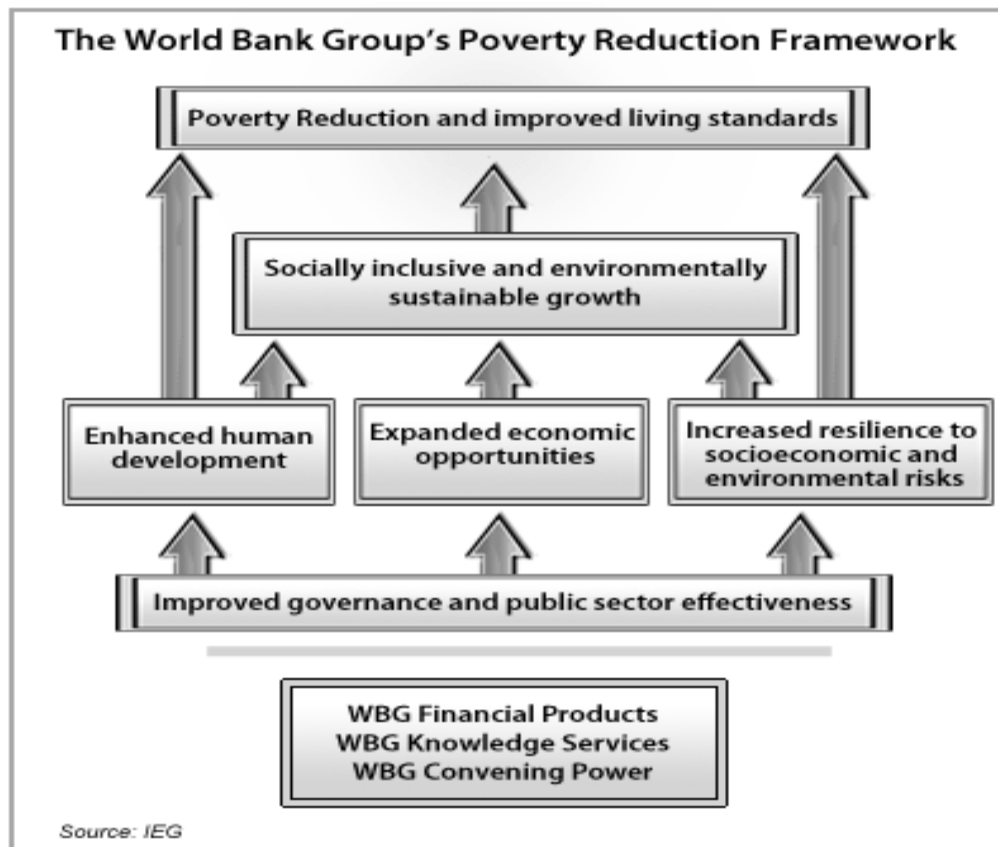


Figure 5.9

What is the World Bank's Current Role and Major Challenges and Opportunities?

- Administrative incompetence. A growing number of detractors allege that the World Bank has gone from being a "lender of last resort" to a "international welfare agency," resulting in an organisation that is "bloated, inefficient, and even corrupt." Apart from that, a rapidly degrading loan portfolio has been caused by the bank's "weak lending regulations."
- Assisting governments that are inefficient or corrupt by rewarding them. The bank's lending policies typically favour macroeconomic inefficiency in the developing world, allowing unproductive regimes to avoid making the kinds of fundamental adjustments necessary to remove poverty in their country in the long term. [63] Many analysts think that the largest parallel is between East Asia's extraordinary riches and Africa's terrible economic position. Although South Korea had a lower GDP per capita in 1950, the two countries were equivalent in 1950. However, the "Pacific Tigers" have been able to

rise out of poverty and into wealth by implementing macroeconomic reforms, raising savings, investing in education and basic social services, and liberalising their economies. Many African nations, on the other hand, have relied largely on international aid from organisations such as the World Bank while deferring substantial macroeconomic changes, which has resulted in predicted but unfortunate results.

With more than \$350 billion handed out over the past 50 years, conservatives argue that the Country's Bank has had nothing to show for it.. According to one study, sixty-six nations that received bank finance between 1975 and 2000 were no better off than they were before, while twenty were much worse off. Niger got \$637 million between 1965 and 1995, but its per capita GNP declined by more than 50% in real terms during that time period. More than six percent growth in Singapore's GDP per capita was achieved with only one-seventh of the World Bank's aid.

- Focusing on large-scale projects rather than small-scale ones. Critics claim that World Bank loans prioritise "large infrastructure projects like dam building and electric power generation above initiatives that benefit the poor, such as education and basic health care." Forests, rivers, and fisheries are often destroyed as a result of these initiatives. World Bank-financed initiatives, it is estimated, have resulted in the relocation of over 2.5 million people. Anti-globalization and environmentalist organisations feel that unsuccessful attempts are particularly instructive: "The Sardar Sarovar project on India's Narmada River was planned to relocate almost a quarter of a million people to inferior relocation locations." Deforestation in Brazil's rain forest has been exacerbated by Polonoroeste Frontier Development.[64]

Because of the dam at Pak Mun, hundreds of people who depended on fishing for a living were forced to abandon their livelihoods and the food of the region was forever altered in Thailand." Corruption among local government officials is also a problem with large-scale projects because of the significant quantities of money required to complete them successfully Another incident happened in 2009, when an internal audit showed that the IFC had "violated its own environmental and social protection norms" when it gave around \$200 million in loan guarantees for

Indonesian palm oil production. As the major greenhouse gas responsible for climate change, carbon dioxide, Indonesia possesses the second-largest natural forest and peat swamp resources in the world.

Due to extensive deforestation, Indonesia has become the world's third-largest emitter of greenhouse gases, owing to its palm oil plantations. .. "Auditors noted that "commercial pressures were allowed to prevail for each investment."

World Bank Deal Making Destroys Rainforests: Lisa Friedman Article The New York Times, 19 August 2009, <http://www.nytimes.com/cwire/2009/08/19/19climatewire-how-the-world-bank-let-deal-making-torch-the-33255.html>, accessed 9 February 2011. However, as this essay will show, these problems are not always as simple as they look.

In response to the audit, the IFC acknowledged that there were "defects in the evaluation process." Palm oil investment in Indonesia has been backed by lenders as a way to alleviate poverty there. Palm oil production, when done in an ecologically and socially acceptable manner, has the potential to sustain a vibrant rural economy, providing jobs and enhancing the quality of life for millions of rural poor in tropical areas," the International Finance Corporation (IFC) claimed. [65]

- Effect on both theory and practise. As one of the two Bretton Woods institutions, the World Bank has a substantial impact on research, training, and policy development. Critics believe that because the World Bank and the IMF are recognised as experts in financial regulation and economic development, their ideas and recommendations will undermine or eliminate opposing development approaches. Is there anything that the IMF and the World Bank are particularly concerned about? Bretton Woods Project, January 25, 2007, retrieved February 9, 2011, from <http://www.brettonwoodsproject.org/item.shtml?x=320869>.
- G7 countries' hegemony. The World Bank's governance structure is dominated by industrialised nations. (and IMF). Some believe that the G7 nations tend to make decisions and implement programmes since they are the major payers, however this is not always the case.

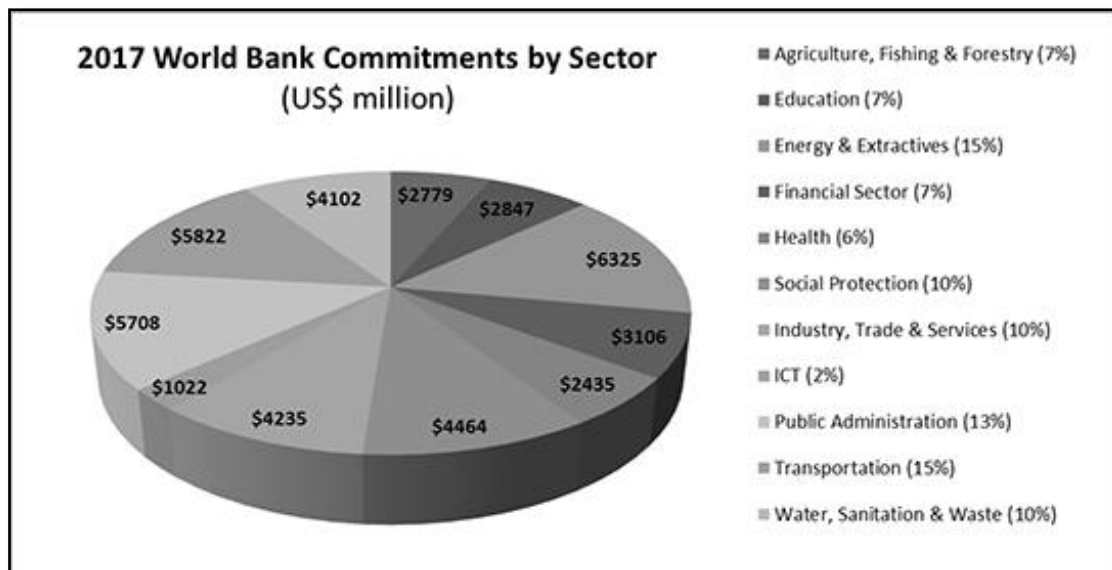


Figure 5.10

Europe's Economic Integration Narrative

Examining the Standard Mammal European economic integration has been steadily increasing between the Treaties of Rome in January 1958 until the Maastricht Treaty in November 1993. Inter-area exchange rate stability was a need of the drive for internal market stability. When the Bretton Woods exchange rate system collapsed, European arrangements (first the "snake" and subsequently the EMS) were used to replace it. The notion of a unified currency, initially proposed in the 1970 Werner Report, was abandoned due to the challenges.

However, this notion reappeared in the late 1980s and early 1990s, when regional integration made significant progress. Stagnant exchange rates and the new regime of unrestricted capital mobility suggested by the internal market prompted discussion of the necessity for a single monetary policy. Germany's Wiedervereinigung provided the necessary political push.[66]

As far as many people are concerned, in terms of economics, the introduction of the euro and the Eurozone was nothing more than a 'cherry on the cake'. In addition, the Delors Report of 1989's suggestions for a more powerful economic and fiscal union were softened down in the less ambitious compromise negotiated in Maastricht in 1992.

Furthermore, in a similar spirit, in 2003-05 the Stability and Growth Pact was toned down from the 1997 form. There was a collective failure in those years leading up to the 2010 Eurozone crisis.

As a result of the euro, European economic integration had a huge discontinuity; the eventual aims of European integration had become far more ambitious than establishing the internal market with a unified currency and monetary policy, implicitly but compellingly.

Even if this basic misconception may be seen as one of the many causes of the Eurozone crisis, it was in reality the crisis itself that accelerated the pace at which European governance reform has been implemented. At last, the Four Presidents' Report of December 2012 acknowledged for the first time that Eurozone governance required the pursuit of four major complementary goals: a more effective economic union, fiscal union and financial union as well as a comparable political union. This was a major turning point in the Eurozone's governance process. However, divergent opinions prevail on the components and depth of these unions.[67]

Measuring European Integration

An EMU-related institutional integration in Europe during the 1950s is depicted quantitatively in Figure 1, reflecting the storey of the previous section (see Dorrucci et al. 2015, including for the methodology). 1 There are two distinct periods of institutional integration in our new monthly dataset: the "Common Market Era" from 1958 to 1993, followed by the "Union Era."

On January 1, 1958, the Treaty of Rome entered into force, and on January 1, 2015, the index reached a cumulative value of less than 76, which is the maximum score for any era. A "new perceived steady state" of integration is not yet attained if the index's total score is less than 100, which would be the greatest possible score if the Common Market and Union Eras' goals were entirely achieved. This discrepancy shows the integration process's remaining distance to 100. 2

Region-by-Region Comparison of European Institutional Integration Index (THE INDEX) For the purposes of this index, we'll be using the traditional taxonomy of regional economic integration (Balassa 1961) to identify five distinct "stages" of market integration.

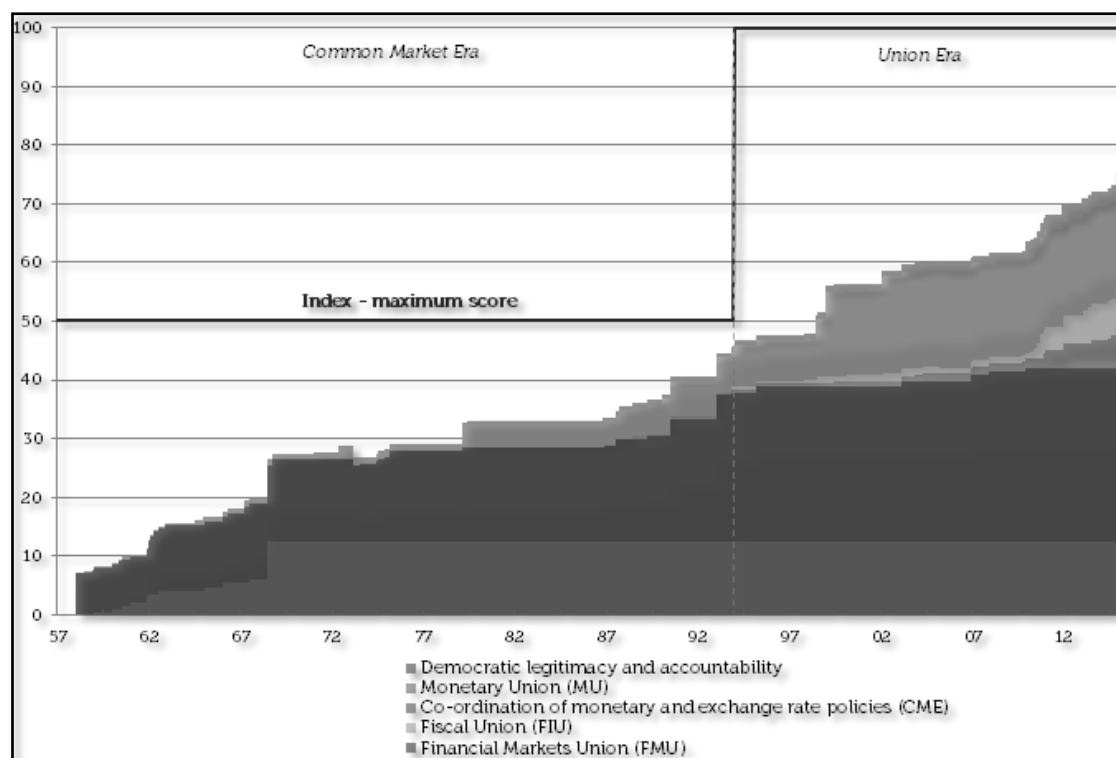


Figure 5.11

The steady growth of the European internal market (stage 3); some coordination, say, of exchange rate policies (stage 4); and a variety of institutions, regulations, and decision-making procedures that may be classified as supranational in nature — to varied degrees (stage 5).

Given the ultimate objective of a fully-fledged common market, this process was nearing completion in the early 1990s, while further effort was necessary (and continues to be required) to finish the internal market.[68]

Also shown in Figure 1 is the considerable pause in the integration process that occurred in 1994, when the second stage of EMU began. This was finally expressed openly in the Four Presidents' Report at the end of 2012, when it became clear that a monetary union was incomplete without these four unions. While the Maastricht Treaty was ratified, nobody could have expected the crisis-driven institutional quantum leap that happened between 2010 and 2014, accounting for 12 points in our score and 16 percent of overall advancement since 1958.[32]

Figure 2: focuses on two times in the Union Era: May 2010 (the commencement of the Greek programme) and January 2015. As a

percentage of the overall EU legislative framework and the Four Presidents' Report end goals, it shows how far the EU's institutions have progressed throughout the Eurozone crisis under each of the Union Era's components. Clearly, the fiscal and financial unions have made the most progress, while the economic union has a long way to go.

Figure 2: During the Unity Era, the EU's economic, fiscal, monetary, and financial unions, as well as its democratic legitimacy and accountability (in percentage of the maximum possible under current EU legislation and the Four Presidents' Report) made significant progress.[69]

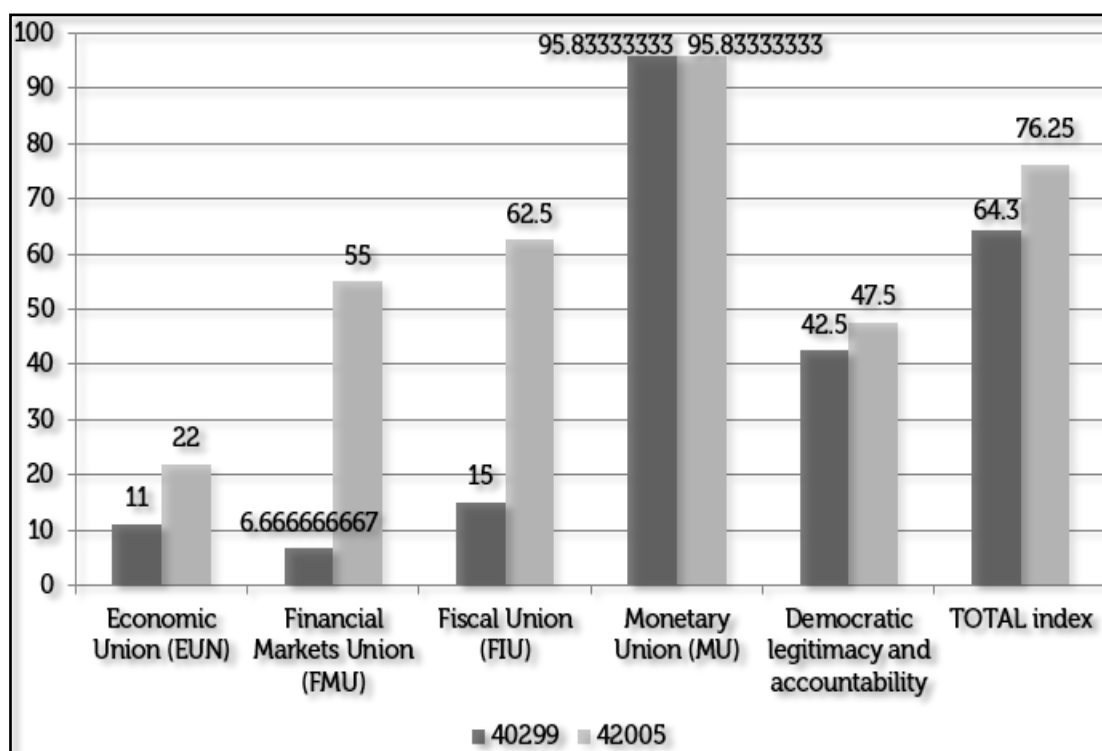


Figure 5.12

Figure 3 displays each index component's current state, including those things in red that have been chosen but not yet implemented. It's possible to draw a few interesting conclusions here, such as:

First and foremost, progress must be achieved on the internal market (see IM bar), both in terms of the single market for services and the mobility of employees (see IM bar).

In addition to the OCA perspective, it's significant financially.

However, monetary union is nearly accomplished, but there is still much to be done in other areas during the Union Era. This is a big step forward, but after all the initiatives previously planned are executed, the bar for financial market unification ('FMU') is expected to rise from the present 55% up to 72% (e.g. bail-in procedures under the BRRD, setting up of the Single Resolution Fund, etc.). However, there hasn't been any more agreement on fiscal unity beyond an early agreement on increased cooperation in taxing the financial sector (FTT).

Four Presidents' Report says that the Eurozone fiscal capacity could be developed and an EU finance minister might be established to take over fiscal supervision in order to internalise the negative externalities of this process and to issue shared eurobonds in the right circumstances. Such aims may or may not be pursued at all.[70]

When it comes to structural measures, the economic union is clearly behind the curve (e.g. via national reform contracts, greater traction of country-specific recommendations, and an EU finance ministry that monitors competitiveness more effectively, see Wolff and Sapir 2015).

Economic surveillance is critically needed as the debate over a macroeconomic stability mechanism for the entire Eurozone continues.. There are no plans to implement any of these measures in the foreseeable future, save for 'EUN.'

A final issue is that political unions are now only seen as an adjunct to other forms of collective bargaining, rather than as a stand-alone activity. This must change.

In our index, 'democratic legitimacy and accountability' (DL&A) obtains a poor score (except from DL&A). Significant effort must be made even within the current restricted scope to stay up with potential advancements in the other three unions.

Using this diagram, we can see how much European regional economic integration has gone over time.[71]

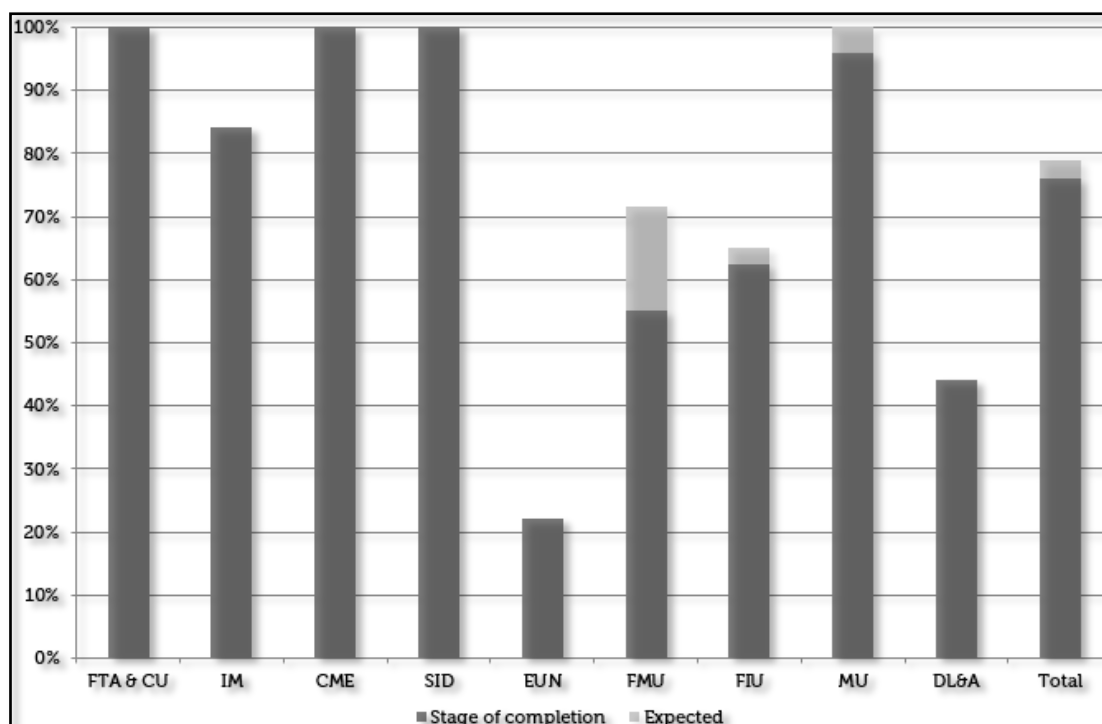


Figure 5.13

Conclusions

Economic integration in Europe has always been gradual and sometimes "forged in catastrophe" (Monnet 1978). We have proven in this article that European integration is a given if and only if the ultimate goals of integration are clearly articulated and understood at the outset of the process.

Even though the establishment of the internal market took 35 years, there was no ambiguity regarding the path towards economic unification at the time. The issue with the Union Era, on the other hand, is that some of its ultimate goals are unclear. As a result of the current high level of national sovereignty pooling, it is necessary to appropriately address the ultimate question of democracy in Europe. There are much less foreseeable outcomes to crises in this setting than there are in the standard progressive strategy. Since 2010, a lot of improvement has been accomplished. It is hoped that 2015 will mark another significant step forward in the improvement of European governance amongst the four EU member states.[72]

North American Industry Classification System

Three NAFTA countries have come up with a new cooperative classification system for businesses in order to make it easier to compare information on economic activity across North American continents. The North American Industry Classification System (NAICS) organises and separates industries based on their manufacturing processes.

The NAICS system has taken the place of the SIC system, making it possible to classify businesses in an economy that is constantly evolving. All North American countries may now be compared using this new way. Every five years, the NAICS system is evaluated to verify that it is still relevant.

The Economic Classification Policy Committee (Bureau of the Economic Analysis, Labor Statistics Office, and the Census Office) includes the Instituto Nacional de Estadística y Geografía in Mexico, Statistics Canada, and the United States Office for Management and Budget. In 1997, the initial version of the classification system was released. The information industry has seen substantial transformations since the previous iteration in 2002. A total of 29 existing sectors were reclassified, divided, or combined to create 21 new industries in 2017.[73]

The North American Free Trade Agreement (NAFTA)

Trilateral trade pact between Canada, Mexico, and the United States is known as NAFTA. It forms a North American commercial bloc with the three countries involved. The agreement came into force on January 1, 1994. The United States-Canada Free Trade Agreement was replaced by this agreement.

The trade bloc's aggregate GDP was the greatest in the world as of 2010. As an addition to the North American Free Trade Agreement, the NAAEC and NAALC have been negotiated as part of the North American Free Trade Agreement Partnership (NAALC). North American Free Commercial Agreement (NAFTA) aims to eliminate trade and investment obstacles between Canada, the United States and Mexico.

Almost half of Mexico's exports to the United States and almost a third of the United States sent to Mexico were free of tariffs as soon as

NAFTA went into effect on January 1, 1994. Only some agricultural exports from the United States to Mexico, which will be phased out over a 15-year period, will be subject to tariff elimination within 10 years of the agreement's implementation. Duty-free shipments between the two countries already account for the vast bulk of bilateral commerce. Additionally, NAFTA aspires to minimise non-tariff trade obstacles and to protect the intellectual property rights of its goods.[74]

Through the removal of tariffs on a wide range of products and services, the agreement set the stage for free trade between Canada, the United States, and Mexico. Tariffs on agricultural items including eggs, grain, and meats were abolished as part of NAFTA. As a result, businesses in North America were allowed to trade freely and import and export a wide variety of commodities.

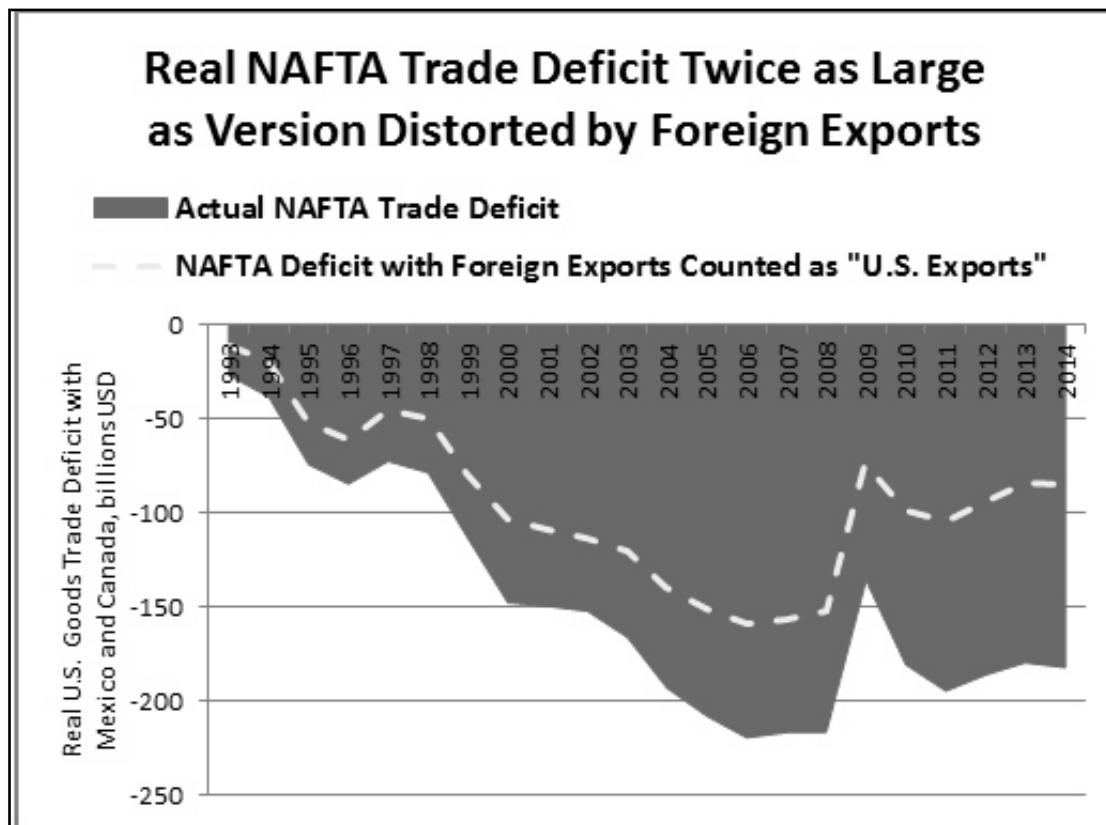


Figure 5.14

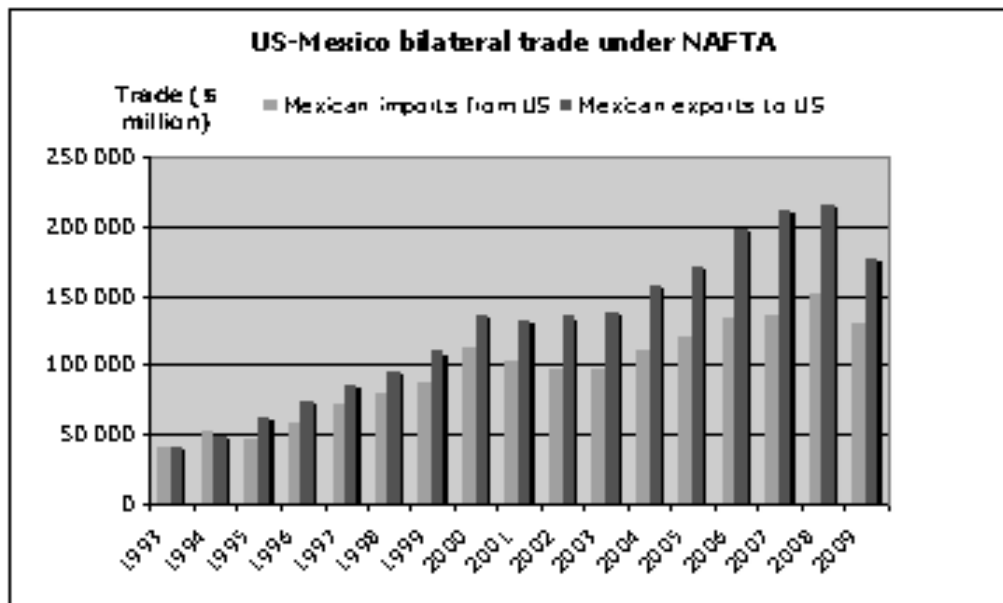


Figure 5.15

Countries that are Members of NAFTA

Countries that are NAFTA Members

To counter the SIC's four-digit structure, this approach employs a six-digit coding hierarchy and divides all economic activity into twenty industry sectors to achieve more flexibility. In contrast to the other fifteen sectors, five of these are mostly manufacturing-based. For each firm, a main NAICS code is allocated that indicates its principal industry. Primary codes are defined based on a company's top-earning code definitions generated at a certain site during a given year.

Using the NAICS code's first two digits, you may identify the business's primary industry and location. The company's industry is denoted by the third digit. With the fourth digit, you may learn more about the company's industry. The company's NAICS industry is represented by the fifth digit, while its unique national industry is represented by the sixth digit.[75]

Advantages and Disadvantages of NAFTA

North American free trade was one of NAFTA's main objectives, and it was achieved by reducing or eliminating tariffs between its three member nations. SMBs in particular profited from the lower expenses and elimination of the necessity for a foreign company to establish a physical presence in order to conduct business there.

U.S.-Mexican or U.S.-Canadian commerce accounted for the majority of the increase, while trade between Mexico and Canada also climbed significantly the nominal rise in trilateral commerce from 1993 to 2015 was 258.5 percent (125.2 percent, when adjusted for inflation). Real GDP (gross domestic product) rose moderately per capita in all three nations, with Canada and the United States leading the pack.

Intangible assets including intellectual property, dispute resolution procedures, and labour and environmental safeguards were included in the NAAEC NAALC) side accords of NAFTA. International competitiveness was enhanced by exporting higher U.S. worker safety and health standards to other nations.

Since the beginning, NAFTA critics were worried that the agreement would lead to the transfer of American employment to Mexico. Tens of thousands of Americans work in the car and apparel sectors as a result of many companies moving their production operations to Mexico and other countries with lower labour prices. Nevertheless, it is possible that NAFTA was not the main cause for all of these developments.[76]

Asia's Regional Economic Integration Trends

Commodities and services, investment and people migration are all part of the process of economic integration. The discontinuity in relative pricing at borders is caused by a variety of factors, including trade barriers, regulatory differences, natural and institutional trade barriers, and disparities in relative endowment. Therefore, trade inside and across borders differs; however, both allow for increased division of labour and specialisation in production. When trade obstacles, such as those imposed by regulations or a lack of information, are reduced, we say that we have achieved "economic integration." This helps allocate resources to the most productive usage in light of the existing technology. When we talk about regional economic integration, we're referring to the free movement of goods and services, capital, and financial resources within a region.

In my opinion, the European Union is on the approach of attaining this degree of interconnection. Trade in goods and services, with some investment thrown in for good measure, has been the primary mode of economic integration in Asia. Trade between ASEAN and its six Free Trade Agreement partners (China, Korea, Japan, Australia, New Zealand

and India) already has tariffs close to zero on products. All non-tariff measures (NTMs), including service and mobility restrictions, remain in force. ASEAN and its ASEAN+1 ally have yet to establish a free movement of people for tourist purposes, which is currently the case within ASEAN.[77]

Figure 5.16 shows that while trade inside the North American Free Trade Agreement is higher than trade within Europe's region, intra-Asian trade is larger than that of the continent (NAFTA). Intra-Asian trade has grown at a far quicker rate than any other RTA between 1990 and 2014, from 45 to 55 percent. Trade between North America and the rest of the world, boosted by NAFTA, peaked in 2002 at 45%, dipped to 35% in 2003, and has been constant ever since. There is the greatest amount of trade between Asian nations in East Asia and South-East Asia (the eleven ASEAN countries plus South Korea, Japan, and China) (i.e. the ASEAN countries). For many years, Asia has seen a lot of intra-regional investment from countries such as Hong Kong and Singapore as well as Japan. Kong among the top five investors.

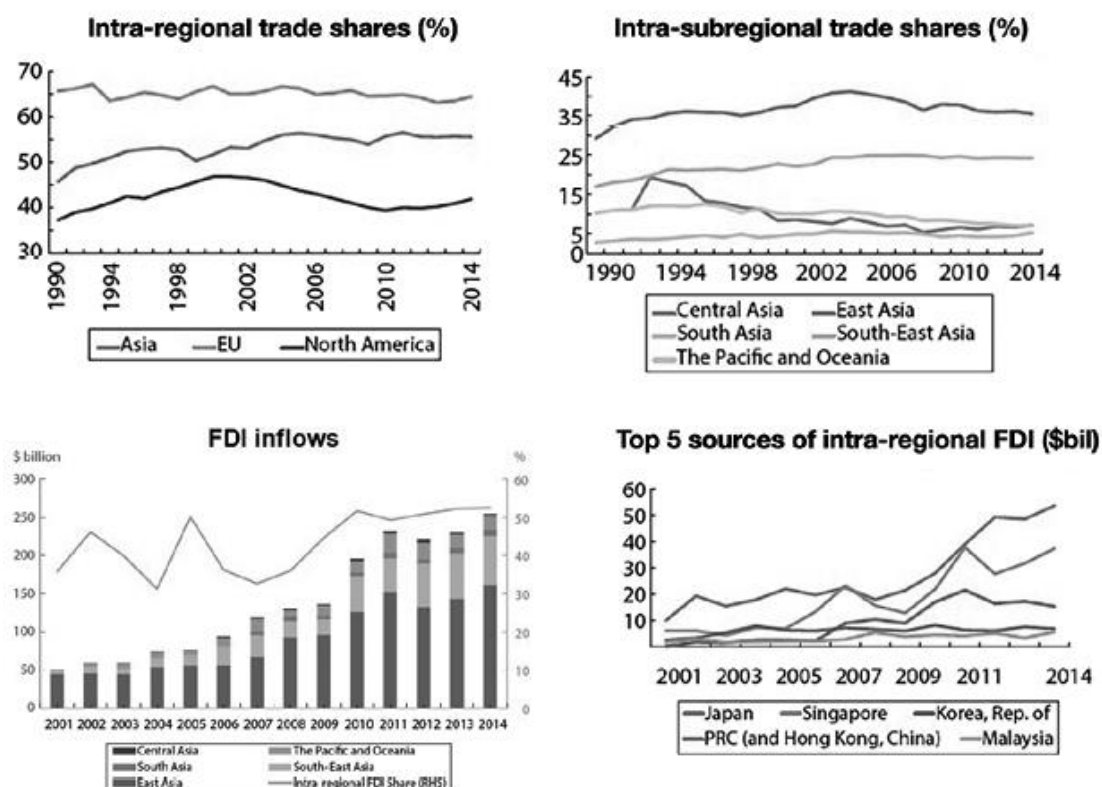


Figure 5.16: High intra-regional trade and investment growth in Asia, particularly East Asia.

Asian Development Bank is the source of this information (ADB, 2015).

Association of Southeast Asian Nations (ASEAN)

Australia's northern approaches are defined by Southeast Asia, which also serves as the focal point of the Indo-Pacific strategic conflict. In terms of our long-term strategic, economic, and international viability, it is very essential. Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam are all members of the Association of Southeast Asian Nations (ASEAN), a group of 10 Southeast Asian nations. Since its founding in 1965, ASEAN's success has contributed to regional peace and prosperity, and it is well-equipped to deal with the most pressing regional problems.[78]

A strong, resilient, and unified ASEAN is supported by Australia Legal and societal frameworks in the ASEAN area are heavily dependent on ASEAN and its many fora. Regular communication and collaboration are made possible by the ASEAN-led architecture, which serves as a foundation for the region's peace and stability. To overestimate how important ASEAN is to regional architecture would be a grave mistake.

First, we became Dialogue Partners in 1974, and in 2014 we became Strategic Partners with ASEAN. There is an agreement between Australia and ASEAN on a 5-year Plan of Action that spans the breadth of our cooperation. ASEAN's cooperation gives us a stronger regional voice. [79] Additionally, it acts as a meeting place for the Australian Prime Minister and his cabinet members to meet with their counterparts in Southeast Asia every year. The ASEAN-Australia Forum, as well as other organisations, bring together officials from the region each year. As a result of reading this article, you'll be more informed about ASEAN. Facts that demonstrate the significance of the Association of Southeast Asian Nations

The ASEAN-Australia Special Summit was held in Sydney in March 2018, and Prime Minister Turnbull was on hand to greet the visiting leaders. Learn more about Australia's ASEAN engagement. When it comes to the importance of ASEAN, it's because we all work together.

A new chapter in our Strategic Partnership will begin in November 2020, when Australia and ASEAN's leaders agree to have yearly summits instead of biannual ones.

Security concerns for Australia and the rest of the Southeast Asian region are inextricably linked. In *Why ASEAN Matters: Our Shared Security*, you may read more about Australia's cooperation with ASEAN to address comparable security issues.

Australia's economic recovery from the COVID-19 epidemic depends heavily on ASEAN, the country's second largest trade partner. Australia's two-way trade with ASEAN nations was \$113.7 billion in 2019-20, exceeding our trade with Japan and the United States. Investment in ASEAN two-way commerce was around \$259 billion in 2019. Regional and bilateral free trade agreements strengthen our close economic connections and provide Australian companies access to the ASEAN Economic Community and its member states. ASEAN is important because of our shared riches, which is why our economic relations with ASEAN are stronger.[80]

COVID-19 has disrupted Australia's connections with Southeast Asia, but the two countries still have a lot of common interests, including migration, educational exchanges, and tourism. Our people-to-people ties with ASEAN may be found here. ASEAN is essential because of the ties that unite us all.

A major contribution to the health and economic security of Southeast Asia is being made possible by Australia's response to COVID-19. As part of our Partnerships for Recovery, Australia has refocused its ASEAN-Australia development programmes to address the pandemic's consequences. It aims to enhance health care, maintain social harmony, and stimulate the economy.

There will be an additional \$500 million in 2020 for economic, development, and security measures to assist Southeast Asia's recovery after Prime Minister Morrison announced them in 2019. Developing a stable, open, inclusive, and resilient Southeast Asia is supported through our regional ASEAN and Mekong development programmes.

To help improve vaccination and health security in the Pacific and Southeast Asia, Australia has given \$623.2 million from 2020. Vaccine access and quality monitoring will be supported with about \$400 million of this commitment, including the \$100 million Quad Vaccines programme for Southeast Asia.

These significant donations add to Australia's robust response to the epidemic in ASEAN. More than \$83 million in cooperation activities were planned for 2020, including the hosting of a Special ASEAN-Australia Foreign Ministers Meeting on June 30.[81]

When the SAARC Charter was signed on December 8th, 1985, in Dhaka, it officially began the South Asian Association for Regional Cooperation, or SAARC.

To begin, a regional cooperation framework for South Asia was first proposed in November of that year (1980). Following discussions, the foreign secretaries of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka met for the first time in April 1981 in Colombo. In 2005, during the 13th SAARC summit, Afghanistan became the organization's first new member state.

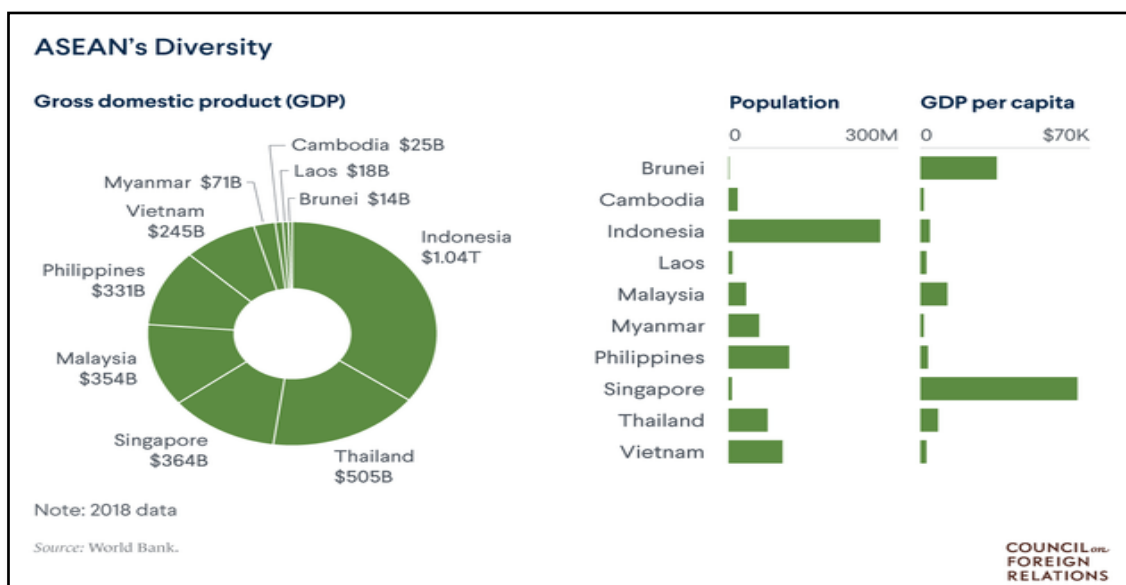


Figure 5.17

The Association's headquarters and secretariat are located in the Nepalese capital, Kathmandu.[40]

The Following are the Guiding Principles of SAARC Cooperation

O Recommendations for international relations based on the values of sovereign equality, territorial integrity, political independence, and mutual gain.

O bilateral and multilateral collaboration will not be replaced but will be strengthened as a result of such cooperation.

O Such cooperation must not conflict with bilateral or multilateral duties.[82]

Members of SAARC

- SAARC comprises of eight member States:

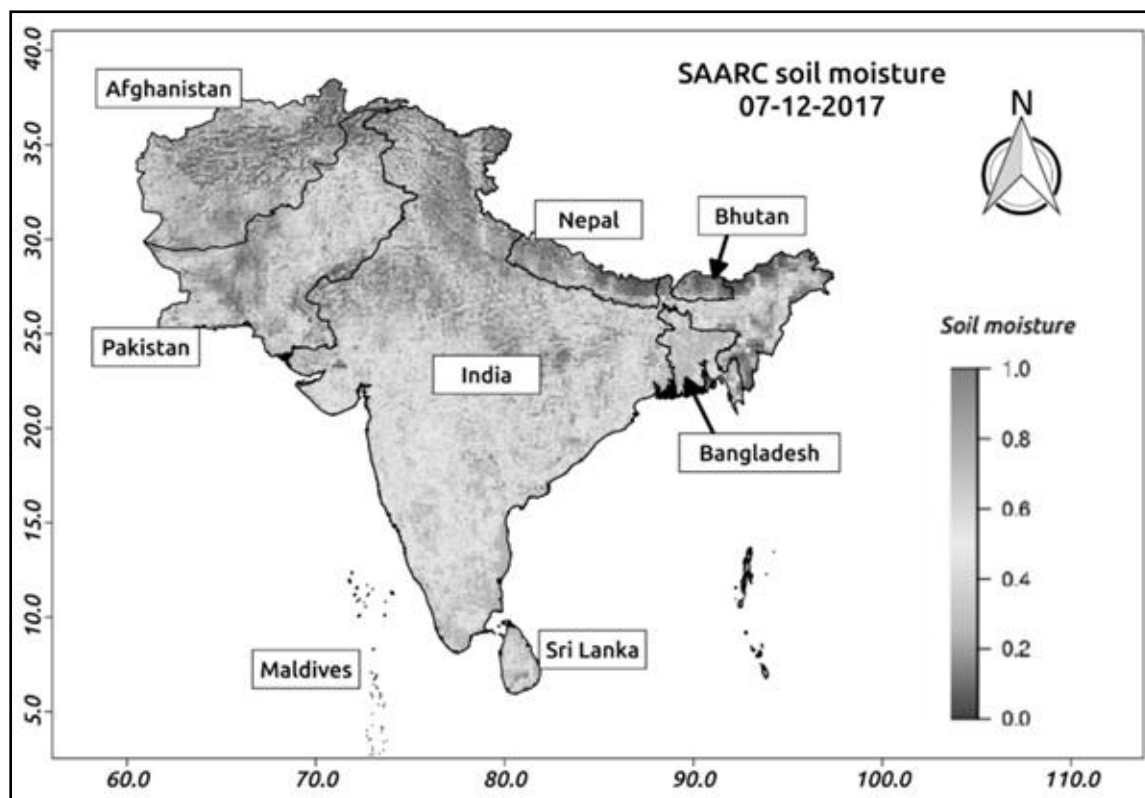


Figure 5.18

- Afghanistan,
- Bangladesh,
- Bhutan, India,
- Maldives,
- Nepal,
- Pakistan,
- and Sri Lanka

At the moment, SAARC has nine Observers: I Australia; (ii) China; (iii) the European Union; (iv) Iran; (v) Japan; (vi) Republic of Korea; (vii) Mauritius; (viii) Myanmar; and (ix) the United States of America.

Areas of Cooperation

Investing in Human Capital and Tourism Development of Agriculture in Rural Areas In the fields of economics and commerce as well as financial management In the field of social welfare

Access to Information and the Reduction of Poverty Science and technology, as well as energy and transportation. Education, safety, and culture, among other concerns[83]

The Goals of the SAARC are as Follows

- To increase the well-being and standard of living for the people of South Asia.
- To promote the region's economic, social, and cultural growth, and to guarantee that all people have the chance to live in dignity and fulfil their full potential.
- To help South Asian countries become more self-sufficient.
- Add to the sense of mutual respect and comprehension of each other's difficulties.
- To promote active cooperation and mutual assistance in the fields of economics, social science, culture, technology, and science.
- To strengthen ties with other emerging countries.[84]
- International and regional organisations with similar goals and objectives are encouraged to engage with the United States and other countries on problems of mutual interest.

Principal Organs

Governmental Leaders Gathering

Summit-level meetings are typically held once a year.

Permanent Committee of Foreign Secretaries of State

Overseeing and coordinating all projects, as well as allocating resources and authorising funding are all duties of the Committee.

Secretariat

SAARC was established in Kathmandu on January 16th, 1987. Among its responsibilities is serving as a liaison between SAARC and other international organisations, as well as overseeing and managing the organization's day-to-day activities. General services staff and the secretary-general form the Secretariat's administrative team. This position is a three-year non-renewable appointment by the Council of Ministers, which rotates the position.[85]

SAARC Specialized Bodies

Social Sectors Such as Poverty Alleviation, Development, etc.-Based Collaboration

O In order to oversee the State Development Fund (SDF), the board comprises members from the Member States' Finance Ministries. Finance Ministers from SDF member states serve on the SDF Governing Council, which has final say over the Board.

University of South Asia

The SAU's degrees and certifications are on par with those awarded by national universities and institutions.

Organization for South Asian Regional Standards

The South Asian Regional Standards Organization is headquartered in Dhaka, Bangladesh (SARSO).

Developing regionally harmonised Standards to promote both intra-regional trade and worldwide market access is one of the goals of this initiative, which intends to increase coordination and collaboration among SAARC member states in the disciplines of standardisation and conformity assessment

Arbitration Council of the SAARC

A non-governmental organisation with a Pakistani headquarters tasked with providing a legal framework and a platform for member states

and their people to settle disputes related to commercial, industrial, trade, banking, and investing [86].

THE SAARC Development Fund (SDF): Its Main Purpose is Project Finance – SAARC and its Significance

- For example, SAARC is home to little over 3 per cent of the world's population, 21 per cent of the world's population, and 3.8 per cent of global GDP.
- Structuring synergy: it is the world's busiest and most fruitful location. The SAARC countries have a common history, customs, cuisine, and way of life, and they work together on political matters.
- The Most Frequently Used Approach: People in all SAARC nations face the same issues, such as a lack of literacy (an analphabetism), malnutrition (malnutrition), natural catastrophes, internal strife, low GDP, and bad socioeconomic conditions, which creates shared areas of development and advancement with the same remedies.

SAARC Achievements

FTA: SAARC is a new global organisation in terms of trade. They have established a Free Trade Area (FTA) that will drastically minimise trade deficits between Member States.

SAPTA: The South Asia Preferential Trading Agreement, was signed in 1995 by the member states as a means of fostering commerce. — Product-based Free Trade Agreement omitting services like Information Technology. Customs duties on all traded commodities were to be eliminated by the end of 2016 under an agreed deal.[87]

As part of the GATS-plus "positive list" strategy, SATIS adheres to the SAARC Trade in Services Agreement.

SAARC University: Create a SAARC University in India and the food bank, and Pakistan's energy resources.

Significance for India

The country's closest neighbours are given precedence.

Geostrategic significance: Nepal, Bhutan, the Maldives, and Sri Lanka can act as a counterweight to China's OBOR initiative by participating in economic growth processes.

SAARC has the potential to contribute to the mutual trust and peace in the region.

By taking on more responsibilities, India can establish its leadership in the region.

As part of India's Act East Policy, integrating South Asian and Southeast Asian economies would increase India's economic integration and prosperity, especially in the service sector. This is a game changer.[88]

Challenges

Annual meetings, not biannual ones, should be the norm instead of the exception. Member states should be more active and hold them more frequently.

The energy and resources are diverted as a consequence of a wide range of cooperation.

Because it only covers products and excludes all services, such as IT, SAFTA's implementation has been less than ideal.

Due to rising tensions and conflict between India and Pakistan, the SAARC's prospects have been substantially hampered.

Way Forward

In order to unify against trade barriers, or to demand better working conditions for South Asian labour throughout the world, a common platform is needed.

The South Asian nations' historical and contemporary identities are symbolically represented through SAARC. Because of its location, it has a distinct identity. Cultural, linguistic, religious and gastronomic affinities also characterise South Asia.

The potential of the organisation to maintain regional peace and stability should be investigated by all member countries.

For the sake of the people of South Asia, who make up a quarter of the world's population, SAARC should be allowed to grow naturally and provided more possibilities for people-to-people engagement, as well.

As China's investments and loans increase in the area, SAARC might be a valuable asset.[89]

SAARC Preferential Trading Arrangement (SAPTA)

As a result of the April 1993 signing of the SAARC Preferential Trading Agreement (SAPTA) in Dhaka, Bangladesh (Bhutan), India (Maldives), Nepal (Nepal), Pakistan, and Sri Lanka would benefit from the establishment of a Preferential Trading Area (PTA). At the sixth SAARC summit, held in Colombo in December 1991, Sri Lanka advocated that trade between SAARC countries be opened up. They concluded that ratifying SAPTA will open the door to greater commercial and economic cooperation among the SAARC countries.

Objective

Because of trade benefits, member nations of SAPTA are encouraged and encouraged to cooperate economically and commercially. SAPTA is a first step towards greater regional trade and economic cooperation for all of these reasons and more.

What are the principles of the subject? As a whole, an emphasis on mutual benefit. The preferential trade agreement will be improved and extended through staged negotiations and periodic assessments. including everything from raw materials to semi-processed goods to completed goods, and everything in between. Giving special attention to the least developed countries in the world

Elements of critical importance. Customs and excise tax. In line with the Tariff, the absence of a tariff Instantaneous trading operations are needed SAPTA recommended four bargaining strategies: product-by-product, tariff reduction across the board, sector-based, and direct trade measures. Comparatively, tariff concessions were to be discussed product

by product in the first stages of the talks. A continuing process of tariff reduction is also stipulated in the agreement. The SAPTA will gradually enhance and extend tariff, paratariff, and nontariff measures.[90]

Concessions Schedules for Each Country

In 1993, talks began on the concessions timetable, which is a crucial part of the deal. To accomplish this, the Inter-Governmental Group on Trade Liberalization (IGG) was established. The IGG met six times, each in a different city. The sixth conference of the SAPTA was held in Katmandu, Nepal, on April 20 and 21, 1995, when the delegates participated in intensive bilateral and multilateral negotiations and decided on the National Schedule of concessions to be made by individual member states to other member nations.

As many as 5000 products were covered in four rounds of SAPTA trade discussions. All of the rounds resulted in a steady expansion of product coverage and tariff concessions.

In the first and second rounds of trade negotiations, a product-by-product method was utilised. In the third and fourth rounds of talks, a chapter-by-chapter method was used.[91]

Preserving Sapta's Concession

The South Asian Free Trade Area (SAFTA), which went into effect on January 1, 2006, will replace SAARC's Preferential Trading Arrangement. (SAPTA). In terms of safeguarding SAPTA concessions for LDC members, it was decided that after non-LDC countries have completed the Trade Liberalization Programme (TLP) for LDC members, SAPTA concessions for LDC members will be phased away. If any commodities for which LDCs are qualified for SAPTA concessions appear on the sensitive lists of non-LDCs, they must preserve the same level of concession through derogation. They also committed to lower their tariffs on some commodities to a level that does not exceed the SAPTA rate for LDCs on the TLP base rate date. It was also determined at the first SAFTA Ministerial Council Meeting in April that LDCs shall likewise safeguard SAPTA concessions for non-LDCs until the completion of TLP, regardless of whether the items are on the sensitive lists or not (Please contact the Department of Commerce for further clarifications).

Is the Asia-Pacific Economic Cooperation (APEC) something you've heard of before?

The Asia-Pacific Economic Cooperation (APEC) was established in 1989 with the goal of promoting free trade and long-term prosperity in Pacific Rim countries. The Asian Pacific Economic Cooperation (APEC) is made up of 21 countries.

Asia-Pacific Economic Cooperation (APEC): (APEC)

As a result of the APEC, goods, services, capital, and labour may freely flow between countries. Customs efficiency at borders will be enhanced, as will business climates inside member nations, as well as the harmonization of legislation and policies throughout the region.

APEC was established in the first place as a result of the increasing interconnectedness of Asia-Pacific economies. Regional economic blocs such as the European Union (EU) and the North American Free Trade Agreement (NAFTA) emerged after WWII, and APEC was one of them (NAFTA).

A Group of Nations that Make up the Asia-Pacific Economic Cooperation

The United States and Australia were among the original members of APEC at its beginning. Cayman Islands Indonesia Japan Korea Malaysia the country of New Zealand is Philippines Singapore As of its beginning, China, Hong Kong, Taiwan, and Mexico are among the nations that have joined. Viet Nam and PNG are among the countries that have signed the MOU.

APEC, for example, refers to Taiwan and Hong Kong as economies rather than nations when discussing the two economies. Trade and economic problems have taken precedence over the sometimes-sensitive diplomatic ones at the heart of APEC meetings. Because Taiwan is part of the People's Republic of China, the PRC does not recognise it. As a semi-autonomous territory of China, Hong Kong is not a sovereign state.

ASEAN, the Pacific Economic Cooperation Council, and the Pacific Islands Forum are all represented at APEC as official observers (PIF).[92]

The Asia-Pacific Economic Cooperation's (APEC) Actions and Goals

A significant meeting in 1994 defined the goal of establishing free trade and investment regimes in the Asia-Pacific region by 2010 for APEC countries with developed economies. By 2020, the alliance expects its members from developing economies to have achieved the same results.

APEC Sub-Groups

Research and analysis are provided by APEC's policy support section, as are specific work groups for investigating and promoting various aspects of economic growth.

Some of these organisations are active in a variety of microcauses that try to improve policy and awareness. The following are some examples of subgroups: Concerns about women's economic integration are being addressed through an APEC-sponsored partnership between economic policy and women's problems. 600 million women are presently employed in the region.

The IPEG (IPEG) APEC reviews and exchanges information on intellectual property rights implementation in the region. It promotes and supports cooperation in the implementation of the World Trade Organization's Trade in Intellectual Property Rights Agreement (TRIPS). [93]

APEC's Emergency Preparedness Working Group (EPWG) promotes business resilience, public-private partnerships, and information sharing among its members in order to improve the region's emergency response and catastrophe capacity. There is a high risk of natural disasters in the Pacific Rim region, which includes tsunamis, storms, earthquakes, and volcanic eruptions.

Economic Integration in Africa

Economic advancement in Africa has been hampered by fragmented markets that have hindered efficiency and stifled economic growth.

African Continental Free Trade Area (AfCFTA) is a new player with the potential to decongest the continent and boost economic output

(AfCFTA). It was agreed upon by 44 African leaders in March 2018 to create a continental market where products and services may be freely exchanged as well as capital and business travellers. Five additional nations joined in July, including South Africa. The AfCFTA must be ratified by at least 22 nations' parliaments; thus far, seven have done so.

Additionally, the AfCFTA has the potential to improve market efficiency and cut the cost of doing business through economies of scale, as well as to change the composition and direction of foreign direct investment in Africa.

African countries' competitiveness is a key consideration in this effort. As an important indicator of long-term growth and a foundation for successful integration into the global economy, competitiveness is a complex set of institutions, policies, and conditions that drive productivity.[94]

As a performance indicator, the World Economic Forum's annual Global Competitiveness Index ranks nations based on their ability to compete. As a result, there is a wide discrepancy in physical and technical infrastructure between established and emerging countries as well as a lack of capacity in developing economies to execute critical economic and institutional changes that would increase market efficiency.

The few African countries that have become the world's fastest-growing economies in the recent decade have also risen up the global competitiveness ladder to a greater degree. They are using their increased competitiveness and macroeconomic climate to diversify their growth and trade sources in order to increase their share of the global market pie. This includes Côte d'Ivoire, Ethiopia and Rwanda. However, the bulk of African countries are likely to be late starters in the quest to boost competitiveness. Recently, the global economic atmosphere has been dominated by nationalism and increasing protectionism. New mercantilist systems that measure economic performance in terms of trade surpluses are replacing the rules-based framework that has been in place for decades. Emerging markets and developing economies face a new environment in which competitiveness is likely to be even more crucial. Economic integration and intra-African commerce are becoming increasingly important in Africa.

As a result of the AfCFTA, it is expected that African trade will assist the continent escape the costs of major global shocks. Trade disruptions in the global economy can be avoided if the home market is more efficient.[95]

The Active Globalizers vs the Idle Globalizers

An ever-growing number of countries are competing for a shrinking market. Economic foundations and policy frameworks, as well as a variety of sources of growth, are the only things that can ensure a country's global trade share increases and remains stable. These "active globalizers" are in a unique position to handle the risks of global economic and financial integration while also taking full use of globalization's advantages. Historically, the least competitive economies have been passive globalizers, or hapless victims of globalisation, supplying raw materials and natural resources to the more aggressively globalising nations (Fofack, forthcoming).

A startling outcome of globalisation is the increased vulnerability of those who merely observe it. Commodity price volatility, long-term depreciation of commodity terms of trade, and diminished global demand due to creeping protectionism or synchronised downturns are all examples of this. Risks including excessive growth volatility and structural BOP crises have thwarted the goals of many emerging countries, which have been entangled in these cyclical cycles. Competitiveness may have far-reaching macroeconomic consequences.

Trade success and, by extension, economic development are intricately intertwined. Global economic growth depends heavily on new ideas and inventions, and this holds true for both developed and developing countries alike. Export diversification is a priority for Africa's fastest-growing nations. Emerging economies and active globalizers may be separated by how creative and efficient their manufacturing processes are.[96]

For Africa, there are several impediments to growth and trade. Reluctance by institutions to modernise the economy, as well as significant costs connected with infrastructure development, have stifled innovation. Comparably modest has been progress in efficiencies associated competitiveness criteria: technical readiness, market size and products and

labour markets' efficiency. Another factor that has limited growth is market fragmentation, which has prevented large-scale and long-term investments from taking place.

Nontariff and regulatory obstacles are driving up transaction costs and restricting cross-border movement of goods, services, labour, and capital, despite declining import taxes within the continent's several regional economic communities. To name just a few, importers are increasingly being forced to get national transit bonds along key routes because of delays at border crossings, onerous customs and inspection processes, and complicated licencing requirements. Cross-border commerce continues to be a challenge in Africa, although the continent trades more with the outside world than it does with its own neighbours.

The average cost of importing a container in Africa is approximately \$2,492 compared to \$935 in East Asia and the Pacific and \$1,488 in Latin America and the Caribbean. (Brenton and Isik 2012). There is still a significant gap between intra- and interregional trade in Africa, with intraregional trade making up just around 15% of total African trade, against 68% in Europe and 58% in Asia (Fofack, forthcoming; Afreximbank 2018). There are a number of factors at play when it comes to non-tariff obstacles in resource extraction: governance, production structure, trading orientation, supply-side constraints. Supply-side constraints include a tiny manufacturing base, high trade finance costs, restricted information availability and either a lack or an expensive trade-enabling infrastructure.[97]

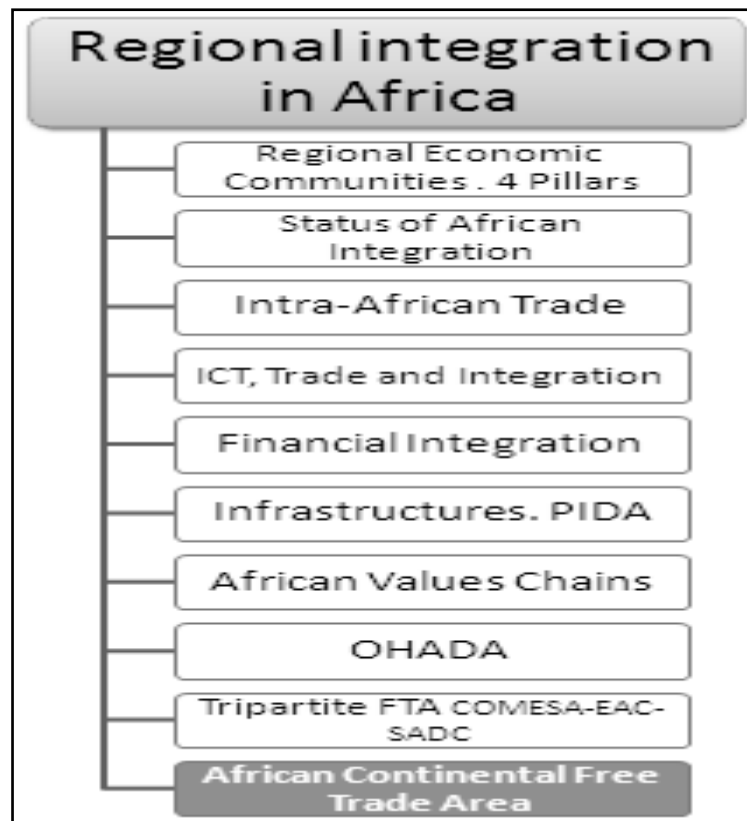


Figure 5.19

Attempts at Integration

Early 19th century when South American independence fighter Simon Bolivar sought to hold a meeting in Panama in 1822 on the integration of North, Central and South America – the most notable freedom fighter of South America – He also failed in his efforts to merge the Andean countries into a Greater Colombia. Over one hundred and fifty years after that, Latin American leaders realised the importance of closer economic ties.

More than 500 million people live in the LAC area, which has a combined GDP of \$4 trillion and an annual trade turnover of \$1.65 trillion. Approximately 20% of the worlds water resources are found in this region, along with significant amounts of hydrocarbons (a recent study claims that Venezuela's resources rival those of Saudi Arabia), iron ore, copper, coal, gold, nickel, lithium, and precious and semi-precious stones that can be mined for relatively low prices, as well as vast stretches of arable land. Forest resources, particularly wood, are also abundant, as is a favourable geographic location.

Consequently, the AfCFTA's defragmentation process is the first step in increasing Africa's economic competitiveness and integrating African economies into the global economy as active globalizers. More than \$4 trillion in consumer and corporate expenditure will be generated by a combined GDP of \$2.5 trillion and 1.2 billion people. In the short and medium term, basic simulations predict that the AfCFTA will increase Africa's overall position on the Global Competitiveness Index by expanding and improving the efficiency of goods and labour markets.[98]

In the long run, Africa's average grade may rise much more. As a result of a more dynamic trade and economic environment created by the continental free trade area, industrial bases could be expanded, agroprocessing sectors could flourish and be integrated into value chains, and financial markets could develop and integrate faster. Cross-listing firms on different stock exchanges and supporting non-bank financing and the establishment of credit reference bureaus are examples of financial advancements that might lessen information asymmetry and credit risk. Financial intermediation and market fragmentation have impeded competition and private sector growth in this region, although these reforms may assist to enhance access to credit.

It is possible to boost competitiveness by establishing one of the world's largest free trade zones, which might include technology transfer, industrial development and expansion of intra-African commerce. According to a new report on the competitiveness environment in Africa, the lack of development in these areas is to blame for a standstill in productivity growth and competitiveness (WEF 2017). Regional economic communities intertwine, making it difficult for businesses who wish to take advantage of new development opportunities, according to the same survey.

Preliminary studies show that the AfCFTA will have significant beneficial effects on trade and regional integration. Inter-African commerce, which is mostly made up of industrial items and manufactured commodities, may expand by more than 50 percent and potentially double within a decade of the AfCFTA being implemented, according to a report by the United Nations Economic Commission for Africa.[99]

The requirement that participating nations lower tariffs on at least 90 percent of products is expected to promote this expansion. Globalization

and economies of scale might cut manufacturing costs, which are still quite high; encourage trade and investment throughout Africa; and attract additional foreign direct investments to the area while also redirecting those investments toward industrial and manufactured products. Trade in intermediate and capital products will increase as a result of this policy change. Additionally, there are benefits to be gained through transferring technology and establishing regional value chains in which African businesses contribute value as they turn raw resources into finished goods.

"Factory Africa" is a Film about a Factory in Africa.

Regional value chains have the potential to help African countries join the global economy, which is increasingly affected by supply and value chain globalisation. In spite of an increasing tendency of outsourcing production to numerous countries, much of the value-added distribution in global value chains is still done inside regional blocs of countries. A growing number of people are using the words "Factories Europe," "Factories North America," and "Factories Asia" to describe the locations where the various parts of these value chains are situated. In the face of entrenched globalisation, regional blocs' value chains have grown and remained important because of their inherent benefits, including cheaper transportation costs and shorter supply chains associated with sourcing or manufacturing closer to export markets.

A "Factory Africa" might emerge as a result of the AfCFTA in the near future. The development of "Factory Africa" and the ultimate connection of African factories and production chains to global value chains will eventually connect production networks from all continents...

For decades, Africa has been portrayed as a continent with great potential, yet fulfilling that potential has remained one of the continent's biggest difficulties year after year. Assuming the AfCFTA is successful in igniting these changes, it will unleash African dynamism and establish Africa as a global player.[100]

Latin America and the Caribbean are Integrating their Economies.

The three primary subregions of the Latin American and Caribbean (LAC) region are South America, Central or Meso America, and the Caribbean. Many similarities exist between the three subregions, including

a European colonial history spanning the 16th to 19th centuries, recent economic and political ties with the United States, and racial miscegenation as a result of centuries of intermingling between indigenous peoples and later European/North American and African settlers.

Even a cursory examination reveals differences and anomalies, such as the English-speaking Caribbean and Portuguese-speaking Brazil; significant geographical disparities between tiny island states and massive countries like Mexico, Argentina, and Brazil; varying degrees of natural and resource endowment; and differences in economic development levels.

Despite the fact that Hispanic America has the majority of the population, Portuguese-speaking Brazil is usually recognised as the driving force behind political, diplomatic, and economic integration. Except for Ecuador and Chile, Brazil shares a land border with every country in South America and has enjoyed friendly relations with its nine territorial neighbours since the 19th century.[101]

It also boasts the largest economy in the area and has emerged as a regional powerhouse despite political and economic turmoil during the twentieth century.

Despite their differences, genuine attempts at effective regional integration have recently been made, which could enable governments in the region to advance their political interests and possibly a common destiny through give and take on issues that divide and unite the region, as well as enhance trade and economic cooperation for mutual benefit. While the trend is currently positive, there are several obstacles before even like-minded governments in the region manage to harmonise their economies sufficiently to consolidate the process of genuine and long-term commercial and economic integration.

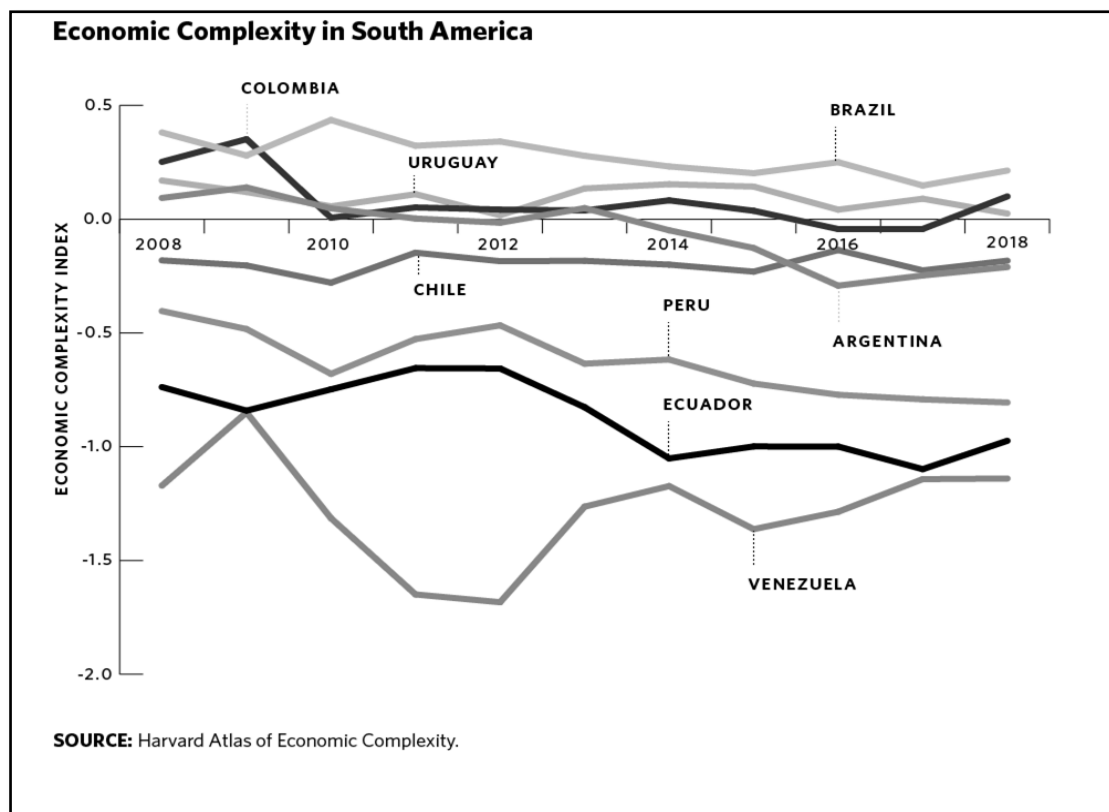


Figure 5.20

Regional Forums and Institutions

i) Latin American Integration Association (ALADI) Since its inception in 1960 under the name Latin American Association for a Common Market (ALACM), ALADI has grown to include seven member countries. Thirteen countries presently make up the Association of Latin American and Caribbean States (ALADI), with Cuba being the last to join in 1999. According to the Uruguayan treaty of 1980, ALADI member nations were encouraged to work together to create a Latin American market with uniform rules for international commerce. Today, ALADI acts primarily as a regional trade clearinghouse.

ii) The Andean Community (CAN) In 1969, Chile, Bolivia, Peru, Ecuador, and Colombia signed the Cartagena Agreement, establishing the first Andean Pact. Chile withdrew from the CAN in 1976, while Venezuela first joined in 1973 before announcing its intention to leave the organisation the following year.

Since 2005, the four members of the Southern Common Market (Mercosur) have become CAN associate members. Since 2006, CAN has

had a rocky history, mainly due to a rift between Colombia and Peru, who want deeper integration and freer trade with the US and Europe; on the other side, Ecuador and Bolivia, who insist on a more independent strategy; and Venezuela prior to 2006. There have been various unilateral actions that have harmed the CAN's free trade zone, which was established in 1993. (Peru in 1997; Ecuador in 2008). Economic and commercial ties between the members of the CAN have been strengthened as a result of the inauguration of new governments in Colombia and Peru in 2010. As of 2005, all inhabitants of CAN were granted the right to migrate freely throughout the country.[102]

iii) Central American Common Market (CACM), Guatemala, Honduras, Nicaragua and El Salvador joined forces in 1960. Panamá is a non-voting observer. Costa Rica was admitted in 1963, and Political divisions and the tendency of nations like Costa Rica to isolate themselves from their poorer neighbours have impeded regional integration, but the SICA forum – the Central American Integration System – has helped the area work together.

iv) Caribbean Community (CARICOM), signed in 1973, formed the Caribbean Community (CARICOM). Seven South and Central American countries and five dependent territories joined the Association of Caribbean States, bringing the total number of members to 15. (ACS). CARIFTA, a free trade agreement between English-speaking nations of the Caribbean that existed from 1965 to 1972, was replaced by the Caribbean Free Trade Agreement (CARIFTA). A single market has existed between the 12 Caribbean nations that make up CARICOM since 2006, giving its inhabitants Caribbean passports.

v) South American Common Market (Mercosur) was created in 1994 by the Treaty of Ouro Preto (Brazil), with the goal of integration through the adoption of a single external tariff and shared commercial policies. Mercosur now has a population of over 300 million people and a combined GDP of about \$2 trillion dollars, thanks to Venezuela's 2006 membership (which Paraguay's parliament has yet to ratify). Annual summits and sectoral meetings bring together Mercosur's top officials.[103]

vi) Rio Group In December 1986, the "Contadora Group," which included Argentina, Brazil, Colombia, Mexico, Peru, Panama, Uruguay and

Venezuela, issued the Declaration of Rio de Janeiro. The group was intended to counterbalance the US-dominated Organization of American States (OAS), which had its headquarters in Washington, D.C. As of 2016, there are 23 members of the Rio Group, including Cuba, which has been holding yearly summits since 1988 (known as the Summit of Latin America).

At Cancun in February 2010 when a proposal was made for forming a Community of Latin American and Caribbean States (or CALC), the final (CELAC). Even the choice to have Venezuela and Chile serve as co-chairs and present the laws for the new entity shows how much political agreement there was.

Proponents of economic integration policies in the Mideast think that regional economic cooperation is the only long-term solution to bringing peace and stability to the area.[104]

Benefits of Integration

Countries want increased regional integration in order to: • improve the region's collective bargaining power on global problems; • preserve security; and • avert war.

Governmental reforms, educational reform, social investment, knowledge economy, market economy and privatisation are all necessary for economic integration. Freedom of the press is also a requirement for economic integration.

Objectives

Queen Rania of Jordan and Israeli Prime Minister Yitzhak Rabin were followed by the Israeli-Jordan peace negotiations of October 26, 1994.

Former Israeli prime minister and architect of the Oslo peace accords Shimon Peres anticipated[1] that after bilateral and multilateral ties were established, regional industries would be formed by means of international cooperation agencies and international independent consortia. An entirely new economic reality is being constructed in the region, one which takes precedence over any political considerations. After a long

period of peace, the Middle East will finally join forces in a single market. Because of its presence, this single market will serve vital interests in maintaining long-term peace.[105]

Peace and Inclusion.

Economic integration cannot take place without first establishing peace. The Oslo Peace Accord and the 1994 Israeli-Jordanian peace accord have helped to bring about a reconciliation between the two countries' longtime adversaries. Peace and growth are still threatened by issues such as the Israeli-Palestinian conflict. Additional difficulties that need to be addressed before economic union can be created include the ongoing civil wars in the Middle East, as well as the 2003 American invasion of Iraq.

Economic Summits in the Middle East and North Africa (MENA)

Events were held in 1994 to promote regional economic growth and cooperation with Israel following a peace accord between the two countries. ""

Morocco's capital Casablanca hosted the first-ever Economic Summit on 30 October and 1 November 1994.

On October 29-31, 1995, the second summit was held in Amman, Jordan.

The third was held in Cairo, Egypt, on November 12-14, 1996.

In Doha, Qatar, the 16th and 17th of November 1997 saw the fourth such gathering.

Following the 1997 summit, Benjamin Netanyahu's actions alienated the Arab countries, badly reversing the peace process in the Middle East (i.e. the reluctance to work towards establishing an independent Palestinian State). Consequently, no further peaks took place.

In addition to these steps, the 1995 conference decided to:

- The Middle East and North Africa Bank for Economic Co-operation and Development will be established in Cairo.

- Regional Tourism Board, or Mediterranean Travel Association, established to facilitate travel and help market this part of the world as an interesting and unique place to visit; establishment of a Regional Business Council to help the private sectors of the various countries in the region work together and do business;[106]

MENA Regional Characteristics

Despite several efforts since World War II to improve economic integration and political cooperation among governments in the Middle East and North Africa (MENA) region, economic links remain constrained. Only 7–8% of all exports and imports pass via the region's borders. To put this in perspective, Europe's regional commerce is around 60%.

Jordanian King Hussein I and Israeli Prime Minister Yitzhak Rabin clasp hands during Israel-Jordan peace discussions with former US President Bill Clinton in the background on October 26, 1994.

Among the architects of the Oslo peace proposal was Israeli Prime Minister Shimon Peres in 1993:

It is expected that regional industries would be created through international collaboration and autonomous international consortiums after bilateral and multilateral partnerships have been formed. At this time, the regional economic process will be updated and the new reality, where business comes before politics, will be implemented. The Middle East will eventually become a single market once we have achieved peace. To ensure long-term peace, the very presence of this market will develop critical interests.[107]

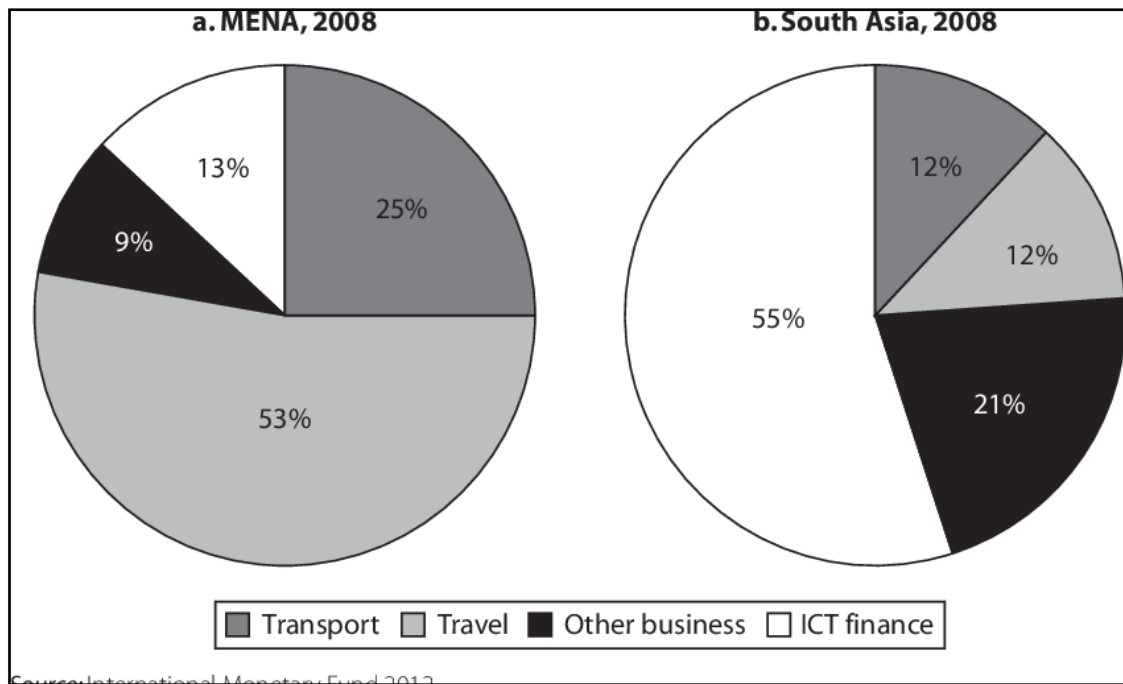


Figure 5.21

Integration and Peace

Establishing peace is a pre-requisite to achieving economic integration. For example, the Oslo Peace Accords and the 1994 Israeli–Jordanian peace

Deal have led to stronger economic cooperation between Israel and its Arab neighbours. In spite of this progress, the Israeli–Palestinian conflict remains a major obstacle to peace and growth. To make matters more complicated, the United States' 2003 invasion of Iraq and Afghanistan's conflict have all contributed to a climate of instability that must be addressed before a regional economic union can be established.

The Economic Summits in the Middle East and North Africa

A series of Economic Summits were held in Jordan following the signing of the Israel–Jordan peace accord in 1994.[3]

- The first Economic Summit was held in Casablanca, Morocco, on 30 October to 1 November 1994.
- The second was held in Amman, Jordan on 29-31 October, 1995
- The third was held in Cairo, Egypt on 12-14 November 1996
- The fourth was held in Doha, Qatar on 16-18 November 1997

Benjamin Netanyahu's government's actions alienated the Arab nations (such as the reluctance to cooperate for the establishment of an independent Palestine State), which refused to discuss economic cooperation with Israel until it made certain concessions. That was the end of summit meetings. [108]

The following steps were agreed upon during the 1995 summit:

A Bank for Economic Cooperation and Development in the Middle East and North Africa will be founded in Cairo.

- The formation of the Middle East-Mediterranean Travel and Tourism Association as a Regional Tourism Board to facilitate tourism and market the area as a distinctive and appealing tourist destination.
- The formation of a Regional Business Council to enhance collaboration and trade among the nations in the region's private sector.
- The official opening of the Economic Summit Executive Secretariat in Rabat, which works to improve the public-private partnership by creating relationships, exchanging data and encouraging private sector investment in the area.

MENA's Distinctive Regional Traits

In spite of the various efforts to foster economic integration and political collaboration in the MENA area after World War II, economic connections have remained confined to a few countries. • Just 7–8 percent of overall exports and imports are generated through regional merchandise trade. European regional commerce accounts for around 60 percent of the total European trade.)

Intra-regional trade, (% of total trade)	EU	CEE+ CIS	Asia	Africa	Middle east	Western hemisphere
Average (1991–97), source: International Monetary Fund	62.1	29.6	36.8	9.0	7.1	18.3

- With the exception of large official transfers from oil exporting states to other Arab countries, capital transactions were also quite small. In the Gulf of Persia, financial organisations estimate that assets worth up to \$2 trillion are created, with the majority of these assets being parked outside the area in US Treasury bills and other nations like Switzerland and the United Kingdom. [7] In addition to the trillions of dollars spent on infrastructure by governments and national investment organisations, Arabs are increasingly making investments in their area.
- Travel and other non-factor service flow patterns have become disjointed. A large number of tourists from the Middle East and North Africa (MENA) have been to Egypt, Jordan, Lebanon, Morocco, and Tunisia. Politics and security issues deter tourists from visiting the area, particularly those from Israel.
- Palestinian labour in Israel and GCC labour in non-oil economies are two examples of labour flows. Flows of labour have been critical. Labor from Asian countries has been replaced by that from Arab countries since the early 1990s, when these flows were severely restricted. There is no such thing as labour mobility in the Middle East and North Africa (MENA) region as in the European Union, for example.[109]
- In addition to the GCC and OPEC,
- Regional economic policy coordination has been non-existent to date.

Prospects for the MENA Region^[8]			
MENA region	2009	2010	2011
Real GDP growth	2.8	3.6	4.5
Real GDP growth (PPP)	2.7	3.6	4.5
Exports (change %)	−9.5	2.6	5.2
Imports (change %)	1.2	4.9	6.6
CA (% of GDP)	−0.1	1.5	0.9

Initiatives for integration



Figure 5.22

Arabic, Persian, Turkish, Kurdish and Hebrew, are the main languages spoken in the Middle East by over 400 million people; English and French are common supplementary languages.

Examples

1. Arab Economic Unification Council: The Council of Arab Economic Unification was established in 1964 with the goal of achieving complete economic unity among its member states. An interim aim of customs union has been defined for 2015. [9]
2. The Economic Cooperation Organization (ECO) was established in 1985. Together, they are aiming to construct something like the European Union in West Asia.
3. In 2003, the United States established the United States–Middle East Free Trade Area (UMFTA), which intends to progressively increase trade and investment in the Middle East by assisting governments in executing internal reforms and protecting private property.
4. The first step is to develop a network of Free Trade Agreements throughout the Euro-Mediterranean area. Upcoming is an integrated free trade zone with 600–800 million inhabitants, ultimately encompassing the European Union as an integral part. Eventually.[110]

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Chapter 6

Government, Law, and Political Risk in International Business

Global Strategic Planning

A "global strategy" may be divided into three subcategories: global, multinational, and international. In a nutshell, there are three ways to expand internationally.

A firm's resources, capabilities, and present international position are all taken into account while formulating a global strategy for the organisation.

The company's tactics are viewed as international outside of its native markets. This might also include a dairy firm selling surplus milk and cheese to clients outside of their native nation. As of now, it is mostly targeting the domestic market.

The term "digital economy" is frequently used to describe the New Economy. In the digital economy, the term economy refers to an economic activity in which digital computer technology are employed.

It was invented by a Japanese academic and researcher during the country's economic slump of the 1990s, who later became an economics lecturer at Columbia University. The term "digital economy" was first used in the West in 1995 by Tapscott in his book *The Digital Economy: Promise and Peril in the Age of Networked Intelligence*. Many of the book's recommendations were quickly put into practise by the corporation, which was among the first to see how the Internet will transform the way business is done.[1]

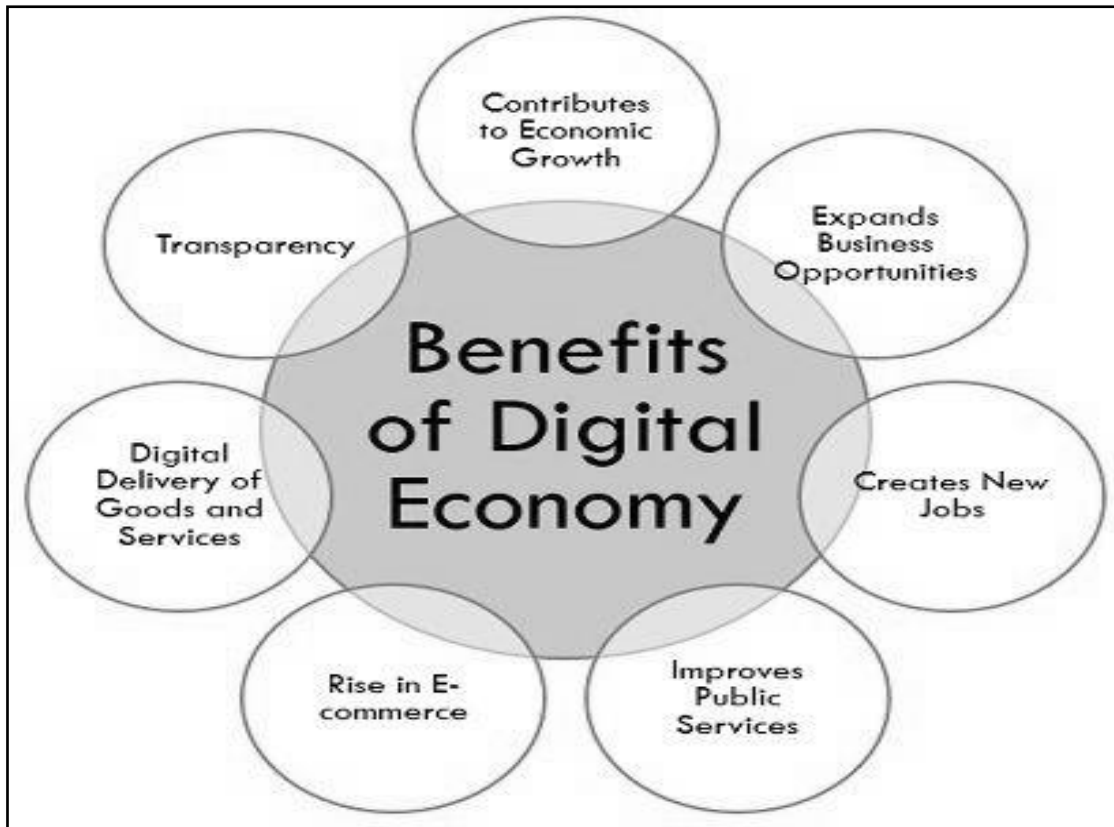


Figure 6.1

Three Principal Components of the "Digital Economy" Concept is Outlined by Thomas Mesenbourg (2001):

Using computers to do business (transfer of goods, for example when a book is sold online).

As a result of new applications like social media and search engines, these borders are becoming even more blurred and difficult to distinguish.

During the last decade of the twentieth century, from 2000 to 2009. Nicholas Negroponte (1995) used the term "atom to bit" to describe the transition from processing atoms to processing bits. "It's an obvious choice. Since information can now be represented in atoms, there is an immense need for industrial-age methods and massive organisations to provide it. In contrast, once the pieces of the puzzle come together, the old huge organisations are redundant. Self-publishing is a good option because it's easy to publish on the Internet. There is no need for a physical copy."

Digital networking and communication infrastructures enable individuals and organisations, both globally and locally, to generate ideas,

engage, communicate, cooperate, and seek out information. Digital Economy is a relatively contemporary term for the field of economics that deals with zero marginal cost intangible commodities sold online.[2]

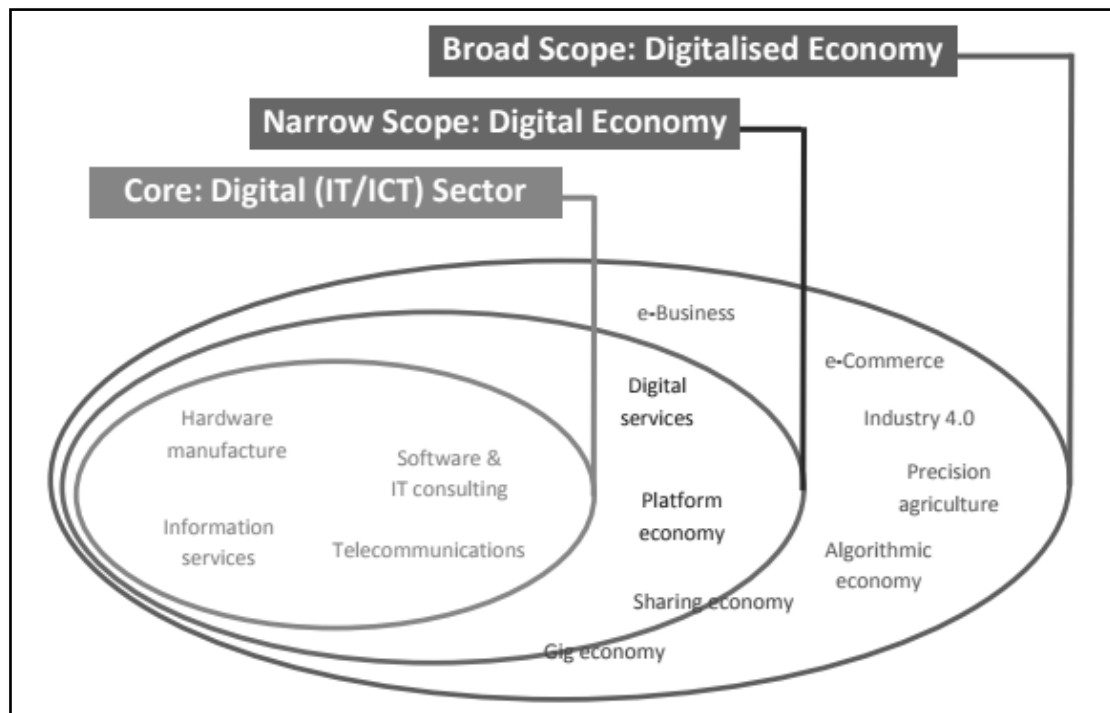


Figure 6.2

On-demand

Delivery apps like Grubhub, Uber, Lyft, and Uber Eats are commonly used for freelance labour.

Working in the gig economy has become more popular for people seeking greater scheduling flexibility in the modern workplace. Even people with full-time employment may make some extra cash by clocking off throughout the workday.

Gig workers, on the other hand, are allowed to keep it as a side business because of the nature of the employment. At this point, it is impossible to accurately measure the number of platforms and the extent of the gig economy. Uber, Lyft, Grubhub, and Doordash-type platforms account up less than 0.5 percent of gig workers' total incomes. [21] Companies choose to use independent contractors rather than full-time employees so that they do not have to provide benefits to these individuals, even though they are deemed to be similar to full-time employees. As a

result, gig and platform workers have organised into unions, and the sector has undergone structural adjustments as a result of these developments.[3]

Technology of Information

Information technology in the United States currently accounts for 8.2% of GDP, which is double the amount it did ten years ago. Some of the most well-known IT goods and services firms, such as Intel and Microsoft have grown from \$12 million in 1987 to more than \$500 million in 1997.

An Umbrella under which all e-commerce Activities can be Grouped

In order to keep the digital economy's potential high, the United States government follows these five principles when dealing with electronic trade. It is essential that private sector leadership is combined with government recognition of the Internet's unique traits, as well as a commitment to making international business easier while also keeping the government out the way.



Figure 6.3

On-Demand Digital Platforms

Anyone that provides an online communication service to the public, paid or free, that includes content, commodities or services offered by third parties is referred to as a "online platform operator."

Total dollar impact

It was estimated in 2010 that the Digital Economy had a value of \$3 trillion. This idea may account for 30% of the S&P 500, six times the annual trade deficit of the United States, or even more than the GDP of the United Kingdom.[4]

The digital economy, according to the majority of experts, will have a wide-ranging influence. There have been a variety of attempts to quantify the impact on conventional industries, and the statistics have

fluctuated. The Boston Consulting Group, on the other hand, states that "consumer products and retail are now undergoing four key transitions.

By Deloitte's count, six industry sectors were at danger of suffering a "big boom" as a result of the digital economy in 2012.

Digital technology will make competition more global and more severe than it has ever been.

At \$11.5 trillion, the 2016 digital economy was worth 15.5 percent of global GDP; in comparison, rich economies had 18.4 percent of GDP in the digital economy, while emerging economies had 10 percent. The digital economy has grown at a rate approximately 2.5 times that of global GDP in the 15 years prior to 2000. The United States generated 35% of the value, China 13%, and Japan 4%. (8 percent). The EU, Iceland, Liechtenstein, and Norway accounted for a fourth of the total.[5]

Impact on the Retail Sector

Sales of consumer products have been significantly impacted by the digital economy. There have been major effects, such as the rise of online retailers like eBay and Amazon. [30] When it comes to adapting to a digital economy, conventional retailers like Wal-Mart and Macy's have restructured their business strategies. Forever 21 filed for bankruptcy, along with other stores, due to their inability to properly capitalise on the digital economy. A company with a physical storefront like Bebe Stores, however, worked with third-party providers to make the transition to a wholly digital operation. As a result, smaller shops are now able to compete with established multi-national brands such as Branded Online, IBM, and Microsoft.

Business Innovations in the Information Age Include the Following Fundamental Characteristics

Advanced content development, adaptable information management, and a broad distribution network comprise the operational paradigm (integrated supply chains and buy chains). a group of people working together (ownership incentives, freelancing, virtual work, distance learning, digital copyright laws)

Networks of private assets were built by companies in the Industrial Age in order to expand or enhance their power bases. To take advantage of the economies of scale and breadth, as well as to assist newcomers and existing enterprises in creating and utilising new networks in the Information Age, this approach focuses on building business infrastructure that can be used by all participants in the organisation. A "community" of businesses that has access to the necessary infrastructure, capabilities, and client base may operate more quickly, more effectively, and more affordably. People in a community can benefit from a common infrastructure that allows them to speed up, cut costs, and enhance productivity.[6]

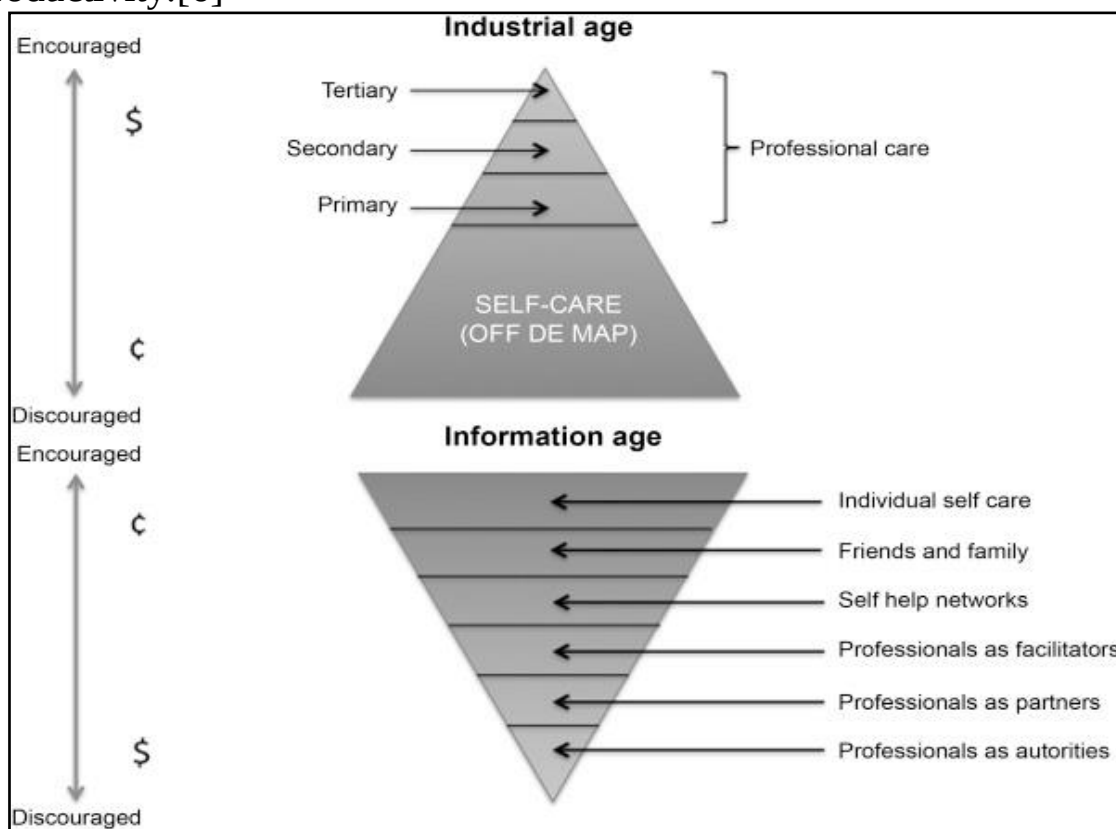


Figure 6.4

The first glimpses of network economics began to emerge in the 1980s and early 1990s when interorganizational IT systems like the Sabre reservation system and ASAP system at American Airlines and American Hospital Supply Corporation were introduced. However, because of the employment of proprietary technology in their development, they have limited accessibility, range, and adaptability.

The growing e-business models available on the Internet can be categorised into one or more of the generic market roles, as described

below. Additionally, there are two unique sets of models to choose from while looking at the collection. The internet-based firms that have been created and launched in the digital world are the most relevant to our subject. Using these companies, you may start and maintain a digital business.[7]

Businesses that use technology to support business strategy and design are clearly separated from those that generate and sell technical infrastructure, according to the categorization based on e-business models. Internet-based business models, on the other hand, have become more and more integrated into the daily operations of many enterprises. IBM, AOL, Time Warner, Microsoft, and Intuit are all content aggregators, portals, and media corporations that used to offer technological goods. Charles Schwab also provides technology infrastructure to non-tech organisations, such as small businesses. For the most part, Charles Schwab is a technology corporation that also provides brokerage services. If we want to succeed as a species, we must have technology embedded in our DNA.[8]

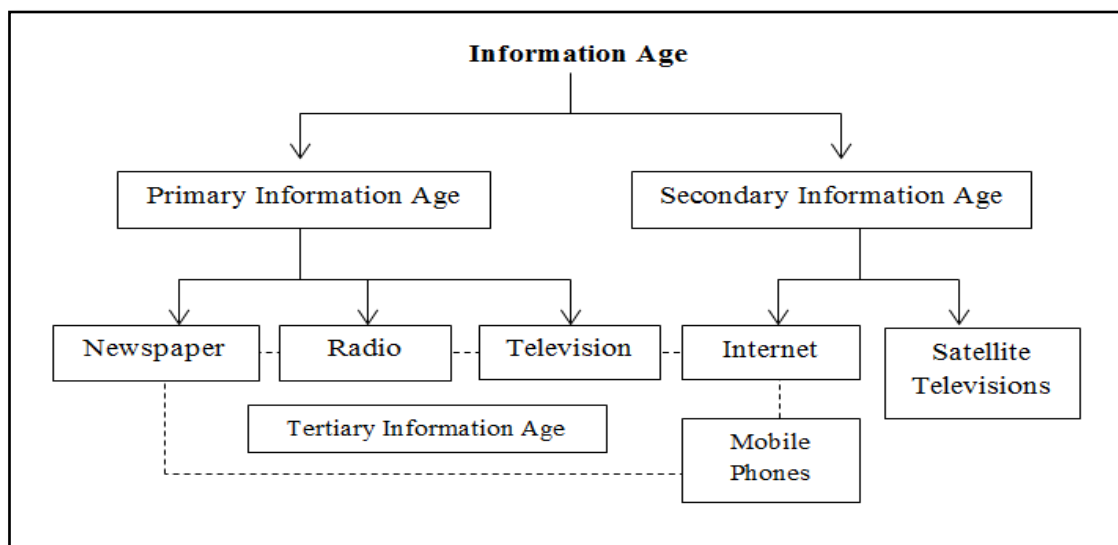


Figure 6.5

Blockchain Technology and International Business

The auditability of transactions is ensured via blockchain, a decentralised ledger that employs cryptography. Transactions are verifiable, the data is immutable, and the Blockchain can't be tampered with without the user's permission.

Due to blockchain's features, two or more parties who don't have a trusted connection can carry out safe transactions without the need for intermediaries or a central authority (e.g., a bank or government).

A flurry of new coins has been introduced onto the market, some of which may be found even in undeveloped countries. Learn how to purchase ethereum, one of Nigeria's most popular alternative currency..

Allowing for greater traceability, transparency, and security is one of the many advantages of blockchain's decentralised nature.

Look at how it's altering commerce and how it's impacting the global economy. Managing the Supply Chain Several emerging technologies have the potential to enhance the supply chain.[9]

No one but those with blockchain access have access to any information about a transaction or its underlying value. To guarantee that everyone is on the same page in terms of data sharing, openness is essential Everything that happens between a supplier and a customer, as well as between suppliers and subcontractors, is open and clear. Reduced operational disputes and delays have been a result of its implementation A reduction in supply chain misplacement is achieved since items may be traced in real time. As one of the largest retailers, Walmart is using Blockchain to improve its supply chain.

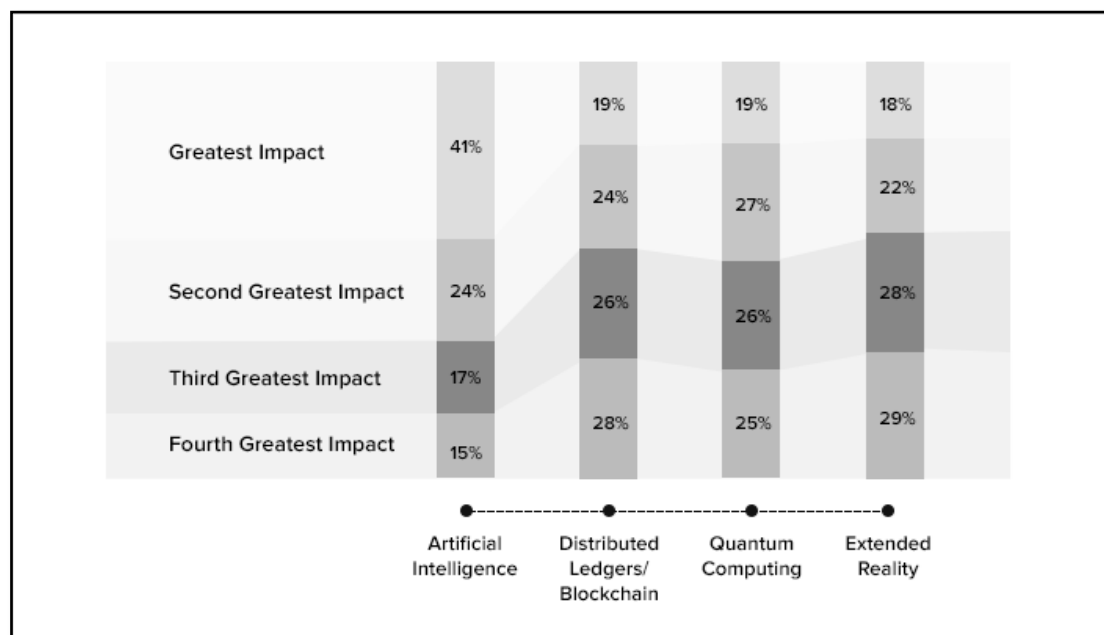


Figure 6.6

Finance for International Trade

Financial goods and services designed to speed up international trade and decrease risk are known as trade finance. For exporters and importers, trade finance provides a reliable and trustworthy third-party to ensure secure trade transactions. Trade financing requests from small and medium-sized enterprises (SMEs) in emerging nations are frequently denied by financial institutions because to regulatory difficulties, a lack of confidence, and low profitability. Smaller firms have access to a larger pool of capital because to the use of blockchain technology. Assists in checking and enhancing operational procedures, as well as easing cooperation among numerous stakeholders.[10]

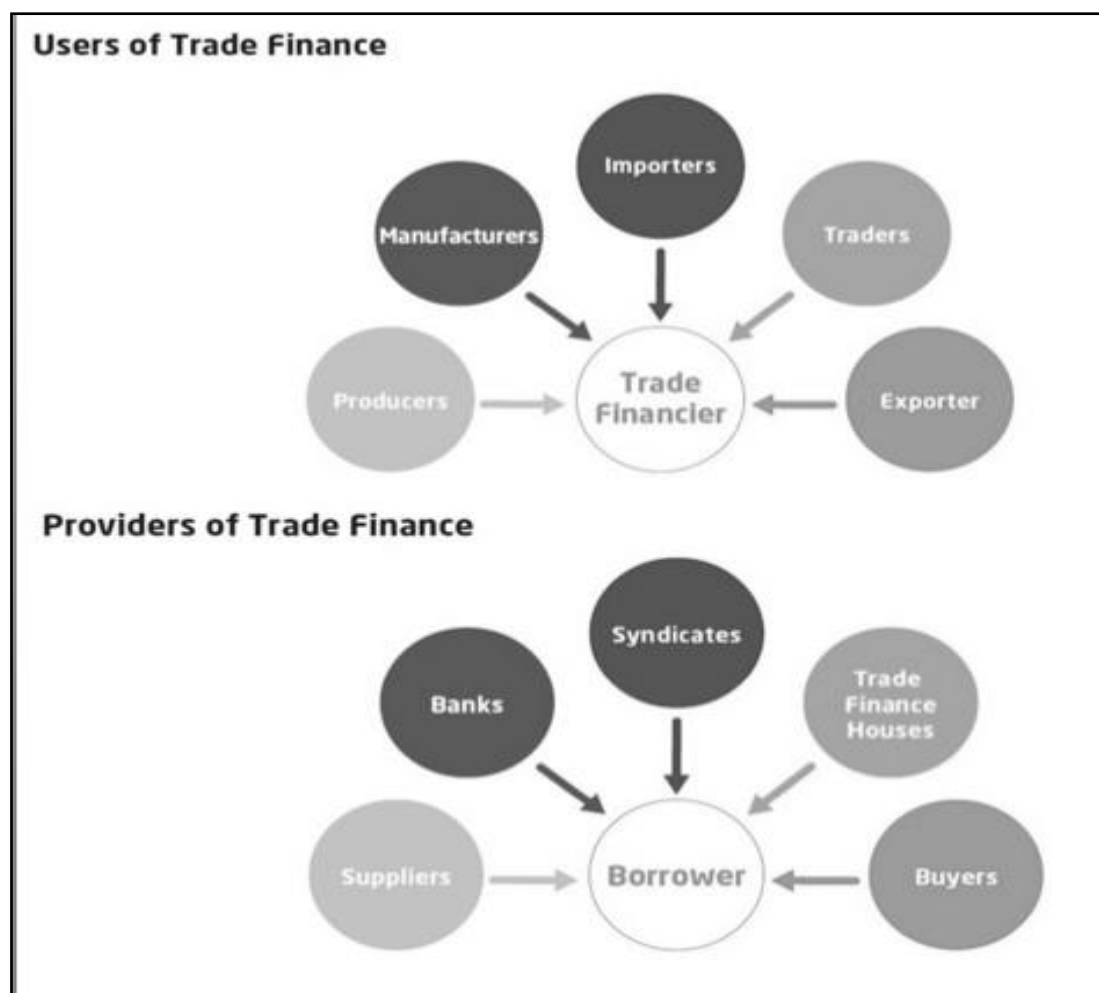


Figure 6.7

Payments across Borders

Financial institutions throughout the world routinely complain that there are just too many middlemen interfering with their day-to-day operations. It maintains the uncertainty and time-consuming character of the settlement process, as well as the settlement risk. Blockchain technology is gaining acceptance in a wide number of industries, including financial services.

The usage of Blockchain may speed up and enhance the efficiency of all kinds of transactions while also offering a safe system for tracking and managing them. Blockchain. Digital currencies are used in blockchain transactions, which are secure, hard to alter, and inexpensive. It is possible for them to either rely only on cryptocurrencies or utilise blockchain technology to register and transfer fiat currencies. The Vertex market, which is becoming increasingly popular in poor nations, now allows you to exchange bitcoin for naira.[11]

The Control of Materials

With accurate records, reduced pricing, and more efficient route information provided by distributed ledgers (DLT), the logistics business is in need of an overhaul. Because many manufacturers are located in rural areas and emerging economies, the logistics department has to work with a wide range of people who don't always communicate well.

It raises transaction risk, which restricts access to new or expanding enterprises. Increasing market efficiency opens the door to fraud and theft; commodities trading is becoming a low-margin service business.

While the deterministic trust structure of blockchain will increase market accessibility, its cost-cutting features will increase profitability. In order to speed the pre-arrival and release of customs products, blockchain-based platforms can share vital information in real time. Distributed ledgers might also be used for the automatic evaluation and selection of customs papers based on predetermined criteria supplied in smart contracts.[12]

Track and Trace

Transparency and a single point of truth are provided by blockchain technology for supply chain network members. Intelligent tracking and tracing of orders, goods, and delays is employed. Speeding up goods delivery is a possible benefit of the Blockchain network. These non-fungible tokens serve as digital certificates for the items' authenticity. They were created when they were produced.

It is possible to automate physical operations using smart contracts in order to address problems and boost efficiency using blockchain technology in the field of track & trace. Each stakeholder can more easily provide correct information when the process is more transparent.[13]

Control of Distribution

Distribution beyond a company's platform is completely out of the hands of most enterprises and merchants. It is possible to define exact rules for distribution management across various channels by utilising blockchain technology and smart contracts

Conclusion

The usage of blockchain technology has expanded beyond bitcoin and is now being seen in a wide range of industries, including international business. Blockchain has the potential to benefit all parties involved in international trade.

Trade credit is readily available to small and medium-sized enterprises (SMEs). There are proven cases of traders in several countries using fictitious invoices to save money, which can be helpful for government. Government entities can participate in a blockchain-based decentralised system.[14]

It is possible that blockchain technology may drive businesses to reassess their business practises. AdoptBlockchain Everyone in the company has to be aware of the new technology and what it means for daily operations.

Internationalization of the Digital Age

As of the late 1990s, online sales have transitioned from a domestic to an international paradigm. Through the removal of geographical borders and cost savings, e-commerce has transformed the way businesses do business (Tiessen et al., 2001). One of the most effective ways to compete in today's global market is to use online sales to export products. That goes double for small firms (Gabrielsson&Gabrielsson, 2011).

Despite their limited financial resources, internationalisation has enabled SMEs to expand into new markets and expand their network (Watson et al., 2018; Mathews et al., 2016; Bell &Loane, 2010; Foscht et al., 2006). Researchers Coviello and colleagues found that digital technologies, which are still in their infancy, have opened up global markets for consumption, created a large database for knowledge acquisition, improved communication and information exchange and facilitated cross-border transactions by increasing intangible flows and reducing location dependence. This will lead to enterprises making production decisions based more on closeness to consumers than on production costs (Hannibal & Knight, 2018; Strange &Zucchella, 2017).[15]

Table 1: International Trade under Globalization

20th century globalization	21st century globalization
Physical goods, capital, and labor-intensive flows	Data, information and knowledge flows
Exchanges of mainly monetized transaction	Greater exchanges of free content and services
Mostly between advanced economies and multinational companies	More participation of emerging economies, SME,s and individual
Need for transportation infrastructure	Need for digital infrastructure
Slow diffusion if information across borders	Instant global diffusion and access of information
Innovation capacity and flows from advanced to emerging economies	Innovation capacity and flow in both direction

Source: modified from Manyika et. Al., 2016

Methodology

Data Gathering

Important study on how digital technologies affect the internationalisation of existing small and medium-sized firms is covered by the reviewer (SMEs). Digital technology has seldom, if ever, been included in studies of how small businesses expand internationally. As a result, there was no solid evidence on which to build a plan. Our data collection had to follow a pretty structured manner due to the small amount of publications included in our criterion.

The search for relevant literature was hampered by a number of restrictions. The best search engines to utilise include those published by reputable academic presses like Emerald, Springer, and Elsevier as well as SAGE Journals, Google Scholar, and Ulysses. We couldn't confine our investigation to peer-reviewed studies since the subject matter was so unusual. As a result, we integrate conference papers in our research. When we couldn't find enough results searching for "internationalisation" and "digitalization," we refined our search to "globalisation" and "democratisation." [16] A wide range of issues and keywords were added to the earlier study, such as internationalisation theory, international entrepreneurship, digital internationalisation, digital technology, digital entrepreneurship, and digital transformation. "For the period of 2016-2018, only English-language papers were searched for. "Digitalization" in the sense of simply utilising digital technologies was only searched for in our search.

Analysing information

After selecting all of the relevant papers, we conducted a thorough review and comparison of them. A total of five articles were found to be eligible when the research was completed, and these publications included all of the prior studies' conclusions as well as their own, as well as a systematic way of evaluation. The lack of detailed research may be due to the subject's unfamiliarity. These five publications served as the basis for our synthesis, and this allowed us to focus on the most important points more methodically. In addition, we discovered that the five-research complement each other, providing useful information in their own right. [17]

According to the research's name, date, the theoretical framework used, and the most significant results, each study was analysed (Table 2). Every piece of study was first taken into account as a whole in order to develop general patterns. On the basis of four fundamental actions related with the most important internationalising criteria, we summarise our findings. Here are the most important points: All of these factors must be taken into consideration, as well as market knowledge, distance and localization, and relational capabilities and partner networks.

Results

Costs, Availability, Resources, and Expertise

Businesses profit from digitization because it reduces the risk of additional costs connected with international operations, according to Coviello et al. (2017, 2018) and Brouthers et al. (2018, 2016). (liabilities of foreignness). These researchers thought that as technology advanced, so did the distribution and production systems. Businesses may save a large amount of money in foreign markets by taking advantage of these scenarios. The Internet of Things (IoT) will enhance the management of global value chains, for example, allowing firms to reduce the costs associated with worldwide production (Strange & Zucchella, 2017). As Autio and Zander (2016) suggest, small enterprises that operate worldwide may significantly reduce the quantity of assets necessary for operations and the costs associated with geographic specificity by using digital technologies. Small and medium-sized businesses (SMEs) operating digitally in international markets look to be able to generate additional income streams without a significant investment. Aside from distributing resources across several marketplaces, reducing transaction times, and improving decision-making processes in the digital age, there are many more benefits of digitization.[18]

In order to compete internationally, small and medium-sized enterprises (SMEs) must retain a distinguishing edge over their domestic rivals. They may do this by focusing on a certain market and creating high-quality, innovative products. Working with specialised local distributors who are already part of a broader network is an additional possibility. For organisations, digital technologies give up new avenues for cooperation, talent sharing, open innovation and co-creation by cutting

operational expenses and increasing the level of involvement with all stakeholders in the ecosystem (Coviello et al., 2017).[9]

Market Expertise

The relevance of a company's capacity to pick up fresh information about overseas markets has been emphasised by theories based on stage model assumptions. The capacity to collect and transmit massive volumes of data has emerged as one of the most important innovations brought about by the acceleration of internet exchanges (Neubert, 2018). In today's world, businesses have the capacity to connect directly with their customers in order to better serve them. Product customization is made possible by the Internet of Things because it allows machines to communicate with one other and machines to communicate with humans. Additionally, 3-D printers provide customers more control over the design and manufacture of their products (Strange & Zucchella, 2017). Businesses may better address the needs of their customers with the help of these new technologies. Businesses can get new fundamental experience knowledge as a result of digitalization.[19]

According to Autio and Zander (2016), organisations may perform market experiments faster and in more countries by merging Lean Entrepreneurship's theoretical notions with the usage of digital technologies like big data and analytics. For businesses, this means that they may test their goods and services directly on potential customers, regardless of where they are in the world (Strange & Zucchella, 2017). Adapting and customising their offerings in response to the market knowledge gleaned from these initiatives has allowed companies to improve their performance and reap the benefits of direct interaction with customers (Strange & Zucchella, 2017).

The result is that their products and services are constantly updated (Strange & Zucchella, 2017; Brouthers et al., 2018, 2016). User feedback and comments on user community platforms or social media platforms can be used by businesses to expand their global reach and market share. Because of the development of digital technology, many online apps are flourishing. The capacity of companies to plan ahead and execute more focused marketing and prospecting operations is made possible in large part by the interchange of ideas (Brouthers et al., 2018, 2016). It is

possible to increase the speed and efficiency of a company's marketing efforts by building relationships with user groups.[20]

Emerging digital technologies stress the importance of making data accessible to both internal and external users (Neubert, 2018). Using this richness of data (whether it be for social or commercial networks, or intellectual market knowledge) is a valuable source of information for firms and helps to alleviate cross-border information asymmetry (Autio & Zander, 2016). The current status and future market attractiveness of a firm may be predicted using predictive algorithms (Neubert, 2018).

Advanced data mining technologies, such as machine learning, also help in decision-making. This artificial intelligence and statistical methodology-based technology aids firms in modelling and interpreting obtained data in order to achieve strategic objectives. SMEs' market-based approach is reaffirmed by the deployment of user communities, data collection, and new sources of information that are more easily available to SMEs.[21]

Distance and Geographical Location

Dematerializing boundaries and speeding up internationalisation activities are the most obvious effects of digitalization on distance and location. There are several advantages to managing global initiatives online, including the ability to reduce psychological barriers and increase the number of countries targeted, as well as corporate networks and user communities directing the activities. Because of the impact of new digital technologies, businesses throughout the world are shifting their focus from production costs to closer closeness to their customers (Strange & Zucchella, 2017). In their research, Autio and Zander (2016) claim that digitalization enhances the transferability of firm-specific assets. Reduced dependence on location-specific assets in the home and host countries is a benefit for small enterprises with global reach (Coviello et al., 2017).[22]

Taking advantage of digitalization's quick access to global trade is regularly advocated for small businesses. Pioneering leading firms, for example, provide new alternatives to manage their activities remotely and so serve a wider range of markets with the same productive resources by externalising location-specific assets. In addition, Brouthers and coworkers raised a concern about distance and location (2018, 2016). According to

them, the "liabilities of outsidership" SMEs encounter when entering a foreign market are new internationalisation hurdles. An outsider is defined as someone who has little or no connections to other businesses when they enter a new market. Emerging digital technology firms may be able to lessen this risk by establishing and managing digital platforms that connect and coordinate a network of users.

Transferring a user base from one nation to another is more difficult than setting up a new platform. Since small enterprises have to swiftly gain a critical mass of consumers in order to establish themselves outside of their own country (Brouthers et al., 2018, 2016). Market entrance is made more difficult by a small user base, which discourages new participation. Expansion rates might be severely constrained since platform expenditures typically exceed expected earnings. As a result, companies must be successful in drawing new users to their platform and quickly building a large user community to counteract this threat (Brouthers et al., 2018, 2016).[23]

Abilities to interact with others in a variety of social contexts Businesses' interactions with distributors, suppliers, and customers make up the bulk of the market. The need of developing and integrating global networks has long been emphasised in internationalisation ideas. Even if network theory's core assumptions have been challenged by digital technology, a thorough reexamination of how global trade networks function is now necessary (Audio and Zander, 2016).

When it comes to selling and buying, there has been an increase in the number of market participants who can do both (Coviello et al. 2017). SME customers may be integrated into the company's ecosystem, and direct connection can be established. [24] According to Strange and Zucchella (2017), businesses may now use customers as sources of vital product information and feedback, as well as local creators, in order to grow their business. According to these authors, the relationship between firms and their consumers is always changing and being reinterpreted in many ways. First and foremost, markets are dynamic, real-time, and centred on one-on-one exchanges (Coviello et al., 2017). Long-term ties with artists who were formerly a part of the network are now more difficult to develop.

Digital technologies have facilitated a rise in the number of brief, rapid, and linked contacts. Consequently, companies may speed up their market adaptation in order to simultaneously access several new international markets (Coviello et al., 2017). Even more importantly, as internet usage rises, so does the global "market" in which actual and intangible goods may be traded in a single virtual location (Coviello et al., 2017). These changes broadened the market's scope and made it easier for businesses in the area to connect with each other.

Since data is readily available, small and medium-sized enterprises (SMEs) have shifted their focus away from manufacturing to trading (Coviello et al., 2017). It appears that the international trade that these exchanges seek to open up is expanding. Indeed,[25]

Discussion

As a result of our research, we want to better comprehend the ties that bind two distinct fields of inquiry. Through our observations, we first noticed a gulf in internationalisation research between existing models and the real situations in which small and medium-sized businesses work. On the basis of scientific study on digitalization, we determined that there was a wealth of untapped entrepreneurial potential for enterprises engaged in international commerce. These findings reinforced the need for traditional internationalisation theories to face the digital issue, and they allowed us to emphasise the significant repercussions of digital technology on small company operations overseas. Table 3 shows the results of our analysis of how SMEs may successfully engage in international business by utilising digital technology.

The pace of digitization in international trade is shifting and becoming less materialistic. Our findings indicated the ever-evolving dynamic of today's global world. As a result, small firms may interact with customers throughout the world without specialised resources or business networks. This has several implications:

- They pose a danger to large firms by sharing their skills through broad networks of entrepreneurs
- Transaction costs have been reduced significantly;
- Dematerialization of communication, distribution, and production channels;

- Markets are more competitive because they are virtual, immediate, and virtual;
- Data flows are displacing physical flows;
- Trade talks are now dominated by partner networks because of the elimination of geographic distances.
- Seller and customer meet face-to-face regardless of distance or time zones;
- Customers have a direct say in the production and internationalisation of their goods.
- Due to user communities and social media's rapid expansion, companies may experiment with local markets while also expanding their product line.

As a consequence of digitization, many international obstacles have been eliminated, allowing bigger SMEs to engage in worldwide markets and function as micro-multinationals. But the influence of fundamental uncertainty (Kraus et al., 2019; Ojala et al., 2018), in addition to the requirement to account for non-linearity and interdependencies in the internationalisation process, has a direct impact on the entrepreneurial competences necessary for foreign markets. As a result of our results, entrepreneurs and managers are urged to combine their organisational resources and talents, strategically position themselves as market participants, and actively drive their own continuing digital transformation.

Businesses today are able to revolutionise their operations, offerings, and value propositions, but also their interactions with consumers thanks to the power of technology. With this system, organisations may also manage their diverse organisational and strategic components as well as overcome internal difficulties. Emerging digital technologies, for instance, have an effect on the configuration and coordination of the entire value chain at a strategic level.[27]

They may support and empower organisations to directly locate investors, attract talent, and seek opinion leaders or change agents by developing crucial networks and data sources. According to our results, digitising business processes may require companies reconsidering their business strategy in order to open up new opportunities for internationalisation, value generation and customer relationship growth. For example, in certain organisations, digitalization encourages a

"servitization" shift, which involves adding extra services to complement a previous product offer and thereby expanding customer support (Aagaard et al., 2019).

An SME's business model's capacity to scale globally is dependent on various factors. In order to achieve critical mass, a B2C business strategy combining user interaction and a collaborative approach is an essential component. Digitalization will have an impact on all aspects of the supply chain, including manufacturing, transportation, and logistics. In their study, Hannibal and Knight (2018) emphasise the potential for "de-globalized" manufacturing and other forms of strategic diversification. For example, 3D printing will allow enterprises to place their production operations closer to customers, allowing for more customisation and cheaper shipping and logistics costs. By these means, the "international" aspect of global commerce has been cast into doubt. Instant access to foreign markets is possible, and our findings demonstrate that embryonic digital technologies are only now beginning to play a greater role.[26]

Global Competitors

In 2018, seven of the world's 10 most valuable corporations were digital platform owners, five of them American and two of them Chinese. There are three broad strokes to this. First, American corporations have dominated key areas, such as search with Google, social media with Facebook, and retail sales with Amazon – and then they tend to expand into domains that their starting positions afford. Chinese companies, on the other hand, are more likely to build horizontal partnerships before honing their skills in specific technologies and market niches. Second, the US platform giants are the worldwide leaders, while the Chinese platform giants are the dominant force in the Chinese market.

Because the Chinese internet market currently has the most smartphones, personal computers, online shoppers, and so on, Chinese platform companies are innovating and have produced world-class technology in especially for smartphone apps (Roth et al. 2015; Mozur 2016; Chandler 2017).[29] Finally, Chinese companies have a history of acquiring equity stakes in partner firms both within the Chinese market and increasingly outside of it in order to discover cross-firm synergies. Remember that Japanese electronic and network corporations were early pioneers of mobile technologies and deployments but were unable to

expand out of their domestic market (Funk 2001; Kushida 2011) after seeing the rising dominance of Chinese companies. Will Chinese platform companies be able to grow their global footprint by capitalizing on developments in the home sector?

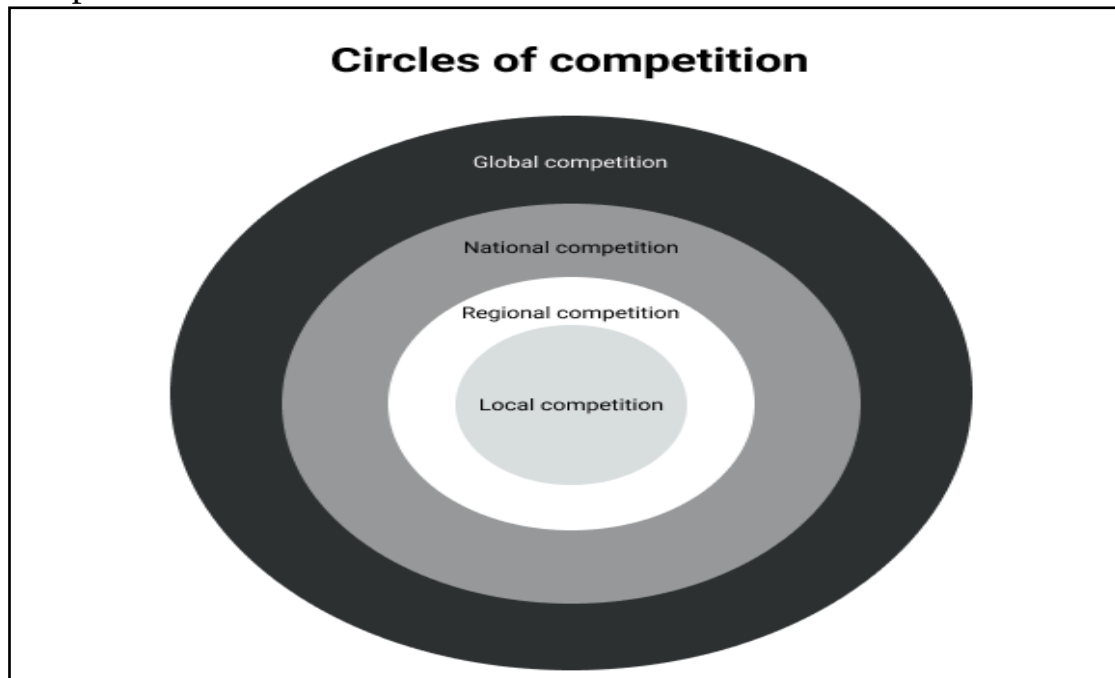


Figure 6.8

China is fascinating since it is the only nation with a large enough number of platforms to be considered to be capable of globalisation.

If the Chinese platform behemoths have the technological and financial capabilities, they may be able to penetrate global markets. Can specialised capabilities be developed in China that can be applied throughout the globe? 2 In other nations, can they sell their domestic products? Alternatively, would Chinese companies just be innovators and masters of their own internal market, making the country an enormous oddity in the world? Emerging multinational enterprises (EMNEs) can give theoretical insights on the nature of these expansions (for recent summaries of these debates, see van Tulder 2010; van Tulder et al. 2016; for Chinese multi-nationalization, see Deng 2013).

Because they lack firm-level advantages, are more inclined to engage in nearby markets, and/or have stronger government support, EMNEs are more likely to use alliances or acquisitions to enter overseas markets, stressing the importance of securing assets abroad, according to Dunning, Kim and Park (2008). It's still being debated if new theory is

needed to understand EMNE foreign investment. Although our data cannot clearly settle this debate, our three primary findings are consistent with prior MNE theories. For starters, Chinese platform companies have regularly established joint ventures to take advantage of local expertise while also enlisting the help of rivals in the future.. Secondly, the majority of operational-level investments are focused in adjacent markets. Third, investments in cutting-edge global technology are concentrated in technical clusters, notably in Silicon Valley.

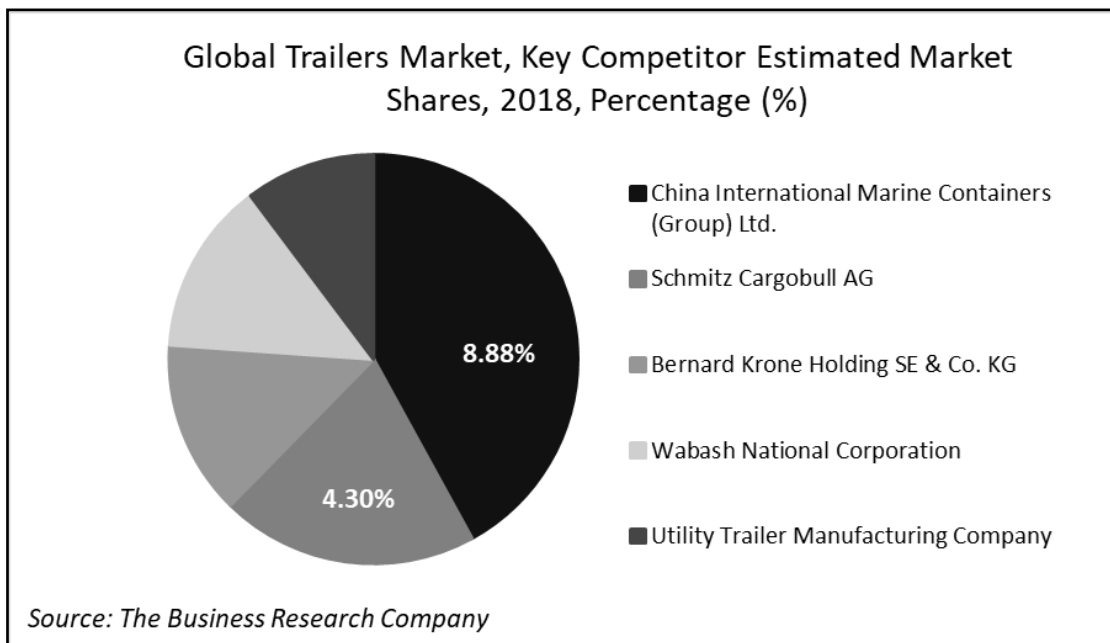


Figure 6.9

The Chinese Platform Economy's context A unique ecosystem of platforms and businesses have developed in China as a result of the country's strict controls on technology since the early 1990s. It's just a matter of time before a few of these platforms catch up to the big boys in the US platform market. Despite a penetration rate of only 55.8%, China had the largest Internet market in 2017 with 772 million users (CNNIC 2018). As the local industry has grown, leading Chinese platform firms have begun to explore global markets via acquisition or investment.

For a number of reasons, China's digital platforms aspire to expand their reach throughout the world. Baidu and Alibaba both built websites in the early 2000s specifically for international customers. 4 Success in China's highly-protected and rapidly-expanding market has led to the development of a wide variety of skills and abilities for the company's employees. These platforms in China are able to finance both local and

global operations and investments thanks to the cash flow they create because of their high profitability.[27]

There has been a lot of government support for China's globalisation. Their diverse collection of skills and assets also enables them to compete on a global scale. There are two important points to keep in mind when discussing this topic. Enterprises from developing economies tend to grow into less developed areas according to Morck et al. (2008). (Cuervo-Cazurra and Genc, 2008; Morck et al., 2008). Competitive advantage: Emerging market firms have a competitive advantage in less developed nations because of their experience operating in countries with "difficult" governance circumstances (Morck et al., 2008). We can affirm that Chinese corporations are making these kinds of investments.

For the second, our research shows that existing enterprises' investments in developed nations have been driven by the purchase and investment of new technologies, notably in the gaming industry. After all, despite the reality.

A Globalization Plan for Chinese Digital Platforms

A glance into China's internet platforms' internationalisation efforts is offered here. Just a few of Chinese digital platforms have a worldwide presence, and this must be taken into consideration before moving on to a detailed analysis of each one. In most nations, the most popular websites and applications are owned by a mix of local and American firms. 7

Chinese platform enterprises have a very limited reach outside of their own country. There were 64 Chinese platform enterprises identified by Evans and Gawer (2016), but only nine of these companies, according to our database, had international investments or operations outside of mainland China. China Tencent, Alibaba, and Baidu have the sole worldwide footprint. They are not a threat to the incumbents because they have less abroad activities.

One of the most valuable corporations in the world is Tencent. As soon as ICQ was re-engineered, the business went on to develop games, mobile and social networking apps, and lastly smartphone payment systems. As of right present, the firm has more than 200 employees all

across the world. 8 In terms of revenue and profit, the corporation generated \$36.3 billion in sales and \$13.8 billion in profit in 2017. (Tencent 2018).

Tencent is a cross between Facebook and WhatsApp in China, as well as the world's largest gaming firm. Tencent has the biggest international reach of any Chinese platform company, because to its interests in almost all of the world's leading gaming companies. Indeed, it boasts the most intricate social networking system in existence, which is intertwined with a robust monetary system. Because of its exceptional cash flow and network of related companies, including JD and VIPshops, as well as other Chinese corporations, it is possibly the strongest platform business group.[28]

Alibaba has some of the characteristics of a bank due to its robust payment system, which provides them with a large cash flow. Alibaba reported earnings of \$9.7 billion for the 2018 fiscal year, with revenues close to \$40 billion, according to the firm (Alibaba 2018). However, AliExpress, Alibaba's worldwide marketplace, serves customers from all over the world. As China's economy increasingly relies on digital intermediaries, we may expect growth rates comparable to those of Tencent. Alibaba is rapidly investing worldwide, particularly in neighbouring countries such as Southeast Asia and India, while also purchasing smaller technology businesses in the United States and Europe. This is one of its most important investments as it strives to build a worldwide payment system.

For the most part, Baidu is similar to Google in China, since both started out as a search engine and have now grown into more diverse businesses. Although Baidu has grown more slowly than Tencent or Alibaba, its payment system has a much less market share than their competitors. In 2017, Baidu's revenue was down (\$13.03 billion) and profit was down (\$2.41 billion) from 2016. Its efforts to become worldwide have been restricted to the acquisition of technology, the construction of R&D facilities in the United States, and a few small businesses in the developing world. (Baidu 2018). Beijing is still significantly investing in AI and driverless cars, but the existing portfolio of the corporation indicates that internationalisation will be somewhat limited for the time being. Beijing In the next part, we'll go deeper into the internationalisation plans of each company.

Alibaba

Alibaba's international expansion may be traced back to a Softbank investment of \$20 million in 2000.

25 It was always a goal of Alibaba CEO Jack Ma's to grow the company's B2B activities outside of China. With the help of senior executives from advanced nations, he created an infrastructure in Silicon Valley and opened branches in the United States and other advanced countries such as Korea and Europe. This attempt at globalisation was immediately thwarted by Alibaba's failure to draw a sufficient number of users or merchants to its platform. Customers from other countries may only buy from Chinese vendors now that AliExpress has closed its outside operations (Erisman 2016: 205). After focusing on the home market for a few years, Alibaba re-evaluated its global strategy in 2010.

First and foremost, Alibaba's goal is to keep expanding e-commerce throughout the world. Alibaba may be used by Chinese enterprises to sell or import goods from other countries. According to Alibaba's 2017 Annual Report, just 11 percent of Alibaba's worldwide cloud computing service revenue came from sales outside of China. A total of 83 million active customers throughout the world shop on Alibaba's global e-commerce brand AliExpress, which includes Lazada.

Several European countries, including Germany, France, and Italy, have AliExpress among the top 50 most popular websites. No country's market share can be accurately calculated, though. Alibaba-controlled Lazada is the dominant player in Southeast Asia, although AliExpress behind Amazon and eBay in all other regions.

Because of its domestic success, Alibaba is now concentrating on global financial systems as well. There is a payment service called Alipay that originated from Alibaba's e-commerce site. However, it is now a complete platform that is constantly evolving and facilitates a wide range of transactions. 27% Despite the fact that its use is almost entirely confined to Chinese tourists, Alipay is now available in several international marketplaces owing to the country's influx of travellers (PYMNT 2017).

In recent years, Alibaba has made significant investments in the internationalisation of its payment system. For example, there was a joint venture in Malaysia in September 2017 and a cooperation with the VTB bank in Russia. 28 When Ascend Money, a Thai firm that provides online small loans in Southeast Asia, went public in November 2016, they purchased a 20 percent stake. 29 This was followed by an investment in Paytm, one of India's most popular mobile payment services. 30 It recently invested in Kakao Pay, a mobile payment platform. 31 That month, Mynt, a Filipino financial institution, received an investment from the company in February of that year.

Alibaba also makes investments in start-ups that use cutting-edge technology. Both V-Key and ThetaRay are Singaporean and Israeli companies specialising in encryption technologies and financial network security. Finally, Alipay, which has a majority stake in Lazada, has rebranded its payment processing system from HelloPay to Alipay.[29]

Layer 1: Cloud Computing is Becoming Commonplace.

We can tell with confidence that the IT department and business have had their share of disagreements. In contrast to other functional areas, like as finance and marketing, information technology has often been considered the underdog in the executive suite. When it comes to technology, it is considered as an accessory.

Everything, however, changed this year. During the pandemic's effect, IT stepped up and continuously offered great results. In the midst of a crisis, CIOs were able to flip the situation into an opportunity for digital teams.

The benefits of technology are now recognised at every level of an organisation. COVID-19 presented all board members with a first-hand appreciation of the need for a well-planned digital strategy, despite the fact that several executives had previously predicted technology upheaval.

Many business leaders who had previously dismissed digital technology as a waste of time and money have now changed their tune. What would have occurred if the cloud's computational power had not been there? In 2020, corporate operations will change permanently, yet without cloud-based services, they would grind to a standstill.

Business agility and productivity will be supported by IT at Layer 2.

CIOs and their IT departments will welcome this growing adoption of digital technology. They're finally being taken seriously as a commercial need. There is still a long way to go, though.

After a period of crisis, technology proved its worth; now it must do it again in a new normal, where digital and cloud-based business models are based on a mix of digital, data, and cloud computing.

In many ways, this is the beginning of digital change. Cloud computing and other digital services may be relied on to keep an organisation functioning and its data moving, as proved by 2020. CIOs will now be expected by the board to lead the company's digital transformation in new and exciting ways.

This may mean creating a workplace where workers may work from home or in an office, depending on their preferences. One way to do this is to make use of data analytics in order to discover new ways to reach and delight customers. If that's not an option, it may mean using data and technology to invent new business models in existing areas of operation.

After a trying year in 2020, everyone may look forward to a fresh start in 2021. Profitable businesses will use technology to go beyond a simple digital transformation and continue to evolve in this direction in the next year.

The board has seen the revolutionary power of technology firsthand. – For CIOs and their teams, now is the time to help build a more optimistic future.[30]

The Consumer Experience will be reshaped by Technology in Layer Three.

Digital technology plays a major role in the fourth pillar of the CIO's strategy, which is to influence long-term consumer behaviour. Artificial intelligence, virtual reality, quantum computing, and brain-computer interfaces are just a few of the cutting-edge innovations that will change the way we interact with technology for the better.

It may appear that some of these improvements are decades away, yet there are already indications of their potential. Data-driven AI bots are increasingly being used by customer-facing enterprises to connect with their clients through a variety of digital platforms. Using these data-intensive services, firms may automate simple requests while outsourcing more sophisticated interactions to human experts.

As a result, retailers, real estate businesses, and carmakers are exploring how virtual reality may be used to assist customers test out products and services before purchasing. Want to see what a new couch looks like in your living room? How about a new vehicle? In addition to VR, we may expect additional data-driven improvements in this field in the next years.

Firms might process far more data in the future with a technology like quantum computing than they can currently do. As an alternative, the development of brain-computer interfaces, which will allow individuals to control devices with their thoughts, will offer up a plethora of new possibilities for those with physical limitations.

It's safe to say that in the year ahead, technology and digital transformation will be driving a lot of change. The most successful businesses are those who welcome change and use it to better their operations and consumer experiences.

The Mechanics behind the Magic

As academics and counsellors with decades of combined expertise, we can say that such talent strategies support and even drive a company's commercial strategy. They are thorough, taking into consideration the issues of the group, division, area, and business unit. They have a lot of worth and are really useful.

For this business-first mentality to stick, the senior management team must be fully committed. It's not enough for leaders to be able to articulate the importance of talent management; they must also be active in the day-to-day running of their organisations. As a result, they want line managers to play a key role in the development of the company's future leaders.

In order to continue establishing a great talent strategy, recruiting will need this level of dedication on your part. There is little sympathy for executives who speak the talk about the importance of human resources but then reduce management and professional development programmes at the first indication of diminishing profits. Management that is unwilling to make large and continuous investments in its employees has already lost the fight for top-tier talent. A division president recently informed one of us at a strategic off-site, "We don't need to waste time establishing a strong HR staff, and certainly not a fancy personnel strategy—what that's headhunters are for!" Currently, his firm is in peril due to a lack of investment in locating and training key employees who can help him realise his vision and plan for the company.

Dedicated line leaders and competent HR managers work together to create a vibrant and energetic workplace that attracts the best and brightest people. However, they constantly reassess their talent strategies in order to keep up with the ever-changing landscape and cultural differences.

If you get these things correctly, it will make all the difference. The employee value proposition connects the company's public image as an employer with its internal experience. It gives the sense that promises are honoured, which is a good thing. Authenticity is a prerequisite for true transparency. When employees know what it takes to perform, develop, grow, and accomplish inside the company, they have faith in the meritocracy of their workplace.[31]

Undoubtedly, reaching this place is challenging. As it turns out, the path to a really transformative talent strategy is riddled with ambiguity and complexity. When it comes to strategy and execution, how can you consistently surpass your opponents over time? To what extent can high-potential employees be supported in their personal development while still fostering a strong corporate culture? A global and local strategy can't coexist in the same mind. And how can its policies withstand the test of time while staying adaptable and responsive to new developments? When faced with such dilemmas, far too many companies resort to zero-sum thinking. Because it is a worldwide organisation, a corporation may make the mistake of thinking that its talent rules need to be internationally uniform.

Game-changers don't see these problems as a trade-off. Rather, they see them as inherent conflicts that need to be managed and reconciled: a An organization's long-term goals must be balanced with the short-term demands for individual advancement; a global perspective must be combined with local relevance; and long-term commitments must be flexible enough to allow for renewal and regeneration. Managing these four tensions can help your firm achieve and sustain high performance.

Strategic and Operational

For a corporation to develop that crucial gap between itself and its rivals, superior strategic insight is critical to its success. When it comes to winning today's competitive market, a company's execution may be the difference. Firms often have difficulty striking the right balance between long-term strategy stability and short-term operational realism.

Game-changing talent approach can be compared to it. Recruitment, engagement, development and retention of elite talent are essential for a company's creative approach. Getting the right people to implement a great plan is even more challenging, especially in new and developing markets.

BlackRock's success is built on its ability to put the right people in the right places at the right time. Human capital policies and processes are set by the worldwide Human Capital Committee, which is made up of 35 of the company's most senior executives from various divisions and locations. He is co-chaired by BlackRock vice chairman and well-respected financial services industry executive Ken Wilson, and is the only HCC member from the HR department. Members of the company's Global Executive Committee, they are both. Having the HCC on the scene sends a clear message to line management that talent is not just strategic and limited, but also a matter of essential accountability.

Defending the company's one-company culture is a top priority for the HCC, which is responsible for ensuring that the four guiding principles influence all aspect of the company's people management value chain, from day-to-day operations and behaviour. The following are the duties it is expected to perform:

Recruitment and Talent Planning

As a result of this decision, the HCC has outsourced talent tracking and people planning to the heads of individual businesses. As part of the HCC, members of the marketing team cooperated with the HCC to build a campus recruiting campaign that tackles two of the most critical issues among young people: career mobility and social responsibility. When it comes to talent policies, the best ones are flexible enough to respond to changing conditions on the ground and cultural differences throughout the globe.

Creating a Culture of High Performance

Line executives at BlackRock are responsible for fostering a culture of employee engagement, but the HCC facilitates focus groups to identify ways to enhance the overall employee experience. By reviewing executives' efforts in this area, for example, it has enhanced the firm's strategy to recruit and promote high-potential employees.

Setting critical leadership practises as a top priority According to the HCC, executives should be judged on more than just their technical abilities when it comes to upholding and passing on the company's core values and culture. Global head of talent management Donnell Green says that the BlackRock HCC and Global Executive Committee are not afraid to deal with some of the more difficult aspects of culture change and formation, such as breaking down silos and working even harder to build an even stronger high-performance culture. We live our ideals every day. 'We are one BlackRock,' says one of them, and as a result, bosses who try to boost their numbers by undermining their coworkers will find that they have no place at the company.

Talent Evaluations and Succession Planning

The HCC is in charge of overseeing a comprehensive training programme for employees and managers. BlackRock's management have always seen stretch assignments and managers who care about their direct reports as characteristics of the firm's talent philosophy. They believe that one of the disadvantages of being "family" is the perception that the firm's performance criteria are lax. They recognise the necessity of targeted growth. Executives learn how to be better coaches, delegators, and high-

performance drivers through the Managing at BlackRock programme. If you're a manager, you may take part in a range of programmes including Driving Team Performance, Influencing for Success and Enterprise Leadership.

Talent Evaluations and Succession Planning

The BlackRock structure for talent evaluation and advancement is thorough. According to Green, "the basis of our business strategy is client partnership," thus who is elevated to leadership at BlackRock matters much." HCC helped Green to establish a talent screening technique that assesses people for their capacity to work in groups and with other people as leaders.

Tools for Networking and Collaboration.

There is a strong emphasis in the HCC on fostering discussion on subjects such as promoting innovation, connecting with new market leaders and encouraging participation in growth projects using BlackRock's online chat room and collaboration centre, The Block.

Collective and Individual

Superior strategic insight is critical to a company's competitive advantage. With such a competitive market, a company's ability to execute better than its competitors might be the deciding factor in its success. Strategic flexibility and reliable operational excellence are often at odds in many organisations.

Talent acquisition is another area where this logic may be applied. The success of an innovative firm strategy relies on the recruitment, engagement, development, and retention of outstanding talent. Finding the proper personnel to carry out a great plan is difficult enough, but doing it in new areas is even more difficult.

It's one of BlackRock's primary differentiators that it can find the appropriate individuals at the right moment. Thirty-five top-level executives from the company's many divisions and significant areas sit on a worldwide Human Capital Committee that sets rules and processes for the company's personnel management. Besides Jeff Smith, BlackRock's

vice chairman and a highly regarded financial services expert, Ken Wilson cochairs the Human Capital Committee. Both are on the corporation's Global Executive Committee. HCC's presence provides a clear message to line management that talent is both strategic and scarce, as well as a subject of significant responsibility.[32]

While also ensuring that these principles guide every part of what could be described as the company's people management value chain, the HCC has a duty to protect the firm's one-company culture. The following are some of its duties:

Retaining and Recruiting the Top Talents

Although HCC is actively involved in employer branding, it delegated personnel tracking and planning to individual company leaders. A new generation of college and business school graduates was a target for HCC members, so they collaborated on a campus recruiting campaign that addressed two of the most pressing concerns among young people: career mobility and social responsibility.

When it comes to talent management, the best strategies are those that are flexible enough to take into account local conditions and cultural variations.

Instilling a High-Performance Culture in a Work Place

BlackRock's Human Capital Council holds focus groups to identify ways to enhance the overall experience of employees throughout the organisation. Line executives are ultimately accountable for ensuring that employees are engaged. To discover and develop high-potential individuals, new methods have been created, such as the appraisal of leaders' efforts.

Priority should be given to Effective Leadership Techniques.

A CEO's performance is judged not just on his or her technical skills, but also on how well he or she embodies and communicates these core values. While breaking down silos and working harder to create an even stronger high-performance culture may be difficult, the HCC and BlackRock's global executive committee aren't afraid to tackle them,

according to Donnell Green, the company's global head of talent management. Every day, we live by our beliefs. Therefore, CEOs who strive to reach their goals in a zero-sum manner by insulting their colleagues will quickly realise that they have no place in the company, for example,

Employee Education and Training

HCC actively monitors the progress of its employees and managers. Because of BlackRock's commitment to employee growth, stretch assignments and managers that care about their staff are highly valued. "Family" is seen as a negative since it implies that the company's performance criteria are more lenient than they really are. BlackRock's Managing at BlackRock programme teaches executives how to become better trainers, delegators, and high-performance leaders. Management can choose from a range of programmes, such as Driving Performance Through Teams, Influencing for Results, and Enterprise Leadership, as they advance their careers (see below).

A Talent Assessment-Based Approach to Succession Planning

BlackRock has devised a comprehensive methodology for evaluating and promoting talent. So who gets a promotion at BlackRock means a lot to Green since our business model depends on client collaboration. As a crucial part of the evaluation process, HCC and Green have developed a talent assessment strategy that focuses on people's ability to work together as a team as leaders.[33]

Tools for Collaborating and Connecting with Others

There is a strong emphasis in the HCC on fostering discussion on subjects such as promoting innovation, connecting with new market leaders and encouraging participation in growth projects using BlackRock's online chat room and collaboration centre, The Block.

Collaborating with companies from other countries in order to help a currently active industry grow and improve.

Another strategy is to boost the profitability of an existing business and then use it to create a more valuable GVC industry. Foreign

enterprises and organisations may seek joint ventures with local corporations in order to get access to their superior technology, worldwide brands, and business practises.. It is possible that a global corporation would choose to work with a local firm to better harness the complementary resources and market experience in the country. A country's industries can advance into more profitable GVC activities and segments by adopting actions to help in such collaborative efforts (such as joint ventures, franchising, or licencing).

Here's an illustration: Corporations like General Electric (GE), which began outsourcing basic service activities like telephone support and call centres to India in the early 1990s, have since expanded their operations to include more complex activities like product development, R&D and other knowledge-intensive operations.

COVID-19 pandemic recovery needs strong strategies by governments to maintain and enhance their investment climate and encourage the private sector's role in producing productive jobs and economic growth. GVCs have been essential in boosting productivity in recent years. A productivity shock is a major issue for post-COVID-19 scenarios based on shortened GVCs and re-shoring of operations. Companies will transfer their manufacturing closer to the market in order to streamline supply chains and decentralise their manufacturing facilities.

As global trade and investment are expected to be transformed by the reorganisation of global chains, the development of new regional chains, and distributed production, the Covid-19 epidemic is a significant challenge for India's economy. But it also presents numerous opportunities for indigenous businesses. In an increasingly interconnected global economy, global businesses must plan early to expand, adapt their business models to new nations, nurture global talent, and anticipate market shifts.

It's no longer enough for firms to focus just on cost-effectiveness when it comes to global supply chains. The players, the value source, and the distribution of value, for example, may all be altered in the future. Indian firms will have many opportunities to gain entry to global value chains despite these significant impediments.

An Empirical Investigation of Trade Diversion and Global Value Chains

Introduction

GVCs, or Global Value Chains, have been increasingly prevalent in international commerce in recent years. The average import composition of exports grew by 63% between 1995 and 2011, according to the Organization for Economic Cooperation and Development. RTAs should be re-evaluated in light of global value chains, which have contributed to the globalisation of manufacturing.

Trade creation and diversion are described as two impacts of regional trade agreements by Viner (1950). As a result of an RTA, intra-regional commerce will expand. Trade diversion is another name for this issue. According to theory, resources are transferred from local providers to more efficient regional suppliers. An alternate reason is that resources are being transferred from more efficient providers outside of the region to less efficient ones within the region. An ideal regional trade agreement must strike an appropriate balance between new trade and present trade diversion in order to be attractive.

This paper presents estimates of the effects of regional trade agreements on intra- and interregional commerce. The panel format of the data is used to account for country-pair and country-year fixed effects. As a consequence of directed trade flows, it's feasible to assess the scope of trade agreements for both in-bound and out-bound commerce in an area. For starters, a wide number of nations and trade agreements are examined to see how trade agreements affect the region's inflows and outflows.[34]

These findings are in accordance with the previous research and support the assumption that intra-regional commerce is on the rise. Our analysis demonstrates that inflows into the region have fallen, while outflows from the region have grown. First time substantial effects on inflows and outflow have been reported, according to our understanding. The commerce between the region and other countries has a negligible impact, as well. No matter how tiny the overall impact, when looking at inflows and out flows separately, it is possible to find contrary impacts. Research on the impact of RTA on intraregional flows and inflows into the region

Trade creation and trade diversion are illustrated in the picture above through the use of two mechanisms that have been thoroughly investigated. RTAs appear to be increasing the number of people leaving the region, although less research have looked at this.

We go a step further in our study by considering the impact of Global Value Chains on industry involvement (GVC). Second, we devise two measures of GVC participation. It is the country's role in the GVC that is initially reflected in the index. The country's regional GVC involvement is taken into consideration in the second index. Another main contribution is to explicitly discuss GVC for the study of the impact of regional trade agreements on trade flow.

Consideration of global value chains was found to be critical in assessing the growth in outflows from areas participating in Regional Trade Agreements. The importance of the regional sector of the GVC in our index explains the impact of RTA outflows on regional GDP. Because of the numerous input-output networks that exist all across the world, we believe that globalisation is helping to improve industrial performance.

As global supply networks become increasingly interconnected, our findings have important ramifications for the ongoing debate over regionalism vs. multilateralism. This debate's consequences are based on research into the factors that influence effective trade policy. Our research suggests that RTAs reduce trade barriers for inbound goods, but raise trade barriers for outbound goods for the rest of the world. Literature

To accurately predict the impact of regional trade agreements, a hypothetical universe must be created. Caliendo and Parro (2015) used a structural model to simulate the counterfactual, while Magee (2008), Baier and Bergstrand (2007), and Baier and Bergstrand (2007) used gravity equations to forecast the counterfactual (2007). (2015).

From 1980 to 1998, the panel of 133 nations utilised in this study was used by Magee (2007) to quantify the effects of trade agreements. Using a gravity model, Carrere (2006) studies the effects of trade creation and trade diversion. Our participation is a result of the more comprehensive scope of Regional Cooperation

With regard to trade agreements between countries, our focus on the influence of the RTA on the movement of goods into and out of the area, and our evaluation on the importance of global value chains

To deal with the issue of free trade agreements and trade flows endogeneity, two more studies, Baier and Bergstrand (2007) and Baier and Bergstrand (2015), used panel data and average treatment effects (ATEs). According to their findings, free trade agreements enhance global trade among their members.[35]

Using a gravity model, Anderson and Yotov (2016) examine how trade agreements affect trade terms and global efficiency. Data heteroskedasticity and endogeneity caused by two-way causation put them in a difficult position. For starters, they use the Poisson pseudo maximum likelihood approach to deal with the situation (PPML). Second, they propose two variables: one for trade agreements between countries that have low MFN tariffs and one for trade agreements between countries with high MFN tariffs. Between 1990 and 2002, manufacturing trade's worldwide efficiency increased, according to the researchers.

As Mattoo et al. demonstrate, the behaviour of trade flows following a regional trade agreement is influenced by the agreement's depth (2019). They show that deep agreements lead to greater trade creation and less trade diversion than shallow agreements, using a sample of 96 countries between 2002 and 2014.

Aside from creating a significant dependency between GDP fluctuations at business cycle frequency and the network propagation impacts of any reform aiming at cutting cross-country trade costs, GVCs also generate a complementary relationship between trade policy.

Amiti et al. (2014) and de Soyres et al. (2018) found that the extent to which nations divide their output has a considerable influence on the amount of predicted trade elasticities.

Finally, Estevadeordal et al. (2008) study the influence of regional trade agreements on the liberalisation of trade with countries that are not members. A "complementary effect" has been identified in Latin American countries where a preferential tariff decreases results in a fall in the external tariff. An informative survey of regionalism literature is provided

by Freund and Ornelas (2010). Both this paper's empirical findings and theoretic models of optimal trade policy point to the possibility of greater global integration: However, the response of trade flows to an RTA gives members an incentive to reduce trade barriers against non-members;

This serves as an incentive for the construction of non-member trade barriers. According to multilateralist research (Estevadeordal et al. (2008), Bagwell and Staiger (1999)), members' incentives to remove trade barriers are an important factor to examine.

Sections are grouped as follows throughout the rest of the paper: Various data sources and factors are discussed in detail in the second part. An abstraction is used to examine the implications of Regional Trade Agreements and Global Value Chains in the third portion of this paper. Taking a closer look at the impact of global value chains on our results, Section 4 builds upon the conclusions of Section 3. As a follow-up to our results in Section 4, we go into the dispute between regionalism and multilateralism in Section 5. Section 6's conclusion follows.

Flows of Trade Data

From the Economic Complexity Observatory (MIT). The Historical Statistics of the World Population is the name given to this database, which covers 215 nations from 1962 to 2014. The SITC Revision 2 classification system is used to organise the data. It's all about the goods and items here. As a last step, we combine all of these bilateral trade flows at the country level.

Trade flows are divided into final and intermediate goods according to the SITC Rev. 2 concordance table (BEC). To begin, the products are categorised into five groups: main goods, semi-finished goods, parts and components, capital goods, and consumer goods. These categories of primary goods can be divided into intermediate and final goods as follows: consumption and capital items, semi-finished goods, parts, and components. An in-depth look at international trade agreements

The World Bank's Trade Database contains information on trade agreements. For each country-pair, the "bilateral observations" file contains all of the bilateral agreements that were signed in that year. One

hundred and ninety-nine states exist. In the music industry, albums have been released.

Agreements were reached on a number of topics. Since we only include trade agreements for services in our database, we have only 227 trade agreements in our final database. Historically, there have been a plethora of trade agreements, as seen in the graph below. In terms of trade agreements, we've seen a net rise since 1990.

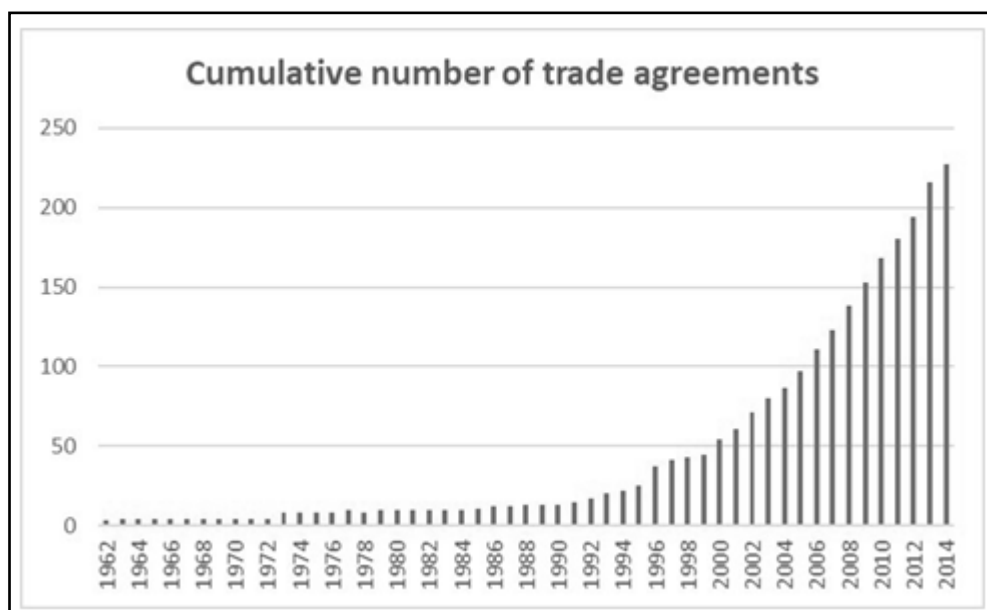


Figure 6.10

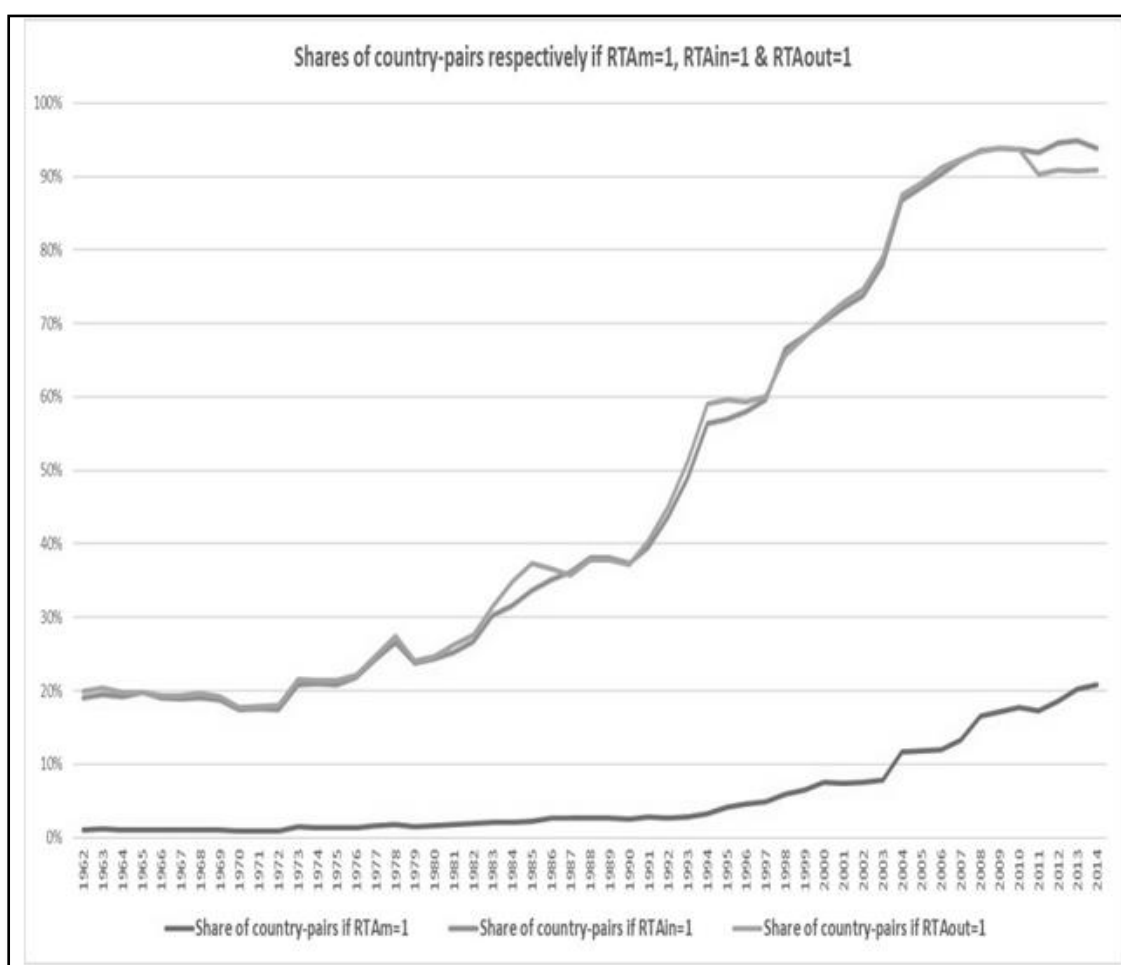
Variables

Three variables are created to represent countries' membership in various trade agreements. The first variable, denoted RTAm, is equal to 1 if both the "origin" and "destination" countries are members of the same trade agreement; otherwise, RTAm is equal to 0. We use the directed trade flows to generate variables that represent the region's inflows and outflows. That is, the second variable, denoted RTAin, equals 1 if the country of "origin" is not a party to any of the trade agreements to which the country of "destination" is a party; otherwise, RTAin equals 0. The third variable, denoted RTAout, is equal to 1 if the "destination" country is not a party to any trade agreement with the "origin" country; otherwise, RTAout is equal to 0. Trade agreements are intricate in nature, and vary in their scope and depth of coverage. Our analysis of over two hundred trade agreements places constraints on our ability to codify the complexity of

preferential trade agreements. Our binary coding of Regional Trade Agreements provides a coarse measure of the evolution of preferential trade regions over time, and thus runs the risk of introducing attenuation bias. As we shall see, we continue to observe significant effects.

The evolution of the shares of country pairs that are members of a regional trade agreement ($RTAm = 1$), exporters to a regional trading block ($RTAin = 1$), or importers from a regional trading block ($RTAout = 1$) is depicted in Figure 6.11. We see that over the last fifty years, the percentage of countries that have signed a regional trade agreement has increased from 2% to over 20%. The proportion of countries that do not trade with any regional trade bloc has decreased from 80% to less than 10

Figure 6.11: Evolution of the shares of country-pairs respectively when $RTAm=1$, $RTAin=1$ & $RTAout=1$



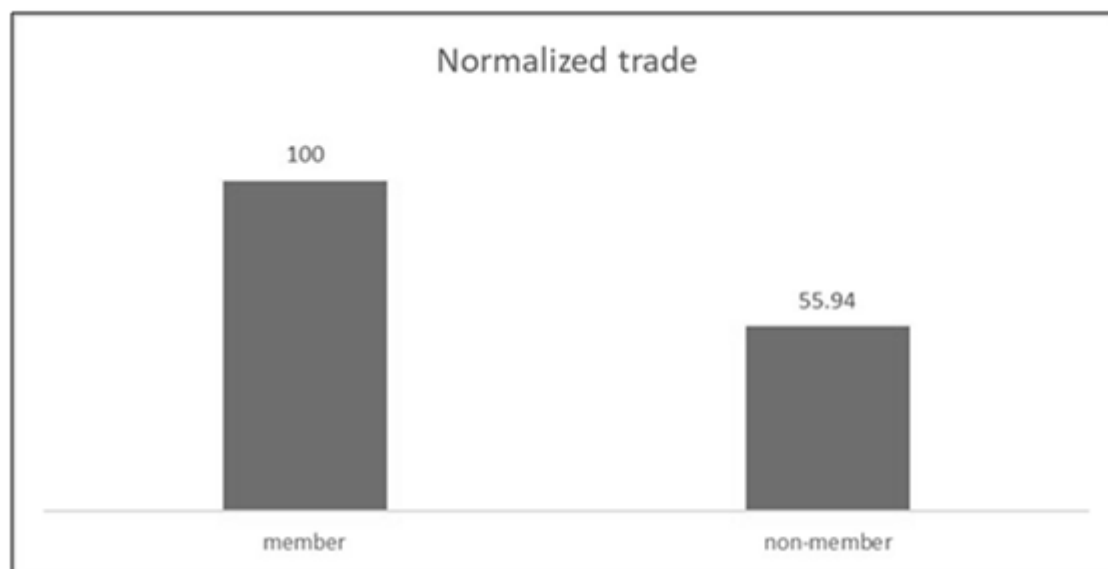
Involvement in global value chains can take several forms. A country's participation should be distinguished based on its import and

export status. The conclusions of the Regional Trade Agreements research suggest that global value chains should be broken down into their regional components. A country's involvement in global value chains is represented by two variables that we create. The first of these variables, indicated by the letter share1, is the proportion of intermediary products exported from the country of origin to the country of destination. To measure a country's prominence in Global Value Chains as an exporter, the variable share1 is used. Second, the share2 variable reflects how much intermediate inputs are imported by the country of origin from other countries that are also members of the same regional trade agreement as the country of origin. A country's total imports are determined using the variable share2 to account for the GVC's regional components. This part on our empirical method will go into further depth on the idea that trade policy is self-generating. According to Krugman, a trade deal may be more likely to be signed by nations that are natural trading partners (1991). A country-pair that just recently struck a trade deal on average trades about twice as much as a country-pair in which only one of the countries recently inked a trading agreement. As a result, we were able to more precisely normalise the trade flows between nations that have signed a trade agreement to 100 in the year that the agreement goes into force. This statistic (for the same year) can be used to compare the volume of commerce between EU member nations and non-EU member countries. Non-member trade accounted for just 54.94% of total commerce between members in the first year, on average, for all nations and trade agreements. [36]

Arrangements for Regional Commerce and Trade Flows

The difference-in-differences technique is the most natural identification strategy in a panel environment when a policy has an influence on distinct groups. The 227 trade agreements that were signed between 1958 and 2015, and for which trade agreements were signed between 1958 and 2015, are the basis for our identification of the impacts of trade agreements on trade flows for the relevant country-pairs. Note that our definition takes into consideration country-pair fixed effects as well as temporal effects. 6 For the usual time invariant variables of gravity models, such as the geographic location, institutional structure, and culture, fixed effects for country pairs are employed to correct for unobserved time-invariant variation within a country pair. Country-time

Figure 6.12: Normalized trade by distinguishing countries member of a RTA and non-member countries



Both "fixed effects controls" and "country-specific variables" are discussed in this section, which addresses controls for a given year's observables (like GDP), as well as all other country-specific unobservables (like weather). The following regressions are estimated using Ordinary Least Squares:

Individuals' increased trading as a result of lowered trade barriers has a considerable coefficient m , which supports trade creation. Trade diversion is likely if the new trade bloc has a negative coefficient. Members would be importing less from the rest of the globe. It is essential that the coefficient out be positive in order to show that the members of the new trade block are exporting more to other countries. Understanding how to interpret the coefficients is tricky when dealing with concerns of endogeneity, which is where our attention is currently focused.

The presence of endogenous trade deals In addition to examining the effects of trade agreements on trade flows, we'd like to know how trade agreements affect trade flows.

Purpose

For the goal of deciding on one of three membership categories: importer, exporter, or supply of goods to the trading bloc; There may be an opportunity to focus on a certain set of nations inside the trade agreement.

In many ways, this difficulty may be mitigated by using country-pair fixed effects. Customer self-selection into membership is measured by observing just those customers who have a tendency toward high trade volume. No one can control how much self-selection into membership is driven by a growing proclivity for trade, but in smaller organisations, this should not be considered as a bad trait at all. Self-selection into trade blocks, which leads to an increase in trade over time, might lead to an overestimation of trade creation. For trade partners that were not included in the agreement, the findings would similarly be skewed downward.

The scope and depth of intra-regional trade agreements vary widely. The terms of trade also have an impact on the region's international trade policy. As Estevadeordal et al. (2007) found, preferential tariff reduction resulted in a lowering of non-member tariffs, as well. However, the necessity of following the Rules of Origin would be a major hindrance. Our binary code for trade agreements quantifies the degree to which trade barriers between nations have been reduced. Reverse causality can compensate for attenuation bias, allowing measurement errors to offset it.[37]

Clustering as a tool for reducing variability An observation is an one year's worth of commerce from one country to the other. Clustering at the country-pair level, which takes into consideration correlation across both directions in the bilateral connection as well as for serial correlation through time, makes standard errors more relevant for analysing entangled interactions. Error definitions can be assigned to each pair of countries in the form of a fixed component for the country pairings that are shared by both countries in the form of (j_i) . There may also be a serial connection between the two countries that is bilateral in nature.

Results

There is a row in Table 1 where the OLS regression findings are displayed (1). There is a strong correlation between RTAm and a positive coefficient of significance. Agreements with other nations have an estimated 27 percent impact on trade. The RTA coefficient is calculated to be -0.22. By joining a trade agreement, a country's imports from countries outside the accord are reduced by 22%. Assuming a 0.296 coefficient for RTAout,

Exports increase by 30 percent after signing a trade deal with an outside nation.

Trade between the two nations does rise as a result of the signing of a trade agreement. That trade genuinely helps the economy is supported by this study. In fact, what's most noteworthy is the simultaneous drop in inflows and the increase in outflows from the region. While our findings do not contradict earlier ones that found a minimal influence on global trade, they do reveal large underlying effects on inflows and outflows, as we found.

Inflows to the region have decreased since the introduction of a trade agreement, which indicates trade diversion. Lower trade restrictions in the area have made it easier for consumers to get their hands-on appealing products. Because of this, subscribers may access their stuff from a greater distance. To what extent the accords between the region's governments will eliminate intercontinental trade obstacles is unknown. Rules of Origin provisions are commonly included in trade agreements, which dictate where the items that obtain the best trading terms come from. Trade barriers, such as Rules of Origin, limit the number of individuals who may enter a certain region, which is why immigration to the region has declined.

A regional trade agreement was used to facilitate the transaction. In contrast to earlier research that found the exact reverse, regional trade agreements have been demonstrated to lessen external trade barriers. Tariff reductions within the region and with imports from elsewhere typically complement each other, but our data demonstrate that regional trade agreements often lead to fewer imports from elsewhere, notwithstanding this.

The huge rise in outflows resulting from a regional trade agreement was not expected to be as large as it was. A boost in exports from the region may result if demand for imports decreases elsewhere. De Loecker and Goldberg (2014) point to an additional reason contributing to the observed increase in outflows: the agreement that "globalisation is favourable for industry success. As a result of the area's proximity to global supply networks, local businesses gain an advantage. In turn, this rise in performance encourages regional firms to increase their exports.

Next, we'll analyse how GVCs (Global Value Chains) influence our findings.[38]

Separating Inflows from Outflows is Vital.

For the sake of comparison, we found that RTA had no influence on overall flows, which is a sum of inflows and outflows, as opposed to the conclusions of a previous research, such as Magee (2008). RTA_{in-or-out} is equal to one if and only if RTA_{in} or RTA_{out} are both equal to a single number. Changes in overall trade flows between RTA member nations and non-member countries during the same period are shown by a "dummy". This equation helps us estimate the role of RTAs:

$$\ln(Trade_{ijt}) = \delta_m RTA_{m_{ijt}} + \delta_{in-or-out} RTA_{in-or-out_{ijt}} + \beta_{ij} + \beta_{it} + \beta_{jt} + \epsilon_{ijt}. \quad (2)$$

Assessing the Potential for Global Value Chains."

We use two metrics of membership in Global Value Chains to investigate the impact of GVCs on regional trade agreements in the preceding section. This statistic, abbreviated share1, is the percentage of cross-border exports that are made up of intermediates. According to share2, the percentage of the country's intermediate imports that originate in the area is calculated. The variable share1 describes a country's prominence in Global Value Chains as a provider of intermediary products. Global Value Chains' role in acting as a go-between for a particular country's needs is shown in the variable share2. Using statistics, the augmented regression equation is as follows:

$$\begin{aligned} \log(Trade_{ijt}) = & \delta_m RTA_{m_{ijt}} + \delta_{in} RTA_{in_{ijt}} + \delta_{out} RTA_{out_{ijt}} \\ & + \delta_1 share1_{ijt} + \delta_2 share2_{ijt} \\ & + \delta_{m1} RTA_m \times share1_{ijt} + \delta_{m2} RTA_m \times share2_{ijt} \\ & + \delta_{in1} RTA_{in} \times share1_{ijt} + \delta_{in2} RTA_{in} \times share2_{ijt} \\ & + \delta_{out1} RTA_{out} \times share1_{ijt} + \delta_{out2} RTA_{out} \times share2_{ijt} \\ & + \beta_{ij} + \beta_{it} + \beta_{jt} + \epsilon_{ijt}. \end{aligned}$$

Model (1), which does not account for GVC, should be compared to model (1), which does account for GVC. When comparing Tables 1 and 3, there is a recurring theme that stands out.

Participation in the global value chain (GVC) is a major factor in RTAs' favourable impact on regional outflows. It does not, however, have a considerable impact on regional commerce or the diversion of inflows to the region.

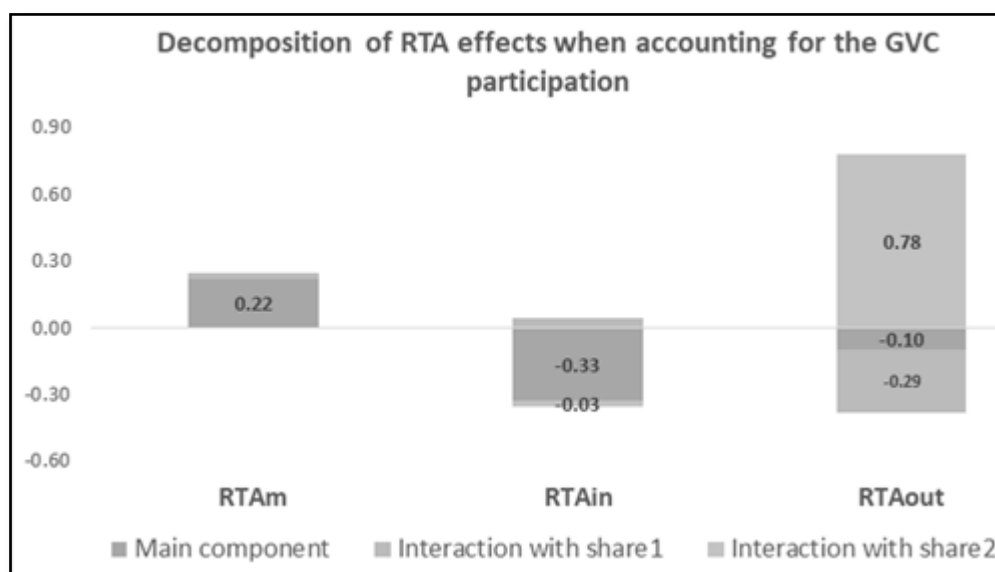
To begin, we look at how RTAs affect regional commerce. The coefficients for RTAm in Tables 1 and 3 are equivalent in magnitude. Much of the trade creation attributed to RTA cannot be explained by any of our GVC participation criteria. It's important to keep in mind that joining GVC has just a tiny influence on the formation of new trade. Comparing RTAin coefficients reveals a similar picture of GVC's modest impact on trade diversion for inflows to the area. In order to understand how RTAs, boost regional outflows, it is important to account for GVC involvement. Share1 and Share2 must both be zero in order for RTAout to imply modest trade diversion from area in the absence of GVCs. It is clear that GVC is playing a substantial role in explaining the increase in outflows from the region by comparing Tables 1 and 3 to each other.

Our two metrics of GVC involvement allow us to obtain insight into the mechanisms causing the growth in outflows from areas. Global Value Chains participation has a detrimental effect on outflows from the region. The shift in demand in the area has the biggest impact on nations that provide to Global Value Chains. Contrary to the negative effect, membership in Regional Value Chains contributes to the overall beneficial effect. Input-dependent countries stand to gain the most from the RTA's implementation. This area can now sell more goods outside its borders since its economy is doing better.

	If RTAm=1	If RTAin=1	If RTAout=1
Mean(share1)	0.33	0.42	0.41
Median(share1)	0.3	0.38	0.39
Mean(share2)	0.45	0.37	0.53
Median(share2)	0.52	0.48	0.56

Table 4: Mean and Median values of GVC variables, dissent angled by RTA dummies

Figure 6.13: Results with GVCs



Multilateralism and Regionalism

Regional and multilateral implications of our findings are examined in this study. When a Regional Trade Agreement fosters (or discourages) trade protection in the area as well as the rest of the globe, it is an example of regionalism (resp. multilateralism).

Trade barriers can be influenced by an agreement to impede the movement of goods and services from one region to another. According to Bagwell and Staiger (2011), raising trade barriers makes it more likely that further obstacles will be raised in the future. There are many factors that influence an area to raise trade barriers, but our ability to spot changes in both import and export trends is a major factor that helps us understand the reasons behind this. We must first evaluate the incentives for the region to raise trade barriers on international inflows before considering plausible reasons for other regions to do likewise. While still a part of the WTO, RTA countries have to abide by stricter requirements since the RTA was put in place. We had assumed the area imported a lot more from the rest of the globe than it actually did. Because of a regional trade agreement, the area may have less incentive to defend itself from the rest of the world's competition. After analysing the findings of Estevadeordal et al empirical (2008).[39]

Having a Regional Trade Agreement may lead to the imposition of trade barriers for outflows from the area to the outside world. Exports are

increasing in places with strong regional value chains. When it comes to trade policy, notions of optimum trade policy simply make things worse for other countries across the world's emotions towards the region.

The only things we're looking at here are those that might have an impact on countries' trade policy following the signing of a regional trade agreement. Estevadeordal et al. (2008)'s study on the influence of regional trade agreements on trade rules might be of benefit to us as well. Non-member incentives are driven by global value chains, which are outside the focus of this research.

Changes in trade policy are made as a result of a regional trade deal in the country.

Conclusion

These trade agreements are examined in this article in terms of the influence they have on regional commerce as well as global trade. A rise in commerce within the zone and an increase in outflows to other regions are linked to RTAs, according to our study. As a result, there has been a decline in international investment into the agreement region.

Post-trade agreement, global value chains play an essential role in structuring the new flow of goods and services throughout the world. Global trade flows have been connected to an increase in regional value chain participation, according to our research. In nations that are not part of global supply chains, regional trade agreements reduce imports and exports to the rest of the globe. Overall, our data suggest that regional trade agreements allow changes in market share due to reduced input prices and consequently lower production costs, which are facilitated by the agreements.

What is the Fourth Industrial Revolution?

All three of these factors led to the first industrial revolution: mechanical, steam, and water power.

Manufacturing and assembly lines using electricity were hallmarks of the second industrial revolution.

It was only after the third industrial revolution had begun that the field of cyber physical systems began to take shape, and it was this development that set the path for the emergence of the new fourth industrial revolution.

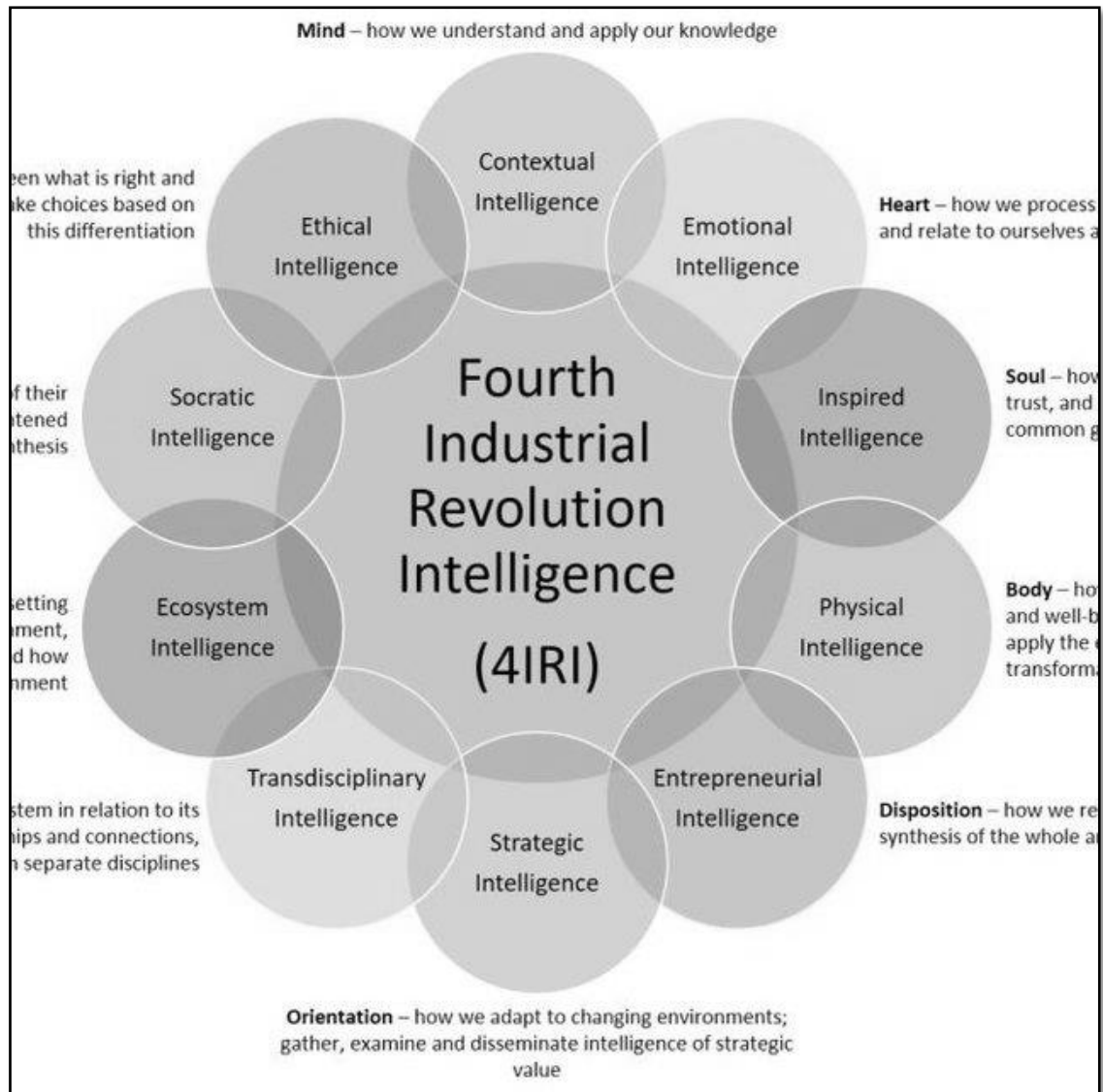


Figure 6.14

Industry 4.0 Technologies

Internet of Things (IoT); Industrial Internet of Things (IIoT); Cyber-physical systems (CPS); Smart make

- The internet of things (IoT);
- The industrial internet of things (IIoT);
- Cyber-physical systems (CPS);
- Smart manufacture; and
- Smart factories.

• Cloud computing

• Intelligence artificial

A production system with wireless connectivity and sensors is the end result of this automation, allowing machines to keep tabs on and visualise the whole manufacturing process, as well as make their own decisions. 5G will dramatically increase wireless connectivity and machine augmentation. Systems can interact in near real time, resulting in faster reaction times.

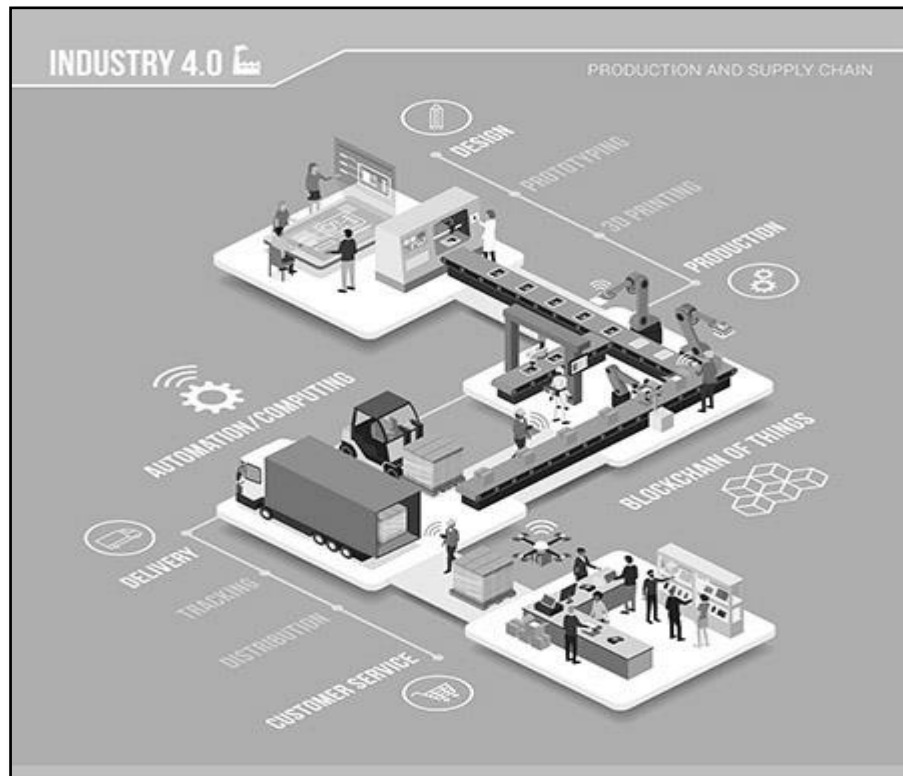


Figure 6.15

The fourth industrial revolution also includes digital twin technology. These digital technologies allow for the creation of virtual duplicates of real-world installations, processes, and applications. These may then be extensively analysed so that cost-effective decentralised judgments can be made.

These virtual replicas can then be created in the real world and connected via the internet of things, allowing cyber-physical systems to communicate and cooperate with one another as well as human workers to establish a linked real-time data exchange and automation process for Industry 4.0 manufacturing.

All of this automation relies on interoperability, openness, and technical assistance to support decentralised decision-making.

In other words, it should be feasible to undergo a digital transition. As a result, manufacturing will be able to operate more efficiently and independently thanks to the integration of interconnected systems that can exchange information.

Problems and procedures may be solved and tracked with the use of new technology, which will also improve output.[40]

What is an Example of the Industry 4.0 Revolution?

Manufacturing processes such as offline programming and adaptive control for arc welding have already been used to illustrate Industry 4.0's capabilities.

Companies in the automotive sector and several smart factories throughout the world are already making use of Industry 4.0.

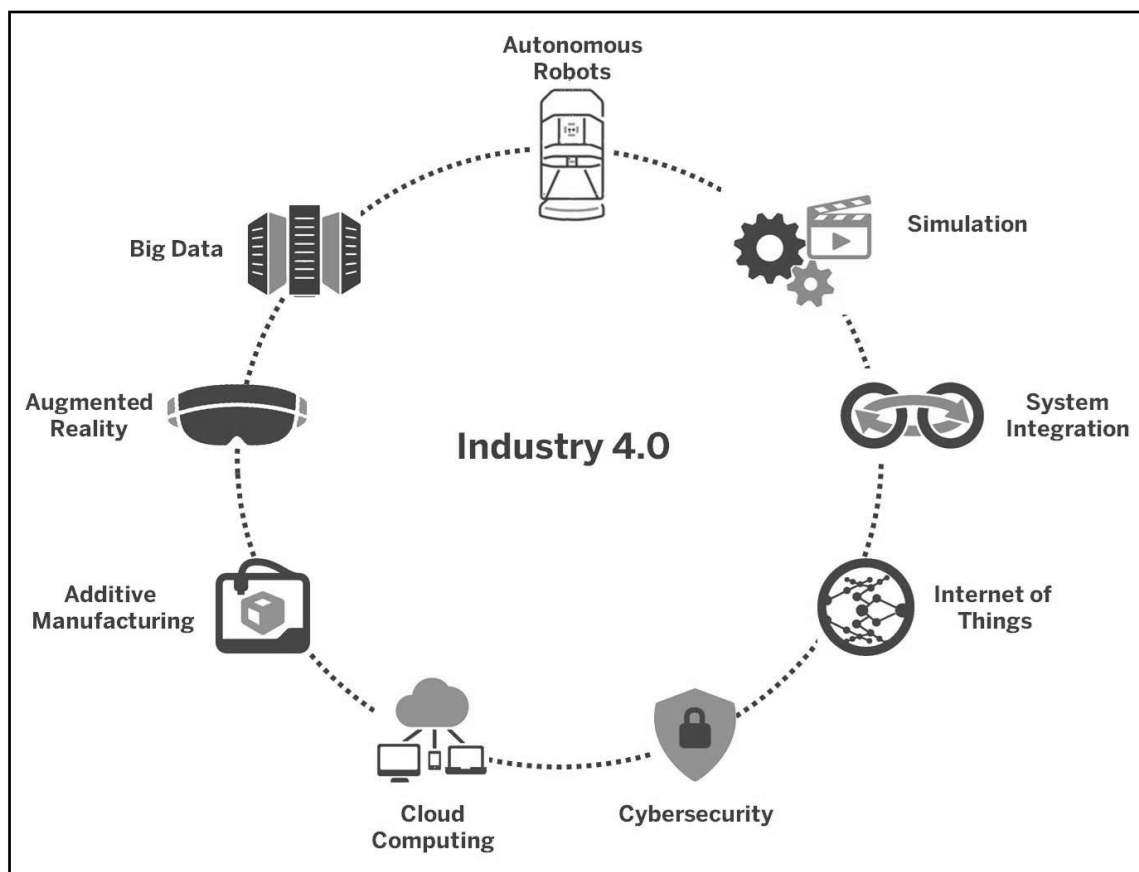


Figure 6.16

TWI is Embracing Industry 4.0.

Industry 4.0 has been examined by TWI in terms of how it may be utilised to integrate other technologies. Digital manufacturing is a key area of development for TWI programmes and industry case studies.

Rapid prototyping, sensors, and digital twins for inspection are all covered in these projects.

Expertise at TWI enables us to keep on top of the latest developments in many sectors and processes.

What are the Details of Industry 5.0?

It's already being spoken about that robots and smart gadgets would help humans perform better and smarter in Industry 5.0, which is currently being explored. Esbenstergaard, chief technology officer and co-founder of Universal Robots, said, "Industry 5.0 will make the factory a place where creative individuals can come and work, to create a more personalised and personalised experience for workers and their consumers." "Industry 5.0 is expected to result in the employment of chief robotics officers in more than 60% of manufacturing, logistics and supply chain, agri-farming, mining, and oil and gas sectors by 2025, tying together human and machine operations.

Economic and social affairs in Europe, according to "It is impossible to avoid the expansion of robots. In order to assist the digital transformation for the benefit of the region, clusters, which often contain all of these actors as members and collaborators, can play a significant role. It's possible for cluster managers to be change agents. With their assistance, potential business and research collaborators may be found with whom to work on solution development projects. Companies and politicians don't need them, but they are the most important "translators" in facilitating communication about needed and delivered policies in both directions.

In addition, they serve as a point of contact for other organisations in the ecosystem, such as Digital Innovation Hubs and so on. As a result, altering regional cluster rules will hasten the industry's change on a bigger scale. There are ten partners working together as part of the INTERREG

project in order to gain knowledge and expertise in cluster and digitalization policy design/implementation/monitoring. Clusters that promote digital transformation should be developed more quickly. All partners recognised best practises to share and opportunities for improvement and learning from other partners based on their unique SWOT analyses with their regional/national stakeholders. The findings show a wide range of policy options. In one region, a strength may be viewed as a disadvantage in another. It is the goal of this short video to give a general overview and emphasise aspects that the majority of the partners viewed as important.

We began by inviting key stakeholders in each region/country to get together and build a common understanding of what is already in place, what the best practises are and where they can benefit from what the other partners have to offer (areas for improvement) in the following dimensions:



Figure 6.17

- Cluster and/or digital transformation-related policies (programmes and financing schemes).
- Assisting organisations in their digital transition.
- Cluster management (or comparable) organisations receive assistance.

- Policymakers, cluster managers, and other innovation service providers, as well as representatives from the commercial and scientific sectors, all work together to coordinate and engage in the innovation ecosystem.
- Coordinating efforts to aid in the digital revolution.

The INNO Industry project partners presented and discussed their separate SWOT analyses at the Austrian conference on March 3, 2020. A number of analogies emerged during the discussion:

- There is a strong focus on digital transformation in all partner nations' strategic objectives.
- For small firms, keeping and training competent workers, raising awareness of the benefits of digital technology, and inventing new business models are among the biggest challenges.
- Disparate funding tools and support services for the digital transformation of the economy.
- For the first time, Digital Innovation Hubs are becoming a component of the innovation ecosystem.

In contrast, the dialogue revealed a wide range of differences in:

- A culture of collaboration in general, but especially between private and public actors, corporations, and legislators.
- To use the word "cluster" to describe a variety of concepts (agglomeration, business consortium, innovation ecosystem, etc.) leads to misunderstandings among European countries.
- When it comes to economic or innovation policy, cluster policies in partner areas/countries can be non-existent, while cluster managers can be extensively involved in planning and executing innovation strategies in certain regions but not recognised as innovationactors in other locations.

Strengths	Weaknesses
+ Alignment of smart specialization strategies with other strategies; coordination mechanisms between strategic and operative level.	- Difficult to mobilize small companies (even more beyond clusters) and translate Digi into business.
+ Involvement of stakeholders (relevant ministries, Intermediaries,	- Lack of awareness in SMEs around the benefits of digital

RDA, clusters, etc.) in development and implementation of strategies and funding programs	improvement.
+ Triple-helix cooperation through ecosystem	- Lack of clarity due to broad variety of funding instruments for digital transformation of SMEs (scattered funding landscape).
+ Strong role of industry in the innovation system and clusters; bottoms up approach, driven by demand of the industry. However, in good cooperation with regional government regional strategies are developed with input from business leaders.	- In some countries, clusters are dependent on ERDF financing.
+ Good monitoring system for clusters and cluster management organisation	- Funding application (ERDF) is too complicated and time-consuming.
	- Lack of time to implement projects.
Opportunities'	Threats
+ Development of test beds for pilot projects.	
+ Fostering life-long learning	
+ Close relationship between business and universities	- Lack of knowledge for digital transformation in top level management
+ Digital innovation Hubs supporting SMEs and public sector in digital transformation; interregional network of DIH	- Lack of companies and resources for digitalization
+ Access to European funds.	- Brain drains: people leaving rural areas to cities (example: UK) or leaving the country (example: SI).
+ Clusters supporting digitalization of SMEs start-ups, large enterprises.	- World economic downturn, Brexit, cybercrimes.
+ Growing weight of clusters in policymaking and knowledge funneling.	- Reduction of structural funds
+ Establishment of an inter-ministerial platform with a common vision for the cause.	

American Dream vs Alibaba's Global Dream

As China's leading e-commerce platform, Alibaba wants to break out of its incubation phase and enter Amazon's territory. By constantly battling for market dominance, even if it means sacrificing profit, Amazon has developed an extensive digital empire. Amazon's position as the world's largest e-commerce platform is threatened by the "Alibaba globalisation plan," which aims to expand Alibaba's worldwide reach.

Online retailer Amazon has stated that it will no longer be able to sell locally through Amazon China. The Amazon Global Store, on the other hand, only covers a small portion of China's retail market. There will be less rivalry between Amazon and Alibaba, but they will now compete in a different area where they are not directly competing against each other.

Two ecommerce platforms appear to exercise a disproportionate effect over online shopping and equal influence on digital sales, according to the statistical evidence gathered. Contrary to popular belief, the two organisations cohabit peacefully (or even colluding). There is no global digital market, according to the top ecommerce leaders on the planet, because of the internet. This has resulted in two highly specialised marketplaces that each operate inside their own sphere of influence. As a result, the rivalry is akin to an international staring contest with occasional forays into hostile territory.[41]

Step-by-Step Instructions on How to Create an E-Commerce Monopoly

Language, logistics, and legal contexts are obvious concerns when it comes to consumer wants; nevertheless, in the digital age, brand creation and driving scale through data-driven innovation and integration are the keys to market supremacy.

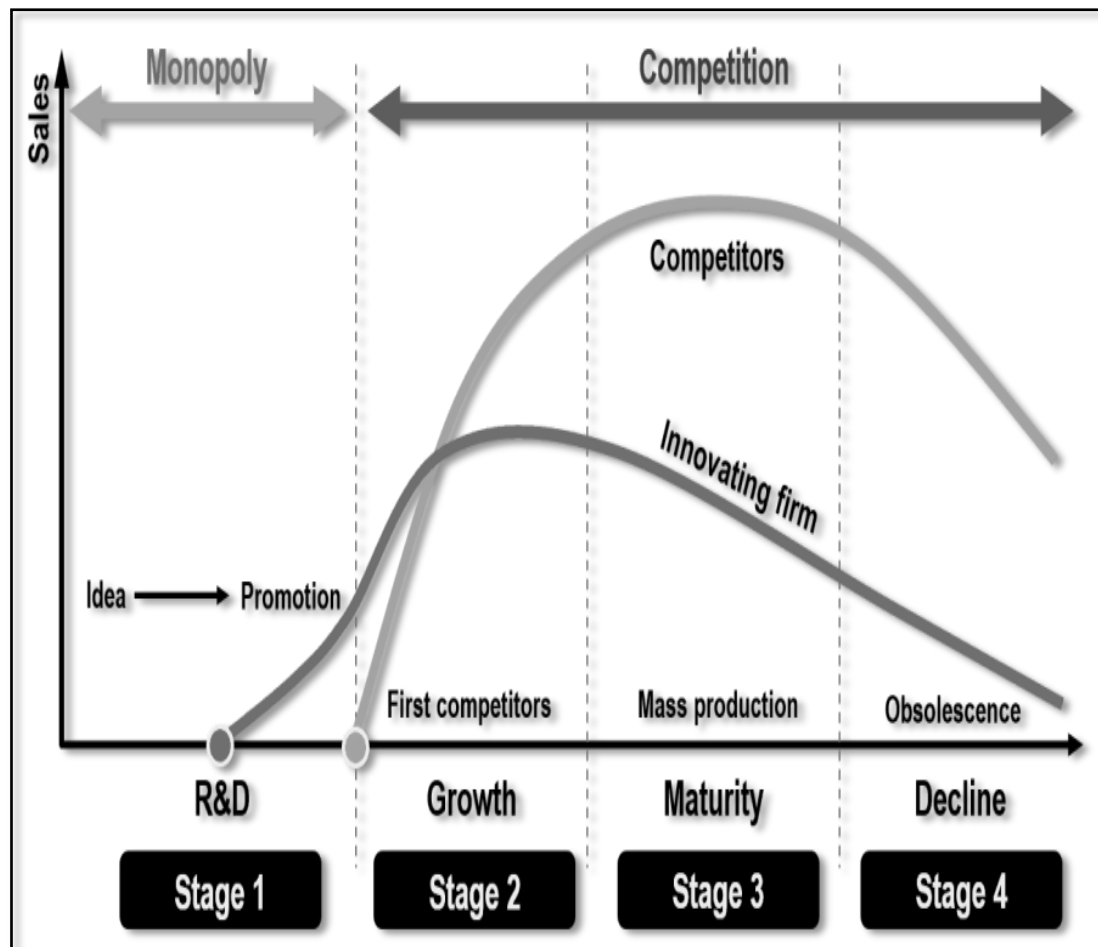


Figure 6.18

One Company, Amazon, Holds a Monopoly in the West.

Amazon has a firm grip on both online shopping and cloud computing, the latter of which is also known as ecommerce (also known as Amazon Web Services). There has been substantial expansion of Amazon Web Services, and it is now a profitable division of the corporation. It is possible for e-commerce enterprises to lose money so that they can gain market share and boost GMV. Projects like Amazon Prime have to lose money for years in order to earn user loyalty.

Subscription holders see Amazon as the sole method to get their money back after they've already paid for their service. In reality, customers don't always behave in the manner that models would expect them to. Customers who have Amazon Prime now rely the company to fulfil all of their buying demands, eschewing alternatives like making educated decisions. A "shopping reflex" is the term used to describe this behaviour.

In 2018, Amazon's share of online sales in the United States was expected to be 35-45 percent. Predictions for Amazon's market share in the United States for 2019 range widely. In terms of analysis, this data is priceless because of its unparalleled access to customer behaviour. Amazon is so well-versed in its customers' buying patterns that it is able to engage and influence customers' purchase decisions by giving inventive and customised product options. The move from Amazon as an e-commerce platform to an e-commerce ecosystem is clear even with the addition of Alexa, which makes use of Echo devices and your own personal assistant.

Customers will "pogo-stick" if you don't use data analytics to find out which search phrases aren't working, which will result in a reduced conversion rate. Unmet consumer demand erodes customers' reliance on your service, thus it's important to manage the lock-in effect. Although demand for product gaps is reflected in search volume, it has been shown that these gaps frequently cause buyers to look for alternative options or just Google for the items.

About half of Amazon's products, services, and offers are personalised based on previous purchases, wish lists, shopping cart contents, and things that have been browsed. To sum up Amazon's self-promotion on the other half of the homepage: Echo devices and Prime Video programming. Increase income by cross-selling highly customised advertisements, which will help you retain consumers and maximise the amount of money spent per client.

Monopolies fear losing clients who are ready to make a purchase. In order to fulfil market demand, Amazon plans to either establish its own brand items or "steal" eBay vendors. Dropshipping items from Alibaba on Amazon is a possible solution if product supply data was made publicly available to existing platform merchants.

The company has been criticised for supposedly going above and beyond the call of duty by seeking for and delivering products that are currently unavailable. Platform analytics, according to many detractors, is a far more sinister tactic than just destroying competitors in commodity product categories when it is used to discover growth sectors while avoiding the risk of launching items in such categories. It is possible for Amazon to take use of its economies of scale by producing an inferior

product at a lower cost and then subsidising it with Amazon Prime or by taking advantage of better listing placement.[42]

Despite the fact that such tactics may be anti-competitive, large tech firms like Google, Tencent, and Microsoft often adopt them. As a result of Amazon's first-mover advantage and creative e-commerce approach, they were able to build a customer-centric ecosystem in China that could not have been constructed to compete with Alibaba. Alibaba is the only company that has a comprehensive grasp of Chinese customer behaviour.

As a result of China's prohibitions on foreign enterprises operating in the local market, this model was born out of necessity. As a result of these limitations, Baidu, the Chinese version of Google, swiftly replaced every American Google. Facebook and other US digital businesses, which dominate western screen time, are no longer accessible in China. Both Amazon and eBay had to concede defeat in China to Alibaba, which came to prominence as a result. eBay shut down their activity when they were unable to duplicate their success on the domestic market. eBay's proportion of the US market has dwindled as well, and the trend away from auction sites now looks to be more fundamental. Using low prices and lightning-fast delivery, Amazon wiped out the competition. Because it's already being delivered through Prime, don't procrastinate and wait to see whether your offer was successful. In the wake of eBay's demise, Amazon and Alibaba have taken over the domestic e-commerce business and have become synonymous with the term e-commerce.

Alibaba: The Amazon of China

As a result of Alibaba's dominance in both the e-commerce and cloud computing sectors in China, direct comparisons to Amazon are inevitable. Alibaba e-commerce platforms account for more than 60 percent of all online purchasing in China, while Alibaba Cloud owns 40 percent of the market share. In terms of market share, both marketplaces are more dominant than Amazon in the United States.

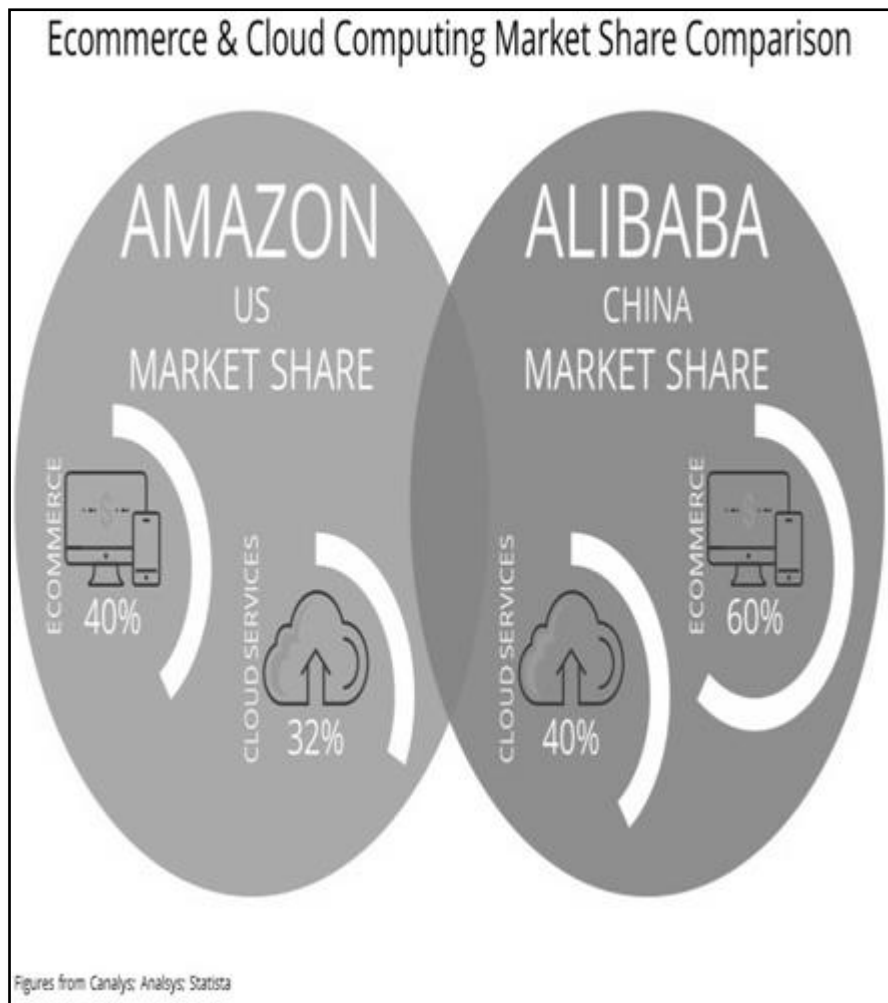


Figure 6.19

According to industry projections, China's e-commerce sector will double in size by 2022, overtaking the US market. Cloud computing is still a young industry in China's corporate sector; it is dwarfed by the vastness of the US cloud computing market. Amazon's paradigm is being reversed by Alibaba in order to invest in cloud computing, which is becoming increasingly popular among Chinese businesses.

The contemporary, digital financial services sector more than makes up for China's shortfall in the market for business cloud services, which the country leads. More than half of China's mobile payments business is controlled by Ant Financial, an Alibaba affiliate that also owns Alipay. Ant Financial is also fast growing worldwide through acquisitions.



Figure 6.20

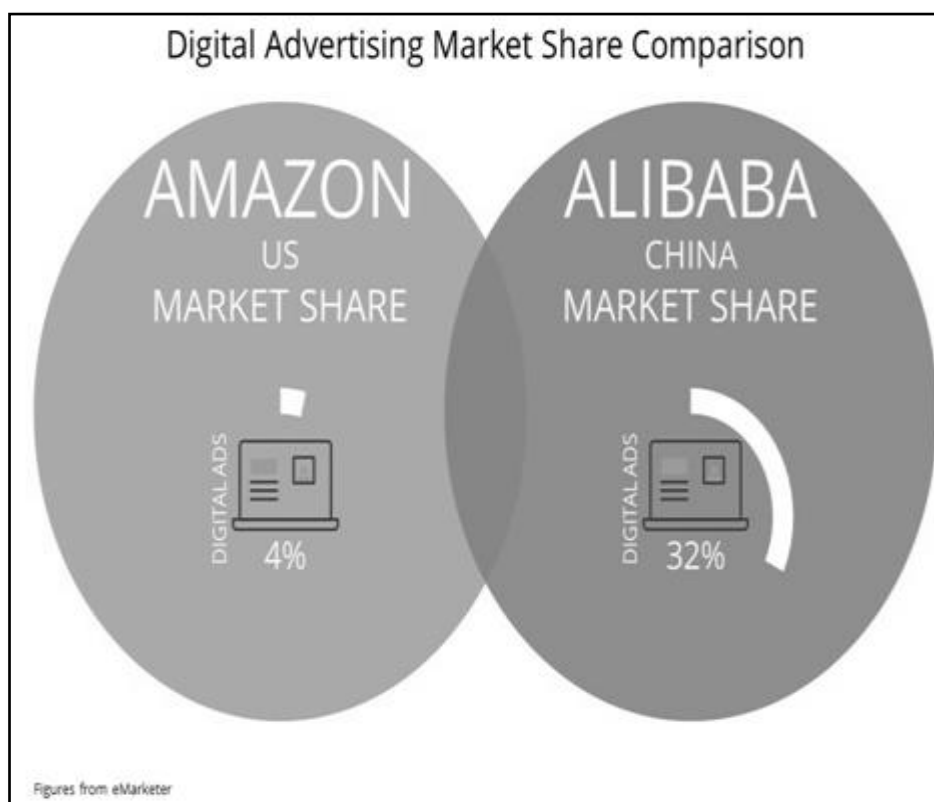


Figure 6.21

It's another another example of how digital businesses are leveraging integration to get a foothold in the industry. As a result of Tencent's payment services being blocked by Alibaba, Taobao and Tmall have been closed down. Over 90% of China's market is currently controlled by Tencent because to WeChat's integration with payment providers.

Another area in which Alibaba has a significant advantage over Amazon is digital advertising. In addition, Alibaba is China's most popular digital advertising platform. Amazon, on the other hand, is striving, with some success, to take advantage of the growing pressure on Google and Facebook to be more transparent in the digital ad supply chain in the United States.

Efforts are underway by Alibaba and Amazon to consolidate and internalise their supply chains by working with logistics providers. For both content suppliers and platforms, digital material is becoming increasingly important. All-encompassing investment in space technology is something that both of them are pursuing.

Look into Alibaba's e-commerce operation from the bottom up because it is distinct from Amazon and the rest of e-commerce. Besides Amazon and eBay, Alibaba's visionary founder Jack Ma has often stated that the company's ultimate ambition is to be a worldwide enterprise. Streamlining the market transaction process is a major goal of Alibaba's as well. Alibaba, unlike Amazon, does not manufacture or sell any of its own products.

Alibaba members had increased confidence in the e-commerce ecosystem since money was retained as part of the delivery process through the integration of payment services. Streamlining the process from consumer information collection through money collection, as well as increasing confidence in online sales By cutting out the middleman that Amazon utilises for the same 1-click ordering process, Alibaba has a financial advantage over its rival Amazon.[43]

Internet Governance, Business Models, and Internationalization Strategies: Amazon and Alibaba's Perspectives

Digital firms' potential to wield power is causing rising anxiety among governments. Keeping track of, controlling, or even halting digital

activity has become increasingly difficult in today's Internet-based digital economy. On the Internet, information that crosses borders is virtually hard to regulate. In order for governments to participate in global business via the Internet, they must enact rules and regulations that limit their sovereignty. For this, these governments will have to give up control of the land and its things (Hathaway, 2014). Because of this, digital companies represent a danger to "national security and individual privacy" (Perritt, 1998).

Increasing public awareness of these challenges has necessitated a greater focus on Internet governance. WGIG categorises four categories of Internet governance: infrastructure and administration of vital Internet resources, usage of the Internet, wider-scale impacts, and developmental elements of Internet governance. In a subsequent study, Yang and Muller (2014) examined this element of Chinese Internet governance and discovered a fifth factor: content regulation, an important part of China's legal, technological, and self-regulatory Internet systems.

This is because of the ever-increasing emphasis on information and digital communication in international commerce. Unfortunately, there hasn't been much research done on the topic of influence in the actual world as of now. One of the biggest problems with the growth of the digital economy is that newly publicised evaluations give significantly more questions than solutions. Topics such as international cooperation in Internet governance are discussed, but the repercussions of this cooperation are left out.

In 2015, the top 100 global digital multinationals included Alibaba, Tencent, Cnova, and Grupo Televisa. (Mexico). Digital affiliates situated in emerging and transitional economies make up 10% of all affiliates, according to the UNCTAD (UNCTAD, 2017b, pp. 8-11; UNCTAD, 2017c). What does this mean for the rapidly growing number of digital multinationals based in poor countries? For instance, multinational firms from both developed and poor nations demonstrate different approaches to internationalisation in the IB literature (van Tulder, 2010). The size of the domestic market is an important consideration for their long-term business plans. their campaigns' success or failure depends heavily on their ability to focus on national political issues (van Tulder et al., 2016). Despite this, we're well aware of how little we still know about the specific techniques deployed by digital multinationals.

Interest in the impact of the Internet on global supply chains (GLCs) has grown since the move from network-based manufacturing to network-based distribution in recent decades (Gereffi, 2001a, 2001b). As a result of the Internet's advent in the mid-1990s, a "infomediary-driven" value chain revolution was able to take root, whereas previous trade and investor value chains were dependent on the expansion of investment and business-to-business globalisation. Digital multinationals in rich and developing nations alike must conduct extensive study to understand how the Internet influences their business plans.

We'll be looking at Amazon and Alibaba in this chapter, both of which are established in the United States (headquartered in China). EMNEs (Emerging Market Multinational Enterprises) are both advanced economy MNEs (i.e. the most successful multinational firms in developed economies) and emerging market MNEs (i.e. emerging market multinational enterprises) (Eichensehr, 2014). The convergence of Internet governance in China and the United States, as well as Amazon and Alibaba's business structures and global strategies, will pave the way for their broader effects.

As a starting point, let's divide the rest of this chapter into many subsections. When doing an empirical investigation, Section 2 will serve as a foundation for analysing important literature and conceptual frameworks in the digital economy. Section 3 explains the case study technique we employed in our comparative analysis. Several topics are examined in this section, including Amazon and Alibaba's digital capabilities and physical asset building practises over the past two decades; their expansion into Southeast Asia and India; and governance trends in the United States and China, along with policies and regulations in Europe and India, as well as more recent United States and Chinese policies and regulations. To learn more about the digital economy's multinational firms, continue reading Section 5's facts and suggestions.

Theoretical Structure

This section is based on the results of two distinct research. However, as the digital economy continues to develop, investors' interest in enterprises with digital qualities and effective business strategies has grown. As a result of recent advances in the expansion of multinational corporations (MNEs) from developing markets, IB students are

increasingly interested in researching how MNEs from emerging and established economies vary. significance of multinational business in digital economy and global economic change progressive economic systems A look at their connections to our Amazon and Alibaba case study shows that present frameworks don't sufficiently address the problem. There are four primary types of business models and typologies in the digital economy.

However, there is no consensus on the issue of digital economic development and social transformation (Brynjolfsson & Kahin, 2000; G20 DETF, 2016; OECD, 2013). A variety of typologies have been developed to define and explain the digital economy's nature and structure. Bukht and Heeks (2017) conducted a study in which corporate organisations are divided into three categories based on their degree of focus: core, narrowly focused, and broad-ranging.[44] Focusing on "the digital sector," which encompasses computer hardware manufacture and telecommunications services, as well as the supply of information and IT consultancy, is the overarching goal of the project. In today's "digital economy," everything from the platform economy to the sharing economy to the gig economy is heavily emphasised. Every industry that may be referred to as a "digital economy," as well as other sectors, can be referred to by the phrase "digitised economy." UNCTAD has defined two kinds of MNEs in the digital economy: digital MNEs and ICT MNEs (UNCTAD, 2017a) (Fig. 1). For the digital economy to take root, ICT MNEs must support a wide range of industries' digital operations. Leading ICT global firms are characterised by their reliance on the Internet to operate and supply their services and products. Digitized commerce, content, software and Internet platforms are all sorts of MNEs that may be included under the umbrella term of "digital MNEs."

The distinction between the ICT and digital sectors is essential to the typologies proposed by Bukht, Heeks, and UNCTAD, since each plays an equal role in determining company competitiveness in the digital economy. While the grouping of digital MNEs isn't totally apparent, A company's revenue comes from a variety of sources, and this diversity is inherent in the business model." Before it became an online retail giant, the majority of Amazon's revenues still came from internet sales. Amazon Web Services (AWS) revenue, on the other hand, is progressively rising (nearly 10 percent in 2017). Despite AWS's 43 percent yearly growth, Amazon's North American and international revenues are only rising by 33

percent and 15 percent, respectively (31 percent). The remaining 23% We question whether Amazon should be classified as solely an e-commerce corporation because AWS comes under the digital content category.

It's time to rethink what e-commerce and an Internet platform really mean. According to UNCTAD (2017a), internet includes the following: Internet-based and cloud-based service providers, as such as search engines and social media platforms, as well as sharing-economy platforms including transaction platforms (such as eBay) and open-source platforms. (Red Hat). B2B integrations

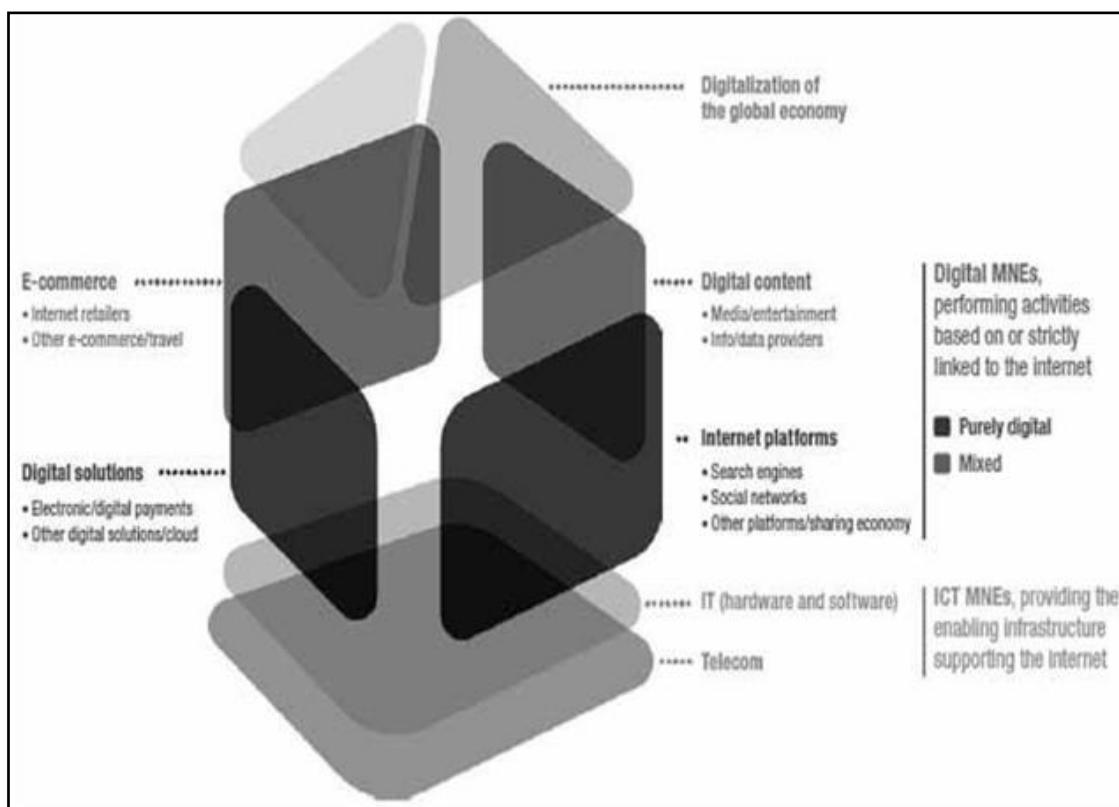


Figure 6.22: The Structure of the Digital Economy.

Internet-based systems have the great majority of these features and more. Alibaba's consumer-to-consumer website Taobao has a search engine that makes it easy for visitors to locate what they're looking for. A comparable role to eBay's is that it provides as a platform for buyers to connect with vendors and for sellers to conduct business. Internet platform and e-commerce activities are now handled by a single firm, not two separate entities.

Platforms, according to Kenney and Zysman (2016), are not a subclass of the digitally based economy, but rather a widespread feature. The phrase "platform economy" was developed to represent the current change, which emphasises the expanding number of economic, political, and social activities facilitated by various digital platforms, as well as the growing influence of platform owners. [88]As an example, Kenney and Zysman consider Amazon to be a platform operator, with three distinct platforms: Amazon.com, which connects sellers and buyers; Amazon Web Services, which provides infrastructure and tools to build other platforms; and Amazon Mechanical Turk, which allows companies to crowdsource specific tasks and build a modern putting-out system. Others claim that the word "platform" refers to an intermediary that links marketplaces of users and depends on technology/information to allow value generation through network interactions, while others disagree (Parker, Van Alstyne, &Choudary, 2016). According to Zeng and Glaister, IPCs are companies that are established primarily to provide infrastructure, information, and technology that enable direct transaction or value creation over web-based virtual platforms by connecting different groups of users in order to extract revenue from the transaction (2016). More than one manner sets independent publishing companies apart from more conventional firms. The capacity of a company to innovate is crucial in the conventional manufacturing and professional service industries.[46]

The potential of a company to achieve above-average economic returns is largely governed by the firm's internal resources and supply-side efficiency. But the value of IPCs is mostly driven by network externalities, and the value to users is greatly reliant on the number of other individuals consuming the same goods or services that they are. In China's garment value chain, for example, the Internet platforms that allow customers to engage with small and medium-sized clothes manufacturers have shifted the governance structure and upgrading patterns from a buyer-driven chain headed by giant retailers and branded manufacturers. (Li, Frederick, &Gereffi, 2018). As a result of the "asset-light" nature of Internet platforms, firms may more quickly internationalise by relying on local suppliers for business adaption and focusing on operational integration rather than capital spending (Kenney &Zysman, 2016; Parente, Geleilate, & Rong, 2017).

A company's ability to produce value was taken into account by Liberty, Beck, and Wind (2016) when dividing it into four distinct categories. The following are some examples:

There are four types of capital providers: asset builders (manufacturers and traditional retailers), human capital providers (consulting services), intellectual capital providers (the Internet and pharmaceutical companies), and network orchestrators (the Internet and pharmaceutical companies).

Libert et al. (2016, p. 15) found that network orchestrators made larger profits, expanded sales quicker, and deployed assets more efficiently than enterprises utilising the other three business models on average. As a result of being able to link various asset kinds, network orchestrators are able to outperform their peers in terms of profitability.

Network effects generated by successful digital enterprises are widely accepted by academics. To Singh and Kundu, an ECC is an organisation that has engaged in electronic commerce since its beginning and receives considerable competitive advantage from the usage of network resources situated in virtual networks of commercial collaborative alliances (2002). The success of ECCs was founded on the fact that each member of the network received a monetary value that was inversely proportionate to the number of other network users. Consequently, the value of a firm website grows in unison with the number of Internet users that visit. According to a recent research, the capacity of ibusiness firms to build and extract value through networks is key to their success. Internet and other computer-based technologies allow people to communicate with one another in these firms.

A valuable framework for studying Amazon and Alibaba, as well as other firms, is provided by these business typologies and models. Some restrictions do apply. For example, UNCTAD has limited the definition of e-commerce to "only complete online and online-born trade." E-commerce platforms for traditional enterprises, despite their tremendous expansion, have been left out of the equation. The barrier between online and brick-and-mortar merchants is becoming increasingly blurred as online and offline firms mix. There were \$11.5 billion in sales for the retail business Walmart's online shop in 2017, as well as the acquisition of the chain food retailer Whole Foods by Amazon (Irwin, 2017). Because of this, it is assumed that there is only one category for each organisation and that each company can only fit into one of the four categories. In this context, Amazon would be classified as a network orchestrator, just like eBay is. Amazon, on the other hand, generates wealth in a number of ways.

Amazon.com Inc. Network orchestrator and asset builder (e.g., logistics infrastructure) and service provider/technology creation skills are only some of the other features it possesses (apps developer for Amazon Prime).

While Amazon and Alibaba began as e-commerce enterprises, their business models have expanded beyond the internet and become more sophisticated. As a result, Libert et al. (2016) neglected the notion that organisations are a mashup of numerous business models, with the value provided by each shifting over time. With these gaps in our understanding of e-commerce in the real world, we will conduct case studies on Amazon and Alibaba that examine their digital and physical assets. In addition, we'll use platform theory to look at how Amazon and Alibaba's business models produce competitiveness through networks, technology, services, and other assets. Strategies for Internationalization in Your Own Country
IB research on multinational corporations (MNCs) often focus on internationalisation theory, which emphasises internal organisation, network capabilities, alternative governance alternatives, and interdependence among geographically dispersed economic players. When these elements are coupled, they result in efficient transaction governance and successful matching of firm-specific advantages (FSAs) to its environment (Buckley & Strange, 2011; Kano, Verbeke, & van Tulder, 2016). A growing body of literature on internationalisation seeks to draw on lessons learned by MNEs in developing countries rather than only those in the United States, Western Europe and Japan, which have had a major impact on internationalisation theory. It is stated that, in contrast to their counterparts in industrialised nations, economic and political issues play an equal role in their worldwide expansion.[48]

On the other hand, Verbeke and Kano (2015) found that FSAs share qualities such as entrepreneurial agility, flexibility/responsiveness, and expertise operating in tough settings. In addition, the brand and technology may not have been built through traditional advertising and in-house research and development (R&D). Co-operations between the developed and the developing economies In order for EMNE partners to obtain trade names and technological know-how, MNEs are still a vital means of transportation

On the other hand, they use international expansion as a springboard to: (1) acquire strategic resources to compensate for capability gaps; (2)

overcome catch-up disadvantages; (3) capitalise on market opportunities in other countries; (4) alleviate institutional and market constraints at home and bypass trade barriers into advanced markets; and (5) better compete with global rivals after straying from their core competencies. When it comes to preparing themselves to fight against global opponents, they employ international expansion methodically and recursively to increase their capacity to generate new competitive advantages both locally and globally (Bae, Purda, Welker, & Zhong, 2013; Liang, Lu, & Wang, 2012; Luo & Tung, 2007).

Non-developed country MNEs have been classified as Third World MNEs, developing country MNEs, and emerging market MNEs by academics. Since recently, the BRIC multinationals have been in the centre of controversy. There are many prominent MNEs from this subgroup, as well as distinct characteristics of their home countries such as the size of the domestic market, influence of national policy, and government involvement, which lead to more reliable generalisations that have theoretical and practical implications. (Wells, 1983; van Tulder, 2016; Verbeke & Kano, 2015).

Large multinational enterprises (MNEs) from China in particular have attracted attention due to the country's considerable impact. Luo, Xue, and Han (2010) used two seemingly opposing views to explain the overseas development of Chinese MNEs: institutional escapism and government encouragement. Chinese government's decision to "go global" includes a political component as well as a necessity to boost efficiency in Chinese businesses and the economy. A globalisation agenda was seen by China's political leaders as a way to help China's rise and increase its regional and global influence over the structures and procedures that regulate well-established international organisations and the global economy. As a consequence of China's natural resources and "government-created advantages" for Chinese MNE internationalisation, the majority of Chinese MNEs' worldwide competitiveness is boosted (Ramamurti&Hillemann, 2018).

Some claim that China's government regulation of international digital MNEs has rescued domestic digital enterprises and even sparked local competition and innovation in the digital sector (Wadhwa, 2018). State-owned and private-owned Chinese companies (SOEs and POEs) have different connections with the government and, as a result, adopt

various courses toward inter-nationalization. As a direct result of government help in the form of financial support and administrative privilege, Chinese SOEs create contacts and networks in overseas markets. However, the great majority of Chinese digital economy companies (POEs) have a less tight ties with the government. Overprotection of SOEs and uneven domestic industry growth in favour of sectors with heavy SOE involvement are two institutional dangers that have considerably restricted the local market for POEs and compelled them to go global (Wei, Clegg, & Ma, 2015).

Chinese MNEs' motivations and strategies have been studied in some depth in previous studies; however, most of these drew evidence from firm-level case studies of leading manufacturing companies and energy/electronics firms, with an emphasis on the characteristics and reasons for FDI as well as choice of location and entry mode (Luo & Lemanski, 2016; Silva, 2016; Yorbana, 2016). A growing number of global businesses have their roots in Chinese digital MNEs. Few studies have examined Alibaba and Tencent's internationalisation or compared them to their equivalents in developed nations, which are two of the Top 100 digital MNEs. First, we'll give a summary of Internet governance in the United States and China, and then we'll look at the applicability of contemporary internationalisation theories to analyse the influence of the home regulatory environment on Amazon vs Alibaba.[49]

3. Methodology

This research examines the interplay between regulatory framework, business strategies, and internationalisation tendencies of top digital corporations from industrialised and developing nations. As global e-commerce leaders and rivals, Amazon and Alibaba were handpicked for inclusion. Globally, Amazon is the leading e-commerce company, followed by Alibaba based on 2015 revenues (UNCTAD, 2017b) in the top 100 list of digital MNEs. There are a number of important figures and information from Amazon and Alibaba's 2017 annual reports depicted in Figure 2. 2 This year, Amazon's revenue was \$177.9 billion, with 566,000 workers, a 56 percent annual growth rate, and a ROA of 3.9 percent³. Alibaba's revenue was \$22 billion, with 50,092 workers, a 56% annual growth rate, and an 11.9 percent return on assets.

Amazon and Alibaba's revenue distributions are very different, despite their similar size and profitability. In its annual report, Amazon categorises its income streams into three groups: North America (\$106.1 billion), International (\$54.3 billion), and AWS (\$17.5 billion). Alibaba disclosed its total revenue, which included \$17.5 billion from China commerce, \$1.94 billion from international trade, \$0.9 billion from cloud computing, \$2.14 billion from digital media and entertainment, and \$0.4 billion from innovation initiatives and other sources. More important than whether they are from an established or a developing economy is their ability to make money. It is crucial to know how they are similar and different.

For a number of purposes, the case study approach is employed. These include providing a description, testing current ideas and establishing new ones (Eisenhardt, 1989). To begin with, we want to examine if theories on the digital economy and IB may help us obtain insights into these two organisations. In the literature review portion, we discovered numerous applicable concepts, such as the UNCTAD digital economy framework and Libert et al fourbusiness.'s models. To begin, they present conceptual frameworks for organising and analysing Amazon and Alibaba empirical findings. On the other side, this procedure may help us recognise the the other side, this procedure may help us recognise the weaknesses of each framework and how to better reflect reality.

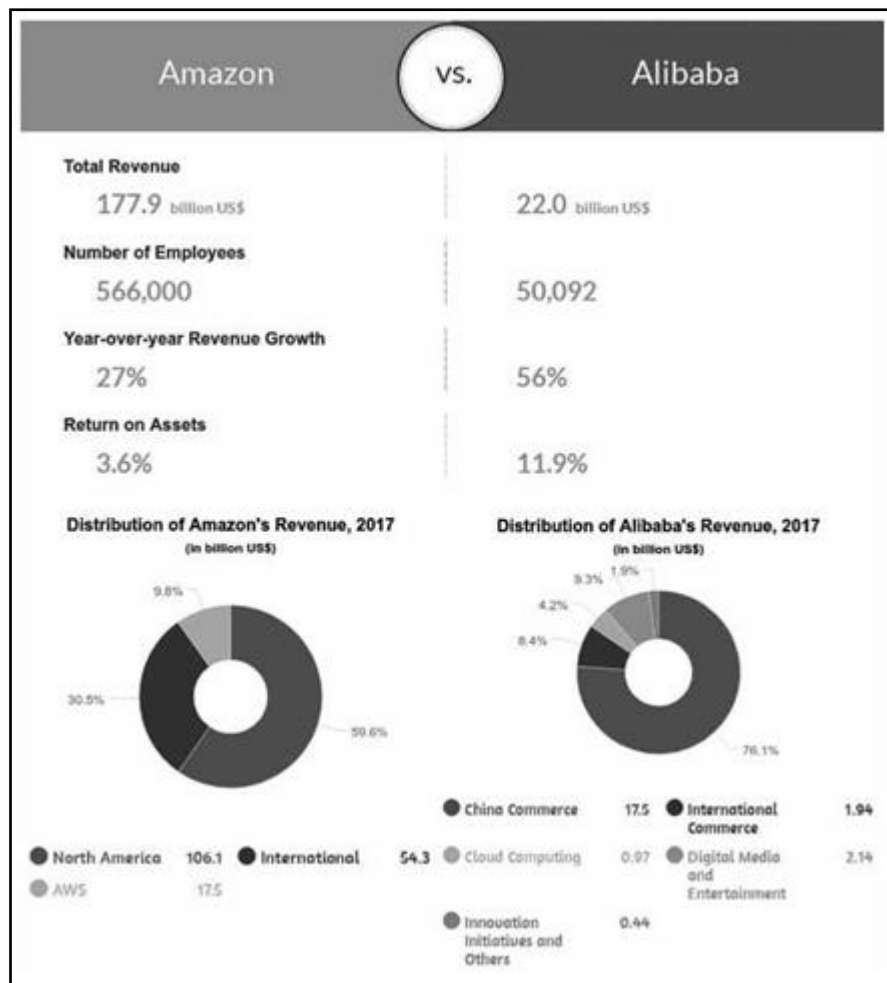


Figure 6.23: Statistics and Facts on Amazon and Alibaba, 2017.

Real-world economics is reflected in the digital economy. Growth and worldwide expansion will, like Amazon and Alibaba before it, mirror the characteristics of the nations from which they originate.

To make our findings more understandable to the reader, we provide the most recent business developments and growth trajectories of these two companies in the real world. In case studies, the six most regularly utilised evidence sources are documentation, archival records, interviews, first-hand observations, and physical artefacts (Yin, 2017, p. 117). E-commerce marketplaces' documentation and archives are supplemented by the findings of this research. As a result, we used information from a variety of sources, including annual reports from companies, market research databases (such as Statista and Ychart), specialised organisations (such as eMarketer), and conventional media (such as the New York Times and the Wall Street Journal). The data in issue has been thoroughly examined to ensure its correctness and accuracy, however there are other

theories as to what the data could reveal. In our comparisons between Amazon and Alibaba, we used both qualitative and quantitative analyses.

4. Findings

Amazon and Alibaba have different internationalisation plans because of their platform business strategy. Net neutrality: a home-country perspective Platform business model, internationalisation initiatives for Amazon and Alibaba and internet governance in the home country are the three main areas of our results (the United States and China, respectively).

Physical and digital assets are intertwined. The Platform Business Model.

In terms of global e-commerce sales, Amazon and Alibaba are head and shoulders above the others. As a starting point, we need to recognise the complexity of the services provided by Amazon and Alibaba to its customers, as well as the breadth of items and services available on their websites. As a platform firm, Amazon uses its e-commerce sites (such as Amazon.com and AWS), as well as its infrastructure (such as AWS) to create a holistic approach to business. A major amount of the company's revenue comes from both service offering and physical assets. since 2004, it has held a market share of 47 percent, making it the largest cloud computing service provider in the world (Coles, 2017). AWS is more attractive to businesses and programmers because of Amazon's investment in AWS.

As a result, the "connection" business idea is at the heart of all Alibaba activities. Ali Cloud and Cainiao, Alibaba.com's logistics network, have been used to connect and facilitate cross-border trade between small firms, increasing the chance of connection and increasing returns since Alibaba.com began providing e-commerce sites for global wholesale merchants in 1999. An essential component is to establish a platform that attracts more merchants, which in turn attracts more customers, which generates more money.[50]

As a result of their platform business models, which incorporate both digital and physical assets, Amazon and Alibaba have had considerable success. Based on publicly accessible data from Amazon and Alibaba's websites and annual reports, the graphic below shows their respective business structures in their entirety. When we talk about e-commerce,

we're talking about digital items, services, and software applications. It is possible to market products or services in two or three ways. If you want an excellent illustration of this notion, go no further than Amazon Web Services (AWS), which is a hybrid of cloud computing and digital content. Both Amazon and Alibaba are expanding their businesses by creating new divisions in order to boost their profitability. Adding new consumers is essential if they are to maintain their current levels of traffic and data use

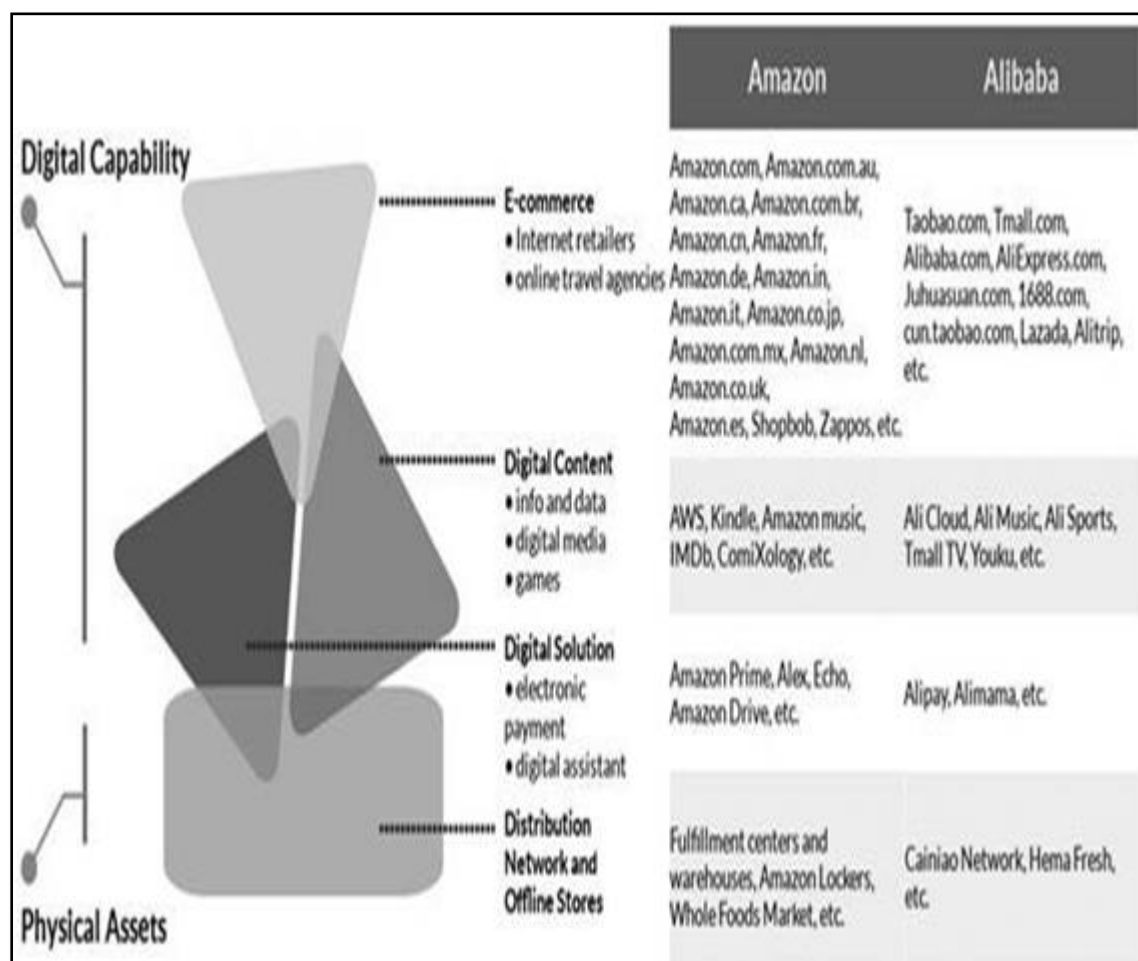


Figure 6.24: Amazon's and Alibaba's Digital Capability and Physical Assets.

Online shops of the company Due to two factors: (1) Amazon.com and Alibaba.com launched it all; and (2) e-commerce is still the most major income source for both firms, therefore it is at the core of both business strategies.

There are two reasons why "Internet platform" is not a part of Amazon's or Alibaba's digital capabilities. UNCTAD considers search engines and social media to be Internet platform types of businesses.

Amazon and Alibaba's business strategies need to attract enough customers for these items to become mainstream. This is due to the intense competition they face in their own markets. Baidu and Tencent control search engines and social media platforms in China, whereas Google is the dominant search engine in the United States. It would be a struggle for latecomers to compete well enough to earn a considerable market share. Rather than a product, platforms are a core part of Amazon and Alibaba's business strategy. As a result, they have a substantial amount of physical resources. As a result, we contend that platform business models do not exclude the value provided by physical assets even in the digital economy. E-commerce's success depends on providing customers with better and faster service. All of this is dependent on well-functioning and accessible physical resources.

Amazon and Alibaba need distribution capabilities like warehouses and logistics, just as the digital economy needs IT technology like laptops and smartphones. For a company as successful as Amazon, the fulfilment centres and warehouses that serve both the company's own inventory and the inventory of third-party sellers, who listed products worth more than \$23 billion in 2016, more than twice as much as two years earlier, require significant investment in order to function properly. ⁴ After purchasing Whole Foods Market, Amazon's investment in fulfilment centres suggests that the corporation is not satisfied with being a digital-only business.

China's and international free-trade zones have seen a surge in investments in warehouses from Hema Fresh (an offline grocery chain) and Alibaba, a firm famed for its asset-light approach (Najberg, 2017). Having a platform company for Amazon and Alibaba involves more than just reducing the number of physical assets they own. One of the most important challenges they face is connecting online and physical shopping. E-Commerce.

e-commerce can be categorised according to the parties involved. It is possible to conduct two sorts of business-to-business transactions (B2B). In the business-to-consumer (B2C) market, electronic items are sold directly to the customer. Using eBay as a third example, you may discover C2C examples. On the platforms of Amazon and Alibaba, all of these actions are possible. However, their routes to success and achievements are different. When Amazon.com first launched as an online bookshop in 1994, it had a clear focus on selling products directly to

consumers. Both B2B and C2C (Amazon Consumer to Consumer) are now available on Amazon.com, but the company's primary focus is still on B2C. From books to electronics, clothing to home decor to cosmetics, toys are all included in this category. According to eMarketer, 44 cents of every dollar spent online in the United States is spent on Amazon (2017). Additionally, Amazon has successfully extended the B2C model outside of North America via the Amazon International websites. When Alibaba.com was first founded in 1999, it became a worldwide whole-sale platform that links Chinese producers with foreign purchasers. With China's cheap manufacturing attracting more and more global customers and investors, the Internet grew in popularity as well. In addition to Tmall.com and Juhuasuaan.com, some of Alibaba's other e-commerce sites include Alibaba (Alitrip). In 2016, 86 percent of Alibaba's yearly income came from the two products. Aliexpress.com and Lazada are two of Alibaba's efforts to expand its consumer base beyond China. However, overseas sales made up just 8 percent of Alibaba's total income in 2016, but there is a lot of room to expand. There is no such thing as a deficiency in the digital era.

These companies' revenue is separated into three parts, according to their annual reports: domestic and international commerce, along with cloud-computing service offerings. According to Amazon's report, these sectors describe how the corporation analyses and executes its business performance. We can see the strategic relevance of AWS and Ali Cloud to both Amazon and Alibaba by looking at their respective annual reports, which show that cloud computing contributed for 3 percent of Alibaba's revenue and 9 percent of Amazon's. A comprehensive range of services, including global computing, storage, and databases, were made available to developers and enterprises of all kinds when it was introduced in 2006. No one knew that Amazon Web Services (AWS) was profitable until 10 years after its initial public offering (IPO). In April 2015, Amazon revealed that AWS total sales had crossed \$4.7 billion for the previous fiscal year, and the firm's stock price surged, making it the fifth-largest corporation in the world by market value (Carter, 2017). The first time in Amazon's twenty-year history that its yearly sales topped \$100 billion was in 2015. Walmart, which took 35 years to achieve \$100 billion in sales, has grown at a much slower pace than this.

Ali Cloud, an e-commerce-focused data mining and information management firm, was established in 2009 to suit Alibaba's internal and

external computing requirements. The enormous amount of data created by over 400 million consumers shopping on Alibaba's websites and saved and analysed by Ali Cloud is a huge advantage for the company. P4P advertising has proven to be one of Ali Cloud's most fruitful endeavours to date. Adverts and sellers can both bid to be at the top of search results when particular keywords are typed into a search engine. A personalised homepage is now available to users who visit the website, with recommendations based on their past browsing and purchase behaviour, as well as best predictions about what might interest them gleaned from the Ali Cloud profile data of thousands of other customers. The fact that US companies such as Microsoft Azure and Amazon AWS cannot operate in China because of legislative limits (described more in Section 4.3) means that Ali Cloud has an enormous competitive advantage.[51]

Increasing scale produces more value, which draws more consumers and sellers and, in turn, generates even more scale. An online sales data and customer footprints may be used to not only "better fulfil demand," but also "generate new demand," according to Alibaba CEO Yong Zhang (Meng, 2017). [100] The JP Morgan analyst Alex Yao described this process as "growing beyond traffic monetization to data monetization," which is influencing both the fundamental business function and the competitive environment inside the e-commerce industry (Kim, 2017). It is plausible to ascribe Amazon's and Alibaba's industry-leading performance to cutting-edge data and cloud technologies, even if the financial effect of data monetization has not yet been determined.

In 2017, the United States had an estimated 60 million active users of voice-enabled assistant devices, with 70.6 percent of them using Amazon's Echo (eMarketer, 2018). Customers can use Alexa, an artificial intelligence (AI)-powered voice assistant, to order items from Amazon and control household appliances via the Echo speaker. While virtual assistant technology is still far from widespread adoption, consumers are becoming increasingly engaged with it. According to eMarketer (2018), as prices decline and functionality improves, consumers will find more reasons to adopt these devices. This market will have in excess of

By 2019, there will be 75 million users. Amazon attributed a large portion of its market dominance in the United States to Alexa. Recognizing the potential of voice assistants in e-commerce, Jeff Bezos stated that Alexa's performance has far exceeded Amazon's internal

projections and that the company will "double down" on its investment in this area (Poletti, 2018).

In 2004, Alibaba launched Alipay as a third-party online payment platform, a critical strategic move toward e-commerce market dominance. In the early 2000s, online credit and debit payments were not widely accepted by Chinese sellers and customers. In 2002, Chinese banks established the Union Pay payment card network, which was to become the "Chinese Visa and Master Card." Banks, on the other hand, were hesitant to deal with small transactions involving distance selling, believing them to be too risky and insufficiently lucrative. Additionally, online sellers and buyers with a low transaction volume were unwilling to pay the high transaction fees, and Chinese consumers lacked confidence in credit cards. In this context, Alipay partnered with leading Chinese banks and signed a long-term agreement with China Post, the state-owned postal service, to enable consumers to deposit cash locally and replenish cash accounts in the same way that banks do. Alipay now processes more than 50% of China's online transaction payments, with 450 million registered users. Apart from the Chinese domestic market, Alipay competes with PayPal and Apple Pay for the global mobile payment market. Alipay has the potential to become a primary tool for Alibaba to expand its impact and presence across Asia and the United States.

There are two noteworthy aspects of Amazon and Alibaba's physical assets: The distribution network infrastructure, which includes Amazon's warehouses and two-day delivery service, as well as Alibaba's Cainiao Logistics; and the offline stores, which include Amazon's acquisition of Whole Foods Market in North America and Alibaba's Hema Fresh stores in China. These phenomena are not discussed in UNCTAD's discussion of the digital economy, but digital giants such as Amazon and Alibaba are transforming traditional express and retail industries, which are increasingly becoming integrated into the digital economy. Logistics and distribution

Amazon's business model is predominately based on physical assets. Amazon CEO Jeff Bezos emphasised AWS, Amazon Marketplace, and Amazon Prime as three pillars of the company's success in a letter to shareholders (Bishop, 2016). As previously stated, AWS and Marketplace are acronyms for Amazon Web Services and Amazon Web Services, respectively. Prime, the third pillar, is a service that provides members

with free limited-time guaranteed delivery and unlimited access to online entertainment resources such as music, books, and movies. Prime members totaled over 100 million in 2018, and they contributed more than \$6 billion to Amazon's revenue each year (Wingfield, 2018).

Amazon Prime's success is due to its extensive logistics infrastructure, which includes warehouses and fulfilment centres (FC), where Amazon stores and distributes the majority of its inventory; Amazon Prime Air, a drone-based delivery system that offers 30-minute delivery; and Amazon Lockers, where customers can store their items. orders can be placed online Given the combination of fast delivery, product diversity, and competitive pricing, it is unsurprising that Prime can retain old customers while attracting new ones, and that Amazon's investment in logistics has increased by 30% per year since 2013. (MWPVL, 2018).[52]

The emphasis on physical assets in Amazon's business model can be traced back to 1994, when the company began as an online book seller. Instead of outsourcing the FC, as other Internet retailers did in the 1990s, Amazon built a vertically integrated network of facilities to hold its inventory and use it to assemble and ship orders submitted through Amazon's site. The development of storage infrastructure laid the groundwork for later expansion into other businesses. While Amazon still sells millions of books, other items such as electronics, apparel and accessories, auto parts, home furnishings, health and beauty aids, toys, and groceries now account for more than two-thirds of total sales.

Amazon built 51 FC and sorting centres in the United States and more than 140 worldwide by 2017, beginning with two FC centres in Seattle and Delaware. Most of them are located outside of major urban areas and offer a low-cost alternative to traditional brick-and-mortar stores operated by retail chains in terms of land value and real estate taxes. Between 2014 and 2016, the percentage of the total population in the United States who lived within 32 kilometres (km) of Amazon's FC increased from 26 percent to 44 percent (Kim, 2016).

Although the FC network expansion from 2006 to 2018 is estimated to have resulted in a revenue loss of around \$9.6 billion, it is expected to reduce the average shipping distance from the FC to the consumer by around 290 km by the end of 2018. This would result in shipping cost

savings ranging from \$5 to \$13.3 billion, as well as a 14 percent increase in profit margins (Houde, Newberry, & Seim, 2017).

China Smart Logistics (formerly known as Cainiao Network), a joint venture between Alibaba and four other large Chinese package delivery businesses, is owned by Alibaba. The Cainiao Network is capable of delivering 47 million parcels each day to 224 nations and territories, as well as 2,800 districts and counties in China (Alizila, 2016). When it comes to the logistics data platform used to enhance the performance of Cainiao Network's package delivery partners, the company follows a similar strategy to that used by Alibaba's online retail operation. 6 Additionally, while Cainiao Network does not demand as much money to ensure rapid delivery as Amazon Prime, it lacks a membership programme with special privileges that makes it less efficient in creating loyal consumers. Non-electronic stores

With the purchase of Whole Foods Market for \$13.7 billion, Amazon earned an immediate brick-and-mortar presence. 2016. Amazon had made substantial changes to Whole Foods by the beginning of 2018, including price reduction of up to 50% on fresh food, free two-hour delivery of fresh food via Prime Now, and the sale of Amazon's Echo device in Whole Foods locations (Valinsky, 2018). These initiatives appear to be beneficial to both parties. Despite the growing popularity of healthful, organic, and locally produced foods, Whole Foods has battled to keep its prices competitive for many years. After Whole Foods made major expenditures to cut costs and grow its private-label brand, customers began shopping at lower-priced stores. Amazon has reduced Whole Foods' pricing by passing on savings to customers by leveraging its scale and efficiency. [103]In contrast, Whole Foods provides Amazon with access to more than 400 locations across the United States where customers may pick up groceries and non-grocery products. A bright future for more than just the food industry is created by the union of Amazon and Whole Foods Market outlets. Hybrid, offline–online retailers have the ability to give customers with a seamless experience while maximising operational benefits across physical and digital operations.

Alibaba underwent a more radical transition than previously thought. High-end consumers in Beijing and Shanghai can now get their hands-on foreign seafood, meats and fruits and vegetables at Hema Fresh. If the approach is followed, customers will be able to shop at the same time on a

desktop, mobile device, or in person, regardless of where they are. How this new retail model operates is described in depth by Cheung (2017): Customers of Hema are urged to download the store's mobile app, which is linked to other Alibaba goods like as Taobao.com and Alipay. To find out more about a product or get suggestions for similar ones, customers may scan its barcode with the app while in-store. Once a customer is completed shopping, they may check out using the app.

Customers within a 3-kilometer radius of a shop may make purchases remotely via the app and have things delivered within 30 minutes because the stores also function as fulfilment centres. Alibaba uses this information to provide a more personalised shopping experience and to better understand a consumer's online and offline journey. A mix of a network orchestrator and an asset builder, Alibaba's business model has evolved as a result.

When it comes to e-commerce, Amazon and Alibaba have made it obvious that they intend to expand their customer base by merging online and offline services. It appears that supermarket chains are making significant in-market investments, collaborations, and acquisitions, which might signal the beginning of more varied offline activities. Ali Health, Alibaba's online pharmacy, and Amazon's non-profit healthcare firm both recently made efforts in the healthcare sector. Because they have access to a wealth of consumer data and cutting-edge technology, they are well-positioned to experiment and adapt to brick-and-mortar pharmacies and insurance companies.[53]

The economies of South and Southeast Asia, as well as India, are growing and becoming more competitive on the global stage.

Every time a company expands internationally, it uses it as a tool to solve domestic limits and take advantage of possibilities in other nations. Amazon and Alibaba's global development is seen in Figure 4. With a B2C e-commerce presence in 14 countries, Amazon is the largest B2C retailer in the world. 7 Among its distinguishing characteristics are two. First, its performance in international markets differs greatly. In developed areas in Western Europe, Amazon is one of the main e-retailers, having a significant market share or number of visitors. In emerging economies in Asia and Latin America, such as China, where its market share was less than 1% in 2016, it is making far slower development.

The second reason is that, when compared to its 44% share of the US e-commerce industry, Amazon's performance outside of the United States is lacking. Amazon's global expansion has been plagued by financial instability and weak economic returns due to a variety of external factors, including underdeveloped infrastructure, limited Internet access, unregulated business environments, a lack of familiarity with local markets, and fluctuating foreign exchange rates. Furthermore, Amazon's business strategy makes it difficult to translate its domestic success, which is heavily reliant on logistics. For example, Amazon must depend on its well-known expertise in inventory management and delivery in order to overcome the absence of reliable infrastructure for last-mile delivery in several Southeast Asian regions (Chadha, 2017).

Internationally, Alibaba does not operate on the same scale as Amazon, with a considerably smaller footprint. In 2016, Alibaba only had two worldwide sites: Alibaba.com, a wholesale platform for global trade, and AliExpress, a global marketplace for consumers to buy items and services from Chinese vendors. It was also 40 times more profitable for Amazon than Alibaba. However, despite the fact that Alibaba.com's primary goal was to link consumers and merchants from all over the globe, thus far only Chinese purchasers have been matched with worldwide vendors. International e-commerce revenues were for 7.5 percent of the total, whilst domestic e-commerce revenues were 75 percent less (Alibaba, 2017).

At least for the foreseeable future, Alibaba's major focus will be on maintaining its position in China's local market. In spite of this, it is undeniably lofty in scope. Two billion consumers throughout the world are Alibaba's long-term aim, as well as helping 10 million small companies become profitable, according to the company's 2017 annual report. Global e-Trading Platform (eWTP) was introduced by Alibaba last year in an effort to make international trade easier for businesses and consumers while also reducing trade obstacles. Amazon and Alibaba are on the verge of a head-to-head e-commerce battle in Southeast Asia.

>>> INTERNET INFRASTRUCTURE

Issues relating to infrastructure and the management of critical internet resource, including administration of the domain and system and IP address, administration of the root server system, technical standards, and telecommunication infrastructure.

Example: *China Internet Domain Name Regulation* (2002); *China Internet Domain Name Regulation* (2004)

>>> CYBERSECURITY

Issues relating to the use of the internet, including spam, network security and cyber crime.

Example: The Golden Shield Project (2003); Real – name Registration (2015)

>>> INTELLECTUAL PROPERTY

Issues that are relevant to the Internet but have an impact much wider than the internet and for which existing organization are responsible, such as intellectual property rights (IPRs) or international trade.

Example: *Regulation on Telecommunications* (2000); *China Internet Copyright Self- discipline Convention* (2017)

>>> DEVELOPMENTAL ISSUES

Issues relating to the developmental aspects of internet governance, in particular capacity- building in developing countries.

Example: *Interim Regulation on the Management of International Networking of Computer Information* (1996); *Special Management Share* (2017)

>>> CONTENT REGULATION

Issues relating to the censorship and regulation of messages publicized on the internet.

Example: *Administrative Provision for Electronic Bulletin Services on the Internet* (2000); *Interim Regulation on the Administration of Internet Culture* (2011)

Figure 6.25: Five aspects of internet governance in china.

Lazada, a Singapore-based e-commerce startup, was acquired by Alibaba in April 2016 for an undisclosed amount. Lazada

Customers in each of the six markets may choose from six different language options and smartphone applications in order to satisfy their demands. In order to satisfy the needs of its clients, it has built its own logistics infrastructure that includes warehouses and a fleet of last-mile delivery vehicles. Around 200 million people utilise the Internet in these six nations, which have a combined population of 560 million people with active merchants. Lazada was created with the express purpose of providing Chinese businesses and multinational brands with a means to reach customers in Southeast Asia, where the consumer market is constantly expanding.

Aside from Apple and Google Play, the Amazon Prime Now app was not available in Singapore for Android users to download. Amazon's two-hour delivery window is easier to manage in Singapore because of the city's dense population (Chadha, 2017). One hundred thousand square feet has been devoted to a fulfilment centre that can handle increasing demand from customers. There was a belief in the Southeast Asian e-commerce business that Amazon was going to make a play for it. Amazon's expansion into Southeast Asia puts the business directly against Alibaba in the area, where online sales are estimated to rise from \$1 trillion to \$2.7 trillion between 2016 and 2020. According to eMarketer, 2017 Governing the Internet has a lot in common with the politics of the home country[55]

China's e-commerce legislation and regulations are still minimal at the moment due to the industry's relative youth. However, this does not imply that the government does not constantly monitor and supervise activities relating to internet trade. Chinese law forbids foreigners from having majority interests in enterprises involved in value-added telecommunications, such as e-commerce. As a result, Amazon is required to conduct its China operations through Chinese-owned firms, whether fully or in part. An illustration of Alibaba's grasp of the consequences on its company that China's internet legislation may have. The Chinese government's demand for user information or data to address national security or Internet censorship may have a negative impact on Alibaba's future operations and reputation.

This modern Internet governance mechanism was put in place by China back in 2000. De Bossey (2005) and Yang and Muller (2014) outlined five categories: cybersecurity, content control, Internet resources, intellectual property, as well as developmental concerns (see Fig. 5). Over the past two decades, the government has been given increased power over the Internet through these various regulatory efforts. International Internet governance analyst Christopher Muller argues that China's approach runs counter to this environment and violates "private-sector based, more capitalistic, freer" international governance, in response to China's cyber-nationalism and the exercise of sovereignty in Internet regulation. To that end, China's Internet censorship is a useful tool for the Chinese government.

For Alibaba, the three most contentious Internet policies are: the Great Fire Wall, real-name verification, and the management share, as shown in this section. As a first stage, we show how Internet governance has impacted China's digital enterprises and the resulting effects on the digital economy as a whole. While we're at it, we'll take a brief look at Internet governance from a comparative viewpoint as we go. We can now explore the relationship between Amazon's and Alibaba's global expansion and Internet governance in the nations where they operate, based on this newfound knowledge of globalisation. Xinjiang's Great Firewall.

One of China's most contentious Internet policies is the GFW (Global Firewall). Golden Shield was developed in 2003 to prevent foreign websites from gaining unrestricted access in the country. There were many international internet companies that were affected by GFW since their ability to conduct business in China was restricted. These companies included Google. Google had to register and restrict its search results in China because the Chinese government demanded it.

A non-negotiable legislative requirement has already been accepted by the Chinese government before the country's self-censorship programme was implemented in 2006. When it comes to topics such as human rights, religion, or democratic institutions like free speech, Google must eliminate all results that mention them (Hartnett, 2011). An announcement that it will no longer serve users in mainland China was made by the search engine in 2010. According to Xinhua, "Google disregarded its deal with China when it released its search engine in the nation, neglecting to screen its results and then blaming China when

hacking happened" (Helft& Barboza, 2010). Users who were unable to access Google following the activation of the GFW will now be sent to a blank page.

GFW (which aims to increase China's national sovereignty) is a godsend for the country's local internet enterprises. As a result, Alibaba, Baidu, and Tencent have more opportunity to develop. In any event, it is wrong to ascribe the success of the domestic Internet to GFW alone. The GFW serves as a sobering reminder of the basic foundations that support the legitimacy of the system of state sovereignty. Foreign Internet firms were prohibited from operating in China because they did not share China's ideals. As a stark contrast to this is Jack Ma's public speeches and social media posts in which he employs political phrases like "China Dream" and "new normal" (Foley, 2015). Internet giants like Alibaba and other businesses have invested \$11.7 billion in China Unicom (Yuan, 2017), furthering the government's objective of channeling private money into state-owned enterprises. Because it wanted to become China's largest e-commerce company, Alibaba worked hard to preserve good connections with the government and to promote its own principles. Checking the authenticity of a user's alias[56]

Internet users in China are now required to provide their true names as part of a second type of Internet control. Internet users in China must have a confirmed genuine name as of July 2010, according to the MIIT. Early enforcement was provided by China's three telecoms—China Mobile, China Unicom, and China Telecom—initially. Next, the registration procedure for social media sites like Weibo and WeChat was made available. A Chinese bank account or ID was mandated for all Alipay account holders beginning in 2016.

Another Alibaba-related industry is heavily restricted.. Deliveries need real-name verification by the shipping firm when the parcel is received or sent. To avoid being a victim of cybercrime, the MIIT suggests that people use their genuine identities while logging on to the internet. However, Columbia Law Professor Tim Wu disagrees and says that cybercrime is defined incorrectly (Osnos, 2010). According to the majority of governments worldwide, the internet should be governed by their own laws, but China has adopted the opposite approach. Classified material, weakening the state, lowering the country's esteem, disseminating heretical or superstitious views, and upsetting social order and stability: these are

the concerns of China, which supports Internet sovereignty and opposes the notion of a "open Internet" (Ash, 2017). In accordance with the following set of guidelines

Internet hacking and other types of cybercrime aren't any different, and that's a fair argument to make.

Many questions remain about how this new rule would affect the industry. As a starting point for looking at other nations that have adopted real-name verification for internet users, South Korea should be studied closely. Prior to the introduction of the Real Name Verification Law in 2007, the South Korean government forced Internet users to undergo a verification process in order to access most websites. Investigated here were privacy and free speech implications of this measure. In order to discover if real-name verification increases accountability and traceability in the internet world, he studied how individuals' identities are linked online. Real-name verification has made it more difficult to ensure freedom of speech on the Internet in South Korea, according to the researcher. In order to keep tabs on citizens and service providers, the government can use Internet content restrictions. Different approaches.

China's government authorities are putting pressure on some of the country's major Internet businesses to give the state a greater investment in the company and a greater say in its operations. When Beijing proposed a drafting proposal for a government investment of one percent in exchange for board participation, the notion of special management shares evolved (Yuan, 2017). Investors must pick a government official to serve on the company's board of directors and have an equal voice in the company's operations under this requirement. For several corporations, the prospect of shareholder litigation and subsequent hefty expenses was a cause for concern. A 1% stake in Alibaba may be yours for as little as \$4 billion in investments. People in other sectors have privately expressed fear that further government participation may jeopardise their autonomy and impede progress in the field of innovation.

This approach to equity remuneration demonstrates the government's intention to exert a strong influence on internet firms regardless of the enhanced impact they currently have. China's "special management shares" initiative has begun with two new start-ups, namely YidianZixun and Beijing Tiexue Tech, each of which has less than two percent of its

share capital invested. No significant action has been done on Alibaba and China's other internet titans at this point in time. An examination of Internet governance from a global viewpoint.[57]

According to Eichensehr, China's multilateral Internet regulation strategy prioritises state control (2014). These measures to monitor and regulate online activity are portrayed as vital for maintaining national security both at home and abroad, and the public is urged to see their efforts to control Internet users and material as necessary for maintaining national security as a legitimate goal. It was in 2017 when China's Ministry of Foreign Affairs and China's Cyberspace Administration released a paper named the International Strategy of Cooperation on Cyberspace. A treaty proposal - the International Code of Conduct for Information Security – was submitted to the United Nations in 2011 by China, Russia, Tajikistan, and Uzbekistan, representing the international side (Ministry of Foreign Affairs of the PRC, 2011).

Chinese Internet governance models have a complicated impact on enterprises, as Alibaba-interaction reveals. As Amazon expands its worldwide reach, some worry that Alibaba's advantage in the local market could erode due to China's partial limitation on foreign investment in the online retail business. In Southeast Asia, the topic of how to prevent a similar destiny has arisen for Alibaba, but it's unavoidable because Alibaba's globalisation strategy is based on building a local business model through acquisitions and collaborations with local enterprises.

U.S. policy advocates a different approach, advocating for a multi-stakeholder approach to Internet governance in which private sector, government, nongovernmental organisations (NGOs), civil society organisations (CSNGOs), academic institutions, and individuals all have equal rights to participate in formulating Internet rules and regulations (Eichensehr, 2014). Recently, net neutrality legislation has emerged that might shed light on how the United States governs the Internet. ISPs must offer users with the same quality of service and equal access to all websites. As a result of Tim Wu's 2003 book "Network Neutrality, Broadband Discrimination," a dispute erupted about whether network neutrality was a genuine thing. In response to these concerns, a law was introduced to remedy them. In order to "preserve an open and free Internet," the FCC voted in favour of net neutrality laws in February 2015,

when Obama was president. 9 However, in December 2017 the Federal Communications Commission (FCC) terminated them after just two years.

Initially, the debate began as a technical disagreement about the Internet, but it has since evolved into an overarching issue for the entire digital economy, including commercial entities and Internet services (such as web-based hosting services and email providers), as well as governments and regulators (Musiani et al., 2012). Clearly, the United States' digital economy is being shaped by forces other than Internet governance alone, as the fight over net neutrality shows.

We want to draw attention to a rising convergence between Chinese and American Internet governance laws and regulations, despite the obvious differences. We want to see this convergence continue. What's more, this trend isn't just happening in one nation; it's happening throughout the world. Concerns over Chinese internet sovereignty have spilled over into neighbouring Southeast Asian and Indian nations, which is just to be expected. When Singapore's Parliament approved the Cybersecurity Act 2018, (Act. 9 of 2018) in March 2018, it imposed comparable regulations on digital service providers to those in China. According to the country's administration, foreign technology businesses must keep sensitive data within the country and foreign e-commerce firms are prohibited from competing on price under a new law (Goel, 2018). Protecting personal data has never been more difficult because to the EU's strict General Data Protection Regulation (GDPR), which went into effect in May 2018. Because Brazil, Japan, and South Korea may follow Europe's lead, new laws might signal a more united worldwide approach because it makes it simpler for consumers to seek their internet data and more difficult for firms to collect and exploit that data. [58]

Regulating internet data privacy will have a significant influence on the global community (Satariano, 2018). National economic development initiatives are intertwined with digital-based enterprises. An Internet governance model that protects society while maximising the Internet's economic potential is a challenging endeavour. In the actual world, net governance and corporate power regulation are more difficult to implement, and as a result, certain changes may take longer to take effect. The important thing is that you're aware of the threats.

6. Conclusions

A complete look at the digital economy from the standpoint of the two largest e-commerce enterprises in the world is provided by our study of Amazon and Alibaba. While current frameworks of the digital economy are valuable in describing the sorts of digital MNEs that make up the system and the major tasks that these businesses perform, they fall short in expressing the manner in which these activities and responsibilities are interrelated inside individual enterprises. While e-commerce has been Amazon and Alibaba's bread and butter, their digital capabilities have allowed them to delve into other elements of the internet economic ecosystem such as content and internet platforms. For one thing, the acquisition of brick-and-mortar locations raises questions about the idea that digital economy companies are "asset-light" because of their considerable expenditures in physical assets.

There is overwhelming evidence to support the idea that the Internet era has impacted the fundamental governance structure of global value chains, and companies like Amazon and Alibaba are pioneers in connecting consumers and suppliers in novel ways across the numerous B2C, B2B, and C 2 C platforms they manage. While the scenario of platform-company-driven chains has been foreseen by early global value chain theory, it does not rule out the potential that the leading businesses in conventional producer- and buyer-driven chains can also utilise internet-based sales. Companies like Amazon and Alibaba, who operate both online and physical storefronts, are increasingly adopting hybrid business models that combine the best of both worlds.[59]

As a last point, we stress the importance of various types of Internet regulation in assessing the tactics of digital economy leaders. Chinese efforts to harness the digital economy and sophisticated technology as the foundations of its ambitious "Made in China 2025" growth goal have not been as successful as expected (Perlez, Mozur, & Zhang, 2014),

It is possible that increasing state control over various aspects of the Internet in China could have a negative impact on the country's attractiveness as a host for digital economy investors, both domestic and foreign. Furthermore, it could have a negative impact on Alibaba's efforts to become more integrated in global markets.

With only a few studies to draw on, this is simply a modest start in developing new theories about the digital economy. Comparative studies of the leading U.S. and Chinese search engines (Google and Baidu) and social media platforms (Facebook and Tencent), for instance. Consider all the firms in the digital economy ecosystem when drawing wider generalisations about its evolving structure and influence on the ecosystem. Research on Amazon and Alibaba in e-commerce is expected to shed light on the function of IB in today's economy.[60]

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Chapter 7

Post Covid-19 Changes in Working Model of International Business

When everything is important, nothing is important. In the wake of COVID, many CEOs find themselves leading from a point of ambiguity and uncertainty.

As recently as a year and a half ago, few CEOs gave any thought to the importance of crisis management; business agility; cost management; workforce resiliency; innovation; or cash-flow management. According to today's CEOs, things are quite different.

A recent study from IBM's Institute for Business Value has found that executives are prioritizing all of these capabilities. As a result of our research, we believe the next two years will see yet another significant shift in priorities. Management has made it obvious that employee safety and security, cost management, and business agility are top of mind for the organisation. Managing directors are reevaluating their top objectives as they get ready for an uncertain future.[1]

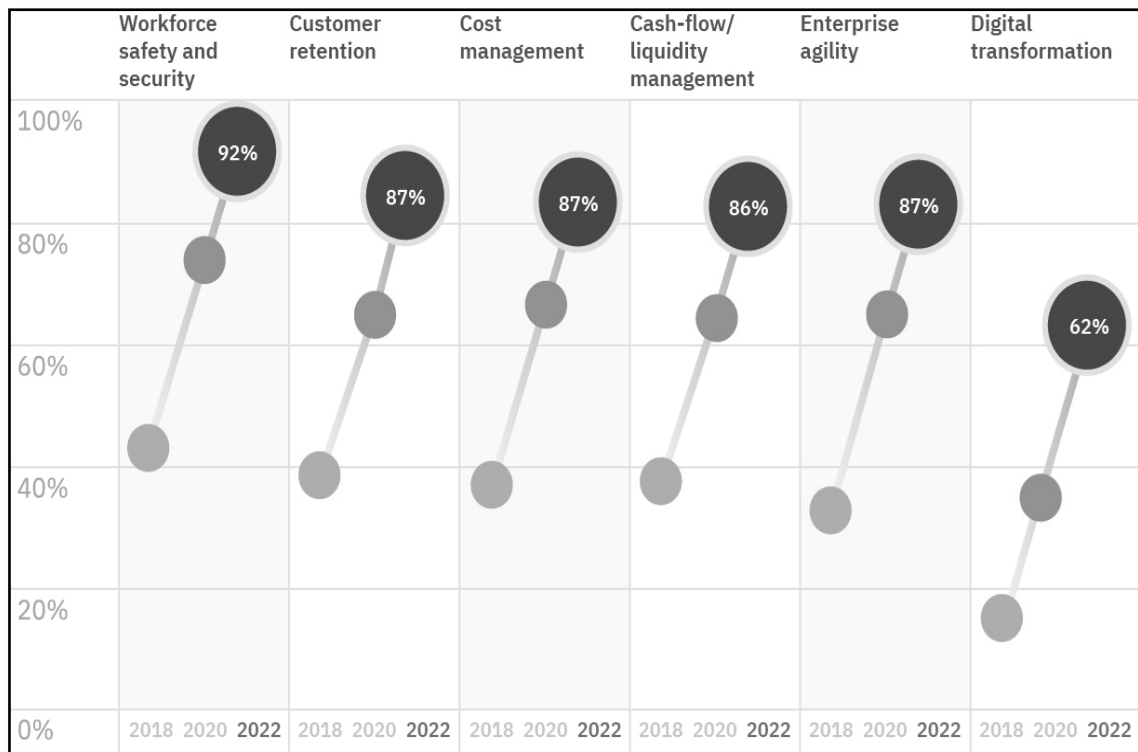


Figure 7.1

Change Remains the Name of the Game

As a result of this, leaders have high expectations of their transformation initiatives. Competitiveness and worker resiliency are the two most sought-after outcomes from digital transformation. The vast majority of businesses are likewise undergoing change. A focus on change appears to come at the price of client connections and collaboration prospects.

Competitiveness and worker resilience are two of the most sought-after benefits of continuing digital transformation for leaders.

From April to August 2020, IBV Trending Insights report includes findings from numerous proprietary consumer and executive surveys and fresh data from executives across sectors who manage a combined USD 3.7 trillion in sales. Since COVID-19, business reality has altered substantially, and that is the only conclusion that can be drawn.

The demands of business executives for speed and flexibility have increased considerably, whether they are looking at the present or the future. An unparalleled rate of change is forcing businesses to break

through old barriers in the face of constant disruption and quickly developing client expectations.. Everything seems to be coming into focus for them once again. Isn't it time to stop thinking of motivation as aspirational?[2]

As much as 59% of the organisations polled said the COVID-19 outbreak has advanced their digital transformation. Our research offers five business insights from top executives for the post-pandemic period, including new ideas on digital transformation, the future of work, transparency, and sustainability. They serve as a guide for forward-thinking executives who are aware that the old ways of doing things are no longer functional or efficient.

Epiphany 1: Digital Transformation was Never Just about the Technology

Insights from industry insiders show that "game-time" pivots, such as moving hordes of people to remote platforms, overhauling supply chains, and altering production to meet rising demand for personal protective equipment, are more than simply fads. In today's economic world, adaptability is a must-have talent and the velocity of change is unavoidable.

The COVID-19 pandemic has advanced digital transformation at 59% of the organisations we studied, and 66% have been able to finish activities that were previously resistant to digital transformation. When it comes to the benefits of transformation programmes, cost savings is the most frequently cited advantage.

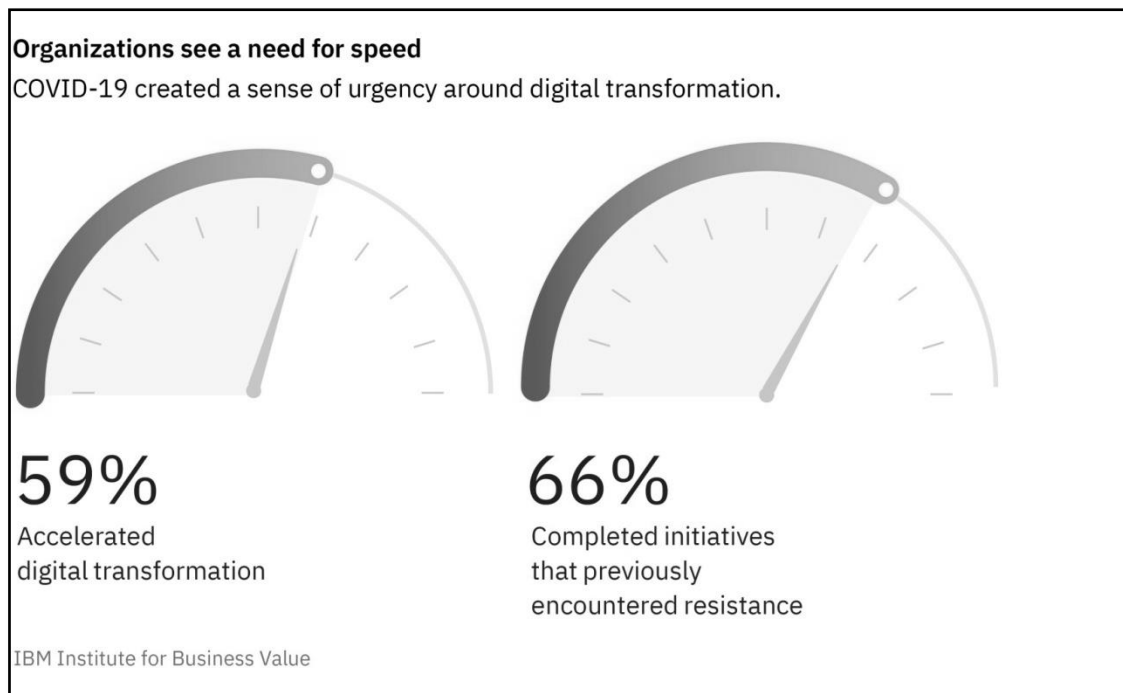


Figure 7.2

It's not only crisis management that's going on right now, though. Prior to the start of the pandemic, several organisations appeared to have doubted their own technology and human resource capacities. Fears about a pandemic were exaggerated this year, but it turned out that they weren't all that valid.

Digital transformation has gained momentum in recent years as corporate executives have more faith in technology's possibilities.

Tech platforms have become increasingly important in getting things done. Rather of relying on brand-new inventions, we've made the most of what we have at our disposal. People who relocated first noticed results very quickly since there were no more barriers to implementation.[3]

The COVID-19 epidemic has had a lasting impact on business practises throughout the world. It has "permanently changed our organization's approach" according to 55% of the respondents to the survey. In addition, 60% of those polled agree that COVID-19 has altered their "attitude toward modifying procedures," while 64% admit that corporate operations are increasingly moving to the cloud.

Defining a Different Normal

The epidemic has undergone enormous shifts, and there is no going back now.

Almost two-thirds (64 percent) of businesses have transitioned to more cloud-based activity.

60 percent faster automation of the process

Their change management strategy was changed by 60%.

Indefinitely altered the company's strategic plan.

IBM Business Value Institute

Increasingly, managers are confident in the capabilities of technology, and they are promoting digital transformation. AI, IOT, blockchain and cloud technologies are all part of their recovery strategy for the COVID-19 they've already lost. The long-term advantages of technophiles have spread throughout the ranks of corporate leadership. People are just as important as technology in achieving long-term success for any organization[4].

Epiphany 2: The Human Element is the Key to Success

With practically all technical skills set to be expanded in the next digital transitions, human capital will be critical to their success. According to our findings from a single IBV data set, the most important business capabilities for a company's future success are those that focus on its people and customers, such as employee development and customer experience management.

Executives, on the other hand, appear to have ignored these considerations. An overwhelming seventy-five percent of business leaders believe that, following COVID-19, the shift toward online purchasing and customer service will continue. Accordingly, CEOs now expect customer experience management to be a major priority in the next two years, up from 35% only two years ago.. When it comes to digital transformation, CEOs want to see a decrease in customer service issues.

In the wake of COVID-19, more than three-quarters of business leaders expect the shift in consumer behaviour to persist.[5]

Since chatbots handle up to 80 percent of customer service traffic in certain organisations during the epidemic (60 percent of CEOs said they will employ AI to fulfil their goals), this is a bit of a surprise. We'd like to know how they plan to improve customer service, if not through digital transformation. With regard to customer service, bosses are even more torn than before about how to interact with their staff. It's no secret that employee satisfaction has taken a backseat to other concerns like workplace safety and growth. They say that their employees' well-being is their first priority, despite the high level of stress they have been under.

Their assistance and training efforts are overestimated by employers.

There appears to be a discrepancy between what leaders believe they are doing for their employees and what they really do, according to our research. Employers overestimate the efficiency of their training and support programmes. Nearly two-thirds of employees think that their company truly cares about them. Leaders who get this right now, when the majority appears to be struggling, have a huge opportunity.[6]

A gulf of trust does exist, and it is more than a misunderstanding. Contrary to popular belief, employees have legitimate concerns about the company's dedication to their needs. Since the beginning of the pandemic, 22% of individuals have been temporarily or permanently laid off as a result of the outbreak. Employers may be conveying messages that human resources are disposable when they mix sensible and even vital organisational initiatives like cost savings and technological resources. An increasing amount of labour may be done by automation, artificial intelligence, and the rise of other "contactless" activities such as e-commerce. With the rising focus on cost control, remote work technologies fall well short of what is needed, and the trend toward greater distant work erodes human relationships that help define many corporate cultures.

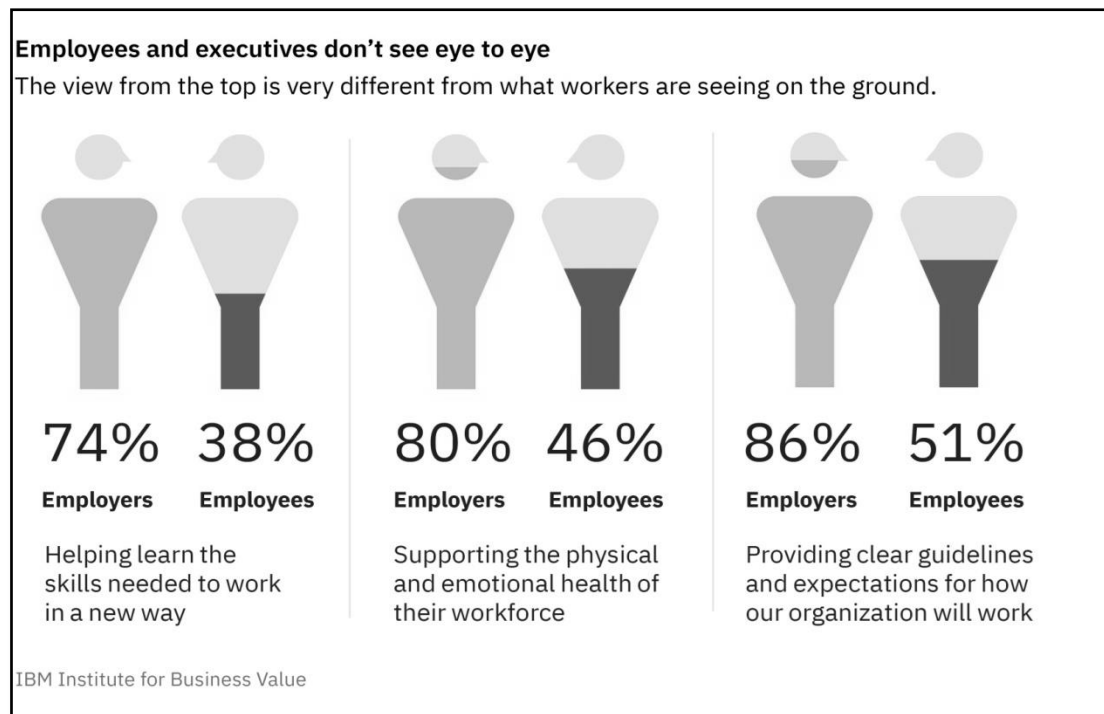


Figure 7.3

Epiphany 3: Traumatic Stress has Hijacked Corporate Strategy

The duty of establishing the vision of an organisation falls on the shoulders of senior executives. However, if they are constantly putting out flames, it might be difficult to maintain concentration. In the short and medium term, the pandemic has increased and brought new business worries, such as worker safety and resilience, cost management, and organisational agility. As a result, what happened? They are smitten with the current top priority.

For most of 2020, executive objectives have been in flux, and that hasn't changed much recently. At this point, they appear to be focusing on internal operating capabilities, which may be diverting emphasis away from the customer support experience.[7]

Following COVID-19, executives are assessing their own performance.

Priority will be given to operational capabilities over external expansion in the next two years, according to company officials

87 percent of the costs are managed. business adaptability is at 87%

86% of cash flow and liquidity management

76 percent of the time

Information technology has a resiliency of 75%.

Internet of Things, cloud computing, and mobility make up 65 percent of the total

58 percent of new product creation

Almost half of all new market entrants

Institute for Business Value at IBM

Crisis management, workplace safety and security are now the top issues for 3,450 CEOs in 20 countries across 22 industries, according to the results of a poll. To be sure, the number of CEOs who believe that managing cash flow and liquidity will be a top issue two years from now has increased by more than double.

Similarly, 87% of those polled said that keeping costs under control was vital. Resilience is becoming more important, with 75% aiming to prioritise it in the next two years. With 40 percent of CEOs citing the necessity of maintaining extra capacity to weather future crises, a major move away from long-held just-in-time delivery targets, supply chain resilience is becoming increasingly crucial.[8]

Almost all of the CEOs polled plan to employ platform-based business strategies in the future.

An increasing number of companies are devoting substantial money to ensuring their systems are secure from cyberattacks. 76 percent of CEOs plan to prioritise cybersecurity in the next two years, with 46 percent planning to deploy artificial intelligence in this effort. That's more than double the amount of people already using it.

Business agility, artificial intelligence, big data and analytics, and other cutting-edge technologies were all on the rise before COVID-19 ever began to take shape. Nearly 87% of CEOs said they will place a higher priority on company agility in the next two years as they have a better knowledge of the dangers that crises offer. 60% of those polled said they

would prioritise IoT, cloud, and mobility investments; 94% said they would engage in platform-based business models.[9]

Everything matters;therefore this is why. Except for one thing: enhancing the customer experience, the lone aspect that can help drive performance and growth when the competition is obscured by the mist.

Epiphany 4: Some Will Win. Some Will Lose. But few will do it Alone.

When it comes to the "K-shaped" consumer environment, some economists have termed this scenario one in which some customers do well while others struggle. Only one illustration of this difference is the stock market bifurcation, where tech companies have surged while others have fallen.

As an example, Amazon's sales have grown by 78% this year. Almost all other firms saw their sales drop as a result of its ascent. A good example of this is Apple, which has increased its market capitalization by 60% and is now greater than the whole bottom third of the S&P 500. Most firms can't succeed on their own, even if they're Amazons or Apple's of the world.

It's important to remember that size alone doesn't guarantee superior performance. Those who are most likely to succeed are those who have the unique ability to balance physical stature with mental agility.

As a result of the crisis, CEOs believed that the health-related businesses would be the most successful. In the world of telecommunications, media, and entertainment, it was believed that the rise of the stay at home parent would have a favourable effect. Cars and other transportation-related businesses are among the biggest losers in this recession. [10]

Sectors are increasingly expecting a wider reach to help choose winners. Platform business models and partner networks are becoming increasingly important, with 70% of CEOs anticipating major partnering activities within their sector and 57% exploring outside of it, according to our results. A 300 percent increase in participants is expected over the next two years, as compared to two years ago.

Businesses are Forming Alliances

They're taking a more prominent role in CEOs' decision-making process. A 104 percent increase in platform business models. More than three-quarters of the world's business ecosystems +338 percent of the industry's network of business partners networks of industrial partners have grown by 338%

The IBM Institute for Business Value is a 501(c)(3) non-profit organisation that aims to improve business outcomes via research and education.

The most important contrast here is that scale alone does not guarantee higher industry performance. If a company is able to function with agility, it is more likely to survive (in a volatile industry) or outperform. Those who are most likely to succeed are those who have the unique ability to balance physical stature with mental agility.[11]

When pandemic lockdowns were instituted, exceptions were allowed for critical services, and "essential employees" became society's most prized and cheered contributions. People's respect for individuals who make it possible for others to live, work and play has grown, and all organisations and budgets have shifted back to focusing on "the necessities."

With a renewed focus on development and competition, new company initiatives and expansions must be reevaluated and managed.

Because it's second to last on the list, only customer service is expected to profit from digital transformation, perhaps CEOs don't anticipate it. It is imperative that an organization's increased focus on development and competitiveness requires greater rigour in the evaluation and management of potential new business opportunities. [12]

That many organisations, if not all of them, have increased their focus on what they do best—operational improvements and employee development—is not surprising. If CEOs truly want to increase their company's competitiveness, they should focus on these lofty yet challenging objectives. The inventions and progress of the future will come from these efforts. As a result, they will be scrutinised more

thoroughly than ever before in the approval process and allocation of resources to them.

Epiphany 5: Health is the Key to Sustainability

Environmental challenges, such as pollution and climate change, had been the primary focus of sustainability plans prior to the coronavirus. Authenticity, passion, and loyalty were becoming more important considerations for customers in these categories. That was mirrored by regulators, who expressed similar concerns and goals.

A public health emergency, however, made environmental sustainability and personal safety issues inseparable. Personalized packaging is more popular than ever, with customers donning disposable masks and gloves. They've been getting deliveries in order to avoid exposing themselves and their loved ones to the virus in order to protect themselves and their loved ones. It seems that these efforts prioritise human health before protecting the environment..

Consumers' interest in environmental concerns hasn't faded, according to our research results. In truth, health and safety have been merged into a single concept of sustainability that is now more expansive and detailed. Trying to satisfy existing sustainability targets (lower carbon footprints, more effective waste management, and so on) while also complying with new health and safety laws is already a problem for corporations. [13]

Humans and the Environment are Inextricably Linked

Executives' interest in environmental concerns has risen sharply in the previous two years.

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In terms of post-COVID-19 business, this might be one of the most challenging and critical repercussions. Existing methods and materials will have to be updated, as well as new sorts of data and efficiency. Do the environmental costs of food spoilage or discarding it outweigh the benefits

of using more plastic? How do we make sure that supply chains and last-mile deliveries receive what businesses and customers want without wasting resources? Leaders will be required to provide more nuanced and intelligent solutions to increasingly difficult topics.[14]

What's the Next Step?

The epidemic served as a sharp reminder that the unexpected and implausible are more palpable and plausible than anybody had previously believed. A harsh reality for many has been unpleasant, expensive, and unsolved. Organizations have struggled to take advantage of an unexpected windfall for a few lucky individuals. Strategic, operational and financial shifts due to pandemics must be accepted by executives in both good and bad scenarios. Increased investment will be made in digital technologies, digital transformation, and cloud usage.

There is a self-reinforcing cycle about to begin, and this means that we will make even more rapid development in the future. It's a great opportunity for leaders who can manage complexity and promote competitiveness via digital transformation while others wait for things to "normalise."

We can't revert back to the way things were before. Overwhelmingly, the dangers outweigh the opportunities. An extremely high stakes game is taking place.[15]

Complicated organisational structures are a major roadblock to advancement. A few years ago, just a few CEOs addressed it. Now, more than twice as many do. Another issue to consider is the possibility of worker exhaustion. A sign of the complexity may be the fatigue and overburdening that employees are experiencing.

A new window of opportunity has opened up for both enterprises and society at large as a result of these developments. It all begins with establishing a culture of trust and confidence among a diverse workforce in order to achieve organisational goals. The way they are handled today will have a huge influence on their future worth and attitudes.

In a challenging and uncertain situation, trade is essential to save lives – and livelihoods

Disasters like COVID-19 are a worldwide humanitarian catastrophe. Health-care systems are under unprecedented strain as the virus spreads throughout the world. The human toll is projected to climb as the virus spreads to nations with poorer healthcare systems.

According to the March 2020 OECD Interim Economic Outlook, the global growth rate was slashed from 3.2 percent to 1.5 percent. That was a bit overconfident on my part. According to the most current OECD Economic Outlook, released on June 10, the first half of 2020 would see an almost 13% decline in global GDP (Figure 1). In addition, the costs of central bank and fiscal support packages to the global economy are substantial and are expected to have long-term and complicated ramifications for the management of sovereign and corporate debt. A recession appears to be looming despite these efforts, and even more terrible situations are not impossible.[16]

COVID-19's unknowns include the scope and pace of infection, the length and breadth of the necessary shut-down measures, the prospects for treatments to better manage symptoms, allowing health services to focus only on the most serious cases, and the danger of "second wave" infections as the virus spreads around the world. Various nations succumb (and recover) at different periods to the virus. The virus and its repercussions will be with us for a long time, that much is clear.

For these reasons, it is imperative that commerce continues, both to guarantee that critical products are available and to send a positive signal to the global economy. Trade is essential to the survival of people's lives and their means of subsistence.

Maintaining trade, on the other hand, needs collaboration and confidence — for example, faith that the market will supply basics, that nations will not impose export restrictions, and that imports would not pose health hazards. This is particularly problematic at a time of trade tensions, when the international trading system has already been exposed to a raft of new limitations and distortions, ranging from tariff rises among big merchants to considerable government backing in important industries. Talks aimed at calming tensions have been hindered by limitations on

transportation in the region. It's critical now more than ever to avoid a worsening of the existing trade tensions, considering the severe economic strains created by COVID-19.

1st Figure In the first half of 2020, there will be an unprecedented drop in output. GDP change projected at constant prices between 2019Q4 and 2020Q2 (per cent)

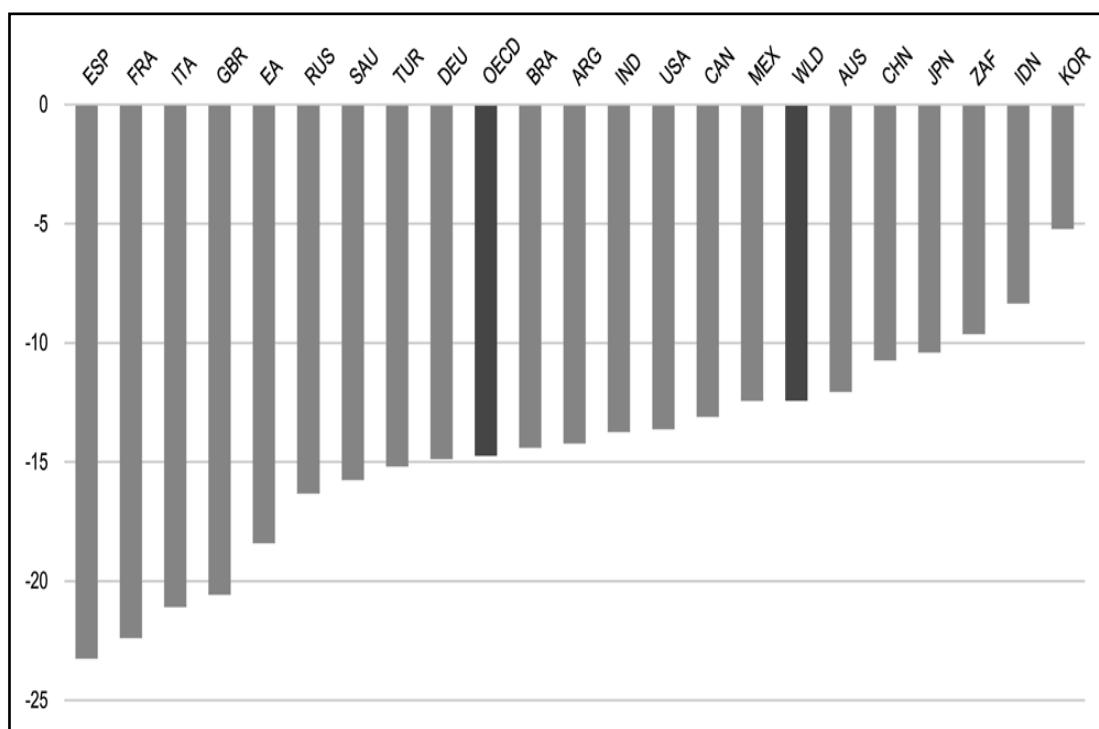


Figure 7.4

Note: Data for China refer to the change in output between 2019Q4 and 2020Q1.

Source: OECD Economic Outlook 107 database.

While there is a lot of uncertainty, there are four things that may be done immediately.

To begin, increase trust in global commerce and markets by increasing openness.

A reliable, open, and shared data source is essential to the smooth operation of international commerce. Trade-related actions made in response to COVID-19 should be reported to the World Trade Organization (WTO). In order to assist policymakers in dealing with the crisis, the OECD is exchanging information regarding trade-related

country activities with WTO colleagues and analysing the anticipated effect of these efforts.

According to COVID-19, we are evaluating the impact of country measures on agricultural output and trade. 'Agricultural Market Information System (AMIS), a joint effort by the United Nations and other international organisations, serves as a central repository for this information, which is vital to the global food supply chain. 1

Maintaining global supply networks is also critical, especially when it comes to crucial goods. Priority should be given to ensuring that critical supply networks, such as those for food and medical supplies, remain open and operational. Some of these supply networks encounter a variety of obstacles in the global trading market. Air freight costs between the People's Republic of China (hereafter referred to as "China") and North America have climbed by 30 percent and more than 60 percent since October 2019. While high-value food goods, such as high-quality medical supplies, must be delivered on time, there is no similar need for medical supplies.[17]

Shipping ports saw a 10 to 20 percent reduction in February compared to the same month last year (Baschuk, 2020[2]). As many as fifty ports have been closed, and new paperwork and inspection requirements have been imposed. While this is a common practise, some nations have implemented "green lanes" at ports of entry and border crossings to expedite the handling of cargo.

- Restrictions on container movement at Chinese ports when the virus struck led to a scarcity of containers, which has resulted in an increase in container costs (in some cases significantly), which has had a direct impact on cargo pricing, including food goods.

Lockdowns reduce the number of people available to unload ships in ports because of extra safety precautions for employees (particularly in countries where this is less automated).

- The necessity to implement additional health and safety precautions for all supply chain participants affects supply chains generally (which affect costs and time).

SPS, TBT, and anti-dumping investigations will all be subject to physical inspections, testing, and certification.

It takes longer and costs more money to ship vital goods across international borders because of each of these issues. Governments and businesses must work together to develop answers to the logistical issues that prevent important items from getting to those who need them.

As a result of international commerce, many of the medicinal supplies needed to fight COVID-19 may be obtained from a wide range of nations. To give you an idea, when it came to surgical masks, China was by far the largest manufacturer and supplied half of the world's demand. After China halted exporting masks in January, the country bought 56 million masks in the first week of the New Year; several nations even contributed masks in order to fulfil China's need. During the crisis, Chinese demand was predicted to be 240 million masks per day (more than ten times its manufacturing capacity). During February, Chinese mask manufacturing climbed to 116 million masks daily and is currently being exported to other nations.[18]

As can be seen in Figure 2, marine and air cargo are both declining sharply.

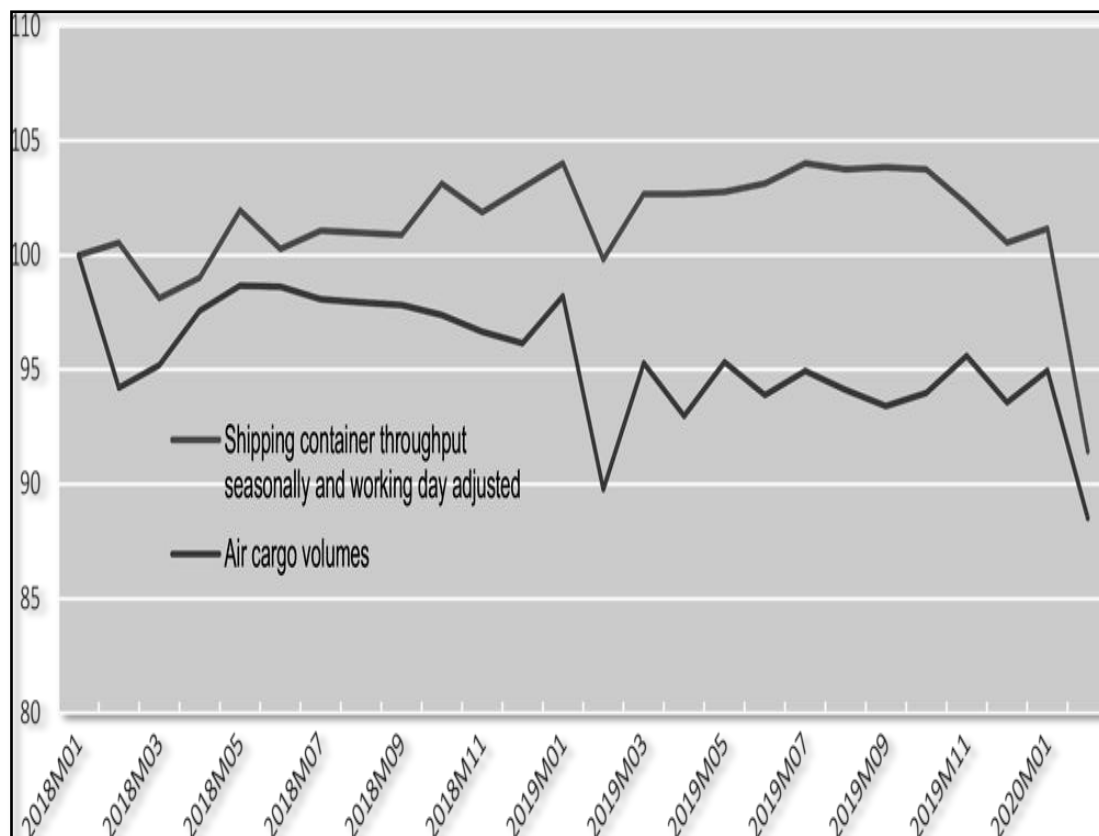


Figure 7.5

Source: OECD, data drawn from Innovative Solutions in Maritime Logistics and International Air Transport Association (www.isl.org/en/containerindex) (www.iata.org).

It is crucial for the fight against COVID-19 that tariffs on medical goods be eliminated to sustain commerce in critical medical supplies (e.g. multiple countries maintain tariffs of up to 10 percent of COVID test kits). For new items to be traded as quickly as feasible, certification procedures must be streamlined to guarantee that technical needs are supported by scientific evidence and commerce is not hampered unduly. A faster flow of products through customs and less involvement by humans are all part of the better trade facilitation process that we're working towards (see below).

Maintaining the flow of food supply systems is a complex issue. As a further difficulty, the possibility of food and waste loss due to delays in handling difficulties and the unexpected collapse of restaurant and hotel demand offer further obstacles. We must also make certain that food supplies reach the quarantined areas and that appropriate biosafety arrangements are in place, necessitating changes to the way food is

produced, consumed, and distributed, as well as ensuring that the health and phytosanitary (PS) requirements associated with COVID-19 remain scientifically based and not overly restrictive. In spite of the fact that the global food market is now balanced and cereal supplies are plenty (AMIS, 2020[4]), it is crucial to monitor trends closely in light of growing threats, such as seasonal labour for crop planting and harvesting.

Improving border inspections for medical and food items, as well as minimising the necessity for physical engagement between Customs personnel, other border authorities and cross-border traders, are short-term actions that may be taken to keep commerce continuing and combat COVID-19 in the near run.[22] In order to accommodate any new COVID-19 controls, it will also be necessary to speed up routine procedures. To combat the virus and ease the flow of commodities, it is critical that international risk management cooperation be strengthened, as is continued assistance for nations with low incomes.

- For example, cutting tariffs on ICT products as well as actions influencing access to digitally enabled services, temporarily boosting de minimis thresholds to reduce cross-border electronic commerce delays, and ensuring that trade is mobile without physical interaction, through regulatory enactments.
- Assist medical researchers in working with COVID-19 to facilitate data exchanges. Research on the cause and treatment of COVID-19 must be accompanied with access to comprehensive medical records. The problem is that health data is generally subject to tight localization rules and limits on cross-border data transfer. When it comes to collecting COVID-19 health data, authorities might make it possible for limited-access sandboxes and secure translations to be used.[19]

Thirdly, prevent things from getting worse

There are numerous unavoidable costs associated with the present epidemic, which makes it all the more important to avoid policies that raise the prices for businesses and consumers alike. It's important to prevent export restrictions on critical items, such as medical equipment and, most importantly, the food supply. Over 60 nations presently limit

exports of commodities and food items, particularly in the agricultural sector.

The food price crisis of 2007-08 taught us that export bans are a recipient of self-inflicted pain that affects food security for everyone. However, export limitations have been demonstrated to have short-lived effects on local pricing and availability by deterring domestic production. Supply shortages in other countries, particularly those that depend heavily on international food markets, are exerting upward pressure on global prices. As a result of export limitations, the issues faced by nations that are heavily dependent on imports might get much worse. In the long run, there is no winner.

Stocks are robust in global agriculture and food markets, and prices are expected to stay low for the foreseeable future because of this. A avoidable problem may be created if governments impose export restrictions or individuals, corporations, or nations become fearful or anxious about them.

Basic food supplies are not immediately in jeopardy, but there is the potential for major disruption in the supply chains of specialty crops, including a shortage of seasonal planting and harvesting people, logistical difficulties, extra PLCs and technical measures of any kind. When implementing long-term COVID-19 containment measures, vigilance is essential to guarantee that risk factors produced by crises or policies do not interfere with delivery.

An entirely new scenario exists on the world's medical supply markets, and a significant increase is required in the worldwide supply of COVID-19-fighting medical goods, such as fans and masks. As a matter of urgency, the government and the private sector must work together to increase production capacity in both local as well as regional and global contexts.[20]

Others have taken efforts to guarantee their own populations obtain supplies that limit supply to others. It is not uncommon for export restrictions to take the form of additional licencing or outright export prohibitions. Other options include a promise of purchase or a request for a specific product. These questions are tough to answer. Nations have an obligation to safeguard their own citizens. However this might have a

negative influence on international attempts to avoid an outbreak in a second or third wave, and consequently on other countries' efforts to prevent the virus from returning.

There are countries that cannot manufacture enough or cost-effective medical goods on their own. In low-income nations, where local manufacturing capacity should not be the primary focus of scarce health funds, this is especially important. The virus has not yet affected other nations' trade, which is critical for those countries.

Because the virus has already shut down large swaths of communities, they would have been far worse off without the local economy's support. There may be labour shortages or movement restrictions in the COVID-19 outbreaks that prevent nations from fully utilising their industrial capabilities. Because even local equipment manufacturing relies on imported components, beggar-thy-neighbor laws have the potential to turn you become a beggar.

These practises must, however, be avoided if international markets are to deliver the commodities they want. Confidence in the global supply chain can only be built by openness, conversation, and collaboration on a global scale. Agreements on the temporary use of medical goods are essential when export restrictions on medical supplies cannot be avoided completely within the existing political context

Global markets and collaboration would suffer if trade tensions rise any more. This must be avoided at all costs. There is no time to impose further expenses, including unwarranted policy uncertainty, on businesses due to the decline in demand and the persistence of uncertainty regarding the duration and severity of COVID-19 and related containment measures.. State aid might be increased as a result of imposing more expenses on businesses and consumers as well as affecting those already impacted by the crisis. If nations don't put in place additional tariffs or trade restrictions, this will help improve trust and reduce the burden.[21]

However, despite being one of the first victims of the global economic crisis, trade restrictions affecting just 1% of the world's imports were implemented in 2008. According to G20 and WTO laws, a tariff ceiling was established that provided a certain amount of confidence for companies as well as a basis for stabilising the global economy. With

certain changes and parallels in the current crisis (see Box), the unstable economic climate that predates this crisis makes a commitment to rules-based trade imperative.

Creating an operational paradigm that can withstand a pandemic requires people to be retrained and given new responsibilities.

Insights that have gained traction

The abilities that inhabitants of the future workplace will require are as follows:

Return of Corporate Travel: What should a corporate travel programme look like now?

How about a trip into the past? Transportation companies are getting ready for life after COVID-19.

What about the cost of shipping?

COVID-19's business impact may be summarised as follows:

Imagine a situation in which your company's employees are forced to modify their working habits almost immediately due to a catastrophe. Despite early concerns about too much stress

Current trends are accelerating the need to enhance skills

Remote employment was already profitable prior to the crisis, but the epidemic has shown it's a trend that won't be going away anytime soon. Most CFOs in a recent Gartner CFO poll 1 expected to "transition to permanent jobs after COVID-19 a minimum of 5% of former personnel on site" once the conference ended in November. Remote work will continue to be a difficulty, even if many employees have been "taught by" or got "fast and dirty" training during the initial phase of the crisis. Customer relationships must be effectively managed in distant circumstances for sales teams, for example, moving from video meetings.

It takes time and practise for companies to become adept at managing teams remotely while generating social capital and preserving team cohesiveness in the absence of the traditional workplace hangouts of

casual coffee, lunch, and discussion. The return to work of firms means a new set of skills will be required as part of the shift.[22]

In the wake of the Ebola epidemic, for example, a firm in West Africa established a goal of boosting its performance as rapidly as possible. Last but not least, it has implemented a large-scale skills strategy that has made physical labour easier and introduced new skills and training to boost performance. It was recognised that its employees lacked flexibility and thus the corporation divided abilities into those that were important and those that were not. Drivers of commercial trucks, for example, have been trained to operate excavators. The company has reaped several benefits as a result of this strategy.

The environment of learning has transformed in a way that encourages workers to learn new skills at any time and in any place. Because to COVID-19's focus on live video and community connection, the greatest in-person learning experiences are now being restored via the use of digitally-based methodologies. A more cost-effective way to track student progress and provide a more tailored learning experience is now possible thanks to this transition.

This year's COVID-19 has expedited the introduction of entirely digital techniques to recreate the greatest in-house learning through live video and social sharing.

Three skilling trends are likely to speed up after the crisis ends

This may be done by implementing digital training programmes and establishing an ecosystem of learning partners to generate and deliver digital information to a wide spectrum of employees. For this, three trends are required.

New capabilities for the 'distance economy

The crisis has led to an increase in the number of people who are able to avoid physical contact. Employee performance has changed and certain jobs have been disrupted in part as a result of this search for new ways to do work.

As an example, the United Kingdom's healthcare system has seen years of digital progress happen in a matter of weeks. Appointments were still made in person for the vast majority of those scheduled in person. Physicians now report that they consult with 100 percent of their patients over the phone, with just 7 percent of those patients having an in-person consultation. As a result of this trend, physicians must learn how to perform remote diagnosis efficiently and securely. Discussions are now focusing on strategies to halt the spread of this epidemic.

Globally, a similar pattern is evolving for medical treatment based on technology. With just four doctors for every 10,000 people in Indonesia, TV corporations have been trying to fill the gap for some time now (compared to 42 in 10,000 in Germany, according to the World Bank). As a result of the COVID-19 situation, the Indonesian government is relying on these firms for distant consultations, prescriptions, and delivery of medicines.[23]

To counteract the epidemic, other industries changed their activities and required their staff to learn new skills. Consumer banks, for example, required to improve cross-training for specific services as demand for mortgage refinancing applications surged. In addition, banks had to show empathy for their staff by providing assistance to clients in need of aid with new technologies and goods.

Disruptions in the Supply and Demand of Talent

With the implementation of COVID-19, not only has the way people work been transformed, but so have their shopping and eating habits, as well as their daily routines of movement and travel. As a result, the pandemic may need large-scale restructuring of new workers due to permanent movements in the nation of employment.

The epidemic, on the other hand, has hastened e-commerce sales rather than brick and store ones. New customers, particularly 36-year-olds and inhabitants of less affluent regions, have started buying online in higher numbers during the economic crisis, according to early Chinese research. About a third of Europeans expect to shop at an e-website tailor's for the first time in early April. Many Chinese-based CEOs predicted that e-commerce will continue to grow at an even quicker pace during a virtual roundtable in March.

Retail and the hotel and food service industries account for 42% of all at-risk occupations in the United States, with the food industry alone employing an additional 2.3 million people. Workers at Uber's Work Hub may use it to find work both within the company and at other organisations (such as CareGuide, Domino's, or Shipt) that are hiring during a time of economic hardship.

Platforms for digital talent marketing help organisations bridge the supply-demand gap, connecting recruiting employers with individuals who need to upgrade their skills. McKinsey has given Talent Exchange with labour market information, and the site has 600,000 vacant positions in only two weeks since it started on April 6.

Modification of Supply Chains

Reorganizing supply chains to bring procurement and manufacturing closer to customers might set off a catastrophe. The talents needed and the locations in which they are needed shift when organisations relocate or regionalize them.

It is possible for multinational corporations to bring production closer to the point of sale. Manufacturing diversification beyond China can be accelerated by Japanese automobiles and South Korean electronic companies. Prior to the crisis, President Emanuel Macron revealed a plan to bring back critical French industry. These operations will take place over a period of 12 to 18 months, with the goal of creating local value chains for vital products and industry sectors like food or pharmaceuticals.[24]

Some of these adjustments may need a move to another country. When new employees are hired, they must rapidly learn their new responsibilities and take on their old ones. Despite the fact that this is a rescue mission, it's one that's taking place outside of the company's gates.

Six steps to Reskilling

Leaders and their teams may immediately take six steps to boost worker capacities following a tragedy to guarantee that businesses continue to prosper. First, you'll learn how to clearly define your strategy, then you'll get help putting it into action thanks to the first three steps.

1. Rapidly identify the skills your recovery business model depends on

Businesses that want to ensure their long-term viability must identify the key skill sets that will have the greatest influence on and propel the company ahead. The best way to achieve this is to quickly identify the most important drivers of value and the relevant groups of people.

Identify the specific ways in which these positions contribute to the creation of value and consider how their day-to-day responsibilities may change as a result of changes in value. Assess your current habits and determine what needs to change. Tell us how many people you'll need and what kind of work they'll be doing. IT and logistics coordinators, for example, have a greater influence on the new strategy than on the prior one when you're switching from in-store sales to largely home deliveries. Additional skills may be needed in order to meet the growing demand and expectations from clients.

2. Build employee skills critical to your new business model

Your new organisation model will benefit greatly from the upskilling of your main workforce groupings. The first step is to equip employees with a repertoire of abilities that will serve them well in whichever role they take on down the road. You should spend your money on four different kinds of skills: computer-related, cognitively superior, interpersonal, as well as flexible and resiliency (Exhibit 1). Digital and self-paced training should be the norm rather than tailored to the needs of the person in most circumstances.

1st exhibit

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3. Launch tailored learning journeys to close critical skill gaps

In order for organisations to adapt and grow, strategic personnel planning must be delved into more thoroughly. Leaders must have a thorough grasp of not just the important tasks that crucial groups will

begin carrying out in the next 12 to 18 months, but also the competencies that each of these groups will require....

After coping with the immediate implications of the pandemic, a Chinese corporation, for example, shifted to strategic planning. It evaluated buying remotely for the following season, began work on new three-year goals that included much more ambitious omnichannel ambitions, and reconfigured its supply chain to be nimbler, among other business-expansion activities. The conglomerate customised its reskilling journeys and delivery plans to help employees in essential occupations learn the abilities necessary to meet their unique objectives in light of the skill shortages produced by these programmes.

If done effectively, virtual selling may be a competitive advantage for a worldwide bank when it realised that its traditional face-to-face sales method was under danger. The bank then went on a bespoke upskilling route for its sales professionals in order to increase their fundamental sales talents while also increasing their virtual methods of functioning.

Iterating strategic people planning is the best way to keep up with the continually changing operating model and locate the proper capabilities to construct "just in time." It's possible for companies to provide most of their training digitally, allowing them to increase scalability and cost-effectiveness.

Using digital tools that mimic the best aspects of face-to-face learning, such as social-sharing platforms and live video sessions, may help students feel more connected to their cohorts and develop skills like empathy, which are generally gained only via face-to-face instruction.

4. Start now, Test Rapidly, and Iterate

When it comes to coping with technological upheavals or implementing new business models or strategies, the majority of organisations who have successfully implemented reskilling programmes say they are better equipped. However, even those firms who were disappointed in their outcomes expressed gratitude for the experience, saying they were better equipped to deal with future labour shortages as a consequence of the process. Reskilling programmes are more effective

when they begin sooner rather than later, since employers are better equipped to deal with expected future job losses (Exhibit 2).[26]

Shown in Exhibit

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Companies should use the current reskilling efforts they have in place to strengthen their future reskilling capacity rather than start new reskilling projects and then discard them once the crisis is resolved. Building up your own institutional knowledge and keeping track of what works and what does not today will put you in a stronger position in the future.

5. Act like a small company to have a big impact

According to the worldwide survey, reskilling programmes at smaller companies (those with less than 1000 employees) are more likely to be effective. The fact that a smaller company has access to more resources may surprise some.

When it comes to agile concepts, smaller organisations have an advantage because they don't have to shift huge groups of people to try something new. Due to the reduced number of people who must sign off on their work, they may be more willing to fail.[27]

A further benefit of working with smaller companies is that they are better able to see their skill gaps and choose the best candidates for retraining. When it comes to reskilling, larger companies may find it more challenging, but this does not mean that they cannot be nimble.

6. Protect Learning Budgets (or Regret it later)

Training for employees should not be slashed by companies. Figures from a Training Industry Report show that in 2009 and 2010, total training expenditures in the United States dropped significantly, then rebounded and fell back to 2008 levels by 2012. In light of the fact that the present

crisis will need a greater transfer of capability than the financial crisis of 2008 did, this informs us that firms are now merely delaying their investment if they cut their learning budgets and do not net savings.

Your training budget should be used as a strategic tool for adapting to the new normal. Don't squander another two or three years and forfeit the increased effectiveness and resiliency you've gained thus far. The strength of your learning ecosystem may and should be focused on making it both digital (including digital in-house components) and accessible to workers. Make use of the pre-made educational excursions and resources provided by outside sources.[28]

We've learned from previous crises that companies need to move quickly to develop critical capabilities. In the wake of the coronavirus outbreak, the current trend in workplace dynamics has increased due to technological advancements such as automation and artificial intelligence (AI). Resilient leaders should focus on building digital knowledge, cognitive, emotional, and adaptive abilities in order to respond. Employees' resilience is critical to a company's long-term success. The first step to an effective recovery strategy is to build your organization's resiliency muscle. [29]

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