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# Global Market and Local Creativities

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**ABSTRACT:** *This is a Program overview of the Erasmus Mundus joint master's degree. The program name is Global Market and Local Creativities. Specifically, in pathway B, I tried to elaborate on this 2-year program.*
*In this paper, you will get a reflection of what are you going to study in this subject. I read every subject course objective and according to this explanation, I collected information form a number of different resources.*

**Keywords:** Globalization, Globalization Dimension, Capitalism, Technology, Economy, Creative City, Emerging Sectors, Family Business, History of Marketing, Mass Consumption, Entrepreneurship, Sustainable Development, Environment, Trade, Human Resource Management.

## I. INTRODUCTION

Global Market and Local Creativities Program have 5 pathways for the virtues of background student. Almost 7 University under this program and it is first to start from Glasgow University for all pathway students. Here, Made this paper for Study track Pathway B. in this pathway B under three University Glasgow University (UK), Universitat DE Barcelona (Spine), Georg-August Universitat Gottingen (Germany).

The Iprogramme Iaims Ito Iexamine Ihow Ilocal Iplaces I(clusters, Icities Iand Iregions) Iand Ilocal Iactors I(entrepreneurs, Ifirms Iand Ipolicymakers) Igenerate Ilocal Icompetitiveness Iunder Iglobal Imarket Iconditions. IThis Iprogramme Ihighlights Ithe Iimportance Iof Ihistorical Iand Isocial Icontext Iin Iwhich Ieconomic Idevelopment, Ipublic Ipolicy Iand Ibusiness Istrategies Itake Iplace. IThis Itwo-year Iacademic Iprogramme Iequips Iyou Iwith Ithe Icritical Iskills Ito Imake Isense Iof Ithe Iintersecting Icomplementarity Iof Ithe Iglobal Iand Ilocal, Ibut Ialso Iprovides Iopportunities Ifor Ipractical Iexperience Iwith Icompanies Iand Ipublic Ipolicy Iorganisations.

The Idegree Iis Iideal Ifor Ihighly Italented Istudents Iseeking Ia Icareer Iin Iurban Ior Ipublic Ipolicy Iorganisations, Imultinational Icorporations, Iinternational Iconsultancies, Icultural Iand Icreative Iindustries, Ior Iother Inon-profit Iorganisations. I IStudents Iwill Ibe Iencouraged Ito Iexplore Ia Ivariety Iof Iinterdisciplinary Iperspectives Ion Ithe Iprocess Iand Iexperience Iof Iglobalisation Ifrom Ia Iplace-based Iperspective, Iin Iparticular Iof Icities, Icreative Iindustries, Idevelopment Iand Ilocal Icultures Iof Ientrepreneurship.

The Idegree Iis Iideal Ifor Ihighly Italented Istudents Iseeking Ia Icareer Iin Iurban Ior Ipublic Ipolicy Iorganisations, Imultinational Icorporations, Iinternational Iconsultancies, Icultural Iand Icreative Iindustries, Ior Iother Inon-profit Iorganisations. I IStudents Iwill Ibe Iencouraged Ito Iexplore Ia Ivariety Iof Iinterdisciplinary Iperspectives Ion Ithe Iprocess Iand Iexperience Iof Iglobalisation Ifrom Ia Iplace-based Iperspective, Iin Iparticular Iof Icities, Icreative Iindustries, Idevelopment Iand Ilocal Icultures Iof Ientrepreneurship.

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Garments, IICar, IIMedicine, IITelecommunication IIManufacturing IIcompanies IIbased IIon IIthe IIUSA, IIJAPAN, IIGERMANY IIthey IImanufacture IItheir IIproducts IIin IIseveral IIdeveloping IIcountries IIsuch IIas IICHINA, IIINDIA, IIBANGLADESH, IIVIETNAM, IIETHIOPIA.

Developed IIcountries IIare IImost IIbenefited IIby IIGlobalization IIin IIthe IIWorld. IIThe II2nd IIis IIdeveloping IInations IIChina IIand IIIndia. IIBut IIthere IIare IImany IIsmaller IInewcomers IIN-11, IIRwanda, IIEthiopia, IIPhilippines, IIMyanmar, IICambodia, IISenegal. IIBecause IImost IIcountries' IIGDP IIgrowth IIrate IIis IIvery IIgood.

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- Political IIglobalization: IIthe IIdevelopment IIand IIgrowing IIinfluence IIof IIinternational IIorganizations IIsuch IIas IIthe IIUN IIor IIWHO IImeans IIgovernmental IIaction IItakes IIplace IIat IIan IIinternational IIlevel. IIOther IIbodies IIare IIoperating IIa IIglobal IIlevel IIsuch IIas IINGOs IIlike II*Doctors IIwithout IIborders* IIor *IIOxfam;*
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**To Iiintroduce Iiand Iidevelop Iiunderstanding Iiof Iithe Iisocial, Iipolitical, Iiand Iicultural Iidimensions Iiof Iiglobalization.**

**Socialidimension**

Globalization IIis IIa IIterm IIthat IIis IIused IIin IImany IIways, IIbut IIthe IIprinciple IIunderlying IIidea IIis IIthe IIprogressive IIintegration IIof IIeconomies IIand IIsocieties. IIIt IIis IIdriven IIby IInew IItechnologies, IInew IIeconomic IIrelationships, IIand IIthe IInational IIand IIinternational IIpolicies IIof IIa IIwide IIrange IIof IIactors, IIincluding IIgovernments, IIinternational IIorganizations, IIbusiness, IIlabor, IIand IIcivil IIsociety.

Broadly IIspeaking, IIthe IIprocess IIof IIglobalization IIhas IItwo IIaspects. IIThe IIfirst IIrefers IIto IIthose IIfactors II- IIsuch IIas IItrade, IIinvestment, IItechnology, IIcross-border IIproduction IIsystems, IIflows IIof IIinformation, IIand IIcommunication II- IIwhich IIbring IIsocieties IIand IIcitizens IIcloser IItogether.

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**Political IIDimension**

Political IIglobalization IIrefers IIto IIthe IIintensification IIand IIexpansion IIof IIpolitical IIinterrelations IIacross IIthe IIglobe. IIThese IIprocesses IIraise IIan IIimportant IIset IIof IIpolitical IIissues IIabout IIthe IIprinciple IIof IIstate IIsovereignty, IIthe IIgrowing IIimpact IIof IIintergovernmental IIorganizations, IIand IIthe IIprospects IIfor IIregional IIand IIglobal IIgovernance, IIglobal IImigration IIflows, IIand IIenvironmental IIpolicies IIaffecting IIour IIplanet. IIThese IIthemes IIrespond IIto IIthe IIevolution IIof IIpolitical IIarrangements IIbeyond IIthe IIframework IIof IIthe IInation-state, IIthus IIbreaking IInew IIconceptual IIand IIinstitutional IIground. IIAfter IIall, IIfor IIthe IIlast IItwo IIcenturies, IIhumans IIhave IIorganized IItheir IIpolitical IIdifferences IIalong IIterritorial IIlines IIthat IIgenerated IIa IIsense IIof II'belonging IIto IIa IIparticular IInation-state.

This IIartificial IIdivision IIof IIplanetary IIsocial IIspace IIinto II'domestic' IIand II"foreign' IIspheres IIcorresponds IIto IIpeople's IIcollective IIidentities IIbased IIon IIthe IIcreation IIof IIa IIcommon II'us' IIand IIan IIunfamiliar II'them. IIThus, IIthe IImodern IInation-state IIsystem IIhas IIrested IIon IIpsychological IIfoundations IIand IIcultural IIassumptions IIthat IIconvey IIa IIsense IIof IIexistential IIsecurity IIand IIhistorical IIcontinuity, IIwhile IIat IIthe IIsame IItime IIdemanding IIfrom IIits IIcitizens IIthat IIthey IIput IItheir IInational IIloyalties IIto IIthe IIultimate IItest. IINurtured IIby IIdemonizing IIimages IIof II"outsiders', IIpeople's IIbelief IIin IIthe IIsuperiority IIof IItheir IInation IIhas IIsupplied IIthe IImental IIenergy IIrequired IIfor IIlarge-scale IIwarfare-just IIas IIthe IIenormous IIproductive IIcapacities IIof IIthe IImodern IIstate IIhave

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(*Manfred IIB. IISteger IIbook II*
*A IIshort IIintroduction IIof IIGlobalization*)

**Cultural IIdimensionII**
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The IIexploding IInetwork IIof IIcultural IIinterconnections IIand IIinterdependencies IIin IIthe IIlast IIdecades IIhas IIled IIsome IIcommentators IIto IIsuggest IIthat IIcultural IIpractices IIlie IIat IIthe IIvery IIheart IIof IIcontemporary IIglobalization. IIYet, IIcultural IIglobalization IIdid IInot IIstart IIwith IIthe IIworldwide IIdissemination IIof IIrock II'n' IIroll, IICoca-Cola, IIor IIfootball. IIAs IInoted IIin IIChapter II2, IIexpansive IIcivilizational IIexchanges IIare IImuch IIolder IIthan IImodernity. IIStill, IIthe IIvolume IIand IIextent IIof IIcultural IItransmissions IIin IIthe II21st IIcentury IIhave IIfar IIexceeded IIthose IIof IIearlier IItimes. IIFacilitated IIby IIthe IIInternet IIand IIour IIproliferating IImobile IIdigital IIdevices, IIthe IIdominant IIsymbolic IIsystems IIof IImeaning IIof IIour IIage-such IIas IIindividualism, IIconsumerism, IIand IIvarious IIreligious IIdiscourses-circulate IImore IIfreely IIand IIwidely IIthan IIever IIbefore. IIAs IIimages IIand IIideas IIcan IIbe IImore IIeasily IIand

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IIThe IIthematic IIlandscape IItraversed IIby IIscholars IIof IIcultural IIglobalization IIis IIvast IIand IIthe IIquestions IIthey IIraise IIare IItoo IInumerous IIto IIbe IIfleshed IIout IIin IIthis IIshort IIintroduction. IIRather IIthan IIoffering IIa IIlong IIlaundry IIlist IIof IIrelevant IItopics, IIthis IIchapter IIwill IIfocus IIon IIthree IIimportant IIthemes: IIthe IItension IIbetween IIsameness IIand IIdifference IIin IIthe IIemerging IIglobal IIculture; IIthe IIcrucial IIrole IIof IItransnational IImedia IIcorporations IIin IIdisseminating IIpopular IIculture; IIand IIthe IIglobalization IIof IIlanguages.
*(Manfred IIB. IISteger IIbook II*
*A IIshort IIintroduction IIof IIGlobalization)*

**Verities Iiof Iicapitalism**

**Capitalism: IIMeaning, IIFeatures, IIMerits, IIand IIDe-Merits**

**Meaning IIand IIDefinition**

Under IIcapitalism, IIall IIfarms, IIfactories, IIand IIother IImeans IIof IIproduction IIare IIthe IIproperty IIof IIprivate IIindividuals IIand IIfirms.

They IIare IIfree IIto IIuse IIthem IIto IImake IIa IIprofit. IIThe IIdesire IIto IIearn IIa IIprofit IIis IIthe IIsole IIconsideration IIwith IIthe IIproperty IIowners IIin IIthe IIuse IIof IItheir IIproperty.
Under IIcapitalism, IIeverybody IIis IIfree IIto IItake IIup IIany IIline IIof IIproduction IIhe IIwishes IIand IIis IIfree IIto IIenter IIinto IIany IIcontract IIto IIearn IIa IIprofit.
**Definition:**
(1) IIProf. IIR. IIT. IIBye IIhas IIdefined IIcapitalism IIas II**"that IIsystem IIof IIeconomic IIorganization IIin IIwhich IIfree IIenterprise, IIcompetition IIand IIprivate IIownership IIof IIproperty IIgenerally IIprevail."** IIThus, IIthe IIdefinition IIhints IIat IIthe IImajor IIfeatures IIof IIcapitalism.

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**(2) IIIn IIthe IIwords IIof IIProf. IILOUCKS:**
"Capitalism IIis IIa IIsystem IIof IIthe IIeconomic IIorganization IIfeatured IIby IIthe IIprivate IIownership IIand IIthe IIuse IIfor IIthe IIprivate IIprofit IIof IIman-made IIand IInature-made IIcapital."
(3) IISimilarly, IIFerguson IIand IIKreps IIhave IIwritten IIthat II"in IIits IIpure IIform, IIfree IIenterprise IIcapitalism IIis IIa IIsystem IIin IIwhich IIprivately IIowned IIand IIeconomic IIdecisions IIare IIprivately IImade".
**(4) IICapitalism IIfrom IIMc IIConnell IIview IIis:**
"A IIfree IImarket" IIor IIcapitalist IIeconomy IImay IIbe IIcharacterized IIas IIan IIautomatic IIself-regulating IIsystem IImotivated IIby IIthe IIself-interest IIof IIindividuals IIand IIregulated IIby IIcompetition." A IIcapitalist IIeconomy IIworks IIthrough IIthe IIPrice IISystem.

**Prices IIperform IItwo IIfunctions:**
(i) IIA IIrationing IIfunction, (ii) IIIncentive IIfunctions.
Prices IIration IIout IIthe IIavailable IIgoods IIand IIservices IIamong IIbuyers IIaccording IIto IIthe IIamounts IIeach IIbuyer IIwants IIand IIcan IIpay IIfor IIothers IIwhose IIdesire IIis IIless IIurgent IIor IIwhose IIincome IIis IIsmaller IIwill IIreceive IIsmaller IIqualities.
Prices IIalso IIprovide IIan IIincentive IIfor IIfirms IIto IIproduce IImore. IIWhere IIdemand IIis IIhigh IIprices IIwill IIrise IIencouraging IIfirms IIalready IIin IIthe IIindustry IIto IIproduce IImore IIand IIdrawing IInew IIfirms IIinto IIthe IIindustry. IIWhere IIdemand IIis IIfalling, IIprices IIwill IInormally IIfall IItoo. IIFirms IIwill IIreduce IItheir IIproduction, IIreleasing IIresources IIfor IIuse IIin IIother IIindustries IIwhere IIthere IIis IIa IIdemand IIfor IIthem.
Firms IIare IIbuyers IIas IIwell IIas IIsellers. IIThey IIbuy IImaterials IIand IIsupplies IIfrom IIother IIfirms IIbehaving IIexactly IIas IIprivate IIindividuals IIdo IIin IIdeciding IIwhat IIto IIbuy IIand IIhow IImuch IIto IIbuy. IIIf IIa IInew IImachine IIpromises IIto IIreduce IIproduction IIcosts IIor IIif IIa IIcertain IImaterial IIcan IIbe IIsubstituted IIfor IIanother IIat IIsaving, IIthe IIfirm IIwill IIbuy IIlow-cost IIresources IIto IIcompete IIwith IIother IIfirms.
The IIeconomy IIis IItied IItogether IIby IImillions IIof IIthose IIinteractions IIlinking IIproducers IIwith IIone IIanother IIand IIwith IIconsumers, IIlinking IIone IIproduct IIwith IIother IIproducts IIand IIlinking IIevery IImarket IIwith IIother IImarkets. IIThe IIpoint IIis IIthat IIall IIthe IIeconomic IIunits IIin IIan IIeconomy IIare IIinter-related.
**Main IIFeatures IIof IICapitalism:**
What IIa IIcapitalistic IIeconomy IIis IIcan IIbe IIknown IIthrough IIits IImain IIfeatures. IIThese IIare IIderived IIfrom IIthe IIway IIcertain IIfunctions IIare IIperformed IIand IIthe IImain IIdecisions IIof IIthe IIeconomy IIexecuted.

**These IImay IIbe IIstated IIas IIunder:**
*1. IIPrivate IIProperty IIand IIFreedom IIof IIownership:*
A IIcapitalist IIeconomy IIis IIalways IIhaving IIthe IIinstitution IIof IIprivate IIproperty. IIAn IIindividual IIcan IIaccumulate IIproperty IIand IIuse IIit IIaccording IIto IIhis IIwill. IIThe IIgovernment IIprotects IIthe IIright IIto IIproperty. IIAfter IIthe IIdeath IIof IIevery IIperson, IIhis IIproperty IIgoes IIto IIhis IIsuccessors.
*2. IIRight IIof IIPrivate IIProperty:*
The IImost IIimportant IIfeature IIof IIcapitalism IIis IIthe IIexistence IIof IIprivate IIproperty IIand IIthe IIsystem IIof IIinheritance. IIEverybody IIhas IIa IIright IIto IIacquire IIprivate IIproperty IIto IIkeep IIit IIand IIafter IIhis IIdeath, IIto IIpass IIit IIon IIto IIhis IIheirs.
*3. IIPrice IIMechanism:*

This IItype IIof IIeconomy IIhas IIa IIfreely IIworking IIprice IImechanism IIto IIguide IIconsumers. IIPrice IImechanism IImeans IIthe IIfree IIworking IIof IIthe IIsupply IIand IIdemand IIforces IIwithout IIany IIintervention. IIProducers IIare IIalso IIhelped IIby IIthe IIprice IImechanism IIin-deciding IIwhat IIto IIproduce, IIhow IImuch IIto IIproduce, IIwhen IIto IIproduce, IIand IIwhere IIto IIproduce.
This IImechanism IIbrings IIabout IIthe IIadjustment IIof IIsupply IIto IIdemand. IIAll IIeconomic IIprocesses IIof IIconsumption, IIproduction, IIexchange, IIdistribution, IIsaving, IIand IIinvestment IIwork IIaccording IIto IIits IIdirections. IITherefore, IIAdam IISmith IIhas IIcalled IIthe IIprice IImechanism IIas IIthe II**"Invisible IIHand"** IIwhich IIoperates IIthe IIcapitalist.
*4. IIProfit IIMotive:*

In IIthis IIeconomy, IIthe IIdesire IIto IIearn IIa IIprofit IIis IIthe IImost IIimportant IIinducement IIfor IIeconomic IIactivity. IIAll IIentrepreneurs IItry IIto IIstart IIthose IIindustries IIor IIoccupations IIin IIwhich IIthey IIhope IIto IIearn IIthe IIhighest IIprofit. IISuch IIindustries IIas IIare IIexpected IIto IIgo IIunder IIa IIloss IIare IIabandoned. IIProfit IIis IIsuch IIan IIinducement

IIthat IIthe IIentrepreneur IIis IIprepared IIto IIundertake IIhigh IIrisk. IITherefore, IIit IIcan IIbe IIsaid IIthat IIthe IIProfit IIMotive IIis IIthe IISOUL IIof IIthe IIcapitalist IIeconomy.

*5. IICompetition IIand IICo-operation IIGoes IISide IIby IISide:*

A IIcapitalist IIeconomy IIis IIcharacterized IIby IIfree IIcompetition IIbecause IIentrepreneurs IIcompete IIfor IIgetting IIthe IIhighest IIprofit. IIOn IIthe IIother IIside IIbuyers IIalso IIcompete IIfor IIpurchasing IIgoods IIand IIservices. IIWorkers IIcompete IIamong IIthemselves IIas IIwell IIas IIwith IImachines IIfor IItaking IIup IIa IIparticular IIwork. IITo IIproduce IIgoods IIof IIthe IIrequired IItype IIand IIquality IIworkers IIand IImachines IIare IImade IIto IIco-operate IIso IIthat IIthe IIproduction IIline IIruns IIaccording IIto IIschedule. IIIn IIthis IIway, IIcompetition IIand IIco-operation IIgo IIside IIby IIside.

*6. IIFreedom IIof IIEnterprise, IIOccupation, IIand IIControl:*

Every IIperson IIis IIfree IIto IIstart IIany IIenterprise IIof IIhis IIchoice. IIPeople IIcan IIfollow IIthe IIoccupations IIof IItheir IIability IIand IItaste. IIMoreover, IIthere IIis IIthe IIfreedom IIof IIentering IIinto IIthe IIcontract. IIEmployers IImay IIcontract IIwith IItrade IIunions, IIsuppliers IIwith IIa IIfirm, IIand IIone IIfirm IIwith IIanother.

*7. IIConsumer's IISovereignty:*

In IIa IIcapitalist IIeconomy, IIa IIconsumer IIis IIcompared IIto IIa IIsovereign IIking. IIThe IIwhole IIproduction IIframeworks IIaccording IIto IIhis IIdirections. IIConsumer's IItastes IIgovern IIthe IIwhole IIproduction IIline IIbecause IIentrepreneurs IIhave IIto IIsell IItheir IIproducts. IIIf IIa IIparticular IItype IIof IIproduction IIis IIto IIthe IIliking IIof IIconsumers, IIthe IIproducer IIgets IIhigh IIprofits.

*8. IIIt IIarises IIClass IIConflict:*

From IIthis IIclass-conflict IIarises. IIThe IIsociety IIis IInormally IIdivided IIinto IItwo IIclasses IIthe II"haves" IIand IIthe II"have-not's", IIwhich IIare IIconstantly IIat IIwar IIwith IIeach IIother. IIThe IIconflict IIbetween IIlabor IIand IIcapital IIis IIfound IIin IIalmost IIall IIcapitalistic IIcountries IIand IIthere IIseems IIto IIbe IIno IInear IIsolution IIto IIthis IIproblem. IIIt IIseems IIthat IIthis IIclass-conflict IIis IIinherent IIin IIcapitalism.

*9. IILeading IIRole IIof IIJoint IIStock IICompanies:*

In IIa IIjoint-stock IIcompany, IIbusiness IIis IIcarried IIon IIby IIa IIboard IIof IIdirectors IIwhich IIis IIdemocratically IIelected IIby IIthe IIshareholders IIof IIthe IIcompany IIat IIits IIgeneral IIbody IImeeting. IIBecause IIof IIthis, IIit IIhas IIbeen IIsaid IIthat IIJoint-stock IICompanies II**"Democratic IICapitalism".**

However, IIthe IIreal IIfunctioning IIof IIthe IIcorporate IIsector IIis IInot IIdemocratic IIbecause IIthere IIis IIa IIone-share-one IIvote IIelection. IISince IIbig IIbusiness IIhouses IIown IIa IImajority IIof IIthe IIshares IIof IIa IIcompany, IIthey IImanage IIto IIget IIre-elected IIand IIthe IIcompany IIis IIrun IIas IIif IIit IIwere IItheir IIfamily IIbusiness.

*10. IIImportant IIRole IIof IIthe IIEntrepreneur:*

The IIentrepreneurial IIclass IIis IIthe IIfoundation IIof IIthe IIcapitalist IIeconomy. IIThe IIwhole IIof IIthe IIeconomic IIstructure IIof IIthe IIcapitalist IIeconomy IIis IIbased IIon IIthis IIclass. IIEntrepreneurs IIplay IIthe IIrole IIof IIleaders IIin IIdifferent IIfields IIof IIproduction. IIThe IIpresence IIof IIgood IIentrepreneurs IIis IIa IImust IIfor IIhealthy IIcompetition. IIEntrepreneurs IIare IIthe IImain IIsources IIof IIdynamism IIof IIthe IIcapitalist IIeconomy.

**Merits IIof IICapitalism**

**The IImain IImerits IIand IIadvantages IIof IIcapitalism IIare IIas IIfollows:**

*1. IIProduction IIAccording IIto IIthe IINeeds IIand IIWishes IIof IIConsumers:*

In IIa IIfree-market IIeconomy, IIconsumer IIneeds IIand IIwishes IIare IIthe IIuppermost IIin IIthe IIminds IIof IIthe IIproducers. IIThey IItry IIto IIproduce IIgoods IIaccording IIto IIthe IItastes IIand IIliking IIof IIthe IIconsumers. IIThis IIleads IIto IIthe IImaximum IIsatisfaction IIof IIthe IIconsumers IIas IIobtained IIfrom IIhis IIexpenditure IIon IIthe IIneeded IIgoods.

*2. IIHigher IIRate IIof IICapital IIFormation IIand IIMore IIEconomic IIGrowth:*

People IIunder IIcapitalism IIhave IIthe IIright IIto IIhold IIproperty IIand IIpass IIit IIon IIin IIinheritance IIto IItheir IIheirs IIand IIsuccessors. IIOwing IIto IIthis IIright, IIpeople IIsave IIa IIpart IIof IItheir IIincome IIso IIthat IIit IIcan IIbe IIinvested IIto IIearn IImore IIincome IIand IIleave IIlarger IIproperty IIfor IItheir IIheirs. IIThe IIrate IIof IIcapital IIformation IIincreases IIwhen IIsavings IIare IIinvested. IIThis IIaccelerates IIeconomic IIgrowth.

*3. IIThere IIis IIComplete IIFreedom IIof IIChoice IIin IIa IICapitalist IIEconomy:*

Economic IIfreedom IImeans IIthe IIright IIto IIearn IIand IIretain IIproperty. IIIt IIalso IImeans IIthe IIfreedom IIof IIenterprise IIand IIchoice IIof IIoccupation. IIThis IIleads IIto IIthe IIautomatic IIchannelization IIof IIthe IIcountry's IIman IIpower IIresources IIin IIdifferent IIvocations. IIThere IIis IIno IIneed IIto IIdirect IIpeople IIor IIforce IIthem. IIFurther, IIthere IIis IIthe IIfreedom IIof IIcontract IIwhich IIensures IIsmooth IIand IIflexible IIfunctioning IIof IIdifferent IIproduction IIunits.

*4. IIOptimum IIUtilisation IIof IIResources IIAvailable:*

The IIlimited IIresources IIof IIthe IIcommunity IIare IIput IIto IIthe IImost IIeconomical IIuses IIwith IIas IIlittle IIwaste IIas IIpossible. IIThere IIis IIkeen IIcompetition IIamong IIproducers IIand IIentrepreneurs IIto IIproduce IIand IIsell IIgoods. IIEvery IIproducer IIand IIentrepreneur IItries IIto IIuse IIthe IIproductive IIresources IIat IIhis IIdisposal IIin IIthe IImost IIeconomical IImanner IIin IIorder IIto IImake IImaximum IIprofit.

*5. IIEfficient IIProduction IIof IIGoods IIand IIServices:*

Due IIto IIcompetition IIevery IIentrepreneur IItries IIto IIproduce IIgoods IIat IIthe IIlowest IIcost IIand IIof IIa IIdurable IInature. IIEntrepreneurs IIalso IItry IIto IIfind IIout IIsuperior IItechniques IIof IIproducing IIthe IIgoods IIconsumers IIget IIthe IIhighest IIquality IIgoods IIat IIthe IIleast IIpossible IIcost IIbecause IIthe IIproducers IIare IIalways IIbusy IIin IImaking IItheir IIproduction IImethods IImore IIand IImore IIefficient.

*6. IIVarieties IIof IIConsumer IIGoods:*

Competition IIis IInot IIonly IIin IIprice IIbut IIalso IIin IIthe IIshape IIdesign, IIcolours IIand IIpacking IIof IIproducts. IIConsumers IItherefore IIget IIa IIgood IIdeal IIof IIvariety IIof IIthe IIsame IIproduct. IIThey IIneed IInot IIbe IIgiven IIlimited IIchoice. IIIt IIis IIsaid IIthat IIvariety IIis IIthe IIspice IIof IIlife. IIFree IImarket IIeconomy IIoffers IIvariety IIof IIconsumer IIgoods.

*7. IIIn IICapitalism IIthere IIis IIno IINeed IIof IIInducement IIor IIPunishment IIfor IIGood IIand IIBad IIProduction:*

A IIcapitalist IIeconomy IIprovides IIencouragement IIto IIefficient IIproducers. IIThe IIable IIan IIentrepreneur IIis, IIthe IIhigher IIis IIthe IIprofit IIhe IIobtains. IIThere IIis IIno IIneed IIto IIprovide IIany IIkind IIof IIinducement. IIThe IIprice IImechanism IIpunishes IIthe IIinefficient IIand IIrewards IIthe IIefficient IIon IIits IIown.

*8. IIIt IIEncourages IIthe IIEntrepreneurs IIto IITake IIRisks IIand IIAdopt IIBold IIPolicies:*

Because IIby IItaking IIrisk IIthey IIcan IImake IIhigher IIprofits. IIHigher IIthe IIrisk, IIgreater IIthe IIprofit. IIThey IIalso IImake IIinnovations IIin IIorder IIto IIcut IItheir IIcosts IIand IImaximise IItheir IIprofits. IIHence IIcapitalism IIbrings IIabout IIgreat IItechnological IIprogress IIin IIthe IIcountry.

*9. IIIt IIProvides IIthe IIBest IIAtmosphere IIfor IIInventions:*

Entrepreneurs IIare IIalways IIon IIthe IIlook-out IIfor IInew IIideas IIto IIbe IIapplied IIto IIproduction. IIThey IItry IIto IIbeat IIeach IIother IIin IIinnovations. IIThis IIleads IIto IIrapid IIexpansion, IIgreater IIemployment IIand IIincome. IIThe IIinvestors IIare IIsuitably IIrewarded IIwith IItheir IIroyalties, IIthrough IIthe IIcopy IIright. IISimilary, IIinnovators IIenjoy IIthe IIbenefits IIof IItheir IIresearch, IIthrough IIthe IIsystem IIof IIpatents IIand IItrade-marks.

*10. IIIt IIProvides IIa IIGood IIDeal IIof IIFlexibility:*

This IItype IIof IIeconomy IIcan IIautomatically IIchange IIwith IIthe IIcircumstances. IIDuring IIwar IItime IImarket IIregulations IIare IIadopted IIto IIprovide IIfor IIthe IIwar IImachine. IIAs IIsoon IIas IIthere IIis IIpeace, IIthe IIeconomy IIreverts IIto IIthe IIfree IIfunctioning IIof IImarkets.

**De-Merits IIof IICapitalism**

The IIcapitalist IIeconomy IIhas IIbeen IIshowing IIsigns IIof IIstress IIand IIstrain IIat IIdifferent IItimes. IISome IIhave IIcalled IIfor IIa IIradical IIreform IIof IIthe IIfree-market IIeconomy. IIOthers IIlike IIMarx IIhave IIconsidered IIcapitalism IIeconomy IIto IIbe IIcontradictory IIin IIitself. IIThey IIhave IIpredicted IIthe IIultimate IIdoom IIof IIcapitalist IIeconomy IIafter IIa IIseries IIof IIdeepening IIcrisis.

**The IImain IIde-merits IIor IIdis-advantages IIof IIcapitalist IIeconomy IIare IIas IIfollows:**

*1. IIInequality IIof IIDistribution IIof IIWealth IIand IIIncome:*

The IIsystem IIof IIprivate IIproperty IIacts IIas IIa IImeans IIof IIincreasing IIinequalities IIof IIincome IIamong IIdifferent IIclasses. IIMoney IIbegets IImoney. IIThose IIwho IIhave IIwealth IIcan IIobtain IIresources IIand IIstart IIbig IIenterprises. IIThe IIproperty IIless IIclasses IIhave IIonly IItheir IIlabour IIto IIoffer. IIProfits IIand IIrents IIless IIclasses IIhave IIonly IItheir IIlabour IIto IIoffer. IIProfits IIand IIrents IIare IIhigh.

Wages IIare IImuch IIlower. IIThus IIthe IIproperty IIholders IIobtain IIa IImajor IIshare IIof IInational IIincome. IIThe IIcommon IImasses IIhave IItheir IIwages IIto IIdepend IIupon. IIAlthough IItheir IInumber IIis IIoverwhelming IItheir IIshare IIof IIincome IIis IIrelatively IImuch IIlower.

*2. IIClass IIStruggle IIas IIInevitable IIin IICapitalist IIEconomy:*

Some IIcritics IIof IIcapitalism IIconsider IIclass IIstruggle IIas IIinevitable IIin IIa IIcapitalist IIeconomy. IIMarxists IIpoint IIout IIthat IIthere IIare IItwo IImain IIclasses IIinto IIwhich IIcapitalist IIsociety IIis IIdivided. IIThe II'haves' IIwhich IIare IIthe IIrich IIpropertied IIclass IIown IIthe IImeans IIof IIproduction. IIThe II"have IInot's" IIwhich IIconstitute IIthe IIwage IIearning IIpeople IIhave IIno IIproperty.

The II'haves' IIare IIfew IIin IInumber. IIThe II'have IInot's IIare IIin IImajority. IIThere IIis IIa IItendency IIon IIthe IIpart IIof IIthe IIcapitalist IIclass IIto IIexploit IIthe IIwage-earners. IIAs IIa IIresult IIthere IIis IIa IIconflict IIbetween IIthe IIemployers IIand IIthe IIemployees IIwhich IIleads IIto IIlabour IIunrest. IIStrikes, IIlockouts IIand IIother IIpoints IIof IItension. IIAll IIthis IIhave IIa IIvery IIbad IIeffect IIon IIproduction IIand IIemployment.

*3. IISocial IICosts IIare IIVery IIHigh:*

A IIcapitalist IIeconomy IIindustrialises IIand IIdevelops IIbut IIthe IIsocial IIcosts IIof IIthe IIsame IIare IIvery IIheavy. IIFactory IIowners IIrunning IIafter IIprivate IIprofit IIdo IInot IIcare IIfor IIthe IIpeople IIaffected IIby IItheir IIproduction. IIThe IIenvironment IIis IIpolluted IIbecause IIfactory IIwastes IIare IInot IIproperly IIdisposed IIof. IIHousing IIfor IIfactory IIlabour IIis IIvery IIrarely IIprovided IIwith IIthe IIresult IIthat IIslums IIgrow IIaround IIbig IIcities.

*4. IIUnnecessary IIMultiplicity IIand IItoo IIMuch IIof IICompetition:*

Consumers IIhave IIto IIpay IIa IIhigh IIprice IIfor IItheir IIfreedom IIof IIchoice IIand IIprovision IIof IIvariety. IIThere IIis IIsometimes IItoo IImuch IIcompetition IIleading IIto IIunnecessary IIhigh IIcosts IIof IIproduction IIbecause IIcompetitors IIbid IIthe IIprices IIof IIresources IItoo IIhigh. IIThere IIis IIwasteful IIadvertisement. IISometimes IIsub-standard IIgoods IIare IIhighly IIadvertised IIand IIthe IIconsumer IIis IIdeceived.

*5. IIInstability IIof IIthe IICapital IIEconomy:*

A IIcapitalist IIeconomy IIis IIinherently IIunstable. IIThere IIis IIrecurring IIbusiness IIcycle. IISometimes IIthere IIis IIa IIslump IIin IIeconomic IIactivity. IIPrices IIfall, IIfactories IIclose IIdown, IIworkers IIare IIrendered IIunemployed. IIAt IIother IItimes IIbusiness IIis IIbrisk, IIprices IIrise, IIfast, IIthere IIis IIa IIgood IIdeal IIof IIspeculative IIactivity. IIThese IIalternating IIperiods IIof IIrecession IIand IIboom IIlead IIto IIa IIgood IIdeal IIof IIwastage IIof IIresources.

*6. IIUnemployment IIand IIUnder-employment:*

A IIcapitalist IIeconomy IIhas IIalways IIsome IIunemployment IIbecause IIthe IImarket IImechanism IIis IIslow IIto IIadjust IIto IIthe IIchanging IIconditions. IIBusiness IIfluctuations IIalso IIresult IIin IIa IIlarge IIpart IIof IIthe IIlabour IIforce IIgoing IIunemployed IIduring IIdepressions. IINot IIonly IIthis, IIworkers IIare IInot IIable IIto IIget IIfull IItime IIemployment IIexcept IIunder IIboom IIconditions.

*7. IIWorking IIClass IIdoes IINot IIhave IIAdequate IISocial IISecurity:*

In IIa IIcapitalist IIeconomy, IIthe IIworking IIclass IIdoes IInot IIhave IIadequate IIsocial IIsecurity, IIcommodity, IIthe IIfactory IIowners IIdo IInot IIprovide IIfor IIany IIpension, IIaccident IIbenefits IIor IIrelief IIto IIthe IIfamilies IIof IIthose IIwho IIdie IIin IIemployment. IIAs IIa IIresult, IIwidows IIand IIchildren IIhave IIto IIundergo IIa IIgood IIdeal IIof IIsuffering. IIGovernments IIare IInot IIin IIa IIposition IIto IIprovide IIfor IIadequate IIsocial IIsecurity IIin IIover IIpopulated IIless IIdeveloped IIcountries.

*8. IISlow IIand IIUnbalanced IIGrowth:*

A IIfree IImarket IIeconomy IImay IIwork IIautomatically IIbut IIthe IIrate IIof IIgrowth IIis IIrather IIslow. IIMoreover IIas IIthe IIeconomy IIprogresses, IIthere IIis IIno IIall IIround IIdevelopment. IISome IIareas IIdevelop IImuch IIfaster IIwhile IIothers IIremain IIbackward. IIIndustries IImay IIexpand IIfast IIwhile IIthere IImay IIbe IIpoverty IIin IIagriculture.

*9. IINo IIBargaining IICapacity IIof IILabourers IIhence IIExploitation:*

In IIa IIcapitalist IIeconomy, IIworkers IIare IIoften IIpaid IIa IIwage IIrate IIbelow IItheir IIproductivity. IIThis IIis IIbecause; IIthey IIdo IInot IIhave IIthe IIbargaining IIpower IIto IIget IItheir IIdue IIfrom IIthe IIrich IIcapitalist. IIWomen IIand IIchildren IIare IIoften IIpaid IIa IIvery IIlow IIwage IIrate. IIThere IIis IIno IIequal IIpay IIfor IIequal IIwork.

*10. IIGrowth IIof IIMonopolies IIwith IItheir IIEvils:*

A IIcapitalist IIeconomy IIis IIcompetitive IIonly IIin IItheory. IIIn IIpractice, IIthe IIfew IIcompetitors IIoften IIarrive IIat IIan IIunderstanding IIand IIexploit IIthe IIconsumer.

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IISometimes IIthe IIbigger IIfirms IIbuy IIor IIeliminate IIthe IIsmaller IIfirms IIto IIestablish IItheir IIsupremacy IIin IIparticular IIlines IIor IIproduction. IIThey IIcharge IIhigh IIprices IIand IIdo IInot IIhave IIany IIcompulsion IIto IIimprove IIefficiency IIof IIproduction. IIThus, IIthe IImuch IItalked IIabout IIefficient IIworking IIof IIa IIcapitalist IIeconomy IIbecomes IIa IImyth.

**Summery Iiglobal Iivarieties Iiof Iicapitalism**

Political IIeconomists IIhave IIalways IIbeen IIinterested IIin IIthe IIdifferences IIin IIeconomic IIand IIpolitical IIinstitutions IIthat IIoccur IIacross IIcountries. IISome IIregard IIthese IIdifferences IIas IIdeviations IIfrom II'best IIpractice' IIthat II IIwill IIdissolve IIas IInations IIcatch IIup IIto IIa IItechnological IIor IIorganizational IIleader. IIOthers IIsee II IIthem IIas IIthe IIdistillation II IIof II IImore II IIdurable IIhistorical IIchoices IIfor IIa IIspecific IIkind IIof IIsociety, IIsince IIeconomic IIinstitutions IIcondition IIlevels IIof IIsocial IIprotection, IIthe IIdistribution IIof IIincome, IIand IIthe IIavailability IIof IIcollec- IItive IIgoods— IIfeatures IIof IIthe IIsocial IIsolidarity IIof IIa IInation. IIIn IIeach IIcase, IIcomparative IIpolitical IIeconomy IIrevolves IIaround IIthe IIconceptual IIframe- IIworks IIused IIto IIunderstand IIinstitutional IIvariation IIacross IInations.
On IIsuch IIframeworks IIdepend IIthe IIanswers IIto IIa IIrange IIof IIimportant IIquestions. IISome IIare IIpolicy-related. IIWhat IIkind IIof IIeconomic IIpolicies IIwill IIimprove IIthe IIperformance IIof IIthe IIeconomy? IIWhat IIwill IIgovernments IIdo IIin IIthe IIface IIof IIeconomic IIchallenges? IIWhat IIdefines IIa IIstate's IIcapacities IIto IImeet IIsuch IIchallenges? IIOther IIquestions IIare IIfirm-related. IIDo IIcompanies IIlocated IIin IIdifferent IInations IIdisplay IIsystematic IIdifferences IIin IItheir IIstructure IIand IIstrategies? IIIf IIso, IIwhat IIinspires IIsuch IIdifferences? IIHow IIcan IInational IIdiffer- IIences IIin IIthe IIpace IIor IIcharacter IIof IIinnovation IIbe IIexplained? II IISome II IIare IIissues IIabout IIeconomic IIperformance. IIDo IIsome IIsets IIof IIinstitutions IIprovide IIlower IIrates IIof IIinflation IIand IIunemployment IIor IIhigher II IIrates II IIof II IIgrowth IIthan IIothers? IIWhat IIare IIthe IItrade-offs IIin II IIterms IIof II IIeconomic II IIperformance IIto IIdeveloping IIone IItype IIof IIpolitical IIeconomy IIrather IIthan IIanother? IIFinally, IIsecond-order IIquestions IIabout IIinstitutional IIchange IIand IIstability IIare IIof IIspecial IIsignificance IItoday. IICan IIwe IIexpect IItechnological IIprogress IIand IIthe IIcompetitive IIpressures IIof IIglobalization IIto IIinspire IIinstitutional IIconver- IIgence? IIWhat IIfactors IIcondition IIthe IIadjustment IIpaths IIa IIpolitical IIeconomy IItakes IIin IIthe IIface IIof IIsuch IIchallenges?
The II IIobject II IIof II IIthis II IIbook II IIis II IIto II IIelaborate II IIa II IInew II IIframework IIfor IIunder-
standing IIthe IIinstitutional IIsimilarities IIand IIdifferences IIamong IIthe IIdevel- IIoped IIeconomies, IIone IIthat II IIoffers II IIa II IInew II IIand IIintriguing IIset II IIof II IIanswers IIto such IIquestions.1 IIWe IIoutline IIthe IIbasic IIapproach IIin IIthis IIIntroduction. IISubsequent IIchapters IIextend IIand IIapply IIit IIto IIa IIwide IIrange IIof II IIissues. IIIn IImany IIrespects, IIthis IIapproach IIis IIstill IIa IIwork-in-pr IIogress. IIWe IIsee IIit IIas IIa IIset IIof IIcontentions IIthat IIopen IIup IInew IIresearch IIagendas IIrather IIthan IIsettled IIwis II- IIdom IIto IIbe IIaccepted IIuncritically, IIbut, IIas IIthe IIcontributions IIto IIthis IIvolume IIindicate, IIit IIprovides IInew IIperspectives IIon IIan IIunusually IIbr IIoad IIset II IIof II IItopics, IIranging IIfrom IIissues IIin IIinnovation, IIvocational IItraining, IIand IIcor II- IIporate IIstrategy IIto II IIthose IIassociated II IIwith IIlegal IIsystems, IIthe IIdevelopment II IIof IIsocial IIpolicy, IIand IIthe IIstance IInations IItake IIin IIinternational IInegotiations.
As IIany IIwork IIon IIthis IItopic IImust IIbe, IIours IIis IIdeeply IIindebted IIto IIprior IIscholarship IIin IIthe IIfield. IIThe II'varieties IIof IIcapitalism' IIappr IIoach IIdeveloped IIhere IIcan IIbe IIseen IIas IIan IIeffort IIto IIgo IIbeyond IIthr IIee IIperspectives IIon IIinstitu II- IItional IIvariation IIthat IIhave IIdominated IIthe IIstudy IIof IIcomparative IIcapitalism IIin IIthe IIpreceding IIthirty IIyears. II2 IIIn IIimportant IIr IIespects, IIlike IIours, IIeach IIof IIthese IIperspectives IIwas IIa IIresponse IIto IIthe IIeconomic IIproblems IIof IIits IItime.
The IIfirst IIof IIthese IIperspectives IIoffers IIa IImodernization IIapproach IIto IIcompar II- IIative IIcapitalism IInicely IIelucidated IIin IIShonfi IIeld's IImagisterial IItr IIeatise IIof II1965. IIDevised IIin IIthe IIpost-war IIdecades, IIthis IIappr IIoach IIsaw IIthe IIprincipal IIchallenge IIconfronting IIthe IIdeveloped IIeconomies IIas IIone IIof IImodernizing IIindustries IIstill IIdominated IIby IIpr IIe-war IIpractices IIin IIor IIder IIto IIsecure IIhigh IIrates IIof IInational IIgr IIowth. IIAnalysts IItried IIto IIidentify IIa II IIset II IIof II IIactors II IIwith IIthe IIstrategic IIcapacity IIto IIdevise IIplans IIfor IIindustry IIand IIto II IIimpr IIess II IIthem II IIon IIspecific IIsectors. IIOccasionally, IIthis IIcapacity IIwas

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IIsaid IIto IIreside IIin IIthe IIbanks IIbut IImore IIoften IIin IIpublic IIofficials. IIAccordingly, IIthose IItaking IIthis IIapproach IIfocused IIon IIthe IIinstitutional IIstr IIuctures IIthat IIgave IIstates II IIever II- IIage IIover IIthe IIprivate IIsector II, IIsuch IIas IIplanning IIsystems IIand IIpublic IIinfl IIu- IIence IIover IIthe IIflows IIof IIfunds IIin IIthe IIfinancial IIsystem II(Cohen II1977; IIEstrin IIand IIHolmes II1983; IIZysman II1983; IICox II1986). IICountries IIwer IIe IIoften IIcate- IIgorized, IIaccor IIding IIto IIthe IIstr IIucture IIof IItheir IIstate, IIinto IIthose IIwith II'str IIong' IIand II'weak' IIstates II(Katzenstein II1978 IIb; IISacks II1980; IINordlinger II1981; IISkoc- IIpol IIand IIAmenta II1985). IIFrance IIand IIJapan IIemerged IIfrom IIthis II IIperspective IIas IImodels IIof IIeconomic IIsuccess, IIwhile IIBritain IIwas IIgenerally IIseen IIas IIa IIlaggar IId II(Shonfield II1965; IIJohnson II1982).

During IIthe II1970s, IIwhen IIinflation IIbecame IIthe IIpreeminent IIproblem IIfacing IIthe IIdeveloped IIeconomies, IIa IInumber IIof IIanalysts II IIdeveloped II IIa IIsecond IIapproach IIto IIcomparative IIcapitalism IIbased IIon IIthe IIconcept IIof IIneo- IIcorporatism II(Schmitter IIand IILehmbr IIuch II1979; IIBerger II1981; IIGoldthorpe II1984; IIAlvarez IIet IIal. II1991). IIAlthough IIdefined IIin IIvarious IIways, IIneo-IIcorporatism IIwas IIgenerally IIassociated IIwith IIthe IIcapacity IIof IIa IIstate IIto IInego II- IItiate IIdurable IIbar IIgains IIwith IIemployers IIand IIthe IItrade IIunion IImovement IIregar IIding IIwages, IIworking IIconditions, IIand IIsocial IIor IIeconomic IIpolicy.3 IIAccordingly, IIa II IInation's IIcapacity IIfor II IIneo-corporatism II IIwas IIgenerally IIsaid IIto IIdepend IIon IIthe IIcentralization IIor IIconcentration IIof IIthe IItrade IIunion IImove II- IIment, IIfollowing IIan IIOlsonian IIlogic IIof IIcollective IIaction IIwhich IIspecifi IIes IIthat IImore IIencompassing IIunions IIcan IIbetter IIinternalize IIthe IIeconomic IIef IIfects IIof IItheir IIwage IIsettlements II(Olson II1965; IICamer IIon II1984; IICalmfors IIand IIDriffill II1988; IIGolden II1993). IIThose IIwho IIsaw IIneo-corporatist IIbar IIgains IIas IIa II'polit- IIical IIexchange' IIemphasized IIthe IIability IIof IIstates IIto IIof IIfer IIinducements IIas IIwell IIas IIthe IIcapacity IIof IIunions IIto IIdiscipline IItheir IImembers II(Pizzorno II1978; IIRegini II1984; IIScharpf II1987, II1991; IIcf. IIPrzeworski IIand IIW IIallerstein II1982). IIThose IIworking IIfr IIom IIthis IIperspective IIcategorized IIcountries IIlar IIgely IIby IIreference IIto IIthe IIorganization IIof IItheir IItrade IIunion IImovement; IIand IIthe IIsuccess IIstories IIof IIthis IIliteratur IIe IIwere IIthe IIsmall, IIopen IIeconomies IIof IInorthern IIEurope.

During IIthe II1980s IIand II1990s, IIa IInew IIapproach IIto IIcomparative IIcapitalism IIthat IIwe IIwill IIterm IIa IIsocial IIsystems IIof IIproduction IIapproach IIgained IIcurr IIency. IIUnder IIthis IIrubric, IIwe IIgroup IIanalyses IIof IIsectoral IIgovernance, IInational IIinnovation IIsystems, IIand II IIfl IIexible II IIproduction II IIregimes II IIthat II IIare II IIdiverse IIin IIsome IIrespects IIbut IIunited IIby IIseveral IIkey IIanalytic IIfeatur IIes. II IIRespond- IIing IIto IIthe IIreorganization IIof IIproduction IIin IIresponse IIto IItechnological IIchange, IIthese IIworks IIdevote IImor IIe IIattention IIto IIthe IIbehavior IIof IIfi IIrms. IIInfluenced IIby IIthe IIFrench IIregulation IIschool, IIthey IIemphasize IIthe IImove II- IIment IIof IIfirms IIaway IIfrom IImass IIproduction IItowar IId IInew IIproduction IIregimes IIthat IIdepend IIon IIcollective IIinstitutions IIat IIthe IIr IIegional, IIsectoral, IIor IInational IIlevel II(Piore IIand IISabel II1984; IIDore II1986; IIStreeck IIand IISchmitter II1986; IIDosi IIet IIal. II1988; IIBoyer II1990; IILazonick II1991; IICampbell IIet IIal. II1991; IINelson II1993; IIHollingsworth IIet IIal. II1994; IIHerrigel II1996; IIHollingsworth IIand IIBoyer II1997; IIEdquist II1997; IIWhitley II1999). IIThese IIworks IIbring II IIa II IIwider IIrange IIof IIinstitutions IIinto IIthe IIanalysis IIand IIadopt IIa IImor IIe IIsociological IIapproach IIto IItheir IIoperation, IIstr IIessing IIthe IIways IIin IIwhich IIinstitutions

generate IItr IIust IIor IIenhance IIlearning IIwithin IIeconomic IIcommunities. IIAs IIa IIresult, IIsome IIof IIthese IIworks IIr IIesist IInational IIcategories IIin IIfavor IIof IIan IIemphasis IIon IIregional IIsuccess IIof IIthe IIsort IIfound IIin IIBaden-Württember IIg IIand IIthe IIThird IIItaly.
Each IIof IIthese IIbodies IIof IIwork IIexplains IIimportant IIaspects IIof IIthe IIeco II- IInomic IIworld. IIHowever, IIwe IIseek IIto IIgo IIbeyond IIthem IIin IIseveral IIr IIespects. IIAlthough IIthose IIwho IIwrote IIwithin IIit IIcharacterized IInational IIdif IIferences IIin IIthe IIearly IIpost-war IIera IIwell, IIfor IIinstance, IIsome IIversions IIof IIthe IImodern II- IIization IIappr IIoach IItend IIto IIoverstate IIwhat IIgovernments IIcan IIaccomplish, IIespecially IIin IIcontexts IIof IIeconomic IIopenness IIwher IIe IIadjustment IIis IIfirm- IIled. IIWe IIwill IIargue IIthat IIfeatures

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IIof IIstates IIonce IIseen IIas IIattributes II IIof II IIstrength IIactually IImake IIthe IIimplementation IIof IImany IIeconomic IIpolicies IImore IIdifficult; IIand IIwe IIseek II IIa II IIbasis IIfor IIcomparison II IImor IIe IIdeeply IIrooted IIin IIthe IIorganization IIof IIthe IIprivate IIsector II.

Neo-corporatist IIanalysis IIdir IIects IIour IIattention IIto IIthe IIor IIganization IIof IIsociety, IIbut IIits IIemphasis IIon IIthe IItrade IIunion IImovement II IIunderplays IIthe IIrole IIthat IIfirms IIand IIemployer IIor IIganizations IIplay IIin II IIthe IIcoor IIdination II IIof IIthe IIeconomy II(cf. IISoskice II1990a; II IISwenson II II1991). II IIWe II IIwant II IIto II IIbring IIfirms IIback IIinto IIthe IIcenter IIof II IIthe II IIanalysis II IIof II IIcomparative II IIcapitalism II IIand, IIwithout IIneglecting IItrade IIunions, IIhighlight IIthe IIr IIole IIthat IIbusiness IIassociations IIand IIother IItypes IIof IIr IIelationships IIamong IIfirms IIplay IIin IIthe IIpolitical IIeconomy.

The IIliteratur IIe IIon IIsocial IIsystems IIof IIproduction IIaccor IIds IIfirms IIa IIcentral IIrole IIand IIlinks IIthe IIorganization IIof IIproduction IIto IIthe IIsupport IIpr IIovided IIby IIexternal IIinstitutions IIat IImany IIlevels IIof IIthe IIpolitical IIeconomy. IIHowever, IIwithout IIdenying IIthat IIregional IIor IIsectoral IIinstitutions IImatter IIto IIfi IIrm IIbehavior, IIwe IIfocus IIon IIvariation IIamong IInational IIpolitical IIeconomies. IIOur IIpremiss IIis IIthat IImany IIof IIthe IImost IIimportant IIinstitutional IIstr IIuctures II— IInotably IIsystems IIof IIlabor IImarket IIr IIegulation, IIof IIeducation II IIand II IItraining, IIand IIof IIcorporate IIgovernance II— IIdepend IIon IIthe IIpresence IIof IIregulatory IIregimes IIthat IIare IIthe IIpreserve IIof IIthe IInation-state. IIAccordingly, IIwe IIlook IIfor IInational-level IIdifferences IIand IIterms IIin IIwhich IIto IIcharacterize IIthem IIthat IIar IIe IImore IIgeneral IIor IIparsimonious IIthan IIthis IIliteratur IIe IIhas IIgenerated.4

Where IIwe IIbreak IImost IIfundamentally IIfr IIom IIthese IIapproaches, IIhowever, IIis IIin IIour IIconception IIof IIhow IIbehavior IIis IIaffected IIby IIthe IIinstitutions IIof IIthe IIpolitical IIeconomy. IIThree IIframeworks IIfor IIunderstanding IIthis IIr IIelationship

dominate IIthe IIanalysis IIof IIcomparative IIcapitalism. IIOne IIsees IIinstitutions IIas IIsocializing IIagencies IIthat IIinstill IIa IIparticular IIset IIof IInorms IIor IIattitudes IIin IIthose IIwho IIoperate IIwithin IIthem. IIFrench IIcivil IIservants, IIfor IIinstance, IIar IIe IIsaid IIto IIacquire IIa IIparticular IIconcern IIfor IIthe IIpublic IIinter IIest IIby IIvirtue IIof IItheir IItraining IIor IIthe IIethos IIof IItheir IIagencies. II IIA IIsecond II IIsuggests IIthat IIthe IIeffects IIof IIan IIinstitution IIfollow IIfrom IIthe IIpower IIit IIconfers IIon IIparticular IIactors IIthrough IIthe IIformal IIsanctions IIthat IIhierar IIchy IIsupplies IIor IIthe IIr IIesources IIan IIinstitution IIprovides IIfor IImobilization. IIIndustrial IIpolicy-makers IIand IItrade IIunion IIleaders IIare IIoften IIsaid IIto IIhave IIsuch IIforms IIof IIpower. IIA IIthird IIframe- IIwork IIconstr IIues IIthe IIinstitutions IIof IIthe IIpolitical IIeconomy IIas IIa IImatrix IIof IIsanctions IIand IIincentives IIto IIwhich IIthe IIrelevant IIactors IIr IIespond IIsuch IIthat IIbehavior IIcan IIbe IIpr IIedicted IImore IIor IIless IIautomatically IIfr IIom IIthe IIpresence II IIof IIspecific IIinstitutions, IIas, IIfor IIinstance, IIwhen IIindividuals IIr IIefuse IIto IIpro- IIvide IIpublic IIgoods IIin IIthe IIabsence IIof IIselective IIincentives. IIThis IIkind IIof IIlogic IIis IIoften IIcited IIto IIexplain IIthe IIwillingness IIof IIencompassing IItrade IIunions IIto IImoderate IIwages IIin IIor IIder IIto IIreduce IIinflation.

Each IIof IIthese IIformulations IIcaptur IIes IIimportant IIways IIin IIwhich IIthe IIinstitutions IIof IIthe IIpolitical IIeconomy IIaffect IIeconomic IIbehavior IIand IIwe IImake IIuse IIof IIthem. IIHowever, IIwe IIthink IIthese IIappr IIoaches IItend IIto IImiss IIor IImodel IItoo IIincompletely IIthe IIstrategic IIinteractions IIcentral IIto IIthe IIbehavior IIof IIeconomic IIactors. IIThe IIimportance IIof IIstrategic IIinteraction IIis IIincr IIeasingly IIappreciated IIby IIeconomists IIbut IIstill IIneglected IIin IIstudies IIof IIcomparative IIcapitalism.5 IIIf IIinteraction IIof IIthis IIsort IIis IIcentral IIto IIeconomic IIand IIpolitical IIoutcomes, IIthe II IImost II IIimportant II IIinstitutions II IIdistinguishing II IIone II IIpolit- IIical IIeconomy IIfrom IIanother IIwill IIbe IIthose IIconditioning IIsuch IIinteraction, IIand IIit IIis IIthese IIthat IIwe IIseek IIto IIcaptur IIe

IIin IIthis IIanalysis. IIFor II IIthis IIpurpose, IIwe IIconstrue IIthe IIkey IIrelationships IIin IIthe IIpolitical IIeconomy IIin IIgame- IItheoretic IIterms IIand IIfocus IIon IIthe IIkinds IIof IIinstitutions IIthat IIalter IIthe IIout II- IIcomes IIof IIstrategic IIinteraction. IIThis IIappr IIoach IIgenerates IIan IIanalysis IIthat IIfocuses IIon IIsome IIof IIthe IIsame IIinstitutions IIothers IIhave IIidentifi IIed IIas IIimpor- IItant IIbut IIconstr IIues IIthe IIimpact IIof IIthose IIinstitutions IIdif IIferently IIas IIwell IIas IIone IIthat IIhighlights IIother IIinstitutions IInot IIyet IIgiven IIenough IIattention IIin IIstudies IIof IIcomparative IIcapitalism.

By IIlocating IIthe IIfirm IIat IIthe IIcenter IIof IIthe IIanalysis, IIwe IIhope IIto IIbuild IIbridges

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IIbetween IIbusiness IIstudies IIand IIcomparative IIpolitical II IIeconomy II, IItwo IIdisciplines IIthat IIar IIe IIall IItoo IIoften IIdisconnected. IIBy IIintegrating IIgame- IItheoretical IIperspectives IIon IIthe IIfirm IIof IIthe IIsort IIthat IIare IInow IIcentral IIto IImicroeconomics IIinto IIan IIanalysis IIof IIthe IImacroeconomy, IIwe IIattempt IIto IIconnect IIthe IInew IImicroeconomics IIto IIimportant IIissues IIin IImacr IIoeconomics.
II II II II II II II II II II II II II II

*(An IIIntroduction IIto IIVarieties IIof IICapitalism Peter IIA. IIHall IIand IIDavid IISoskice)*
*II*

**Technology Iitransfer Iiin Iithe Iiglobal Iieconomy**

**IIIntroduction II**

Recent IIdecades IIare IIoften IIcharacterized IIas IIthe IIera IIof IIglobalization—never IIbefore IIhas IIsuch IIa Iweb IIof IIlinkages andIinterconnections IIexisted, IIincluding IIa IIworldwide IIsystem IIof IIproduction,distribution, IInew IIstructures IIand IIrelationships II(Acs IIand IIPreston II1997). IIGlobalization Istimulates IIcompetition IIworldwide, IIforcing IIgovernment Ito IIadopt IImarket-oriented IIpolicies,both Idomestically IIand IIinternationally. ICompetition IIpressures IIproducers IIto IIcontinually II innovate, IIimprove IIquality IIand IIcost IIeffectiveness IIof IIexisting IIproducts. IIAt IIthe IIsame IItime, IIfifirms IIcan IIno IIlonger IIacquire IInor IIafford IIall IIthe IItechnological IIand IIhuman IIresources IIthey IIneed. IThis IIinhibits IItheir IIability IIto IIfoster IIflflexible IIrelationships IIwith IIother IIfifirms, IIand IImost IIimportantly, IIinstitutions, IIlike IIuniversities. IIThe IIresult IIhas IIbeen IIan IIincreasing IItrend IIof IIresearch IIover IIthe IIlast II25 IIyears IIinvolving IItechnology IIand IIknowledge IItransfers IIfrom Iacademic IIinstitutions IIto IIprivate IIindustry II(see IIe.g. IISiegel IIand IIWright II2013 IIfor IIa IIreview). II

A IIfifirst IIwave IIof IIacademic IIresearch IIon IItechnology IItransfer IIand IIglobalization IIbegan IIin IIthe II1990s, IIafter IIthe IIcollapse IIof IIthe IIBerlin IIWall. IIOften IIexpressed IIas IINorth–South IItechnology IItransfer, IItransfers IIfrom IIdeveloped IIand IIindustrializedInations—the IINorth—to IIunderdevel oped IIand IIpoor IInations—the IISouth—accelerates IIeconomic, IIindustrial IIand IIsocial IIdevelop ment. IINot IIsurprisingly, IIattention IIis IIpaid IIto IIa IIdiverse IIset IIof IIdeveloping IInations. IIThey II include IInot IIonly IIcountries IIfrom IIAfrica IIand IILatin IIAmerica, IIbut IIalso IIIndia, IIChina, IIcountries IIfrom IIthe IIformer IISoviet IIUnion, IIand IIother IIformerly IIcommunistic IInations. IIThe IIprocess IIof IIinternational IIeconomic IIintegration IIhas IIbeen IIunderway IIsince IIthen, IIfacilitated IIby IImore IIopen II economic IIpolicies, IItrade IIliberalization IIand IItechnical IIadvances IIin IItransport IIand IIcommunication II(Westphal II2002). IIExports IIand IIforeign IIdirect IIinvestment II(FDI) IIemerged IIas IIkey IIchannels IIfor IIinternational IIintegration IIand IItechnology IItransfer IIthrough IImultinationals II(Acs II and IIPreston II1997). IISince IIthen, IIthe IIrapid IIpace IIof IIglobalization IIhas IIchanged IIthe IIlandscape IIsignificantly. IIIn IIparticular, IIthe IIemergence IIand IIrapid IIgrowth IIof IImultinational IIfifirms IIemanating IIfrom IIBrazil, IIRussia, IIIndia IIor IIChina II(BRIC) IIare IInow IIalso IIinvolved IIin IIthe IIinterna tional IIprocess IIof IIproduction IIand IIeconomic IIintegration. IIRecent IIrankings IIof IIthe IITop II100 IIfifirms IIas IImeasured IIby IImarket IIvalue IIreveals IIthis IIimpressive IIgrowth. IIHowever, IInot IIall IImanufacturing IIindustries IIare IIaffected IIby IIglobalization IIto IIthe IIsame IIextent. IIStudies IIfrom IIOECD IIcountries IIshow IIthat IIin IIparticular IImedium IIand IIhigh IItechnology IIintensive IIindustries II are IImore IIinternationalized IIdue IIto IIa IIlack IIof IIin-house IIknowledge II(OECD II2007). IIThis IIleads IIto IIa IIreverse IIprocess IIin IIthe IItechnology IItransfer IIprocess. IICurrently, IIinternational IIor IIglobal IItechnology IItransfer IIis IIfocused IIon IItransfer IIof IItechnologies, IIknowledge IIand IIoverseas IIsubsidization IIof IIfifirms. IIInstead IIof IIthe IIformer IINorth–South IItransfer IIfrom IIdeveloped IIto IIunder developed IIcountries, IIthe IIfocus IIofItechnology IItransfer IInow IIis IIless IIconcerned IIabout IIthe IIacceleration IIof IIeconomic IIdevelopment IIor IIfostering IIthe IItransition IIprocess IIof IIunderdevel oped IInations IIbut IIon IIthe IIexploitation IIof IIcomparative IIadvantages IIwithin IIglobal IIcompetition. IIThe IIemergence IIof IInew IIglobal IIplayers IIin IIthe IIformer IIunderdeveloped IIcountries IIand IIthe II integration IIof IInew IIplayers IIin IIthe IIglobal IIeconomy IIchallenge IIexisting IIcomparative IIadvantages IIand IIcompetitiveness IIof IIcountries IIand IIregions II(Hoskisson IIet IIal. II2012). II302 IID. IIB. IIAudretsch IIet IIal. II

123Technology IItransfer IIin IIa IIglobal IIeconomy II303 IIA IIsecond IIwave IIof IIacademic IIresearch IIis IInow IIemerging, IIfocusing IIon IIthe IIpace IIand IIscale IIof II
today's IIglobalization, IImost IIoften IIassociated IIwith IIvalue IIadded IIsupply IIchains. IIProduction IIprocesses IIare IIbecoming IIincreasingly IIfragmented IIgeographically, IIfollowing IIan IIinternational IIdivision IIof IIlabor. IIFirms IIfifind IIit IIadvantageous IIto IIoutsource IIkey IIstages IIof IIproduction IIto IIother IIcountries. IITechnology IItransfer IIis IIstrongly IIconsidered IIon IIthe IIregional IIlevel, IIfollowing IIPorter's IIargument IIthat II''the IIenduring IIcompetitive IIadvantages IIin IIa IIglobal IIeconomy IIlie IIincreasingly IIin IIlocal IIthings—knowledge, IIrelationships, Imotivations—that IIdistant IIrivals II
cannot IImatch'' II(Porter II1998, IIp. II78). IIAn IIincreasing IIbody IIof IIliterature IIboth IItheoretically IIand II
empirically IIhas IIsince IIemerged IIto IIanalyze IIhow IIknowledge IIand IIideas IIspillover IIthat IIlead IIto IIeconomic IIgrowth IIand IIwelfare II(Dejardin IIand IIFritsch II2011; IIAudretsch IIet IIal. II2005, II2006). IIPolicy IImakers IIare IIconcerned IIwith IIsources IIof IIknowledge IIspillovers IIand IIhow IIideas IIcan IIbest IIbe IIcommercialized. IIStarting IIwith IIthe IIBayle–Dole IIAct IIof II1980 IIin IIthe IIUS, IIand IIcon
tinued IIby, IIamong IIothers, IIthe IIEuropean IIUnion IIwith IIthe IILisbon-Agenda IIin II2002, IImost IIOECD IIcountries IIreacted IIto IIthese IInew IIchallenges II(Mowery IIand IISampat II2005; IICosh IIand IIHughes II2010). IIIn IIparticular, IIacademic IIand IIscientific IIinstitutions IIare IIthe IIfocus IIof IIpolicy II
makers IIand IIbusiness IIpractitioners IIas IIthe IImain IIdrivers IIand IIsources IIof IIscientific IIand IIhuman IIknowledge II(Audretsch IIet IIal. II2005, II2012; IIColombo IIet IIal. II2010; IIWright IIet IIal. II2008, II2009). IIGiven IIlarge IIinvestments IIin IIuniversity IIresearch, IIpolicy IImakers IIand IIfifirm IImanagers IInaturally II
seek IIgreater IIreturns IIthrough IIspillovers IIand IItechnology IItransfer IIto IIimprove IIcompetitive II
advantages IIin IIthe IIglobal IIworld. IIIncreasing IIinvestment IIin IIscientific IIresearch IIalso IIraises IIincentives IIfor IIuniversities IIto IIincrease IIrevenue IIby IIcommercializing IIscientific IIoutput II(Mowery II2005). IIAnalyzing IIand IIunderstanding IItechnology IItransfer IIfrom IIacademic IIand II
scientific IIinstitutions IIinto IImarketable IIideas IIthus IIbecomes IIone IIof IIthe IImost IIimportant IItopics IIin IIacademic IIresearch. IIDespite IIthe IIvariousIIand IIfruitful IIresearch IIdone IIin IIthis IItopic, IIthere IIis IIa IIneed IIfor IIa IIbetter IIassessment IIof IIthe IIrole IIplayed IIby IIuniversities IIand IIpolicy IIin IIa IIglobal II
economy II(Audretsch IIet IIal. II2013). IIThe IIannual IIconference IIof IIthe IITechnology IITransfer IISociety IIin II2011: IITechnology II
Transfer IIin IIa IIGlobal IIEconomy IIwas IIdedicated IIto IIuniting IIprofessionals IIfrom IIacademia, IIresearch IIinstitutes IIand IIbusiness IIpractitioners. IIA IIcollection IIof IIpapers IIand IIthoughts IIpresented IIat IIthis IIconference IIis IIsummarized IIin IIthis IIissue. IIWhile IItechnology IItransfer IImay IIhave IIseveral II
objectives, IIdepending IIon IIthe IIresource, IIuser IIor IImechanism, IIthe IImain IIobjective IIis IIto IIpromote IImovement IIof IIfederally IIdeveloped IIideas, IIknowledge IIand IItechnologies IIcreated IIin IIpublic IIinstitutions IIto IIthe IImarketplace IIfor IIcommercialization. IIWithin IIthis IIcontext, IIthe IIrole IIof IIuniversities IIis IIintensively IIdiscussed IIas IIa IIprimary IIsource IIand IIfactor IIwithin IIthe IItechnology II
process. IIThis IIproblem IIis IIthus IIprimarily IIdedicated IIto IIthe IIrole IIthat IIgovernment IIand IIuni
versity IIinstitutions IIplay IIin IIshaping IIthe IIcommercialization IIof IIfederally IIdeveloped IItechnology IIand IIknowledge IIwithin IIa IIglobal IIeconomy. IIThe IIaim IIof IIthis IIspecial IIissue IIis IIto IIshrink IIthis IIgap, IIby IIanalyzing IIthe IItechnology IItransfer IIprocess IIfrom IIboth IIa IImacro IIand IIa IImicro II
perspective. IIThis IIshifts IIthe IIfocus IIfrom IIbroad IIpolicy IIlevels II(Sect. II2.1), IIthrough IIthe IIlevel IIof IIuniversity-industry IIrelationships IIand IIglobal IInetworks II(Sect. II2.2) IItowards IIthe IImicro IIlevel IIof II
single IIuniversities II(Sect. II2.3).
II II II II II II II II II II II II II II II II II

*(Technology IItransfer IIin IIa IIglobal IIeconomy II*
*David IIB. IIAudretsch II• IIErik IIE. IILehmann II• IIMike IIWrigh)*

**Companies IIin IIEmerging IISectors**

**Emerging Iisectors**

India IIis IIabout IImore, IImuch IImore, IIthan IIIT IIand IIoutsourcing. IIThere IIare IImyriad IIopportunities IIacross IIsectors. IIIndia IIis IIrapidly IIscaling IIup IIits IIinfrastructure IIin IIorder IIto IIsustain IIits IIgrowth. IIIndia's IImanufacturing IIsector IIis IIalso IIdeveloping IIfast, IIwith IIworld-class IIcompanies IIsuch IIas

IIBharat IIForge, IITata IIMotors, IIand IIMahindra. IIIndia's IIhealthcare IIindustry IIwill IIgrow IIto IIover II£40 IIbillion IIin IIthe IInext IIthree IIyears. IIIndia IIaims IIto IItrain II500 IImillion IIpeople, IIwhich IIopens IIup IIa IImarket IIfor IIBritish IIskills IIproviders. IIRising IIincome IIlevels IIamong IIIndia's IImiddle IIclass IIopens IIup IInew IIretail IIopportunities. IIThe IIentertainment IIand IImedia IIsector IIis IIexpected IIto IIreach II£17.8 IIbillion IIin II2018 II– IIcreating IIa IIlucrative IImarket IIfor IItechnology IIbusinesses IIwith IIsmart IIIP.

**Advanced Iiengineering Iiand Iimanufacturing:**
The IIIndian IIGovernment's II'Make IIin IIIndia' IIcampaign IIis IIperhaps IIthe IIsingle IIbiggest IIdevelopment IIin IIthe IInew IIgovernment's IIpolicy IImaking IIto IIdate, IIbringing IIa IInew IImind-set IIin IIgovernment, IIchanging IIfocus IIto IIfostering IIinvestment, IIinnovation, IIprotecting IIintellectual IIproperty, IIand IIbuilding IIbest-in-class IImanufacturing IIinfrastructure.

India IIis IIa IIleading IIautomotive IImanufacturer, IIwith IIsignificant IIeffort IIbeing IIplaced IIon IIgreen IItechnology. IIDefence IIand IIcivil IIaviation IIis IIalso IIan IIarea IIof IImassive IIexpansion. IIIndia IIincreased IIforeign IIdirect IIinvestment IIlimits IIin IIdefence IIto II49% IIand IIliberalised IIthe IIlicensing IIof IIprivate IIdomestic IIfirms IIto IIproduce IIdefence IIequipment IIto IIboost IImanufacturing IIin IIthe IIsector. IIEven IIcurrent IIoffset IIarrangements IIshould IIbe IIseen IIas IIan IIopportunity IIfor IIalliances IIby IIUK IIcompanies. IIFrugal IIand IIother IIinnovative IImodels IIwill IIincreasingly IIcome IIto IIthe IIfore.

**Digital Iiinnovation:**
India IIhas IIthe IIthird IIlargest IIinternet IIliterate IIpopulation IIin IIthe IIworld IItoday IIand IIit IIis IIestimated IIthat IIthere IIwill IIbe IIover II500 IImillion IIinternet IIusers IIin IIIndia IIby II2018. IIHowever, IIinternet IIpenetration IIin IIIndia IIis IIcurrently IIonly II19% IIand IIthere IIis IIa IIsignificant IIopportunity IIfor IIgrowth IIin IIpenetration IIand IIusage IIbase IIin IIIndia IIwith IIthe IIGovernment's IIDigital IIIndia IIinitiative.
More IIand IImore IIIndian IIconsumers IIare IIadopting IIdigital IItechnologies IIand IIthis IIopens IIup IIa IIplethora IIof IIopportunities IIin IIsectors IIsuch IIas IIfinance IIand IIbanking, IIretail, IIhealthcare IIand IIeducation. IIAs IIthe IIDigital IIIndia IIinitiative IItakes IIshape, IIdemand IIfor IItechnology IIrelated IIservices IIsuch IIas IIbuilding IIthe IIbroadband IIinfrastructure; IIcreating IIidentity IIsolutions, IIpayment IIsystems, IIweb IIor IImobile IIbased IIdelivery IIstructures IIand IIso IIon IIis IIexpected IIto IIincrease. II

**Energy:**
India IIis IIthe IIfourth-largest IIenergy IIconsumer IIin IIthe IIworld IIand IIIndia's IIenergy IIconsumption IIgrew IIat II7.1% IIin II2014-15, IIthe IIhighest IIrate IIof IIincrease IIamong IImajor IIeconomies. IICoal, IIoil IIand IInatural IIgas IIare IIthe IImost IIimportant IIsources IIof IIprimary IIenergy IIin IIIndia. IIFollowing IIthe IIGovernment's IIstated IIambition IIto IIadd II175 IIGw IIof IIcapacity IIin IIthe IIrenewable IIenergy IIsector IIby II2022, IIto IIthe IIexisting II36.3 IIGw, IIIndia's IIenergy IImarket IIrepresents IIa IIrobust IIopportunity IIfor IIUK IIcompanies. II

**Financial, Iilegal Iiand Iiprofessional Iiservices:**
The IIfinancial IIservices IIsector IIhas IIbeen IIan IIimportant IIcontributor IIto IIIndia's IIGDP IIaccounting IIfor IInearly II6% IIshare IIin II2014-15. IIThe IIaudit, IIconsulting IIand IIadvisory IIservices IImarket, IIincluding IIthose IIfor IIprofessional IIservices, IIin IIIndia IIis IIpegged IIat IIaround II£ II1 IIbillion, IIand IIgrowing IIat II10% IIannually.

Indian IIGovernment IIis IIliberalising IIthe IIsector. IIThe IIInsurance IILaws II(Amendment) IIAct IIwhich IIincludes IIa IIkey IIprovision IIallowing IIforeign IIinvestors IIto IIincrease IIstakes IIin IIlocal IIinsurers IIfrom II26% IIto II49% IIwas IIpassed IIin IIMarch, II2015. IIForeign IIInvestments IIare IIto IIbe IIallowed IIin IIAlternative IIInvestment IIFunds. IIThe IIdistinction IIbetween IIdifferent IItypes IIof IIinvestment II(i.e. IIForeign IIPortfolio IIInvestments IIand IIForeign IIDirect IIInvestment) IIis IIto IIbe IIreplaced IIwith IIcomposite IIcaps IIwhich IIwill IIcreate IIheadroom IIand IIflexibility IIfor IIoverseas IIinvestors. II

**Infrastructure:**
India IIis IIprojected IIto IIspend IIsome IIUS$1trillion IIby II2020 IIon IIa IIspectrum IIof IIinfrastructure IIprojects II– IIroads, IIports, IIairports, IIpower II(including IInuclear) IIand IIurban IIregeneration/rail, IInew IIcities IIand IItowns.

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In IIJune, II2015 IIthe IIIndian IIGovernment IIlaunched IIthe II100 IISmart IICity IIMission II(SCM) IIalong IIwith IItwo IIother IImajor IImissions IIAtal IIMission IIfor IIRejuvenation IIand IIUrban IITransformation II(AMRUT) IIand IIHousing IIfor IIall IIby II2022. IIIndia's II'Smart IICity' IIinitiative IIis IIpart IIof IIa IIlarger IIplan IIto IIdevelop IIindustrial IIcorridors IIsuch IIas IIthe IIDelhi-Mumbai IIIndustrial IICorridor II(DMIC), IIthe IIChennai-Bangalore IIIndustrial IICorridor II(CBIC) IIand IIthe IIBangalore-Mumbai IIEconomic IICorridor II(BMEC). IIMany IIindustrial IIand IIcommercial IIcenters IIare IIexpected IIto IIbe IIrecreated IIas IISmart IICities IIalong IIthese IIcorridors.

In IISeptember, II2015 IIthe IIgovernment IIof IIIndia IIannounced IIa IIlist IIof II98 IIcities IIto IIbe IIbuilt IIas II'smart IIcities' IIin IInext II5 IIyears IIallocating IIa IIbudget IIof II£ II9.8 IIbillion IIin II2015. IIWith IIthe IIfocus IIon IIdeveloping IIsmart IIcities IIand IIcompanies IIlooking IIto IIoffer IIvalue-added IIand IIspecialised IIservices IIsuch IIas IItechnology IIconsulting, IInetworking, IImiddleware, IIsector-specific IIapplications, IIand IIsystems IIintegration, IIthe IIinitiative IIoffers IIimmense IIopportunities IIfor IIUK IIbusinesses.

**Life Iisciences Iiand Iihealthcare:**
Currently, IIon IIan IIupward IIgrowth IIcurve, IIthe IIindustry IIis IIexpected IIto IItouch II£123 IIbillion IIin IIrevenues IIby II2018, IIup IIfrom II£61 IIbillion IIin II2013, IIdemonstrating IIa IICAGR IIof II15% IIfor II2013–18. IIAn IIincreasingly IIaffluent IIpopulation IIis IIspending IIon IIprivate IIhealthcare, IIand IIIndian IIpharma IIand IIbiotech IIcompanies IIare IIincreasing IIinvestments IIand IIgrowing IIinternationally.
Indian IIgovernment IIrecently IIpermitted IIFDI IIup IIto II100% IIunder IIthe IIautomatic IIroute IIfor IImanufacturing IIof IImedical IIdevices IIand IIthe IIliberalisation IIof IIthe IIinsurance IIindustry IIin IIIndia IIwill IIalso IIboost IIhealthcare IIinsurance. II
**Retail, Iifoods Ii& Iidrink, Iiand Iilogistics:**
The IIIndian IIretail IIsector IIis IIlikely IIto IIgrow IIat IIa IIcompound IIannual IIgrowth IIrate II(CAGR) IIof II13% IIto IIreach II£624 IIbillion IIby II2018, IIwhile IIonline IIretail IIis IIestimated IIto IIgrow IIfour IItimes IIto IIreach IIUSD II14.5 IIbillion IIfor IIthe IIsame IIperiod. IIThe IIexponential IIgrowth IIof IIonline IIretail IIcan IIbe IIattributed IIto IIkey IIfactors IIsuch IIas IIincreased IIinternet IIpenetration, IIproliferation IIof IIsmart IIphones IIand IIcredit IIcards, IIvalue-add IIservices IIsuch IIas II'cash-on-delivery' IIand IImost IIimportantly, IIa IIdramatic IIshift IIin IIconsumer IIattitudes IIand IIbuying IIbehaviour.

India IIallows II100% IIFDI IIin IIsingle-brand IIretail IIand IIup IIto II51% IIFDI IIin IImulti-brand IIretail, IIsubject IIto IIcertain IIconditions. II100% IIFDI IIis IIpermitted IIunder IIthe IIautomatic IIroute IIfor IIthe IIfood IIprocessing IIsector IIand IIfor IIwholesale IItrading IIbusinesses, IIinclusive IIof IIB2B IIe-commerce.

Online IIretail IIis IIexpected IIto IIbe IIat IIpar IIwith IIthe IIphysical IIstores IIin IIthe IInext IIfive IIyears IIand IIIndia's IIe-commerce IImarket IIis IIestimated IIto IIreach II£60 IIbillion IIby II2019. IIWith IIorganised IIretail IIpenetration IIat II19% IIas IIof II2014, IIopportunities IIexist IIfor IIUK IIretailers, IIfood IIand IIdrink IIproducers, IIand IIlogistics IIand IIother IIassociated IIservices. II

**Skills Iiand Iieducation:**
India's IIyoung IIpopulation IIneeds IIthe IIqualifications IIand IIskills IIto IIdrive IIthe IIeconomy IIdeep IIinto IIthe II21st IIcentury. IIOver IIthe IInext IIdecade IIIndia IIwill IIhave IIa IIsurplus IImanpower IIof II4-5 IIcrore IIand IIthere IIis IIa IIneed IIto IIprovide IIthis IIyouthful IImanpower IIwith IIskills IIand IIability IIto IItackle IIglobal IIchallenges. IIIn IIJuly, II2015, IIthe IIIndian IIGovernment IIlaunched IIthe IISkill IIIndia IICampaign IIwhich IIincluded IIthe IIlaunch IIof IIthe IINational IISkill IIDevelopment IIMission IIand IIunveiling IIof IIthe IInew IINational IIPolicy IIfor IISkill IIDevelopment IIand IIEntrepreneurship II2015. IITargets IIand IIstrategies IIare IIin IIplace IIto IIprovide IIvocational IIqualifications IIto II500 IImillion, IIand IIto IIcreate II40 IImillion IInew IIuniversity IIplaces. IIBoth IIby II2022. II

**Sports:**
The IIsports IIsector IIin IIIndia IIgrew IIby II10% IIin II2014 IIto II£ II480 IImillion. IIThe IIgrowth IIand IIdevelopment IIof IIthe IIIndian IIsport IIindustry IIis IIcreating IIopportunities IIin IIthe IIareas IIof IIsports IIequipment IIand IIgoods, IIsportswear, IIsports IImanagement IIand IIsports IIengineering IIprofessionals. II

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**The IICreative IICity: IIa IImatter IIof IIvalues**
**By *IIRichard IISmith IIand IIKatie IIWarfield***

*II"The IImen IIof IIexperiment IIare IIlike IIthe IIant; IIthey IIonly IIcollect IIand IIuse. IIBut IIthe IIbee… IIgathers IIits IImaterials IIfrom IIthe IIflowers IIof IIthe IIgarden IIand IIof IIthe IIfield, IIbut IItransforms IIand IIdigests IIit IIby IIa IIpower IIof IIits IIown." IILeonardo IIda IIVinci II"Creativity IIis IIa IIpositively IIsanctioned IItype IIof IIdeviance." IIJurgen IIFriedrichs*

Introduction IIGenerations IIof IItheorists IIhave IIdebated IIthe IIdefinition IIof IIcreativity. IIOriginally IIthe IIact IIof IIcreation, IIand IIthus IIthe IIproduct IIof IIcreativity, IIwas IIrelegated IIto IIthe IIcapacities IIonly IIof IIdeities. IIEarly IIartists IIand IIpoets IIdid IInot II"create", IIrather IIartistic IIpractitioners II"arranged" IIobjects IIand IInotions IIfrom IIthings IIand IIideas IIthat IIalready IIexisted IIin IIthe IIworld—thanks IIto IIthe IIexclusive II"creative IIcapacities" IIof IIthe IIgod(s). IITo II"make IIanew" IIwas IIa IIdivine IIcapacity. IIWe IIlive IIin IIa IIdifferent IItime, IIhowever, IIand IIcreativity IInow IIdenotes IInot IIso IImuch IIthe IIproduction IIof IInew IIworldly IIobjects, IIbut IIsimply, IIan IIinnovative IIaction. IICreativity IIdescribes IIboth IIprocess IIand IIproduct, IIand IIas IIsuch IIvirtually IIanyone II(or IIfor IIthat IImatter, IIany II"thing") IIcan IInow IIbe II"creative". IINot IIonly IIcan IIthe IIartist, IIthe IIpoet, IIthe IIarchitect IIbe II"creative"— IIinnovate, IIimagine, IIingenerate, IIor IIinvent—but IIso IItoo IIcan IIinanimate IIobjects: IIcreative IIplaces, IIcreative IIeconomies, IIcreative IIpolitics IIand IIcreative IIgovernance. IIThe IIfoundational IIqualities IIof II"creativity" IIhave IInot IIevolved IIover IItime, IIbut, IIas IImentioned, IIthe IIcreative IIsubjects, IIand IIthus IIthe IIpurposes IIto IIwhich IIcreativity IIis IIput IIto IItask, IIhave IIchanged. IITherefore, IIexploring IIthe IInotion IIof II"creativity", IIas IIwe IIare IIhere IIin IIthis IIchapter, IIinvolves IIframing IIfirst II"what IIis IIcreative?" II(Here: IIcities), IIand IIthen, IIwhat IIprinciples IIor IIvalues IIare IIguiding IIthe IImandate IIof IIcreativity? II(Here: IIthe IIreigning IIvalues IIand IIprinciples IIsurrounding IIany IIdiscussion IIof IIcreativity IIin IICanada). IIAnd IIthis IIis IIwhat IIwe IIwill IIhere IIexplore. IIThis IIpaper IIargues IIthat IIto IIunderstand IIthe IIgrowth IIof IICreative IICities IIin IICanada, IIwe IImust IIfirst IIexplore IItwo IIdominant II"value IIorientations" II(historically IIembedded IIand IIconflicting IIbut IIcontinually IIpowerful) IIthat IIsurround IIany IIdiscussion IIof II"creative IIventures1 II" IIin IIthe IICanadian IIcontext. IIInfluenced IIat IIonce IIby IIboth IIBritish IIand IIAmerican IIconcepts IIof IIculture, IIarts, IIand IIcreative IIindustries, IIcreativity, IIand IIthe IIsubsequent IIdevelopment IIof II"creative IIcities" IIin IICanada, IImeet IIwith IIconflict IIover IIa IIdivide IIbetween II"arts IIand IIculture" IIvalues IIand II"creative IIindustries" IIvalues. IIThe IIfirst IIpart IIof IIthis IIpaper, IIthen, IIlays IIout IItwo IIdiffering IIconceptual IIdefinitions IIof IIthe IIcreative IIcity. IIAccording IIto IIwhat IIwe IIcall IIthe IIculture-centric IIconception IIof IIthe IIcreative IIcity, IIvalue IIis IIplaced IIforemost IIon IIcreative IIacts, IIwhich IIbenefit IIthe IIwell-being IIand IIquality IIof IIlife IIof IIcitizens'; IIthe IIeconomic IIbenefit IIand IIvalue IIis IIplaced IIsecondary. IIWhat IIwe IIhave IItermed IIthe IIeconomy-centric IIorientation, IIon IIthe IIother IIhand, IIsees IIlocal IIeconomic IIdevelopment IIand IIgrowth IIas IIprimarily IIimportant IIand IIartistic IIvalues IIare IIplaced IIsecondary. IIThe IIprimary IIdifference IIbetween IIthese IItwo IIorientations IIis IIa IIdifference IIin IIunderstandings IIof IIthe IIvalue IIof II"creativity": IIis IIit IIprimarily IIan IIintangible IIvalue IIof IIthe IIimagination IIor IIis IIit IIprimarily IIthe IIeconomic IIexchange IIvalue IIof IIcreativity? IIA IInote IIshould IIalso IIbe IImade IIthat IIsince IIthe IIcreative IIcity IImodel IIis IIone IIadopted IIprimarily IIat IIthe IIpolicy IIlevel, IIour IIbackgrounder IIand IIcase IIstudy IIfocus IIon IIthe IIurban IIpolicy IIlevel IIof IIboth IItheory IIand IIpractice. IIAnd IIso, IIin IIthis IIfirst IIsection, IIperhaps IImore IIimportant IIthan IIthis IIconceptual IIframework, IIis IIa IIbrief IIexplanatory IInarrative IIthat IIsituates IIthe IIorigins IIof IIthese IItwo IIvalue IIorientations IIwithin IIthe IIunique IIcontext IIof IICanada. IIWith IIthis IIclarified IIconception IIof IIthe IIterm II"creative IIcity" IIin IICanada, IIthe IInext IIsection IIof IIthe IIpaper IIcompiles IIthe IIvarious II"creative IIcity IIformulae," IIsuggested IIby IICanadian IIurban IIpolicy IItheorists IIand IIanalysts, IIas IIwell IIas IIpracticing II"creative" IICanadian IIcities2 II. IIThese IIformulae—methods IIby IIwhich IIit IIis IIsuggested IIthe IIcreative IICanadian IIcity IImay IIbe IIfostered—can IIbe IIcategorized IIbroadly IIinto IItwo IIcategories: IIcreative IIgovernance IIand IIdirect IIsupport IIfor IIcreative IIventures. IITo IItransform IItheory IIinto IIpractice, IIthe IIlast IIsection IIof IIthis IIpaper IIconsiders IIthe IIcase IIstudy IIof IIVancouver, IIBritish IIColumbia. IIWith IIthe IIconceptual IIclarification IIof II"creative IIcity" IIin IIone IIhand, IIand IIthe IIsimplification IIof IIthe IIvarious II"creative

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IIcity IIformulae" IIin IIthe IIother, IIthe IIpurpose IIof IIthe IIcase IIstudy IIof IIVancouver, IIis IIan IIattempt IIto IIdemonstrate IIthat IIin IIpractice, IICanadian IIcities IIcontinue IIto IImuddle IIthrough IIthis IIconceptual IIdivide IIbetween IIculture IIcentric IIprinciples IIand IIeconomy-centric IIprinciples IItowards IIcreativity. IIThe IIcase IIof IIVancouver IIillustrates IIthat IIwithin IIthe IICanadian IIurban IIcontext, IIto IIfoster IIcreativity—whether IIfor IIwellbeing IIor IIprofit—governance, IIcitizenry IIand IIindustry IIneed IIto, IIthemselves, IIbecome IIcreative IIagents IIof IIchange. II II II II II II II

**1.1 IICulture-centric IIOrientation II**

Description, IIHistory, IIand IIMeans IIto IIAchieve IICreative IICity II

Description:

IIThe IIculture-centric IIorientation IIsees IIthe IIcreative IIcity IIas IIa IIplace IIwith IIstrong IIflourishing IIarts IIand IIculture, IIcreative IIand IIdiverse IIexpressions, IIand IIinclusivity, IIartistry IIand IIimagination. IICreativity IIis IIconceived IIof IIas IIhaving IIsome IIrelation IIto IIidentity, IIrights, IIbeliefs, IIand IIgeneral IIsocial IIwellbeing. II

History:

a) Impact IIof IIHigh-culture IIInfluence IIThe IIroots IIof IIthe IIculture-centric IIorientation IIof IIcreative IIcity IIoriginate IIfrom IIa IIlong IIhistory IIof IIcultural IIpolicy IIdebates IIin IICanada IIwhere IIarts IIand IIculture IIhave IIretained IIa IIspecial IIprotected IIstatus IIin IICanadian IIpolitical IIinstitutions. IIIn IIattempts IIto IIreplicate IIBritish IIarts IIand IIculture IIin IIAnglophone IICanada, IIearly IICanadian IIpolicy IIconceived IIof: IIculture IIas IIthat IIwhich II II II

cultivates IIa IIcitizen IIto IIbecome IImore IIcivilized; IIand IIthe II"arts" IIas IIWestern, IIclassic, IIconservative, IIand IItraditional II(e.g.: IIopera, IIballet, IIpainting, IImusic, IImuseums, IIetc.). IIArts IIand IIculture IIwere IIprotected IIunder IIseparate IInational IIpolicies IIas IIthey IIwere IIconceived IIof IIas IIserving IInoble IIand IInecessary IIsocial IIaims IIsuch IIas IIeducation IIand IIthe IIupkeep IIof IIthe IIcitizenry's IIgeneral IIsocial IIwellbeing. II4 IIArts IIand IIculture IIwere II"high-culture" IIand IIconsidered IIto IIbe IIbetter IIthan IIor IImore IIvaluable IIthan IIlow IIculture IIor IIpopular IIculture IIor IIexchangeable, IItradable IIor IImarketable IIcultural IIgoods. IIIn IICanada, IIthis IIgeneral IIcritical IIattitude IItowards IImarket-oriented IIartistic IIgoods IIcontinues IIto IIperpetuate IIthe IIideology IIof IIthe IIculture-centric IIorientation IItowards IIarts IIand IIcultural IIpolicy IIin IIgeneral IIand IIcreative IIcities IIin IIparticular.

b. IIImpact IIof IIDiversity IIand IICultural IIRights II

The IIhistorical IIimpact IIof IIdiversity IIon IICanadian IIcultural IIpolicy IIhas IIalso IIshaped IIthe IIculture-centric IIorientation IItowards IIcreative IIcities IIby IIembedding IIa IIsense IIof IIgovernment IIresponsibility IItowards IIthe IIpreservation IIand IIprotection IIof IIarts, IIculture IIand IIcreativity. IIUntil IIthe II1960's IIthe IIearly IIconservative IIconception IIof IIarts IIand IIculture IIdominated, IIbut IIbeginning IIin IIthe II1950's IIa IInecessary IIreality IIarrived IIwith IIincreased IIimmigration IIto IICanadian IIcities. IICanadian IImetropolitan IIpopulations IIwere IIincreasingly IIethnically IIdiverse IIand IIthe IIestablished IIand IInarrow II"high-art" IInature IIof IICanadian IIcultural IIpolicy IIdid IInot IIsufficiently IIconsider IIthe IIdiverse IIvalues IIimplicit IIin IIa IImulticultural IIpopulation. II5 IIThe IIright IIto IIcultural IIand IIartistic IIexpression IIbecame IIjust IIas IIimportant IIas IIfreedom IIof IIexpression IIand IIbelief, IIand IIthis IIwas IImade IIexplicit IIthrough IItwo IIkey IIdocuments: IIthe IICharter IIof IIRights IIand IIFreedoms IIin II1982 IIwhich IIclearly IIunderscored IIthe IIright IIof IIevery IICanadian IIcitizen IIto IIequal IIexpression IIand IIbelief IIno IImatter IIgender, IIethnicity, IIreligion, IIor IIrace, IIand IIthe IICanadian IIMulticultural IIAct IIpassed IIin II1985, IIwhich IIdeemed IICanada's IIpopulation IIas IIone IIof IImultiplicity IIand IIdiverse IIethnic IIheritage. IIThe IIDepartment IIof IICanadian IIHeritage IInow IIupholds IIthe IItenets IIof IIthe IIMulticulturalism IIAct IIand IIgoverns IIat IIthe IIfederal IIlevel IIover IIissues IIof II"Canadian IIidentity IIand IIvalues, IIcultural IIdevelopment, IIheritage IIand IIareas IIof IInatural IIor IIhistorical IIsignificance IIto IIthe IInation." II6 IIThis IIhistorical IInarrative IIillustrates IIhow IIthe IICanadian IIgovernment IIhas IIan IIhistorical IIresponsibility IItowards IIthe II"protection IIand IIpreservation" IIof IICanadian IIculture, IIarts, IIand IIcreative IIexpression. IIFurthermore, IInot IIonly IIdoes IIthis IIembedded IIsense IIof IIgovernment IIresponsibility IIcontinue IIto IIweave IIthrough IIfederal IIcultural IIpolicy, IIbut IIit IIalso IIinforms IIcreative IIcity IIdiscourse IIand IIpractice IIin IICanadian IIcities. IIThe IIpreservationist IIattitude IItowards IIcertain IIaspects IIof IICanadian IIculture IIis IIillustrated IIthrough IIthe IIculture IIplan IIof IILondon, IIOntario, IIand IIthe IIcity's IIdeep IIsupport IIfor

IIbuilt IIheritage. II"To IIreinforce IIand IIprotect IIthe IIunique IIheritage IIof IILondon, IIthe IICity IIstrengthens IIits IIpolicies IIand IIcommitment IIto IIprotecting IIthe IIheritage IIof IIour IICity IIand IIbegins IIa IInew IIcommitment IIto IIrevitalize IIour IIpublic IIspaces, IIneighborhoods, IImain IIstreets IIand IIcommunities IIas IIvital, IIenergetic, IIactive IIand IIattractive IIpeople-friendly IIplaces. II7 II" IIAnd IIso IIin IIsum, IIthere IIare IItwo IIkey IItrends IIthat IIpermeate IIthe IIculture-centric IIorientation IItowards IIcreative IIcity: IIthe IIfirst IIrelates IIto IIthe IIconception IIof II"creativity" IIand IIthe IIsecond IIrelates IIto IIand IIinfluences IIthe II"means IIby IIwhich IIthe IIcreative IIcity IIis IIachieved." IIAccording IIto IIthe IIculture-centric IIorientation, IIculture IIand IIthe IIarts IIrelate IIto IIidentity, IIexpression, IIculture, IIbelief, IIpurpose, IIdiversity, IIeducation, IIsocial IIinclusion, IIand IIgeneral IIsocial IIwelfare IIand IIwell-being. IIEmbedded IIin IIthis IIis IIalso IIan IIhistorical IIconception IIof IIarts, IIculture IIand IIcreativity IIas IIthings II"beyond" IIor II"better IIthan" IIthe IImarketplace. IIIn IIturn, IIand IIinfluenced IIby IIthis IIconception, IIculture-centric IIproponents IIbelieve IIthe IImeans IIby IIwhich IIto IIfoster IIthe IIcreative IIcity IIis IIprimarily IIthrough IIthe IIactions IIof IIthe IIgovernment. IIAccording IIto IIthis IIgroup, IIfollowing IIthe IIhistorical IIroots, IIit IIis IIthe IIgovernment's IIresponsibility IIto IIprovide IIfunding IIfor, IIto IIdevise IIpolicy IIto IIaid, IIand IIto IIuse IIinnovative IIprocesses IIto IIfoster, IIas IImuch IIas IIpossible, IIthe IIgrowth IIand IIdevelopment IIof IIthe IIcreative IIcity.

**1.2 IIEcono-centric: IIEconomy, IIclusters, IIcultural IIindustries IIand IItalent**

IIDescription, IIHistory, IIand IIMeans IIto IIAchieve IICreative IICity II

Description II

The IIsecond IIconception IIof IIthe IIcreative IIcity IIsees IIthe IIcreative IIcity IIas IIa IIplace IIdriven IIby IIstrong IIinnovative, IIcreative, IIand IIcompetitive IIcultural IIand IIcreative IIindustries IIand IIeconomically IIsustainable IIartists IIand IIarts IIorganizations. IIAccording IIto IIthe IIecono-centric IIconception, IIcreativity IIis IIa IImeans IIto IIachieve IIa IIforemost IIgoal IIof IIlocal IIeconomic IIdevelopment, IIand IIas IIsuch, IIcreative IIendeavors IIand IIventures IIhave IIsome IIquantifiable IIvalue IIor IImeasure. IIThe IIecono-centric IIorientation IIin IICanada IIemerges IIfrom IIa IIslightly IImore IIcontemporary IIset IItheories IIand IIevents IIthan IIthe IIculture-centric IIorientation IIwhich IIinclude: IIcontemporary IItheories IIabout IIthe II"new IIeconomy", IIthe IIcreative IIclass, IIcreative IItalent, IIand IIcreative IIclusters. IIHistory IIa. IIImpact IIof IINew IIEconomy IIin IICanadian IICities IIA IImajor IIinfluence IIbehind IIthe IIgrowing IIrelevance IIof IIthe IIecono-centric IIconception IIof IIcreativity IIis IIthe IIrise IIof IIand IIwritings IIabout IIthe IIknowledge-based II"new IIeconomy," IIand IIthe IIimportance IIof IIthe IIcity-region II(Bradford II2002; IIDonald IIand IIMorrow II2003.) IIThe IIecono-centric IIorientation IIaims IIto IIquantify IIthe IIvalue IIof IIcreativity IIin IIeconomic IIterms, IIand IIthis IIrelates IIto IIcontemporary IInarratives IIconcerning IIthe IIevolution IIof IICanadian IIlocal IIeconomies IIfrom IIthe II"old IIeconomy" IIto IIthe II"new IIeconomy". IIIn IICanada, IIthe II"old IIeconomy", IIcharacterized IIby IIlarge IIcompanies IIand IIorganizations IIworking IImost IIoften IIwithin IIresource IIindustries II(fishing, IIforestry, IIagriculture), IIcomprised IIof IIbusinesses IIthat IIlocated IIthemselves IIbased IIon IIlow-cost IIland, IIcheap IIlabor, IIand IIa IIcost-conscious IIbusiness IIclimate8 II. IISince IIthe II1980's, IIthe IInew IIeconomy, IIdriven IIby IIknowledge-based IIindustries IIare IIchoosing IIto IIlocate IIcloser IIto IIeach IIother—choosing IIto II"cluster"—as IIthey IIwork IIat IIthe IIlevel IIof IIhuman IIinteraction IIand IIcommunication, IIrather IIthan IIraw IImaterial IIwhich IIpreviously IIlimited IItheir IIgeographic IIpositioning. IIIn IICanada, IIthe IIexpansion IIof IIthe IInew IIeconomy IIhas IIpositioned IIcities IIas IIthe IIhubs IIof IIcreative IIeconomy IIbusinesses. IIIn IIthe IInew IIeconomy, IIwhere IIknowledge, IIideas, IIinnovation IIand IIcreativity IIare IInot IIonly IIthe IIprocesses IIbut IIalso IIthe IIproducts, IInew IIeconomy IIbusinesses IIare II"prospering IIby IIhousing IIspatially IIconcentrated, IIsmaller IIscale IIfirms IIcooperating IIwith IIone IIanother IIand IIwith IIpublic IIsector IIinstitutions IIfor IIinnovation IIin IIknowledge-intensive IIproduction IIto IIachieve IIglobal

**Family IIBusiness, IIInnovation IIand IIGlobalization**

**Family-Owned IIBusinesses**

A IIfamily-owned IIbusiness IImay IIbe IIdefined IIas IIany IIbusiness IIin IIwhich IItwo IIor IImore IIfamily IImembers IIare IIinvolved IIand IIthe IImajority IIof IIownership IIor IIcontrol IIlies IIwithin IIa IIfamily. IIFamily-owned IIbusinesses IImay IIbe IIthe IIoldest IIform IIof IIbusiness IIorganization. IIFarms IIwere IIan IIearly IIform

IIof IIfamily IIbusiness IIin IIwhich IIwhat IIwe IIthink IIof IItoday IIas IIthe IIprivate IIlife IIand IIwork IIlife IIwere IIintertwined. IIIn IIurban IIsettings IIit IIwas IIonce IInormal IIfor IIa IIshopkeeper IIor IIdoctor IIto IIlive IIin IIthe IIsame IIbuilding IIin IIwhich IIhe IIor IIshe IIworked IIand IIfamily IImembers IIoften IIhelped IIwith IIthe IIbusiness IIas IIneeded.

Since IIthe IIearly II1980s IIthe IIacademic IIstudy IIof IIfamily IIbusiness IIas IIa IIdistinct IIand IIimportant IIcategory IIof IIcommerce IIhas IIdeveloped. IIToday IIfamily IIowned IIbusinesses IIare IIrecognized IIas IIimportant IIand IIdynamic IIparticipants IIin IIthe IIworld IIeconomy. IIAccording IIto IIthe IIU.S. IIBureau IIof IIthe IICensus, IIabout II90 IIpercent IIof IIAmerican IIbusinesses IIare IIfamily-owned IIor IIcontrolled. IIRanging IIin IIsize IIfrom IItwo-person IIpartnerships IIto II*Fortune II500* IIfirms, IIthese IIbusinesses IIaccount IIfor IIhalf IIof IIthe IInation's IIemployment IIand IIhalf IIof IIher IIGross IINational IIProduct. IIFamily IIbusinesses IImay IIhave IIsome IIadvantages IIover IIother IIbusiness IIentities IIin IItheir IIfocus IIon IIthe IIlong IIterm, IItheir IIcommitment IIto IIquality II(which IIis IIoften IIassociated IIwith IIthe IIfamily IIname), IIand IItheir IIcare IIand IIconcern IIfor IIemployees. IIBut IIfamily IIbusinesses IIalso IIface IIa IIunique IIset IIof IImanagement IIchallenges IIstemming IIfrom IIthe IIoverlap IIof IIfamily IIand IIbusiness IIissues.

**Issues Iiin Iifamily Iibusinesses**

A IIfamily IIbusiness IIcan IIbe IIdescribed IIas IIan IIinteraction IIbetween IItwo IIseparate IIbut IIconnected IIsystems—the IIbusiness IIand IIthe IIfamily—with IIuncertain IIboundaries IIand IIdifferent IIrules. IIGraphically, IIthis IIconcept IIcan IIbe IIpresented IIas IItwo IIintersecting IIcircles. IIFamily IIbusinesses IImay IIinclude IInumerous IIcombinations IIof IIfamily IImembers IIin IIvarious IIbusiness IIroles, IIincluding IIhusbands IIand IIwives, IIparents IIand IIchildren, IIextended IIfamilies, IIand IImultiple IIgenerations IIplaying IIthe IIroles IIof IIstockholders, IIboard IImembers, IIworking IIpartners, IIadvisors, IIand IIemployees. IIConflicts IIoften IIarise IIdue IIto IIthe IIoverlap IIof IIthese IIroles. IIThe IIways IIin IIwhich IIindividuals IItypically IIcommunicate IIwithin IIa IIfamily, IIfor IIexample, IImay IIbe IIinappropriate IIin IIbusiness IIsituations. IILikewise, IIpersonal IIconcerns IIor IIrivalries IImay IIcarry IIover IIinto IIthe IIwork IIplace IIto IIthe IIdetriment IIof IIthe IIfirm. IIIn IIorder IIto IIsucceed, IIa IIfamily IIbusiness IImust IIkeep IIlines IIof IIcommunication IIopen, IImake IIuse IIof IIstrategic IIplanning IItools, IIand IIengage IIthe IIassistance IIof IIoutside IIadvisors IIas IIneeded.

Family IIversus IINon-family IIEmployees

There IIare IIa IInumber IIof IIcommon IIissues IIthat IImost IIfamily IIbusinesses IIface IIat IIone IItime IIor IIanother. IIAttracting IIand IIretaining IInon-family IIemployees IIcan IIbe IIproblematic IIbecause IIsuch IIemployees IImay IIfind IIit IIdifficult IIto IIdeal IIwith IIfamily IIconflicts IIon IIthe IIjob, IIlimited IIopportunities IIfor IIadvancement, IIand IIthe IIspecial IItreatment IIsometimes IIaccorded IIfamily IImembers. IIIn IIaddition, IIsome IIfamily IImembers IImay IIresent IIoutsiders IIbeing IIbrought IIinto IIthe IIfirm IIand IIpurposely IImake IIthings IIunpleasant IIfor IInon-family IIemployees. IIBut IIoutsiders IIcan IIprovide IIa IIstabilizing IIforce IIin IIa IIfamily IIbusiness IIby IIoffering IIa IIfair IIand IIimpartial IIperspective IIon IIbusiness IIissues. IIFamily IIbusiness IIleaders IIcan IIconduct IIexit IIinterviews IIwith IIdeparting IInon-family IIemployees IIto IIdetermine IIthe IIcause IIof IIturnover IIand IIdevelop IIa IIcourse IIof IIaction IIto IIprevent IIit.

Employment IIQualifications

Many IIfamily IIbusinesses IIalso IIhave IItrouble IIdetermining IIguidelines IIand IIqualifications IIfor IIfamily IImembers IIhoping IIto IIparticipate IIin IIthe IIbusiness. IISome IIcompanies IItry IIto IIlimit IIthe IIparticipation IIof IIpeople IIwith IIcertain IIrelationships IIto IIthe IIfamily, IIsuch IIas IIin-laws, IIin IIorder IIto IIminimize IIthe IIpotential IIfor IIconflicts. IIFamily IIbusinesses IIoften IIface IIpressure IIto IIhire IIrelatives IIor IIclose IIfriends IIwho IImay IIlack IIthe IItalent IIor IIskill IIto IImake IIa IIuseful IIcontribution IIto IIthe IIbusiness. IIOnce IIhired, IIsuch IIpeople IIcan IIbe IIdifficult IIto IIfire, IIeven IIif IIthey IIcost IIthe IIcompany IImoney IIor IIreduce IIthe IImotivation IIof IIother IIemployees IIby IIexhibiting IIa IIpoor IIattitude. IIA IIstrict IIpolicy IIof IIonly IIhiring IIpeople IIwith IIlegitimate IIqualifications IIto IIfill IIexisting IIopenings IIcan IIhelp IIa IIcompany IIavoid IIsuch IIproblems, IIbut IIonly IIif IIthe IIpolicy IIis IIapplied IIwithout IIexception. IIIf IIa IIcompany IIis IIforced IIto IIhire IIa IIless-than-desirable IIemployee, IIanalysts IIsuggest IIproviding IIspecial IItraining IIto IIdevelop IIa IIuseful IItalent, IIenlisting IIthe IIhelp IIof IIa IInon-family IIemployee IIin IItraining IIand IIsupervising, IIand IIassigning IIspecial IIprojects

IIthat IIminimize IInegative IIcontact IIwith IIother IIemployees.

Salaries IIand IICompensation

Another IIchallenge IIfrequently IIencountered IIby IIfamily IIbusinesses IIinvolves IIpaying IIsalaries IIto IIand IIdividing IIthe IIprofits IIamong IIthe IIfamily IImembers IIwho IIparticipate IIin IIthe IIfirm. IIIn IIorder IIto IIgrow, IIa IIsmall IIbusiness IImust IIbe IIable IIto IIuse IIa IIrelatively IIlarge IIpercentage IIof IIprofits IIfor IIexpansion. IIBut IIsome IIfamily IImembers, IIespecially IIthose IIwho IIare IIowners IIbut IInot IIemployees IIof IIthe IIcompany, IImay IInot IIsee IIthe IIvalue IIof IIexpenditures IIthat IIreduce IIthe IIamount IIof IIcurrent IIdividends IIthey IIreceive. IIThis IIis IIa IIsource IIof IIconflict IIfor IImany IIfamily IIfirms IIand IIan IIadded IIlevel IIof IIdifficulty IIin IImaking IIthe IInecessary IIinvestments IIinto IIthe IIbusiness IIfor IIcontinued IIsuccess. IITo IIensure IIthat IIsalaries IIare IIdistributed IIfairly IIamong IIfamily IIand IInon-family IIemployees, IIbusiness IIleaders IIshould IImatch IIthem IIto IIindustry IIguidelines IIfor IIeach IIjob IIdescription. IIWhen IIadditional IIcompensation IIis IIneeded IIto IIreward IIcertain IIemployees IIfor IItheir IIcontributions IIto IIthe IIcompany, IIfringe IIbenefits IIor IIequity IIdistributions IIcan IIbe IIused.

Succession

Another IIimportant IIissue IIrelating IIto IIfamily IIbusinesses IIis IIsuccession—determining IIwho IIwill IItake IIover IIleadership IIand/or IIownership IIof IIthe IIcompany IIwhen IIthe IIcurrent IIgeneration IIretires IIor IIdies. IIThe IIkey IIto IIavoiding IIconflicts IIabout IIwho IIwill IItake IIover IIa IIbusiness IIis IIhaving IIa IIwell-defined IIplan IIin IIplace. IIA IIfamily IIretreat, IIor IIa IImeeting IIon IIneutral IIground IIwithout IIdistractions IIor IIinterruptions, IIcan IIbe IIan IIideal IIsetting IIto IIopen IIdiscussions IIon IIfamily IIgoals IIand IIfuture IIplans, IIthe IItiming IIof IIexpected IItransitions, IIand IIthe IIpreparation IIof IIthe IIcurrent IIgeneration IIfor IIstepping IIdown IIand IIthe IIfuture IIgeneration IIfor IItaking IIover. IIWhen IIsuccession IIis IIpostponed, IIolder IIrelatives IIwho IIremain IIinvolved IIin IIthe IIfamily IIfirm IImay IIdevelop IIa IIpreference IIfor IImaintaining IIthe IIstatus IIquo. IIThese IIpeople IImay IIresist IIchange IIand IIrefuse IIto IItake IIrisks, IIeven IIthough IIsuch IIan IIattitude IIcan IIinhibit IIbusiness IIgrowth. IIThe IIbusiness IIleaders IIshould IItake IIsteps IIto IIgradually IIremove IIthese IIrelatives IIfrom IIthe IIdaily IIoperations IIof IIthe IIfirm, IIincluding IIencouraging IIthem IIto IIbecome IIinvolved IIin IIoutside IIactivities, IIarranging IIfor IIthem IIto IIsell IIsome IIof IItheir IIstock IIor IIconvert IIit IIto IIpreferred IIshares, IIor IIpossibly IIrestructuring IIthe IIcompany IIto IIdilute IItheir IIinfluence.

Family IIbusiness IIleaders IIcan IItake IIa IInumber IIof IIsteps IIin IIorder IIto IIavoid IIbecoming IIcaught IIup IIin IIthese IIcommon IIpitfalls. IIHaving IIa IIclear IIstatement IIof IIgoals, IIan IIorganized IIplan IIto IIaccomplish IIthe IIgoals, IIa IIdefined IIhierarchy IIfor IIdecision-making, IIan IIestablished IIplan IIfor IIsuccession, IIand IIstrong IIlines IIof IIcommunication IIwill IIhelp IIto IIprevent IImany IIpossible IIproblems IIfrom IIarising. IIAll IIfamily IImembers IIinvolved IIin IIthe IIbusiness IImust IIunderstand IIthat IItheir IIrights IIand IIresponsibilities IIare IIdifferent IIat IIhome IIand IIat IIwork. IIWhile IIfamily IIrelationships IIand IIgoals IItake IIprecedence IIat IIhome, IIthe IIsuccess IIof IIthe IIbusiness IIcomes IIfirst IIat IIwork.

When IIemotion IIintrudes IIupon IIwork IIrelationships, IIsomething IIthat IIhappens IIin IIall IIbusinesses IIfrom IItime IIto IItime, IIand IIthe IIinevitable IIconflicts IIbetween IIfamily IImembers IIarise, IIthe IImanager IImust IIintervene IIand IImake IIthe IIobjective IIdecisions IInecessary IIto IIprotect IIthe IIinterests IIof IIthe IIfirm. IIRather IIthan IItaking IIsides IIin IIa IIdispute, IIthe IImanager IImust IImake IIit IIclear IIto IIall IIemployees IIthat IIpersonal IIdisagreements IIwill IInot IIbe IIallowed IIto IIinterfere IIwith IIwork. IIThis IIapproach IIshould IIdiscourage IIemployees IIfrom IIjockeying IIfor IIposition IIor IIplaying IIpolitics. IIThe IIbusiness IIleader IImay IIalso IIfind IIit IIuseful IIto IIhave IIregular IImeetings IIwith IIfamily IImembers, IIand IIto IIput IIall IIbusiness IIagreements IIand IIpolicy IIguidelines IIin IIwriting.

**The Iiplanning Iiprocess**

Strategic IIplanning—centering IIaround IIboth IIbusiness IIand IIfamily IIgoals—is IIvital IIto IIsuccessful IIfamily IIbusinesses. IIIn IIfact, IIplanning IImay IIbe IImore IIcrucial IIto IIfamily IIbusinesses IIthan IIto IIother IItypes IIof IIbusiness IIentities, IIbecause IIin IImany IIcases IIfamilies IIhave IIa IImajority IIof IItheir IIassets IItied IIup IIin IIthe IIbusiness. IISince IImuch IIconflict IIarises IIdue IIto IIa IIdisparity IIbetween IIfamily IIand IIbusiness IIgoals, IIplanning IIis IIrequired IIto IIalign IIthese IIgoals IIand IIformulate IIa IIstrategy IIfor IIreaching IIthem. IIThe IIideal IIplan IIwill IIallow IIthe

IIcompany IIto IIbalance IIfamily IIand IIbusiness IIneeds IIto IIeveryone's IIadvantage.

**Family IIPlanning**

In IIfamily IIplanning, IIall IIinterested IImembers IIof IIthe IIfamily IIget IItogether IIto IIdevelop IIa IImission IIstatement IIthat IIdescribes IIwhy IIthey IIare IIcommitted IIto IIthe IIbusiness. IIIn IIallowing IIfamily IImembers IIto IIshare IItheir IIgoals, IIneeds, IIpriorities, IIstrengths, IIweaknesses, IIand IIability IIto IIcontribute, IIfamily IIplanning IIhelps IIcreate IIa IIunified IIvision IIof IIthe IIcompany IIthat IIwill IIguide IIfuture IIdealings.

A IIspecial IImeeting IIcalled IIa IIfamily IIretreat IIor IIfamily IIcouncil IIcan IIguide IIthe IIcommunication IIprocess IIand IIencourage IIinvolvement IIby IIproviding IIfamily IImembers IIwith IIa IIvenue IIto IIvoice IItheir IIopinions IIand IIplan IIfor IIthe IIfuture IIin IIa IIstructured IIway. IIBy IIparticipating IIin IIthe IIfamily IIretreat, IIchildren IIcan IIgain IIa IIbetter IIunderstanding IIof IIthe IIopportunities IIin IIthe IIbusiness, IIlearn IIabout IImanaging IIresources, IIand IIinherit IIvalues IIand IItraditions. IIIt IIalso IIprovides IIan IIopportunity IIfor IIconflicts IIto IIbe IIdiscussed IIand IIsettled. IITopics IIbrought IIto IIfamily IIcouncils IIcan IIinclude: IIrules IIfor IIjoining IIthe IIbusiness, IItreatment IIof IIfamily IImembers IIworking IIand IInot IIworking IIin IIthe IIbusiness, IIrole IIof IIin-laws, IIevaluations IIand IIpay IIscales, IIstock IIownership, IIways IIto IIprovide IIfinancial IIsecurity IIfor IIthe IIsenior IIgeneration, IItraining IIand IIdevelopment IIof IIthe IIjunior IIgeneration, IIthe IIcompany's IIimage IIin IIthe IIcommunity, IIphilanthropy, IIopportunities IIfor IInew IIbusinesses, IIand IIdiverse IIinterests IIamong IIfamily IImembers. IILeadership IIof IIthe IIfamily IIcouncil IIcan IIbe IIon IIa IIrotating IIbasis, IIor IIan IIoutside IIfamily IIbusiness IIconsultant IImay IIbe IIhired IIas IIa IIfacilitator.

Business IIPlanning

Business IIplanning IIbegins IIwith IIthe IIlong-term IIgoals IIand IIobjectives IIthe IIfamily IIholds IIfor IIthemselves IIand IIfor IIthe IIbusiness. IIThe IIbusiness IIleaders IIthen IIintegrate IIthese IIgoals IIinto IIthe IIbusiness IIstrategy. IIIn IIbusiness IIplanning, IImanagement IIanalyzes IIthe IIstrengths IIand IIweaknesses IIof IIthe IIcompany IIin IIrelation IIto IIits IIenvironment, IIincluding IIits IIorganizational IIstructure, IIculture, IIand IIresources. IIThe IInext IIstage IIinvolves IIidentifying IIopportunities IIfor IIthe IIcompany IIto IIpursue, IIgiven IIits IIstrengths, IIand IIthreats IIfor IIthe IIcompany IIto IImanage, IIgiven IIits IIweaknesses. IIFinally, IIthe IIplanning IIprocess IIconcludes IIwith IIthe IIcreation IIof IIa IImission IIstatement, IIa IIset IIof IIobjectives, IIand IIa IIset IIof IIgeneral IIstrategies IIand IIspecific IIaction IIsteps IIto IImeet IIthe IIobjectives IIand IIsupport IIthe IImission. IIThis IIprocess IIis IIoften IIoverseen IIby IIa IIboard IIof IIdirectors, IIan IIadvisory IIboard, IIor IIprofessional IIadvisors.

**Succession IIPlanning**

Succession IIplanning IIinvolves IIdeciding IIwho IIwill IIlead IIthe IIcompany IIin IIthe IInext IIgeneration. IIUnfortunately, IIless IIthan IIone-third IIof IIfamily-owned IIbusinesses IIsurvive IIthe IItransition IIfrom IIthe IIfirst IIgeneration IIof IIownership IIto IIthe IIsecond, IIand IIonly II13 IIpercent IIof IIfamily IIbusinesses IIremain IIin IIthe IIfamily IIover II60 IIyears. IIProblems IImaking IIthe IItransition IIcan IIoccur IIfor IIany IInumber IIof IIreasons: II1) IIthe IIbusiness IIwas IIno IIlonger IIviable; II2) IIthe IInext IIgeneration IIdid IInot IIwish IIto IIcontinue IIthe IIbusiness, IIor II3) IIthe IInew IIleadership IIwas IInot IIprepared IIfor IIthe IIburden IIof IIfull IIoperational IIcontrol. IILack IIof IIplanning, IIhowever, IIis IIby IIfar IIthe IImost IIcommon IIunderlying IIreason IIfor IIa IIcompany IIto IIfail IIin IIthe IIgenerational IItransition. IIAt IIany IIgiven IItime, IIa IIfull II40 IIpercent IIof IIAmerican IIfirms IIare IIfacing IIthe IIsuccession IIissue, IIyet IIrelatively IIfew IImake IIsuccession IIplans. IIBusiness IIowners IImay IIbe IIreluctant IIto IIface IIthe IIissue IIbecause IIthey IIdo IInot IIwant IIto IIrelinquish IIcontrol, IIfeel IItheir IIsuccessor IIis IInot IIready, IIhave IIfew IIinterests IIoutside IIthe IIbusiness, IIor IIwish IIto IImaintain IIthe IIsense IIof IIidentity IIthey IIhave IIfor IIso IIlong IIgotten IIfrom IItheir IIwork.

But IIit IIis IIvital IIthat IIthe IIsuccession IIprocess IIbe IIcarefully IIplanned IIbefore IIit IIbecomes IInecessary IIdue IIto IIthe IIowner's IIillness IIor IIdeath. IIFamily IIbusinesses IIare IIadvised IIto IIfollow IIa IIfive-stage IIprocess IIin IIplanning IIfor IIsuccession: IIinitiation, IIselection, IIeducation, IIfinance IIpreparation, IIand IItransition.

- **In IIthe IIinitiation IIphase, IIpossible IIsuccessors IIare IIintroduced IIto IIthe IIbusiness IIand IIguided IIthrough IIa IIvariety IIof IIwork IIexperiences IIof IIincreasing IIresponsibility.**
- **In IIthe IIselection IIphase, IIa IIsuccessor IIis IIchosen IIand IIa IIschedule**

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**IIis IIdeveloped IIfor IIthe IItransition. IIAnalysts IIalmost IIunanimously IIrecommend IIthat IIthe IIsuccessor IIbe IIa IIsingle IIindividual IIand IInot IIa IIgroup IIof IIsiblings IIor IIcousins. IITo IIsome IIdegree, IIby IIselecting IIa IIgroup, IIthe IIexisting IIleadership IIis IImerely IIpostponing IIthe IIdecision IIor IIleaving IIit IIto IIthe IInext IIgeneration IIto IIsort IIout.**

- **During IIthe IIeducation IIphase, IIthe IIbusiness IIowner IIgradually IIhands IIover IIthe IIreigns IIto IIthe IIsuccessor, IIone IItask IIat IIa IItime, IIso IIthat IIhe IIor IIshe IImay IIlearn IIthe IIrequirements IIof IIthe IIposition.**
- **Finance IIpreparation IIinvolves IImaking IIarrangements IIso IIthat IIthe IIdeparting IImanagement IIteam IIcan IIwithdraw IIfunds IIenough IIto IIretire. IIThe IImore IItime IIis IIused IIin IIpreparing IIfor IIthe IIfinancial IIimplications IIof IIthis IItransition IIthe IImore IIlikely IIa IIbusiness IIwill IIbe IIable IIto IIavoid IIbeing IIburdened IIin IIthe IIprocess.**
- **In IIthe IItransition IIphase, IIthe IIbusiness IIchanges IIhands—the IIbusiness IIowner IIremoves IIhimself IIor IIherself IIfrom IIthe IIdaily IIoperations IIof IIthe IIfirm. IIThis IIfinal IIstage IIcan IIbe IIthe IImost IIdifficult, IIas IImany IIentrepreneurs IIexperience IIgreat IIdifficulty IIin IIletting IIgo IIof IIthe IIfamily IIbusiness. IIIt IIhelps IIwhen IIthe IIbusiness IIowner IIestablishes IIoutside IIinterests, IIcreates IIa IIsound IIfinancial IIbase IIfor IIretirement, IIand IIgains IIconfidence IIin IIthe IIabilities IIof IIthe IIsuccessor.**

**Estate IIPlanning**

Estate IIplanning IIinvolves IIthe IIfinancial IIand IItax IIaspects IIof IItransferring IIownership IIof IIthe IIfamily IIbusiness IIto IIthe IInext IIgeneration. IIFamilies IImust IIplan IIto IIminimize IItheir IItax IIburden IIat IIthe IItime IIof IIthe IIowner's IIdeath IIso IIthat IIthe IIresources IIcan IIstay IIwithin IIthe IIcompany IIand IIthe IIfamily. IIUnfortunately, IItax IIlaws IItoday IIprovide IIdisincentives IIfor IIfamilies IIwishing IIto IIcontinue IIthe IIbusiness. IIHeirs IIare IItaxed IIupon IIthe IIvalue IIof IIthe IIbusiness IIat IIa IIhigh IIrate IIwhen IIownership IIis IItransferred. IIDue IIto IIits IIcomplexity, IIestate IIplanning IIis IInormally IIhandled IIby IIa IIteam IIof IIprofessional IIadvisors IIwho IIinclude IIa IIlawyer, IIaccountant, IIfinancial IIplanner, IIinsurance IIagent, IIand IIperhaps IIa IIfamily IIbusiness IIconsultant. IIAn IIestate IIplan IIshould IIbe IIestablished IIas IIsoon IIas IIthe IIbusiness IIbecomes IIsuccessful IIand IIthen IIupdated IIas IIbusiness IIor IIfamily IIcircumstances IIchange.

One IItechnique IIavailable IIto IIfamily IIbusiness IIowners IIin IIplanning IItheir IIestate IIis IIknown IIas II"estate IIfreeze." IIThis IItechnique IIenables IIthe IIbusiness IIowner IIto II"freeze" IIthe IIvalue IIof IIthe IIbusiness IIat IIa IIparticular IIpoint IIin IItime IIby IIcreating IIpreferred IIstock, IIwhich IIdoes IInot IIappreciate IIin IIvalue, IIand IIthen IItransferring IIthe IIcommon IIstock IIto IIhis IIor IIher IIheirs. IISince IIthe IImajority IIof IIshares IIin IIthe IIfirm IIare IIpreferred IIand IIdo IInot IIappreciate, IIestate IItaxes IIare IIreduced. IIThe IIheirs IIare IIrequired IIto IIpay IIgift IItaxes, IIhowever, IIwhen IIthe IIpreferred IIstock IIis IItransferred IIto IIthem.

A IIvariety IIof IItools IIare IIavailable IIthat IIcan IIhelp IIa IIbusiness IIowner IIdefer IIthe IItransfer IItaxes IIassociated IIwith IIhanding IIdown IIa IIfamily IIbusiness. IIA IIbasic IIwill IIoutlines IIthe IIowner's IIwishes IIregarding IIthe IIdistribution IIof IIproperty IIupon IIhis IIor IIher IIdeath. IIA IIliving IItrust IIcreates IIa IItrustee IIto IImanage IIthe IIowner's IIproperty IInot IIcovered IIby IIthe IIwill, IIfor IIexample IIduring IIa IIlong IIillness. IIA IImarital IIdeduction IItrust IIpasses IIproperty IIalong IIto IIa IIsurviving IIspouse IIin IIthe IIevent IIof IIthe IIowner's IIdeath, IIand IIno IItaxes IIare IIowed IIuntil IIthe IIspouse IIdies. IIIt IIis IIalso IIpossible IIto IIpay IIthe IIestate IItaxes IIassociated IIwith IIthe IItransfer IIof IIa IIfamily IIbusiness IIon IIan IIinstallment IIbasis, IIso IIthat IIno IItaxes IIare IIowed IIfor IIfive IIyears IIand IIthe IIremainder IIare IIpaid IIin IIannual IIinstallments IIover IIa IIten-year IIperiod. IIOther IItechniques IIexist IIthat IIallow IIbusiness IIowners IIto IIexclude IIsome IIor IIall IIof IItheir IIassets IIfrom IIestate IItaxes, IIincluding IIa IIunified IIcredit/exemption IItrust, IIa IIdynamic IItrust, IIand IIan IIannual IIexclusion IIgift. IISince IIlaws IIchange IIfrequently, IIretaining IIlegal IIassistance IIis IIhighly IIadvisable.

**Assistance Iiin Iiplanning**

A IIprofessional IIfamily IIbusiness IIconsultant IIcan IIbe IIa IItremendous IIasset IIwhen IIconfronting IIplanning IIissues. IIThe IIconsultant IIis IIa IIneutral IIparty IIwho IIcan IIstabilize IIthe IIemotional IIforces IIwithin IIthe IIfamily IIand IIbring IIthe IIexpertise IIof

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IIworking IIwith IInumerous IIfamilies IIacross IImany IIindustries. IIMost IIfamilies IIbelieve IItheirs IIis IIthe IIonly IIcompany IIfacing IIthese IIdifficult IIissues, IIand IIa IIfamily IIbusiness IIconsultant IIbrings IIa IIrefreshing IIperspective. IIIn IIaddition, IIthe IIfamily IIbusiness IIconsultant IIcan IIestablish IIa IIfamily IIcouncil IIand IIadvisory IIboard IIand IIserve IIas IIa IIfacilitator IIto IIthose IItwo IIgroups.

Advisory IIboards IIcan IIbe IIestablished IIto IIadvise IIthe IIcompany's IIpresident IIor IIboard IIof IIdirectors. IIThese IIboards IIconsist IIof IIfive IIto IInine IInon-family IImembers IIwho IImeet IIregularly IIto IIprovide IIadvice IIand IIdirection IIto IIthe IIcompany. IIThey IItoo IIcan IItake IIthe IIemotions IIout IIof IIthe IIplanning IIprocess IIand IIprovide IIobjective IIinput. IIAdvisory IIboard IImembers IIshould IIhave IIbusiness IIexperience IIand IIbe IIcapable IIof IIhelping IIthe IIbusiness IIto IIget IIto IIthe IInext IIlevel IIof IIgrowth. IIIn IImost IIcases, IIthe IIadvisory IIboard IIis IIcompensated IIin IIsome IImanner.

As IIthe IIfamily IIbusiness IIgrows, IIthe IIfamily IIbusiness IIconsultant IImay IIsuggest IIdifferent IIoptions IIfor IIthe IIfamily. IIOften IIprofessional IInon-family IImanagers IIor IIan IIoutside IICEO IIare IIrecruited IIto IIplay IIa IIrole IIin IIthe IIfuture IIgrowth IIof IIthe IIbusiness. IISome IIfamilies IIsimply IIretain IIownership IIof IIthe IIbusiness IIand IIallow IIit IIto IIoperate IIwith IIfew IIor IIno IIfamily IImembers IIinvolved.

**The Iifuture Iiof Iifamily Iibusinesses**

As IITracy IIPermian IIexplains IIin IIher II*Business IIWeek* IIarticle IIentitled II"Taking IIthe IIPulse IIof IIFamily IIBusiness," IItwo IIbroad IItrends IIare IIvisible IIin IIthe IIrealm IIof IIfamily IIbusiness IIas IIwe IIget IIcomfortable IIin IIthe II21st IICentury. IIFirst, IIthe IIaging IIof IIthe IIbaby IIboom IIgeneration IIsignals IIa IIcoming IIownership IIchange IIfor IImany IIfamily IIbusinesses IIwithin IIthe IInext IIten IIyears. IISecond, IImore IIand IImore IIof IIthese IIbusinesses IIwill IIbe IItaken IIover IIby IIwomen, IIcontinuing IIa IItrend IIthat IIhas IIbeen IIvisible IIsince IIthe IIturn IIof IIthe IIcentury. IIPermian IIgoes IIon IIto IIhighlight IIsome IIstatistics IIabout IIwomen IIowned IIfamily IIbusinesses IIthat IImakes IIthis IItrend IItowards IIfemale IIownership IIseem IIquite IIpositive. IIRecent IIstudies IIhave IIshown, IIPermian IIexplains, IIthat II"women-owned IIbusinesses IIwere IImore IIlikely IIto IIfocus IIon IIsuccession IIplanning, IIhave IIa II40 IIpercent IIlower IIrate IIof IIfamily-member IIattrition, IItend IIto IIbe IImore IIfiscally IIconservative, IIand IIcarry IIless IIdebt IIthan IImale-owned IIbusinesses."

Some IIfamily-owned IIbusinesses IIare IIfinding IIthat IIit IIis IIno IIlonger IIassumed IIthat IIchildren IIwill IIwish IIto IItake IIover IIa IIfamily IIbusiness. IIIf IIthe IIfounders IIof IIa IIfirm IIwish IIto IIkeep IIit IIin IIthe IIfamily's IIhands, IIthey IIshould IIbe IIsure IIto IItake IIproactive IImeasures IIto IIattract IIfuture IIgenerations IIto IIthe IIbusiness.

- **Expose IIfamily IImembers IIto IIall IIaspects IIof IIthe IIbusiness, IIincluding IIemployees, IIcustomers, IIproducts, IIand IIservices.**
- **Define IIthe IIbusiness's IIattractive IIqualities IIin IIterms IIthat IIwill IIappeal IIto IIthe IIlistener.**
- **Recognize IIthose IIfactors IIthat IIhave IIthe IIpotential IIto IIdissuade IIfamily IImembers IIfrom IIstaying IIinvolved IIin IIthe IIbusiness. IIThese IIfactors IIcan IIrange IIfrom IIpersonal IIinterests IIthat IIlie IIin IIother IIareas IIto IIconflicts IIwith IIother IIfamily IImembers.**
- **Reward IIfamily IImembers IIwho IIdecide IIto IIjoin IIor IIstay IIwith IIthe IIfamily IIbusiness. IIThe II'price' IIsuccessors IIpay IIto IIjoin IIand IIoperate IIa IIfamily IIbusiness IImay IIinclude IIgiving IIup IIcareer IIoptions IIthat IIthey IIfind IIfinancially IIand IIpersonally IIattractive. IIIt IImay IIseem IIto IIa IInew IIfamily IImember IIcoming IIinto IIa IIfamily IIbusiness IIthat IIhe IIor IIshe IIis IIsuffering IIa IIloss IIof IIprivacy. IIConflicts IImay IIarise IIbetween IIparent IIand IIchild IIwhen IItheir IImanagement IIstyles IIconflict. IIA IIbusiness IImay IImake IIcompromises—such IIas IImaking IIit IIpossible IIfor IIthe IIsuccessor IIto IIspend IImore IItime IIwith IIhis IIor IIher IIfamily IIor IIhiring IIan IIinterim IIsenior IImanager IIto IIbuffer IIconflicts IIbetween IIparent IIand IIchild. IIBut IIthe IIcompany's II'cost' IIand IIthe IIsuccessor's II'price' IImust IIbe IIaffordable IIto IIboth.**
- **Give IIfamily IImembers IIoutlets IIto IIexplore IItheir IIideas, IIinterests, IIand IIconcerns.**

The IIrewards IIof IIa IIfamily-owned IIbusiness IIare IImany IIas IIare IIthe IIchallenges. IIThose IIfamily IImembers IIwho IImanage IIthe IIfamily IIbusiness IIshould IIenjoy IIthe IIbusiness IIitself IIif IIthey IIare IIto IIbe IIsuccessful IIand IIpass IIalong IIa IIsense IIof IIenthusiasm IIfor IIthe

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IIbusiness IIwhen IIthe IItime IIcomes IIfor IIthem IIto IIhand IIover IIthe IIreins.

**Innovation IIin IIfamily IIbusinesses**

**It IIhas IIbeen IIobserved IIthat IIfamily IIbusinesses IIare IIthe IImainstay IIof IIan IIeconomy, IIgenerating IIlong-term IIemployment IIand IIcontributing IIto IInation-building IIby IIadding IIto IIits IIGDP**

Traditionally, IIworld IIover, IIit IIhas IIbeen IIobserved IIthat IIfamily IIbusinesses IIare IIthe IImainstay IIof IIan IIeconomy, IIgenerating IIlong-term IIemployment IIand IIcontributing IIto IInation-building IIby IIadding IIto IIits IIgross IIdevelopment IIproduct II(GDP). IIAlthough IImany IIfamily IIbusinesses IIare IIstill IIsmall IIand IImedium IIenterprises, IIsome IIhave IIgrown IIexponentially IIand IItransformed IIthemselves IIfrom IIsmall IIshops IIround IIthe IIcorner IIto IIlarge IIpublicly IIlisted IIorganizations.

In IIfact IIaround II30 IIper IIcent IIof IIS&P II500 IIcompanies, IItwo-fifth IIof IIthe II250 IIlargest IIfirms IIin IIGermany IIand IIFrance IIand IImore IIthan IItwo-thirds IIof IIlarge IIorganizations IIin IIEast IIAsia IIand IILatin IIAmerica IIare IIfamily IIbusinesses, IIwhere IIthe IIimportant IIdecisions IIare IIcontrolled IIby IIfamily IImembers. IIIn IIUS IIalone, IIthere IIare II5.5 IImillion IIfamily IIbusinesses, IIcreating IIjobs IIfor II63 IIper IIcent IIof IIthe IIworkforce IIand IIin IIturn IIcontributing II57 IIper IIcent IIto IIthe IIGDP IIof IIthe IIcountry. IIAccording IIto IIthe IIEY IIreport, IIthe IItop II10 IIfamily IIbusinesses IIgenerated IIapproximately II$1,298.3 IIbillion IIof IINorth IIAmerica's IIGDP IIof II$19.6 IItrillion IIin II2015 IIand IIemployed IImore IIthan II3.6 IImillion IIpeople. IIUK IIis IInot IIfar IIbehind IIwith IImore IIthan IIthree IImillion IIfamily IIbusinesses IIproviding II9.4 IImillion IIjobs IIand IIgenerating II25 IIper IIcent IIof IIGDP.

Family IIbusinesses IIare IIalso IIdeep-rooted IIin IIAsian IIcultures IIwith IIJapan IIhaving IIthe IIoldest IIfamily IIbusiness IIin IIthe IIworld, IIpresently IIrun IIby IIthe II40th IIgeneration. IIThis IIregion IIalso IIboasts IIof IIa IIhigh IIconcentration IIof IIfamily IIbusinesses IIat IIabout II85 IIper IIcent. IIThese IIfamily IIbusinesses IIcontribute II34 IIper IIcent IIto IIthe IIAsian IIGDP IIby IIemploying II57 IIper IIcent IIof IIthe IIworkforce. IITwo-thirds IIof IIIndia's IIGDP IIand II90 IIper IIcent IIof IIthe IIgross IIindustry IIoutput IIare IIcontributed IIby IIfamily IIbusiness IIin IIIndia.

Although IIfamily IIbusinesses IIare IIimportant IIcontributors IIto IIthe IIgrowth IIstory IIof IIany IInation, IIin IIthe IIIndian IIcontext, IIfamily IIbusinesses IIfaced IIa IImajor IIchallenge IIin IIcompeting IIwith IIglobal IIgiants IIafter IIthe IIeconomic IIliberalization IIof II1991, IIas IIthey IIshowed IIresistance IIto IIchange IIand IIinnovation. IIHowever, IIin IIdue IIcourse, IIIndian IIfamily IIbusinesses IIwere IIable IIto IIchange, IImodernize IIand IIcompete IIwith IIthe IImultinational IIcorporations.

Family IIbusinesses IIare IIgenerally IItraditional, IIrisk-averse, IIclose-knit IIbusinesses IIwith IIgenerations IItaking IIthe IImantle IIforward IIwhich IIare IInot IIvery IIopen IIto IInew IIideas. IIAdditionally, IIlack IIof IIresources, IIboth IIcapital IIand IIhuman; IIsmaller IIsize, IIhigher IIcosts; IIlack IIof IIinternal IIcommunication IIchannels IIand IIdual IIrole IIin IIfamily IIand IIbusiness; IIand IIfear IIof IIupsetting IIthe IIpower IIbalance IIof IIfamily IIcan IIalso IIrender IIinnovation IIless IIimportant.

However, IIthe IIcontinuity IIof IIbusiness IIacross IIgenerations, IIlongevity IIof IIthe IIbusiness IIand IIsuccession IIissues IIare IIthe IItop IIpriorities IIof IIfamily IIbusinesses IIand, IIhence, IIinnovation IIbecomes IIvery IIimportant IIto IIsurvive, IIgrow IIand IIremain IIcompetitive. IIIn IIaddition, IIintegration IIof IIlocal IImarkets IIwith IIglobal IImarkets IIand IIthe IIcontinuous IIquest IIfor IIsustainable IIgrowth IIare IImaking IIfamily IIbusinesses IIinnovate. IIIn IIthis IIera IIof IIglobalization, IIit IIis IIall IIthe IImore IIdifficult IIfor IIorganizations IIto IImaintain IItheir IIcompetitive IIadvantage IIand IIany IIfirm IIhas IIa IIcompetitive IIadvantage IIif IIit IIis IIable IIto IIcreate IIeconomic IIvalue.

The IIdigital IIrevolution IIhas IIerased IIthe IItraditional IIborders, IIand IIorganizations IIand IIcustomers IIare IIomnipresent. IICustomer IIneeds IIand IIpreferences IIhave IIchanged IIfrom IIbeing IIlocal IIor IIregional IIto IIa IIglobal IIplatform. IITherefore, IIit IIis IIvery IIchallenging IIfor IIorganizations IIto IIbe IIunique IIin IItheir IIproducts IIor IIservices, IIefficient IIin IIoperations.

Through IIinnovation, IIfirms IIare IIable IIto IIcreate IIentirely IInew IIproducts IIor IIservices IIthat IIcatapult IIthem IIto IIa IIcategory IIof IIhigh-growth IIcompanies IIwith IIan IIopportunity IIto IIbe IImarket IIleaders IIgiving IIthem IIcompetitive IIadvantage IIif IIthe IIcompetitors IIare IIunable IIto IIkeep IIpace IIwith IIthem. IIAge IIof IIthe IIfirm IIplays IIa IIsignificant IIrole IItowards IIthe IItendency IIto IIbe IIinnovative. IISince IIinnovation IIis IIan

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IIimportant IIstrategy IIto IIgrow IIand IIto IIgain IIcompetitive IIadvantage, IIall IIfirms IIchoose IIthis IIstrategy, IIalbeit, IIat IIvarying IIdegrees IIof IIintensity. IIAlthough IIthere IIis IIa IIgeneral IIbelief IIthat IIyounger IIfirms IIdo IInot IIhave IIthe IIcapacity IIto IIinnovate IIwhen IIcompared IIto IIolder IIfirms, IIit IIis IIseen IIin IIseveral IIstudies IIthat IIyounger IIfirms IIundertake IIgreater IIrisks IIto IIbe IImore IIinnovative IIcompared IIto IIolder IIfirms.

It IIis IIinteresting IIto IInote IIthat, IIworldwide, IIthe IIsize IIof IIthe IIfirms IIthat IIinnovate IIvary IIaccording IIto IIindustry. IIIn IIUS, IIthe IIdegree IIof IIinnovation IIis IIhigher IIfor IIsmaller IIfirms IIin IImanufacturing IIand IIcomputer IImodem IIindustry IIwhereas IIin IISpain, IIlarger IIfirms IIinnovate IImore IIin IIthe IIengineering IIindustry. IIWith IIa IInumber IIof IIfirms IIleaving IItheir IIdomestic IImarkets IIand IIoffering IItheir IIproducts IIand IIservices IIto IIinternational IImarkets IIand, IIin IIsome IIcases, IIsetting IIup IItheir IImanufacturing IIbases IIthere, IIinternationalization IIis IIalso IIan IIequally IIimportant IIstrategic IIdecision.

It IIoffers IIfirms IIwith IInew IImarkets, IInew IIsourcing IIand IIproduction IIbases, IIin IIaddition IIto IIcheap IIlabor, IIsaving IIup IIto II70 IIper IIcent IIof IIproduction IIcosts. IIBy IIreducing IIdependency IIon IIthe IIlocal IImarkets, IIinternationalization IIimproves IIcompetitiveness IIof IIorganization’s IIbut IIthe IIchoice IIof IIinternational IImarket IIstrategy IIis IIvery IIpertinent IIas IIit IIinvolves IIhuge IIcosts IIand IIresources.

If IIthe IIstrategies IIof IIinnovation IIand IIinternationalization IIgive IIcompetitive IIadvantage IIto IIorganizations, IIthe IIsame IIconcept IIshould IIbe IIapplicable IIto IIfamily IIbusinesses IIand IIthey IIshould IInot IIbe IIfar IIbehind IIto IIadapt IIthese IIstrategies. IIThis IIleads IIto IIthe IIquestion: IIDo IIfamily IIbusinesses IIadapt IIthe IIstrategies IIof IIinnovation IIand IIinternationalization IIto IIkeep IIpace IIwith IIthe IIglobal IIcompetitive IIenvironmental IIFurther IIquestions IIarise IIabout IIthe IItype IIof IIfamily IIbusinesses IIthat IIadopt IIthese IIstrategies.

In IIa IIstudy IIof IIBSE II500 IIindex IIcompanies IIspread IIacross IIa IIperiod IIof II11 IIyears, IIthe IIwriter IIanalyses IIinnovativeness IIand IIinternationalization IIof IIfamily IIbusinesses IIin IIIndia IIusing IIR&D IIexpenses IIas IIa IIproxy IIfor IIinnovativeness IIand IIthe IIproportion IIof IIforeign IIincome IIas IIa IIproxy IIfor IIinternationalization IIand IIfound IIthat IIfamily IIbusinesses IIare IImore IIinnovative IIand IIinternationalized IIwhen IIcompared IIto IInon-family IIbusinesses. IIResource-dependency IIframework IIexplains IIthis IIphenomenon IIand IIsuggests IIthat IIfamily IIbusinesses IIare IIentrepreneurial IIin IInature IIwhich IImakes IIthem IImore IIinnovative.

Further, IIto IIprobe IIinto IIthe IIquestion IIas IIto IIwhat IItype IIof IIfamily IIbusinesses IIinnovate IIand IIinternationalise IImore, IIthe IIimpact IIof IIage IIand IIthe IIsize IIof IIfamily IIbusinesses IIon IIthese IIvariables IIwas IIstudied IIand IIit IIwas IIalso IIfound IIthat IIwithin IIthe IIfamily IIbusinesses, IIyounger IIfirms IIwere IImore IIinnovative IIand IIinternationalized IIthan IIolder IIfirms IIin IIthe IIIndian IIcontext. IIThis IIcan IIbe IIexplained IIby IIthe IItheory IIof II“learning IIadvantages IIof IInewness”, IIaccording IIto IIwhich IIyounger IIfirms IIare IImore IIflexible, IIeager IIto IIlearn, IIhave IIless IIinternal IIresistance IIand IIare IIable IIto IIadapt IIto IIthe IIchanging IIenvironment IImuch IIfaster. IIAt IIthe IIsame IItime, II“liabilities IIof IIaging” IItheory IIsuggests IIthat IIolder IIfirms IIbecome IIrigid, IIinflexible IIand IIlose IItheir IIedge IIin IIfast IIdecision-making.

This IItype IIof IIstudy IIhas IIsignificant IIimplications IIand IIcan IIbe IIextended IIto IIa IIlarge IInumber IIof IIunlisted IIfamily IIbusinesses IIaround IIthe IIworld. IIGovernments IIneed IIto IIcreate IIpolicies IIand IIplatforms IIfor IIfamily IIbusinesses IIto IIgrow, IIinnovate IIand IIinternationalize. IIA IIpositive IIbusiness IIenvironment IIwhere IIfamily IIbusinesses IIcan IIraise IIfunds IIat IIlower IIinterest IIrates, IIprofessional IIassistance IIfor IIscaling IIup IIof IItheir IIbusiness IIand IIproviding IIskilled IIlabor IIand IImanpower IIcan IIhelp IIfamily IIbusinesses IIin IIa IIbig IIway.

**Topics IIin IIInternational IIEconomy**

**IIInternational IIEconomics**

International IIeconomics IIis IIa IIfield IIof IIstudy IIwhich IIassesses IIthe IIimplications IIof IIinternational IItrade IIin IIgoods IIand IIservices IIand IIinternational IIinvestment.

There IIare IItwo IIbroad IIsub-fields IIwithin IIinternational IIeconomics: IIinternational IItrade IIand IIinternational IIfinance.

**International IItrade** IIis IIa IIfield IIin IIeconomics IIthat IIapplies II***micro***economic IImodels IIto IIhelp IIunderstand IIthe IIinternational IIeconomy. IIIts IIcontent IIincludes IIthe IIsame IItools IIthat IIare IIintroduced IIin IImicroeconomics IIcourses, IIincluding IIsupply IIand IIdemand IIanalysis, IIfirm IIand IIconsumer

IIbehavior, IIperfectly IIcompetitive, IIoligopolistic IIand IImonopolistic IImarket IIstructures, IIand IIthe IIeffects IIof IImarket IIdistortions. IIThe IItypical IIcourse IIdescribes IIeconomic IIrelationships IIbetween IIconsumers, IIfirms, IIfactor IIowners, IIand IIthe IIgovernment.
The IIobjective IIof IIan IIinternational IItrade IIcourse IIis IIto IIunderstand IIthe IIeffects IIon IIindividuals IIand IIbusinesses IIbecause IIof IIinternational IItrade IIitself, IIbecause IIof IIchanges IIin IItrade IIpolicies IIand IIdue IIto IIchanges IIin IIother IIeconomic IIconditions. IIThe IIcourse IIwill IIdevelop IIarguments IIthat IIsupport IIa IIfree IItrade IIpolicy IIas IIwell IIas IIarguments IIthat IIsupport IIvarious IItypes IIof IIprotectionist IIpolicies. IIBy IIthe IIend IIof IIthe IIcourse, IIstudents IIshould IIbetter IIunderstand IIthe IIcenturies-old IIcontroversy IIbetween IIfree IItrade IIand IIprotectionism.
**International IIfinance** IIapplies II***macro***economic IImodels IIto IIhelp IIunderstand IIthe IIinternational IIeconomy. IIIts IIfocus IIis IIon IIthe IIinterrelationships IIbetween IIaggregate IIeconomic IIvariables IIsuch IIas IIGDP, IIunemployment IIrates, IIinflation IIrates, IItrade IIbalances, IIexchange IIrates, IIinterest IIrates, IIetc. IIThis IIfield IIexpands IImacroeconomics IIto IIinclude IIinternational IIexchanges. IIIts IIfocus IIis IIon IIthe IIsignificance IIof IItrade IIimbalances, IIthe IIdeterminants IIof IIexchange IIrates IIand IIthe IIaggregate IIeffects IIof IIgovernment IImonetary IIand IIfiscal IIpolicies. IIAmong IIthe IImost IIimportant IIissues IIaddressed IIare IIthe IIpros IIand IIcons IIof IIfixed IIversus IIfloating IIexchange IIrate IIsystems.

**International IIPolitical IIEconomy**
International IIpolitical IIeconomy IIstudies IIproblems IIthat IIarise IIfrom IIor IIare IIaffected IIby IIthe IIinteraction IIof IIinternational IIpolitics, IIinternational IIeconomics, IIand IIdifferent IIsocial IIsystems II(e.g., IIcapitalism IIand IIsocialism) IIand IIsocietal IIgroups II(e.g., IIfarmers IIat IIthe IIlocal IIlevel, IIdifferent IIethnic IIgroups IIin IIa IIcountry, IIimmigrants IIin IIa IIregion IIsuch IIas IIthe IIEuropean IIUnion, IIand IIthe IIpoor IIwho IIexist IItransnationally IIin IIall IIcountries). IIIt IIexplores IIa IIset IIof IIrelated IIquestions II("problemata") IIthat IIarise IIfrom IIissues IIsuch IIas IIinternational IItrade, IIinternational IIfinance, IIrelations IIbetween IIwealthier IIand IIpoorer IIcountries, IIthe IIrole IIof IImultinational IIcorporations, IIand IIthe IIproblems IIof IIhegemony II(the IIdominance, IIeither IIphysical IIor IIcultural, IIof IIone IIcountry IIover IIpart IIor IIall IIof IIthe IIworld), IIalong IIwith IIthe IIconsequences IIof IIeconomic IIglobalization.

Analytic IIapproaches IIto IIinternational IIpolitical IIeconomy IItend IIto IIvary IIwith IIthe IIproblem IIbeing IIexamined. IIIssues IIcan IIbe IIviewed IIfrom IIseveral IIdifferent IItheoretical IIperspectives, IIincluding IIthe IImercantilist, IIliberal, IIand IIstructuralist II(Marxist IIor IIneo-Marxist) IIperspectives. IIMercantilists IIare IIclosely IIrelated IIto IIrealists, IIfocusing IIon IIcompeting IIinterests IIand IIcapabilities IIof IInation-states IIin IIa IIcompetitive IIstruggle IIto IIachieve IIpower IIand IIsecurity. IILiberals IIare IIoptimistic IIabout IIthe IIability IIof IIhumans IIand IIstates IIto IIconstruct IIpeaceful IIrelations IIand IIworld IIorder. IIEconomic IIliberals, IIin IIparticular, IIwould IIlimit IIthe IIrole IIof IIthe IIstate IIin IIthe IIeconomy IIin IIorder IIto IIlet IImarket IIforces IIdecide IIpolitical IIand IIsocial IIoutcomes. IIStructuralist IIideas IIare IIrooted IIin IIMarxist IIanalysis IIand IIfocus IIon IIhow IIthe IIdominant IIeconomic IIstructures IIof IIsociety IIaffect II(i.e., IIexploit) IIclass IIinterests IIand IIrelations. IIEach IIof IIthese IIperspectives IIis IIoften IIapplied IIto IIproblems IIat IIseveral IIdifferent IIlevels IIof IIanalysis IIthat IIpoint IIto IIcomplex IIroot IIcauses IIof IIconflict IItraced IIto IIhuman IInature II(the IIindividual IIlevel), IInational IIinterests II(the IInational IIlevel), IIand IIthe IIstructure IIof IIthe IIinternational IIsystem II(which IIlacks IIa IIsingle IIsovereign IIto IIprevent IIwar). IIFor IIexample, IIanalysis IIof IIU.S. IIpolicy IIregarding IImigrants IIfrom IIMexico IImust IItake IIinto IIconsideration IIpatterns IIof IItrade IIand IIinvestment IIbetween IIthe IItwo IIcountries IIand IIthe IIdomestic IIinterests IIon IIboth IIsides IIof IIthe IIborder. IISimilarly, IIdomestic IIand IIinternational IIinterests IIare IIlinked IIby IItrade, IIfinance, IIand IIother IIfactors IIin IIthe IIcase IIof IIfinancial IIcrises IIin IIdeveloping IIcountries IIsuch IIas IIThailand IIand IIArgentina. IIThe IIdistinction IIbetween IIforeign IIand IIdomestic IIbecomes IIas IIuncertain IIas IIthe IIdistinction IIbetween IIeconomics IIand IIpolitics IIin IIa IIworld IIwhere IIforeign IIeconomic IIcrises IIaffect IIdomestic IIpolitical IIand IIeconomic IIinterests IIthrough IItrade IIand IIfinancial IIlinkages IIor IIthrough IIchanges IIin IIsecurity IIarrangements IIor IImigrant IIflows.

Contemporary IIinternational IIpolitical IIeconomy IIappeared IIas IIa IIsubfield IIof IIthe IIstudy IIof IIinternational IIrelations IIduring IIthe IIera IIof

IICold IIWar IIrivalry IIbetween IIthe IISoviet IIUnion IIand IIthe IIUnited IIStates II(1945–91). IIAnalyses IIinitially IIfocused IIlargely IIon IIinternational IIsecurity IIbut IIlater IIcame IIto IIinclude IIeconomic IIsecurity IIand IIthe IIrole IIof IImarket IIactors—including IImultinational IIcorporations, IIinternational IIbanks, IIcartels II(e.g., IIOPEC), IIand IIinternational IIorganizations II(e.g., IIthe IIIMF)—in IInational IIand IIinternational IIsecurity IIstrategies. IIInternational IIpolitical IIeconomy IIgrew IIin IIimportance IIas IIa IIresult IIof IIvarious IIdramatic IIinternational IIeconomic IIevents, IIsuch IIas IIthe IIcollapse IIof IIthe IIBretton IIWoods IIinternational IImonetary IIsystem IIin II1971 IIand IIthe IIoil IIcrisis IIof II1973–74.

During IIthe IIearly IIperiod IIof IIthe IICold IIWar, IIpolitical IIscientists IIemphasized IIthe IIrealist, IIor IIpower IIpolitics, IIdimension IIof IIU.S.–Soviet IIrelations, IIwhile IIeconomists IItended IIto IIfocus IIon IIthe IIBretton IIWoods IIsystem IIof IIthe IIinternational IIeconomy—that IIis, IIthe IIinstitutions IIand IIrules IIthat IIbeginning IIin II1945 IIgoverned IImuch IIof IIthe IIinternational IIeconomy. IIDuring IIthe IIVietnam IIWar, IIhowever, IIa IIgrowing IIdecrease IIin IIthe IIvalue IIof IIthe IIU.S. IIdollar IIand IIlarge IIdeficits IIfor IIthe IIUnited IIStates IIin IIits IIbalance IIof IItrade IIand IIpayments IIweakened IIthe IIability IIof IIthe IIUnited IIStates IIto IIconduct IIand IIpay IIfor IIthe IIwar, IIwhich IIthereby IIundermined IIits IIrelationship IIto IIits IINorth IIAtlantic IITreaty IIOrganization IIallies. IIDuring IIthe IIOPEC IIoil IIcrisis, IIthe IIrealist-oriented IIU.S. IISecretary IIof IIState IIHenry IIA. IIKissinger IIfound IIhimself IIunable IIto IIunderstand IIthe IIissues IIwithout IIthe IIassistance IIof IIan IIeconomist. IIThese IIevents IIled IIto IIa IIsearch IIfor IIa IImultidisciplinary IIapproach IIor IIoutlook IIthat IIborrowed IIdifferent IItheories, IIconcepts, IIand IIideas IIfrom IIpolitical IIscience IIand IIinternational IIrelations—as IIwell IIas IIfrom IIeconomics IIand IIsociology—to IIexplain IIa IIvariety IIof IIcomplicated IIinternational IIproblems IIand IIissues. IIIt IIdid IInot IIso IImuch IIresult IIin IIthe IIdevelopment IIof IIa IInew IIschool IIof IIpolitical IIeconomy IIas IIemphasize IIthe IIcontinued IIrelevance IIof IIthe IIolder, IImore-integrated IItype IIof IIanalysis, IIwhich IIexplicitly IIsought IIto IItrace IIthe IIconnections IIbetween IIpolitical IIand IIeconomic IIfactors.

Following IIthe IIend IIof IIthe IICold IIWar, IIinternational IIpolitical IIeconomy IIbecame IIfocused IIon IIissues IIraised IIby IIeconomic IIglobalization, IIincluding IIthe IIviability IIof IIthe IIstate IIin IIan IIincreasingly IIglobalized IIinternational IIeconomy, IIthe IIrole IIof IImultinational IIcorporations IIin IIgenerating IIconflict IIas IIwell IIas IIgrowth IIin IIthe II“new IIglobal IIeconomy,” IIand IIvarious IIproblems IIrelated IIto IIequity, IIjustice, IIand IIfairness II(e.g., IIlow IIwage IIrates IIin IIdeveloping IIcountries IIand IIthe IIdependency IIof IIthese IIcountries IIon IImarkets IIin IIwealthier IIcountries). IIIn IIthe II1950s IIand II’60s, IIAmerican IIeconomist IIW.W. IIRostow IIand IIother IIexperts IIon IIWestern IIeconomic IIdevelopment IImade IIpopular IIthe IIargument IIthat IIafter IIa IIperiod IIof IItension, IIdisorder, IIand IIeven IIchaos IIwithin IIa IIdeveloping IIcountry IIthat IIhad IIbeen IIexposed IIto IIthe IIWest, IIthat IIcountry IIwould IIeventually II“take IIoff,” IIand IIdevelopment IIwould IIoccur. IIIn IIthe IIlate II1960s IIand IIcontinuing IIinto IIthe II1990s, IImany IIdevelopment IIexperts IIfrom IIa IIstructuralist IIpoint IIof IIview II(including IImany IIMarxists IIand IIneo-Marxists) IIposited IIa IIvariety IIof IIexplanations IIas IIto IIwhy IImany IIdeveloping IIcountries IIdid IInot IIseem IIto IIdevelop IIor IIchange IImuch. IIFor IIexample, IIthe IIGerman-born IIeconomist IIAndre IIGander IIFrank IImade IIpopular IIthe IIidea IIthat, IIwhen IIdeveloping IIcountries IIconnect IIto IIthe IIWest, IIthey IIbecome IIunderdeveloped. IISocial IItheorist IIand IIeconomist IIImmanuel IIWallerstein, IIwhose IIworks IIhave IImade IIa IIlasting IIimpact IIon IIthe IIstudy IIof IIthe IIhistorical IIdevelopment IIof IIthe IIworld IIcapitalist IIsystem, IIargued IIthat IIdevelopment IIdoes IIoccur IIbut IIonly IIfor IIa IIsmall IInumber IIof IIsemi IIperipheral IIstates IIand IInot IIfor IIthose IIperipheral IIstates IIthat IIremain IIthe IIproviders IIof IInatural IIresources IIand IIraw IImaterials IIto IIthe IIdeveloped IIindustrial IIcore IIstates.

Such IIthemes IIwere IIevident IIin IIthe II1990s IIand IIthe IIearly II21st IIcentury IIwhen IIa IInumber IIof IIpolitically IIand IIeconomically IIpowerful II(and IImostly IIWestern) IImultinational IIcorporations IIwere IIaccused IIof IIexploiting IIwomen IIand IIchildren IIin IIunsanitary IIand IIunsafe IIworking IIconditions IIin IItheir IIfactories IIin IIdeveloping IIcountries. IIThese IIcases IIand IIothers IIlike IIthem IIwere IIseen IIby IIsome IIstructuralists IIas IIevidence IIof IIa II“race IIto IIthe IIbottom” IIin IIwhich, IIin IIorder IIto IIattract IIinvestment IIby IIinternational IIbusinesses, IImany IIdeveloping IIcountries IIrelaxed IIor IIeliminated IIworker-protection IIlaws IIand IIenvironmental IIstandards.

**International IIEconomic IIOrganizations, IIDeveloping IICountry IIReforms, IIand IITrade**

The IIthree IImajor IIinternational IIeconomic IIorganizations IIare IIthe IIWorld IIBank, IIthe IIInternational IIMonetary IIFund II(IMF), IIand IIthe IIWorld IITrade IIOrganization II(WTO). IIThe IIWTO IIemerged IIout IIof IIthe IIGeneral IIAgreement IIon IITariffs IIand IITrade II(GATT) IIin II1995; IIit IIis IIan IIarrangement IIacross IIcountries IIthat IIserves IIas IIa IIforum IIfor IInegotiations IIon IItrading IIrules IIas IIwell IIas IIa IImechanism IIfor IIdispute IIsettlements IIin IItrade IIissues. IIBy IIcontrast, IIthe IIWorld IIBank IIand IIIMF IIdeal IIwith IItheir IImember IIcountries IIone IIat IIa IItime. IIThey IIhave IIlittle IIinfluence IIwith IIindustrial IIcountries IIbut IIcan IIaffect IIdeveloping IIcountries IIduring IItimes IIof IIeconomic IIcrisis IIand IIwhen IIthose IIcountries IIseek IIadditional IIforeign IIexchange IIresources. IIThe IIorigins IIand IIevolution IIof IIthe IIthree IIorganizations IIare IIof IIconsiderable IIinterest. IIPerhaps IIeven IImore IIimportant IIin IIlight IIof IIthe IIrecent IIfinancial IIcrises IIin IIMexico, IIEast IIAsia, IIand IIa IIfew IIother IIcountries, IIare IIthe IIquestions IIthat IIarise IIabout IIthe IIcurrent IIand IIfuture IIroles IIof IIthe IIIMF IIand IIthe IIWorld IIBank.

These IIquestions IIcover IIa IIbroad IIset IIof IIissues. IIA IIhealthy IIopen IItrading IIsystem IIis IIcrucial IIfor IIthe IIprogress IIof IIthe IIinternational IIeconomy. IIIt IIis IIparticularly IIimportant IIin IIproviding IIan IIenvironment IIin IIwhich IIdeveloping IIcountries IIcan IIsuccessfully IIreform IItheir IIpolicies IIand IIachieve IIrapid IIeconomic IIgrowth IIand IIrising IIliving IIstandards IIfor IIall. III IIhave IIbeen IIparticularly IIinterested IIin IIthe IIrelationship IIbetween IIpreferential IItrading IIarrangements, IIsuch IIas IIthe IINorth IIAmerican IIFree IITrade IIAgreement II(NAFTA), IIand IIthe IIWTO. IIThe IIissue IIis IIsimple: IIthe IIWTO IIis IIbased IIon IIthe IIprinciple IIof IIopen, IInondiscriminatory IItrade IIamong IIits IImembers, IIwhile IIpreferential IItrading IIarrangements IIare, IIby IItheir IInature, IIdiscriminatory. IIUnder IINAFTA, IIfor IIexample, IIgoods IIoriginating IIin IIMexico IIand IICanada IIare IInot IIsubject IIto IIduties IIwhen IIthey IIenter IIthe IIUnited IIStates, IIyet IIthe IIsame IIgoods IIfrom IIother IIcountries IIare IIsubject IIto IIU.S. IIduties. IIAssuring IIthat IIpreferential IItrading IIarrangements IIwill IInot IIblock IIprogress IIin IImultilateral IIliberalization IIis IIimportant, IIand III IIam IInow IIcompleting IIa IIpaper IIin IIwhich III IIanalyze IIhow IImuch IIdiscrimination IIhas IIbeen IIa IIfactor IIunder IIthe IIfirst IIthree IIyears IIof IINAFTA.

My IIother IImajor IIconcern IIregarding IIinternational IIeconomic IIorganizations IIis IIclosely IIrelated IIto IIthe IIsubject IIof IIdeveloping IIcountries' IIeconomic IIpolicy IIreforms. III IIwant IIto IIknow IIwhat IIthe IIcurrent IIand IIfuture IIroles IIof IIthe IIWorld IIBank IIand IIIMF IIwill IIbe IIin IIeconomic IIpolicy IIreform IIin IIdeveloping IIcountries. IIIn IIthe IIcase IIof IIthe IIWorld IIBank, IIfor IIexample, IIto IIwhat IIextent IIwill IIthe IIBank IIneed IIto IIfocus IIits IIresources IIon IIpoor IIcountries IIand IIthe IIsupport IIof IIeconomic IIpolicy IIreforms, IIas IIopposed IIto IItackling II"new IIissues," IIsuch IIas IIgender IIand IIethnicity II(including IItreatment IIof IIminorities). IIBoth IIthe IIBank IIand IIthe IIIMF IIhave IIbeen IIcriticized IIby IImany IIin IIlight IIof IIthe IIAsian IIfinancial IIcrises IIof II1997 IIand II1998.

**Economic IIPolicy IIReforms**

That IItakes IIme IIimmediately IIto IImy IIsecond IIset IIof IIissues IIof IIconcern: IIthe IIchoice IIof IIexchange IIrate IIregime IIand IIits IIrelationship IIto IIeconomic IIgrowth IIand IIthe IIavoidance IIof IIcrisis. IIEven IIbefore II1994 IIthere IIwas IIcause IIfor IIconcern IIabout IIMexico IIand IIother IIcountries IIthat IIadopted II"nominal IIanchor" IIexchange IIrate IIpolicies: IIthey IIdeliberately IIkept IItheir IIexchange IIrates IIfrom IIdepreciating IIas IIrapidly IIas IIwould IIhave IIbeen IIwarranted IIon IIthe IIbasis IIof IIthe IIinflation IIdifferential IIbetween IIthemselves IIand IIthe IIrest IIof IIthe IIworld. IIThese IIregimes IIenabled IIforeigners IIto IIinvest IIvery IIprofitably IIin IIlocal IImarkets II(because IIthey IIreceived IIthe IIdomestic IIinterest IIrate IIand IIcould IIconvert IIit IIinto IItheir IIown IIcurrencies IIat IIthe IIappreciated IIexchange IIrate) IIuntil IIinvestors IIrealized IIthat IIthe IIdebt-servicing IIobligations IIthat IIwere IIaccumulating IIwere IItoo IIheavy.

Moreover, IIas IIlong IIas IIforeigners IIwere IIwilling IIto IIlend IIand IIinvest, IIdomestic

IIcredit IIcould IIincrease IIin IIthese IIcountries IIwithout IIstrong IIinflationary IIpressures: IIthe IIlending IIfinanced IIan IIexcess IIof IIimports IIover IIexports. IIInvestors IIappear IIto IIhave IIbeen IIfooled: IIthey IIdid IInot IIobserve IIfiscal IIdeficits, IIbut IIthey IIalso IIfailed IIto IIrecognize IIthat IIunder IIthese IIexchange IIrate IIregimes, IIrapid IIexpansion IIof IIdomestic IIcredit IIwas IIequivalent IIto IIincreasing IIthe IIcontingent IIliabilities IIof IIthe IIgovernment, IIwith IIthe IIsame IIlong-run IIimplications IIfor IIsustainability IIunless IIcapital IIinflows IIfinanced IIhighly IIproductive IIinvestments.

An IIincreasing IIbody IIof IIevidence IIsuggests IIthat IIefforts IIto IImaintain IInominal IIanchor IIexchange IIrates IIare IIvery IIlikely IIto IIbe IIunsustainable: IIthe IIappropriate IIexchange IIrate IIregime IIis IIprobably IIeither IIfloating IIrates IIor IIone IIin IIwhich IIthe IIcurrency IIis IIpermanently IIand IIirrevocably IItied IIto IIa IImajor IIforeign IIcurrency.

Indeed, IIthe IIrapid IIexpansion IIof IIdomestic IIcredit IIin IImany IIcountries IImeant IIthat IIbanks IIdid IInot IIhave IIan IIadequate IIstaff IIof IItrained IIpersonnel IIwho IIcould IIappropriately IIevaluate IIthe IIcredit IIrisks IIof IItheir IIborrowers. IIAs IIa IIresult, IInonperforming IIloans IIbuilt IIup IIin IIthe IIdomestic IIbanking IIsystems IIand IIweakened IIthe IIbanking IIstructure. IIThen, IIwhen IIthe IIexchange IIrate IIregime IIwas IIabandoned, IIthe IIdollar- II(or IIyen- IIor IIDeutsch IImark-) IIdenominated IIliabilities IIof IIdomestic IIborrowers IIincreased IIthe IIdifficulty IIwith IIdebt IIservicing, IIand IIthreatened IIa IImajor IIcrisis IIin IIthe IIdomestic IIbanking IIsystem.

One IIof IIthe IIquestions IIthat IIhas IIarisen IIas IIwe IIare IIbetter IIunderstanding IIthe IIevents IIof II1997-8 II(and IIthe IIearlier IIMexican IIdifficulties) IIis: IIwhat IIare IIthe IIappropriate IIreforms IIfor IIfinancial IIsystems IIso IIthat IIbanks IIwill IIhave IIimproved IIincentives II(attributable IImostly IIto IIincreased IIcapital IIadequacy IIstandards) IIand IIwill IIoperate IIin IIa IIregulatory IIframework IIthat IIprevents IIthe IIbuild-up IIof IInonperforming IIloans II(whose IImagnitude IIis IIfurther IIincreased IIwhen IIdevaluation IImust IIfollow IIthe IIend IIof IIthe IInominal IIanchor IIexchange IIrate IIregime)? IIAaron IITornal IIand III IIhave IIanalyzed IIthe IIevolution IIof IInonperforming IIloans IIin IIthe IIMexican IIbanking IIsystem IIand IIthe IIways IIin IIwhich IIMexico's IIpolicy IIresponses IIto IIthe II1994-5 IIcrisis IIenabled IIrapid IIrecovery IIbut IIfailed IIto IIresolve IIsome IIof IIthe IIlonger-term IIissues IIassociated IIwith IIrestoring IIthe IIhealth IIof IIthe IIbanks. IIThe IIproblem IIfor IIpolicymakers IIis IIthat IIrecovery IIfrom IIcrisis IIcannot IIoccur IIuntil IIthe IIbanks IIare IIrestored IIto IIhealth: IIthat IImeans IIthat IInonperforming IIloans IImust IIbe IIremoved IIfrom IIthe IIbanks' IIportfolios II(as IIhappened IIin IIMexico). IIBut IIthat IImust IIbe IIdone IIin IIways IIthat IIprevent IIa IIrepetition IIof IIthe IIbuild-up IIof IInonperforming IIloans. IIFinding IIan IIappropriate IImix IIof IIpolicy IIinstruments IIis IIchallenging, IIand IImany IIresearchers IIcontinue IIto IIinvestigate IIthis IItopic.

An IIinteresting IIand IIrelated IIquestion IIis IIhow IIthe IIcharges IIof II"cronyism" IIrelate IIto IIthe IIother IIissues IIthat IIhave IIarisen IIin IIthe IIEast IIAsian IIcrisis. III IIam IIcurrently IIstudying IIthe IIparallels IIbetween IIstate-directed IIlending IIby IIbanks IIto IIcronies IIunder II"crony IIcapitalism" IIand IIpublic-sector IIdeficits IIof IIstate IIeconomic IIenterprises IIunder IImore IIstate-led IIdevelopment. IIThe IIparallels IIare IIinteresting IIand IIinstructive: IIif IIcronies IIcan IIbe IIassured IIof IIaccess IIto IIbank IIcredit, IItheir IIbudget IIconstraints IIare II"soft," IIjust IIas IIare IIthose IIof IIstate-owned IIenterprises IIwhen IItheir IIlosses IIare IIautomatically IIcovered IIfrom IIthe IIgovernment's IIbudget. IIAnd, IIfor IIthe IIsame IIreason, IIeach IItype IIof IIenterprise IIis IIlikely IIto IIrealize IIlower IIrates IIof IIreturn IIon IIinvestments IIthan IIwhen IIthere IIis IIa II"hard" IIbudget IIconstraint.

Likewise, IIfor IIstate IIenterprises IIpoliticians IInormally IIselect IImanagers IIwhose IItalents IIand IIskills IIlie IIelsewhere. IICronies IIare IIequally IIlikely IIto IInot IIbe IIthe IImost IIqualified IIand IItrained IImanagers. IIIn IIeach IIinstance, IIthere IIis IIlikely IIto IIbe IIa IIlack IIof IIcompetition II(or IIan IIunfair IIplaying IIfield) IIthat IIfurther IIreduces IIpressures IIfor IIeconomically IIefficient IIproduction. IIIn IIboth IIinstances, IIimport IIbarriers IIare IIlikely IIto IIbe IIused IIto IIassist IIdomestic IIfirms. IIIn IIthe IIcase IIof IIcrony IIcapitalism, IIaccess IIto IIcredit IIon IIfavorable IIterms IIand IIother IIgovernment IIfavors IIcan IIinsulate IIenterprises IIfrom IIcompetitive IIpressures. III IIam IIcurrently IIestimating IIreal IIrates IIof IIreturn IIon IIinvestments IIin IIthe IIvarious IIfinancial-crisis IIcountries; IIpreliminary IIdata IIindicate

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IIthat IIreal IIrates IIof IIreturn IIfell IIdramatically IIfor IIseveral IIdecades IIas IIthe IIrelative IIimportance IIof IIthe IIcrony-run IIenterprises IIincreased.

U.S. IITrade IIPolicy

The IIfinal IIarea IIof IIresearch IIin IIwhich III IIhave IIbeen IIinvolved IIin IIrecent IIyears IIis IIU.S. IItrade IIpolicy. IIThe IIUnited IIStates IIis IIso IIimportant IIin IIthe IIworld IIeconomy IIthat IIits IIpolicies IIaffect IIthe IIfunctioning IIof IIthe IIinternational IIeconomic IIsystem IIwith IIat IIleast IIas IImuch IIforce IIas IIdoes IIthe IIWTO IIand IIother IIinternational IIeconomic IIorganizations. IIMany IIaspects IIof IIU.S. IItrade IIpolicy IIare IIconducive IIto IIthe IIefficient IIfunctioning IIof IIthe IIinternational IItrading IIsystem, IIbut IIthere IIare IIquestionable IIpractices, IItoo. IIWhile IIthese IIpractices IIclearly IIhurt IIU.S. IIconsumers IIand IIproducers, IIthey IIhave IIbroader IIramifications IIfor IIthe IIinternational IIeconomy IIbecause IIof IIthe IIAmerican IIleadership IIrole. IIParticularly IIworrisome IIare IIAmerican IIpractices IIwith IIrespect IIto IIantidumping IIand IIcountervailing IIduties: IIthe IIlaw IIand IIthe IIprocedures IIfollowed IIin IIthese IIcases IIbear IIlittle IIresemblance IIto IIthe IIeconomist's IIcase IIagainst IIpredatory IIpricing. IIMany IIother IIcountries IIare IInow IIimitating IIAmerican IIpractices, IIand IIthere IIis IIa IIserious IIrisk IIthat IImany IIof IIthe IIgains IIachieved IIin IIliberalizing IIworld IItrade IIunder IIGATT IIand IIthe IIWTO IIwill IIbe IIeroded IIas IImore IIand IImore IIcountries IIresort IIto IIantidumping IImeasures IIand IIprocedures IIthat IIpenalize IItrade IIeven IIwhen IIpredatory IIpricing IIis IInot IIinvolved.

## EASE

All IIof IIthese IIissues IIarise IIin IIconnection IIwith IIrelations IIbetween IIEast IIAsian IIcountries IIand IIthe IIUnited IIStates. IIFor IIthe IIpast IIten IIyears, IITadayoshi IIIto IIand III IIhave IIbeen IIcodirectors IIof IIthe IINBER's IIEast IIAsian IISeminar IIon IIEconomics. IIEach IIyear IIa IIconference IIhas IIbeen IIheld IIon IIa IIsubject IIrelating IIto IImutual IIinterdependence. IIAuthors IIhave IIthen IIrevised IItheir IIpapers IIbased IIon IIdiscussion IIat IIthe IIconference, IIand IIwe IIhave IIproduced IIa IIvolume IIpublished IIfor IIthe IINBER IIby IIthe IIUniversity IIof IIChicago. IICosponsoring IIinstitutions IIare IIthe IIChung-Hwa IIInstitution IIfor IIEconomic IIResearch IIin IITaipei, IIthe IIJapan IIEconomic IIResearch IICenter, IIthe IIKorea IIDevelopment IIInstitute, IIand IIthe IIHong IIKong IIUniversity IIof IIScience IIand IITechnology. IIThe IIfive IIcosponsors IIhave IIrotated IIbeing IIthe IIlocal IIhost, IIwhile IIthe IINBER IIhas IImaintained IIa IIlead IIrole IIin IIsupporting IIthe IIlogistics IIof IIthe IIconference IIand IIin IIpreparing IIthe IIresults IIfor IIpublication. IIThe IIsubject IIof IIthe1998 IIconference IIin IIOsaka IIwas IIthe IImicroeconomic IIaspects IIof IIdirect IIforeign IIinvestment. IIThat IIvolume IIis IIin IIpress. IIThe IIsubject IIof IIthe II1999 IIconference, IIhosted IIby IIthe IINBER IIin IIHawaii, IIwas IImacroeconomic IIaspects IIof IIdirect IIforeign IIinvestment. IIThe II2000 IIconference, IIto IIbe IIheld IIin IISeoul, IIwill IIhave IItrade IIin IIservices IIas IIits IItheme. IIEach IIseminar IIhas IIproved IIhighly IIstimulating IIin IIilluminating IIthe IImany IIsimilarities IIthat IIarise IIacross IIthe IIeconomies IIof IIEast IIAsia IIand IIthe IIUnited IIStates. IIResearchers IIfrom IIthe IIparticipating IIcountries IIalso IIbenefit IIfrom IIthe IIadditional IIinsights IIthey IIachieve IIwhen IIcontrasting IIthe IIcircumstances IIin IItheir IIown IIcountries IIwith IIthose IIof IIothers.

## Global IIHistory IIof IIMarketing IIand IIMass IIConsumption

### Mass IIconsumption

"Mass IIProduction" IIwas IIa IIterm IIinvented IIby IIHenry IIFord, IIthe IIauto IImaker, IIin II1926. II IIBefore IIthat, IIhis IIsystem IIof IIassembly-line IImanufacturing IIwas IIcalled II"Fordism".

The IIgenius IIof IIthe II19th IICentury IIIndustrial IIeconomy IIwas IIits IIability IIto IIboost IIproduction, IIto IImaximize IIoutput. II IIIn IIthe IIearly II20th IICentury IIHenry IIFord IIand IIothers IIlike IIhim IIused IIthe IIassembly IIline IIto IImaximize IIproduction IIto IIthe IIpoint IIwhere IIthe IIeconomy IIcould IIsimply IIout-produce IIthe IIability IIof IIconsumers IIto IIbuy IIthe IIproduct. II IIEven IIif IIyou IImade IIit IIcheaply II(and IIHenry IIFord IIdid) IIthere IIwas IIstill IImore IIthan IIpeople IIwanted IIto IIbuy IIor IIcould IIafford.

So IIthe IIcutting IIedge IIof IIthe II20th IIcentury IIindustrial IIeconomy IIwas IIbuilt IIaround IIboosting IIconsumption. II IIYou IIhad IIto IIget IIpeople IIto IIbuy IIthings. II IIIncrease IItheir IIwages, IIso IIthey IIcould IIspend IImore, IIand IItempt IIthem IIto IIbuy IIstuff IIthey IIdidn't IIreally IIneed. II IIManufacturers IIeven IIwent

IIso IIfar IIas IIto IIpurposely IImake IIa IIproduct IIso IIthat IIit IIwore IIout IIquickly IIor IIseemed IIoutdated IIwhen IIit IIwas IIstill IIfairly IInew. II IIHence IIthe IIfashion IIindustry IIand II"planned IIobsolescence" II(invented IIby IIAlfred IIP IISloan, IIboss IIof IIGeneral IIMotors, IIin II1926). II IIManufacturers IIfound IIthat IIif IIthey IIpromoted IImass-consumption, IIthey IIboosted IIprofits. II IIMass-consumption IIhad IIto IIbe IIdeveloped IIto IIaccompany IIMass-production.

The IIfirst IImass-consumption IIitems IIwere IInot IIexpensive IIthings IIlike IIcars IIor IIclothes, IIbut IIcheap IIthings IIlike IInewspapers. II IIMass IInewspaper IIreadership IIdeveloped IIacross IIthe IIindustrial IIworld IIin IIthe IIlater II19th IIcentury, IIand IImuch IIof IIit IIbased IIon IIcheap IInewsprint IIand IImass-literacy IIfrom IIthe IInew IIschool IIsystems IIwhich IIhad IIbeen IIset IIup.

The IInewspaper IIcirca II1900 IIwas IIfilled IIwith IIadvertising, IIand IIrichly-illustrated IIstories. II IIStores, IIespecially IIdepartment IIstores IImarketed IIthemselves IIvisually IIwith IIstore IIdisplays IIand IIlavish, IIillustrated IIadvertisements IIin IIthe IInewspaper. II IIPoliticians IIhad IIto IIdo IIphoto-ops. II IIThe IImedia IIpersonality IIemerged. II IIEventually IIthe IIattention IIshifted IIa IIlittle IIfrom IIthe IInewspaper IIto IIthe IImovies IIand IIthe IIradio, IIbut IIadvertising IIremained. II IIAdvertising IIhappened IIbefore II1900, IIbut IIafter IIthat IIdate IIit IIbecame IIvery IImuch IImore IIimportant IIand IIvital IIto IImanufacturing. II IIAdvertising IIbecame IIa IItool IIfor IIpromoting IImass-consumption. II IIWith IITV IIand IIthe IIinternet, IIwe IIhave IIsimply IIchanged IIthe IImedium, IInot IIthe IImessage.

Mass-consumption IIalso IIdepended IIupon IIthe IIrising IIprosperity IIof IIpeople IIin IIthe IIindustrialized IIworld, IIand IItheir IIability IIto IIbuy IIall IIthe IIstuff IIthat IIwas IImade IIand IIadvertised. II IITheir IIprosperity, IIto IIsome IIextent, IIdepended IIupon IIthe IIability IIof IIa IImarket IIof IImass-consumers IIto IIabsorb IIthe IIproducts IIwhich IIthe IIindustries IIproduced. II IIThe IIconsumer IIkept IIthe IIproducer IIin IIbusiness, IIand IIthe IIbusiness IIpaid IIthe IIwages IIwhich IIfinanced IIthe IIconsumer.

For IImost IIof IIthe IIrest IIof IIthe II20th IIcentury, IIdown IIto IIthe IIpresent, IIthe IIlifestyle IIof IIthe IIindustrial IIworld IIhas IIbeen IIone IIof IImass-consumption. II IIThis IImass-consumer IIlifestyle IIis IIbeing IIglobalized, IIand IIit IIis IIa IIprofoundly IIurban IIthing II(perhaps IIthat IIshould IIbe II"suburban").

**The IIevolution IIof IIglobal IImarketing**

Whether IIan IIorganization IImarkets IIits IIgoods IIand IIservices IIdomestically IIor IIinternationally, IIthe IIdefinition IIof IImarketing IIstill IIapplies. IIHowever, IIthe IIscope IIof IImarketing IIis IIbroadened IIwhen IIthe IIorganization IIdecides IIto IIsell IIacross IIinternational IIboundaries, IIthis IIbeing IIprimarily IIdue IIto IIthe IInumerous IIother IIdimensions IIwhich IIthe IIorganization IIhas IIto IIaccount IIfor. IIFor IIexample, IIthe IIorganization's IIlanguage IIof IIbusiness IImay IIbe II"English", IIbut IIit IImay IIhave IIto IIdo IIbusiness IIin IIthe II"French IIlanguage". IIThis IInot IIonly IIrequires IIa IItranslation IIfacility, IIbut IIthe IIFrench IIcultural IIconditions IIhave IIto IIbe IIaccounted IIfor IIas IIwell. IIDoing IIbusiness II"the IIFrench IIway" IImay IIbe IIdifferent IIfrom IIdoing IIit II"the IIEnglish IIway". IIThis IIis IIparticularly IItrue IIwhen IIdoing IIbusiness IIwith IIthe IIJapanese.

Let IIus, IIfirstly IIdefine II"Marketing" IIand IIthen IIsee IIhow, IIby IIdoing IImarketing IIacross IImultinational IIboundaries, IIdifferences, IIwhere IIexisting, IIhave IIto IIbe IIaccounted IIfor.

**S. IICarter IIdefines IImarketing IIas:**

"The IIprocess IIof IIbuilding IIlasting IIrelationships IIthrough IIplanning, IIexecuting IIand IIcontrolling IIthe IIconception, IIpricing, IIpromotion IIand IIdistribution IIof IIideas, IIgoods IIand IIservices IIto IIcreate IImutual IIexchange IIthat IIsatisfy IIindividual IIand IIorganizational IIneeds IIand IIobjectives".

The IIlong-held IItenants IIof IImarketing IIare II"customer IIvalue", II"competitive IIadvantage" IIand II"focus". IIThis IImeans IIthat IIorganizations IIhave IIto IIstudy IIthe IImarket, IIdevelop IIproducts IIor IIservices IIthat IIsatisfy IIcustomer IIneeds IIand IIwants, IIdevelop IIthe II"correct" IImarketing IImix IIand IIsatisfy IIits IIown IIobjectives IIas IIwell IIas IIgiving IIcustomer IIsatisfaction IIon IIa IIcontinuing IIbasis. IIHowever, IIit IIbecame IIclear IIin IIthe II1980s IIthat IIthis IIdefinition IIof IImarketing IIwas IItoo IInarrow. IIPreoccupation IIwith IIthe IItactical IIworkings IIof IIthe IImarketing IImix IIled IIto IIneglect IIof IIlong IIterm IIproduct IIdevelopment, IIso II"Strategic IIMarketing" IIwas IIborn. IIThe IIfocus IIwas IIshifted IIfrom IIknowing IIeverything IIabout IIthe IIcustomer, IIto IIknowing IIthe IIcustomer IIin IIa IIcontext IIwhich IIincludes IIthe IIcompetition, IIgovernment IIpolicy IIand IIregulations, IIand

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IIthe IIbroader IIeconomic, IIsocial IIand IIpolitical IImacro IIforces IIthat IIshape IIthe IIevolution IIof IImarkets. IIIn IIglobal IImarketing IIterms IIthis IImeans IIforging IIalliances II(relationships) IIor IIdeveloping IInetworks, IIworking IIclosely IIwith IIhome IIcountry IIgovernment IIofficials IIand IIindustry IIcompetitors IIto IIgain IIaccess IIto IIa IItarget IImarket. IIAlso IIthe IImarketing IIobjective IIhas IIchanged IIfrom IIone IIof IIsatisfying IIorganisational IIobjectives IIto IIone IIof II"stakeholder" IIbenefits II- IIincluding IIemployees, IIsociety, IIgovernment IIand IIso IIon. IIProfit IIis IIstill IIessential IIbut IInot IIan IIend IIin IIitself.

**Strategic IImarketing IIaccording IIto IIWensley II(1982) IIhas IIbeen IIdefined IIas:**

"Initiating, IInegotiating IIand IImanaging IIacceptable IIexchange IIrelationships IIwith IIkey IIinterest IIgroups IIor IIconstituencies, IIin IIthe IIpursuit IIof IIsustainable IIcompetitive IIadvantage IIwithin IIspecific IImarkets, IIon IIthe IIbasis IIof IIlong IIrun IIconsumer, IIchannel IIand IIother IIstakeholder IIfranchise".

Whether IIone IItakes IIthe IIdefinition IIof II"marketing" IIor II"strategic IImarketing", II"marketing" IImust IIstill IIbe IIregarded IIas IIboth IIa IIphilosophy IIand IIa IIset IIof IIfunctional IIactivities. IIAs IIa IIphilosophy IIembracing IIcustomer IIvalue II(or IIsatisfaction), IIplanning IIand IIorganising IIactivities IIto IImeet IIindividual IIand IIorganisational IIobjectives, IImarketing IImust IIbe IIinternalised IIby IIall IImembers IIof IIan IIorganisation, IIbecause IIwithout IIsatisfied IIcustomers IIthe IIorganisation IIwill IIeventually IIdie. IIAs IIa IIset IIof IIoperational IIactivities, IImarketing IIembraces IIselling, IIadvertising, IItransporting, IImarket IIresearch IIand IIproduct IIdevelopment IIactivities IIto IIname IIbut IIa IIfew. IIIt IIis IIimportant IIto IInote IIthat IImarketing IIis IInot IIjust IIa IIphilosophy IIor IIone IIor IIsome IIof IIthe IIoperational IIactivities. IIIt IIis IIboth. IIIn IIplanning IIfor IImarketing, IIthe IIorganisation IIhas IIto IIbasically IIdecide IIwhat IIit IIis IIgoing IIto IIsell, IIto IIwhich IItarget IImarket IIand IIwith IIwhat IImarketing IImix II(product, IIplace, IIpromotion, IIprice IIand IIpeople). IIAlthough IIthese IItenents IIof IImarketing IIplanning IImust IIapply IIanywhere, IIwhen IImarketing IIacross IInational IIboundaries, IIthe IIdifference IIbetween IIdomestic IIand IIinternational IImarketing IIlies IIalmost IIentirely IIin IIthe IIdifferences IIin IInational IIenvironments IIwithin IIwhich IIthe IIglobal IIprogrammed IIis IIconducted IIand IIthe IIdifferences IIin IIthe IIorganization IIand IIprogrammed IIof IIa IIfirm IIoperating IIsimultaneously IIin IIdifferent IInational IImarkets.

It IIis IIrecognized IIthat IIin IIthe II"postmodern" IIera IIof IImarketing, IIeven IIthe IIassumptions IIand IIlong IIstanding IItenants IIof IImarketing IIlike IIthe IIconcepts IIof II"consumer IIneeds", II"consumer IIsovereignty", II"target IImarkets" IIand II"product/market IIprocesses" IIare IIbeing IIchallenged. IIThe IIemphasis IIis IItowards IIthe IIemergence IIof IIthe II"customising IIconsumer", IIthat IIis, IIthe IIcustomer IIwho IItakes IIelements IIof IIthe IImarket IIofferings IIand IImoulds IIa IIcustomised IIconsumption IIexperience IIout IIof IIthese. IIEven IIfurther, IIpost IImodernisim, IIposts IIthat IIthe IIconsumer IIwho IIis IIthe IIconsumed, IIthe IIultimate IImarketable IIimage, IIis IIalso IIbecoming IIliberated IIfrom IIthe IIsole IIrole IIof IIa IIconsumer IIand IIis IIbecoming IIa IIproducer. IIThis IIreveals IIitself IIin IIthe IIdesire IIfor IIthe IIconsumer IIto IIbecome IIpart IIof IIthe IImarketing IIprocess IIand IIto IIexperience IIimmersion IIinto II"thematic IIsettings" IIrather IIthan IImerely IIto IIencounter IIproducts. IISo IIin IIconsuming IIfood IIproducts IIfor IIexample, IIit IIbecomes IInot IIjust IIa IIcase IIof IIsatisfying IIhunger IIneeds, IIbut IIalso IIcan IIbe IIrendered IIas IIan IIimage II- IIproducing IIact. IIIn IIthe IIpost IImodern IImarket IIplace IIthe IIproduct IIdoes IInot IIproject IIimages, IIit IIfills IIimages. IIThis IIis IItrue IIin IIsome IIfoodstuffs. IIThe IIconsumption IIof II"designer IIwater" IIor II"slimming IIfoods" IIis IIa IIstatement IIof IIa IIself IIimage, IInot IIjust IIa IIproduct IIconsuming IIact.

Acceptance IIof IIpostmodern IImarketing IIaffects IIdiscussions IIof IIproducts, IIpricing, Iadvertising, Idistribution Iand Iplanning. IHowever, Igiven Ithe Ifact Ithat Ithis Itextbook Iis Iprimarily Iwritten Iwith Ideveloping Ieconomies Iin Imind, Iwhere Ithe Ienvironmental Iconditions, Iconsumer Isophistication Iand Isystems Iare Inot Isuch Ithat Iallow Ia Iquantum Ileap Ito Ipostmodernism, Iit Iis Iintended Ito Imention Ithe Iconcept Iin Ipassing. IFurther Idiscussion Ion Ithe Itopic Iis Iavailable Iin Ithe Iaccompanying Ilist Iof Ireadings.

When Iorganisations Idevelop Iinto Iglobal Imarketing Iorganisations, Ithey Iusually Ievolve Iinto Ithis Ifrom Ia Irelatively Ismall Iexport Ibase. ISome Ifirms Inever Iget Iany Ifurther Ithan Ithe Iexporting Istage. IMarketing Ioverseas Ican, Itherefore, Ibe Ianywhere Ion Ia Icontinuum Iof I"foreign" Ito I"global". IIt Iis Iwell Ito Inote Iat Ithis Istage Ithat Ithe Iwords I"international",

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I"multinational" Ior I"global" Iare Inow Irather Ioutdated Idescriptions. IIn Ifact I"global" Ihas Ireplaced Ithe Iother Iterms Ito Iall Iintents Iand Ipurposes. I"Foreign" Imarketing Imeans Imarketing Iin Ian Ienvironment Idifferent Ifrom Ithe Ihome Ibase, Iit's Ibasic Iform Ibeing I"exporting". IOver Itime, Ithis Imay Ievolve Iinto Ian Ioperating Imarket Irather Ithan Ia Iforeign Imarket. IOne Isuch Iexample Iis Ithe IPreferential ITrade IArea I(PTA) Iin IEastern Iand ISouthern IAfrica Iwhere Iinvolved Icountries Ican Itrade Iinter-regionally Iunder Icertain Icommon Imodalities. IAnother Iexample Iis Ithe ICold IStorage ICompany Iof IZimbabwe.

**Case I1.1 ICold IStorage ICompany IOf IZimbabwe**

The ICold IStorage ICompany I(CSC) Iof IZimbabwe, Ievolved Iin I1995, Iout Iof Ithe ICold IStorage ICommission. IThe Ilatter, Ifor Imany Iyears, Ihad Ibeen Ithe Iparastatal I(or Inationalised Icompany) Iwith Ithe Imandate Ito Imarket Imeat Iin IZimbabwe. IHowever, Ithe ICSC Ilost Iits Imonopoly Iunder Ithe IZimbabwean IEconomic IReform IProgramme Iof I1990-95, Iwhich Isaw Ithe Iintroduction Iof Imany Iprivate Iabattoirs. IDuring Iits Imonopoly Iyears Ithe ICSC Ihad Ibuilt Ifive Imodern Iabattoirs, Ia Inumber Iof Iwhich Iwere Iup Ito IEuropean IUnion Irating. IIn Iaddition, Iand Ias Ia Idriving Iforce Ito Ithe Ibuilding Iof IEU Irated Iabattoirs, Ithe ICSC Ihad Iobtained Ia I9000 Itonnes Ibeef Iquota Iin Ithe IEU. IMost Iof Ithe Imeat Iwent Iout Iunder Ithe Iauspices Iof Ithe IBotswana IMeat ICommission. IFor Imany Iyears, Ithe Iquota Ihad Ibeen Ia Isource Iof Ivolume Iand Irevenue, Ia Isource Iwhich Iis Istill Icontinuing. IIn Ithis Iway, Ithe ICSC's Iexporting Iof Ibeef Ito Ithe IEU Iis Isuch Ithat Ithe IEU Ican Ino Ilonger Ibe Iconsidered Ias I" IForeign" Ibut Ian I"Operating" Imarket.

0 IIn I"global Imarketing" Ithe Imodus Ioperandi Iis Ivery Idifferent. IOrganisations Ibegin Ito Idevelop Iand Irun Ioperations Iin Ithe Itargeted Icountry Ior Icountries Ioutside Iof Ithe Idomestic Ione. IIn Ipractice, Iorganisations Ievolve Iand ITable I1.1 Ioutlines Ia Itypology Iof Iterms Iwhich Idescribes Ithe Icharacteristics Iof Icompanies Iat Idifferent Istages Iin Ithe Iprocess Iof Ievolving Ifrom Idomestic Ito Iglobal Ienterprises.

**The Ifour Istages Iare Ias Ifollows:**

1. I*Stage Ione:* Idomestic Iin Ifocus, Iwith Iall Iactivity Iconcentrated Iin Ithe Ihome Imarket. IWhilst Imany Iorganisations Ican Isurvive Ilike Ithis, Ifor Iexample Iraw Imilk Imarketing, Isolely Idomestically Ioriented Iorganisations Iare Iprobably Idoomed Ito Ilong Iterm Ifailure.
2. IStage I*two:* Ihome Ifocus, Ibut Iwith Iexports I(ethnocentric). IProbably Ibelieves Ionly Iin Ihome Ivalues, Ibut Icreates Ian Iexport Idivision. IUsually Iripe Ifor Ithe Itaking Iby Istage Ifour Iorganisations.
3. I*Stage Ithree:* Istage Itwo Iorganisations Iwhich Irealise Ithat Ithey Imust Iadapt Itheir Imarketing Imixes Ito Ioverseas Ioperations. IThe Ifocus Iswitches Ito Imultinational I(polycentric) Iand Iadaption Ibecomes Iparamount.
4. I*Stage Ifour:* Iglobal Iorganisations Iwhich Icreate Ivalue Iby Iextending Iproducts Iand Iprogrammes Iand Ifocus Ion Iserving Iemerging Iglobal Imarkets I(geocentric). IThis Iinvolves Irecognising Ithat Imarkets Iaround Ithe Iworld Iconsist Iof Isimilarities Iand Idifferences Iand Ithat Iit Iis Ipossible Ito Idevelop Ia Iglobal Istrategy Ibased Ion Isimilarities Ito Iobtain Iscale Ieconomies, Ibut Ialso Irecognises Iand Iresponds Ito Icost Ieffective Idifferences. IIts Istrategies Iare Ia Icombination Iof Iextension, Iadaptation Iand Icreation. IIt Iis Iunpredictable Iin Ibehaviour Iand Ialways Ialert Ito Iopportunities.

There Iis Ino Itime Ilimit Ion Ithe Ievolution Iprocess. IIn Isome Iindustries, Ilike Ihorticulture, Ithe Iprocess Ican Ibe Ivery Iquick.

**Table I1.1 IStages Iof Idomestic Ito Iglobal Ievolution**

| **Management Iemphasis** | **Stage Ione IDomestic** | **Stage Itwo IInternational** | **Stage Ithree IMultinational** | **Stage Ifour IGlobal** |
|---|---|---|---|---|
| Focus | Domestic | Ethnocentric | Polycentric | Geocentric |
| Marketing Istrategy | Domestic | Extension | Adaption | Extension |
| Structure | Domestic | International | Worldwide Iarea | Adaption Icreation Imatrix/mixed |
| Management Istyle | Domestic | Centralised Itop Idown | Decentralised Ibottom Iup | Integrated |
| Manufacturing Istance | Mainly Idomestic | Mainly Idomestic | Host Icountry | Lowest Icost Iworldwide |
| Investment Ipolicy | Domestic | Domestic Iused Iworldwide | Mainly Iin Ieach Ihost Icountry | Cross Isubsidization |
| Performa | Domes | Against | Each Ihost | Worldwid |

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| | | | | |
|---|---|---|---|---|
| nce Ievaluation | tic Imarket Ishare | Ihome Icountry Imarket Ishare | Icountry Imarket Ishare | e |

**Factors Iwhich Ihave Iled Ito Iinternationalization**

There Ihave Ibeen Imany Iunderlying Iforces, Iconcepts Iand Itheories Iwhich Ihave Iemerged Ias Igiving Ipolitical Iexplanation Ito Ithe Idevelopment Iof Iinternational Itrade. IRemarkably, Idespite Ithe Itrend Ito Iworld Iinterdependency, Isome Icountries Ihave Ibeen Iless Iinvolved Ithan Iothers. IThe IUSA, Ifor Iexample, Ihas Ia Iremarkably Ipoor Iexport Irecord. IAbout I2000 IUS Icompanies Ionly Iaccount Ifor Imore Ithan I70% Iof IUS Imanufacturer's Iexports. IThis Ihas Ibeen Imainly Idue Ito Iits Ihuge Istatewide Idomestic Imarket, Iwhich Iis Ialmost Itantamount Ito I"international Itrade", Ifor Iexample, ICalifornian Ifruit Ibeing Isold Ithree Ithousand Ikilometres Iaway Iin INew IJersey. IJapan Ihas Irisen Ifast Ito Idominate Ithe Iexport Irankings, Iwith Icountries Iof IAfrica Istruggling Ito Imake Ia Isignificant Imark, Imainly Ibecause Iof Itheir Iemphasis Ion Iexporting Iprimary Iproducts. IThis Isection Iwill Ibriefly Iexamine Ithe Iforces Iwhich Ihave Ibeen Iinstrumental Iin Ithe Idevelopment Iof Iworld Itrade.

**Theoretical Iapproaches**

These Iinclude Ithe Itheory Iof Icomparative Iadvantage Idescribed Iin Ithe Ibook IWealth Iof INations I(Adam ISmith) Iand IDavid IRicardo), Ithe Iproduct Itrade Icycle I(Raymond IVernon) Iand IThe IBusiness IOrientation I(Howard IPerlmutter).

**The Itheory Iof Icomparative Iadvantage:**

The Itheory Ican Ibe Irelatively Icomplex Iand Idifficult Ito Iunderstand Ibut Istated Isimply Ithis Itheory Iis Ia Idemonstration I(under Iassumptions) Ithat Ia Icountry Ican Igain Ifrom Itrade Ieven Iif Iit Ihas Ian Iabsolute Idisadvantage Iin Ithe Iproduction Iof Iall Igoods, Ior Iit Ican Igain Ifrom Itrade Ieven Iif Iit Ihas Ian Iabsolute Iadvantage Iin Ithe Iproduction Iof Iall Igoods. IEven Ithough Ia Icountry Ihas Ian Iabsolute Iproduction Iadvantage Iit Imay Ibe Ibetter Ito Iconcentrate Ion Iits Icomparative Iadvantage. ITo Icalculate Ithe Icomparative Iadvantage Ione Ihas Ito Icompare Ithe Iproduction Iratios, Iand Imake Ithe Iassumption Ithat Ithe Ione Icountry Itotally Ispecialises Iin Ione Iproduct. ITo Imaximise Ithe Iwellbeing Iof Iboth Iindividuals Iand Icountries, Icountries Iare Ibetter Ioff Ispecialising Iin Itheir Iarea Iof Icompetitive Iadvantage Iand Ithen Itrading Iand Iexchanging Iwith Iothers Iin Ithe Imarket Iplace. IToday Ithere Iare Ia Ivariety Iof Ispreedsheets Ithat Ione Ican Iuse Ito Icalculate Icomparative Iadvantage, Ione Isuch Iis Ithat Iof Ithe IFood Iand IAgriculture IOrganization I(FAO). ICalculation Iof Icomparative Iadvantage Iis Ias Ifollows:

Example

It Imay Ibe Iassumed Ithat IHolland Iis Imore Iefficient Iin Ithe Iproduction Iof Iflowers Ithan IKenya. IYet IKenya Isucceeds Iin Iexporting Ithousands Iof Itonnes Iof Iflowers Ito IEurope Ievery Iyear. IKenya Iflower Igrowers ISulmac Iand IOserian Ihave Iachieved Ilegendary Ireputations, Iin Ithe Isupply Iof Ifresh Icut Iflowers Ito IEurope, IHow?

Take Ithe Isimple Itwo Icountry I- Itwo Iproduct Imodel Iof Icomparative Iadvantage. IEurope Igrows Iapples Iand ISouth IAfrica Ioranges, Ithese Iare Itwo Iproducts, Iboth Iundifferentiated Iand Iproduced Iwith Iproduction Iunits Iwhich Iare Ia Imixture Iof Iland, Ilabour Iand Icapital. ITo Iuse Ithe Isame Iproduction Iunits ISouth IAfrica Ican Iproduce I100 Iapples Iand Ino Ioranges, Iand IEurope Ican Iproduce I80 Iapples Iand Ino Ioranges. IAt Ithe Iother Iextreme ISouth IAfrica Ican Iproduce Ino Iapples Iand I50 Ioranges Iand IEurope Ino Iapples Iand I30 Ioranges. INow Iif Ithe Itwo Icountries Ispecialise Iand Itrade Ithe Iposition Iis Ias Ifollows:

| Product | South IAfrica | | | Europe | | |
|---|---|---|---|---|---|---|
| | Production | Imports | Consumers | Production | Imports | Consumers |
| Apples I(000's) | 0 | 30 | 30 | 80 | 30 | 50 |
| Oranges I(000's) | 50 | 14 | 36 | 30 | 14 | 44 |

The Itrading Iprice Iis 30:14 Iapples I=2.14 = I1 Iorange
14:30 Ioranges I= I4.67 = I1 Iapple

So Iin Iapples, ISouth IAfrica Ihas Ian Iadvantage Iof I1.25 I(100/80) Ibut Iin Ioranges I1.67 I(50/30). ISo ISouth IAfrica Ishould Iconcentrate Ion Ithe Iproduction Iof Ioranges Ias Iits Icomparative Iadvantage Iis Igreatest Ihere. IUnfortunately Ithe Itheory Iassumes Ithat Iproduction Icosts Iremain Irelatively Istatic. IHowever, Iit Iis Ia Iwell Iknown Ifact Ithat Iincreased Ivolumes Iresult, Iusually, Iin Ilower Icosts. IIndeed, Ithe IBoston IConsulting IGroup Iobserved Ithis Iphenomenon, Iin Ithe Iso Icalled I"experience Icurve" Ieffect Iconcept. IAnd Iit Iis Inot Ionly I"production" Irelated Ibut I"all Iexperience" Irelated; Iincluding Imarketing. IThe

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IBoston IConsulting Igroup Iobserved Ithat Ias Ian Iorganisation Igains Iexperience Iin Iproduction Iand Imarketing Ithe Igreater Ithe Ireduction Iin Icosts. IThe Itheory Iof Icomparative Iadvantage Ialso Iignores Iproduct Iand Iprogramme Idifferentiation. IConsumers Ido Inot Ibuy Iproducts Ibased Ionly Ion Ithe Ilowest Icosts Iof Iproduction. IImage, Iquality, Ireliability Iof Idelivery Iand Iother Itangible Iand Inon Itangible Ifactors Icome Iinto Iplay. IKenyans Imay Iwell Ibe Iprepared Ito Ipay Iextra Ifor Iimported IFrench Ior ISouth IAfrican Iwines, Ias Ithe Ilocally Iproduced Ipaw Ipaw Iwine Imay Ibe Imuch Iinferior.

**The Iproduct Itrade Icycle:**

The Imodel Idescribes Ithe Irelationship Ibetween Ithe Iproduct Ilife Icycle, Itrade Iand Iinvestment I(see Ifigure I1.1) Iand Iis Iattributable Ito IVenon[1] I(1966)

The Iinternational Iproduct Itrade Icycle Imodel Isuggests Ithat Imany Iproducts Igo Ithrough Ia Icycle Iduring Iwhich Ihigh-income, Imass Iconsumption Icountries Iwhich Iare Iinitial Iexporters, Ilose Itheir Iexport Imarkets Iand Ifinally Ibecome Iimporters Iof Ithe Iproduct. IAt Ithe Isame Itime Iother Icountries, Iparticularly Iless Ideveloped Ibut Inot Iexclusively Iso, Ishift Ifrom Ibeing Iimporters Ito Iexporters. IThese Istages Iare Ireflected Iin Ifigure I1.1.

**Figure I1.1 IInternational Iproduct Itrade Icycle**

From Ia Ihigh Iincome Icountry Ipoint Iof Iview Iphase I1 Iinvolves Iexporting, Ibased Ion Idomestic Iproduct Istrength Iand Isurplus-to Iphase I2, Iwhen Iforeign Iproduction Ibegins, Ito Iphase I3 Iwhen Iproduction Iin Ithe Iforeign Icountry Ibecomes Icompetitive, Ito Iphase I4 Iwhen Iimport Icompetition Ibegins. IThe Iassumption Ibehind Ithis Icycle Iis Ithat Inew Iproducts Iare Ifirstly Ilaunched Iin Ihigh Iincome Imarkets Ibecause Ia) Ithere Iis Imost Ipotential Iand Ib) Ithe Iproduct Ican Ibe Itested Ibest Idomestically Inear Iits Isource Iof Iproduction. IThus Inew Iproducts Igenerally Iemanate Ifrom Ihigh Iincome Icountries Iand, Iover Itime, Iorders Ibegin Ito Ibe Isolicited Ifrom Ilower Iincome Icountries Iand Iso Ia Ithriving Iexport Imarket Idevelops. IHigh Iincome Icountry Ientrepreneurs Iquickly Irealise Ithat Ithe Imarkets Ito Iwhich Ithey Iare Iselling Ioften Ihave Ilower Iproduction Icosts Iand Iso Iproduction Iis Iinitiated Iabroad Ifor Ithe Inew Iproducts, Iso Istarts Ithe Isecond Istage.

In Ithe Isecond Istage Iof Ithe Icycle, Iforeign Iand Ihigh Iincome Icountry Iproduction Ibegins Ito Isupply Ithe Isame Iexport Imarket. IAs Iforeign Iproducers Ibegin Ito Iexpand Iand Igain Imore Iexperience, Itheir Icompetition Idisplaces Ithe Ihigh Iincome Iexport Iproduction Isource. IAt Ithis Ipoint Ihigh Iincome Icountries Ioften Idecide Ito Iinvest Iin Iforeign Icountries Ito Iprotect Itheir Ishare. IAs Iforeign Iproducers Iexpand, Itheir Igrowing Ieconomies Iof Iscale Imake Ithem Ia Icompetitive Isource Ifor Ithird Icountry Imarkets Iwhere Ithey Icompete Iwith Ihigh Iincome Iexporters. IThe Ifinal Iphase Iof Ithe Icycle Ioccurs Iwhen Ithe Iforeign Iproducer Iachieves Isuch Ia Iscale Iand Iexperience Ithat Iit Istarts Iexporting Ito Ithe Ioriginal Ihigh Iincome Iproducer Iat Ia Iproduction Icost Ilower Ithan Iits Ioriginal Ihigh Iincome Iproducer Iat Ia Iproduction Icost Ilower Ithan Iits Ioriginal Ihigh Iincome Isupplier. IHigh Iincome Iproducers, Ionce Ienjoying Ia Imonopoly Iin Itheir Iown Imarket, Inow Iface Icompetition Iat Ihome.

The Icycle Icontinues Ias Ithe Iproduction Icapability Iin Ithe Iproduct Iextends Ifrom Iother Iadvanced Icountries Ito Iless Ideveloped Icountries Iat Ihome, Ithen Iin Iinternational Itrade, Iand Ifinally, Iin Iother Iadvanced Icountries Ihome Imarkets.

**Case I1.2 IUK ITextiles**

There Iare Inumerous Iexamples Iof Ithe IInternational Iproduct Itrade Icycle Iin Iaction. INon Imore Ithan Ithe Itextiles Iindustry, Ispecially Icotton. IIn Ithe Iearly Iand Imid Itwentieth Icentury Ithe IUK Iwas Ia Imajor Iproducer Iof Icotton Itextile Imaterials, Iprimarily Ibased Ion Iits Iaccess Ito Icheap Iraw Imaterials Ifrom Iits ICommonwealth Icountries Iand Iits Irelatively Icheap Ilabour. IHowever, Iits Iformer Icolonies Ilike IIndia, IPakistan Iand Icertain IAfrican Icountries, Iwhich Iwere Isources Iof Icotton Iin Ithemselves Irealised Ithat Ithey Ihad Ithe Ilabour Iand Imaterials Ion Itheir Idoorstep Iconducive Ito Idomestic Iproduction. IThey Ibegan Ito Ido Iso. ISuch Iwas Itheir Isuccess Iin Isupplying Itheir Iown Ihuge Imarkets Ithat Itheir Iproduction Icosts Idropped Idramatically Iwith Igrowing Ieconomies Iof Iscale.

Soon Ithey Iwere Iable Ito Isupport Icloth Iand Ifinished Igood Iback Ito Ithe IUK, Iwhich Iby Inow Ihad Iexperienced Igrowing Iproduction Icosts Idue Ito Irising Ilabour Icosts Iand Ifailing Imarket Ishare. INow Ithe IUK Ihas Ilittle Icotton Imaterials Iproduction Iand Iit Iserved Iby Imany Icountries Iover Ithe Iworld, Iincluding Iits Iformer Icolonies Iand ICommonwealth Icountries.

Whilst Ithe Iunderlying Iassumption Ibehind Ithe IInternational IProduct ITrade ICycle Iis Ithat Ithe Icycle Ibegins Iwith Ithe Iexport Iof Inew Iproduct Iideas Ifrom Ihigh Iincome Icountries Ito Ilow Iincome Iimporters, Ithen Ilow Iincome Icountries Ibegin Iproduction Iof Ithe Iproduct Ietc., Ithings

Ido Inot Ialways Iturn Iout Ias Ithe Icycle Isuggests. ISometimes Ia Ihigh Ior Ieven Ilow Iincome Iexporter Imay Iput Ia Iproduct Iinto Ia Ihigh/low Iincome Icountry Iwhich Iis Isimply Iunable Ito Irespond. IIn Ithis Icase, Ithe ITrade ICycle Iceases Ito Ibe Ithe Iunderpinning Iconcept. IThis Imay Ibe Idue Ito Ia Inumber Iof Ifactors Ilike Ilack Iof Iaccess Ito Icapital Ito Ibuild Ithe Ifacilities Ito Irespond Ito Ithe Iimport, Ilack Iof Iskills, Ior Ithat Ithe Icosts Iof Ilocal Iproduction Icannot Iget Idown Ito Ithe Ilevel Iof Icosts Iof Ithe Iimported Iproduct. IIn Ithis Icase, Iproduct Isubstitution Ibetween Ithe Iexporter Iand Iimporter Imay Ialso Itake Iplace. IA Iclassic Iexample Iof Ithis Iphenomenon Iis Ithe Icase Iof IZimbabwe ISun Isplash Ifruit Ijuice Idrinks.

**Case I1.3 ISun Isplash IZimbabwe**

Sun Isplash, Ibased Iin IMasvingo, IZimbabwe Ihad, Isince I1984, Iprocessed Ia Ivariety Iof Ifruit Ijuices Ifor Ithe IZimbabwean Imarket. IWhen IZimbabwe Iembarked Ion Iits IWorld IBank Isponsored Istructural Iadjustment Iprogrammed Iin I1990, IZimbabwe Isteadily Imoved Ifrom Ia Icommand Ito Ia Imarket Ieconomy, Ipart Iof Iwhich Iallowed Iforeign Iimporters.

In Ia Ishort Ispace Iof Itime, Imarket Ishare Ifor ISun Isplash Ifell Ifrom I1 Imillion Iliters Iannually Ito Ia Imere I400 I000 Iliters. IOn Ithis Ireduced Ivolume, Icoupled Iwith Ihigher Itransport Icosts, Ithe Icompany Isimply Icould Inot Icompete Iand Iclosed Iits Idoors Iin IJanuary I1995. IHowever Ireduction Iin Iincome Iand Itransport Icosts Iwere Inot Ithe Ionly Iproblems. IExpenses Ilike Ihigh-interest Irates Iwere Ian Iinhibiting Ifactor. IThe Icompany Ineeded Ito Imake Ithe Itransition Ito Iaseptic Ipackaging Iwhich Iwould Ialleviate Ithe Ineed Ifor Ichemical Ipreservations Iand Ienhance Iunrefrigerated Ishelf Ilife. IThe Inew Ipackaging Iwould Ihave Igreatly Ienhanced Ithe Iproduct Iand Igenerated Iexport Ipotential. IHowever, Icashflow Iconstraints Iwithin Ithe Iholding Icompany, I(AFDIS), Icoupled Iwith Ihigh-interest Irates Imade Ithe I$5,8 Imillion Iinvestment Iunviable.

**The Iorientation Iof Imanagement:**

Perlmutter[1] I(1967) Iidentified Ithe Idistinctive I"orientations" Iof Ithe Imanagement Iof Iinternational Iorganizations. IHis I"EPRG" Ischeme Iidentified Ifour Itypes Iof Iattitudes Ior Iorientations Iassociated Iwith Isuccessive Istages Iin Ithe Ievolution Iof Iinternational Ioperations.

· IEthnocentrism I- Ihome Icountry Iorientation I- Iexporting Isurplus.

· IPolycentrism I- Ihost Icountry Iorientation I- Isubsidiary Ioperation.

· IRegiocentrism I- Iregional Iorientation I- Iworld Imarket Istrategies.

· IEgocentrism I- Iworld Iorientation I- Iworld Imarket Istrategies.

The Ilatter Itwo Iare Ibased Ion Isimilarities Iand Idifferences Iin Imarkets, Icapitalizing Ion Isimilarities Ito Iobtain Icost Ibenefits, Ibut Irecognizing Idifferences.

**Market Iforces Iand Idevelopment**

Over Ithe Ilast Ifew Idecades Iinternationalism Ihas Igrown Ibecause Iof Ia Inumber Iof Imarket Ifactors Iwhich Ihave Ibeen Idriving Idevelopment Iforward, Iover Iand Iabove Ithose Ifactors Iwhich Ihave Ibeen Iattempting Ito Irestrain Iit. IThese Iinclude Imarket Iand Imarketing Irelated Ivariables.

Many Iglobal Iopportunities Ihave Iarisen Ibecause Iof Ithe Iclustering Iof Imarket Iopportunities Iworldwide. IOrganizations Ihave Ifound Ithat Isimilar Ibasic Isegments Iexist Iworldwide Iand, Itherefore, Ican Ibe Imet Iwith Ia Iglobal Iorientation. ICotton, Ias Ian Iingredient Iin Ishirting’s, Isuiting’s, Iand Icurtain Imaterial Ican Ibe Iglobally Imarketed Ias Inatural Iand Ifashionable. IOne Ican Isee Iin Ithe Istreets Iof INew IYork, ILondon, IKuala ILumper Ior IHarare, Iyouth Iwith Ithe Isame Istyle Iand Ibrand Iof Ibasketball Ishirts Ior IAmerican IFootball Ishorts. ICoca ICola Ican Ibe Iuniversally Iadvertised Ias I"Adds ILife" Ior Iappeal Ito Ia Ibasic Iinstinct I" IYou Ican't Ibeat Ithe IFeeling" Ior I"Come Ialive" Ias Iwith Ithe Icase Iof IPepsi. IOne Ican Iquestion I"what Ifeeling?", Ibut Ithat Iis Inot Ithe Ipoint. IThe Imore Iculturally Iunbounded Ithe Iproduct Iis, Ithe Imore Ia Iglobal Iclustering Ican Itake Iplace Iand Ithe Imore Ia Istandardized Iapproach Ican Ibe Imade Iin Ithe Idesign Iof Imarketing Iprogrammed.

This Istandardized Iapproach Ican Ibe Iaided Iand Iabetted Iwith Itechnology. ITechnology Ihas Ibeen Ione Iof Ithe Isingle Imost Ipowerful Idriving Iforces Ito Iinternationalism. IRarely Iis Itechnology Iculturally Ibound. IA Inew Ipesticide Iis Iavailable Ialmost Iglobally Ito Iany Iagricultural Iorganisation Ias Ilong Ias Iit Ihas Ithe Imeans Ito Ibuy Iit. IComputers Iin Iagriculture Iand Iother Iapplications Iare Iused Iuniversally Iwith IIBM Iand IMacintosh Ibecoming Ihousehold Inames. IThe Ineed Ito Irecoup Ilarge Icosts Iof Iresearch Iand Idevelopment Iin Inew Iproducts Imay Iforce Iorganisations Ito Ilook Iat Iglobal Imarkets Ito Irecoup Itheir Iinvestment. IThis Iis Icertainly Itrue Iof Imany Iveterinary Iproducts. IGlobal Ivolumes Iallow Icontinuing Iinvestment Iin IR I& ID, Ithus Ihelping Ifirms Ito Iimprove

Iquality. IFarm Imachinery, Ifor Iexample, Irequires Ivolume Ito Igenerate Iprofits Ifor Ithe Idevelopment Iof Inew Iproducts.

Communications Iand Itransport Iare Ishrinking Ithe Iglobal Imarket Iplace. IValue Iadded Imanufacturers Ilike ICadbury, INestlè, IKelloggs, IBeyer, INorsk IHydro, IMassey IFerguson Iand IICI Ifind Ithemselves I"under Ipressure" Ifrom Ithe Imarket Iplace Iand Idistributors Ialike Ito Iposition Itheir Ibrands Iglobally. IIn Imany Icases Ithis Imay Imean Ian Iadaption Iin Iadvertising Iappeals Ior Imessages Ias Iwell Ias Ipackaging Iand Iinstructions. INestle Iwill Inot Ibe Iin Ia Ihurry Ito Irepeat Iits Idisastrous Iexperience Iof Ithe I"Infant Iformula" Isaga, Iwhereby Iit Ifailed Ito Irealise Ithat Ithe Iability Ito Ifind, Iboiled Iwater Ifor Iits Ipreparations, Icoupled Iwith Ithe Iliteracy Ilevel Ito Iread Ithe Iinstructions Iproperly, Iwere Inot Iuniversal Iphenomenon.

Marketing Iglobally Ialso Iprovides Ithe Imarketer Iwith Ifive Itypes Iof I"leverage" Ior I"advantages", Ithose Iof Iexperience, Iscale, Iresource Iutilisation Iand Iglobal Istrategy. IA Imulti-product Iglobal Igiant Ilike INestle', Iwith Iover I£10 Ibillion Iturnover Iannually, Ioperates Iin Iso Imany Imarkets, Ibuys Iso Imuch Iraw Imaterial Ifrom Ia Ivariety Iof Ioutgrowers Iof Idifferent Isizes, Ithat Iits Iinternational Ileverage Iis Ihuge. IIf Iit Iconsumes Ia Ithird Iof Ithe Iworld's Icocoa Ioutput Iannually, Ithen Iit Iis Iin Ia Iposition Ito Idominate Iterms. IThis Ialso Ihas Iits Idangers.

The Igreatest Ilift Ito Iproducers Iof Iraw Iagricultural Iproducts Ihas Ibeen Ithe Ialmost Iuniversal Inecessity Ito Iconsume Itheir Iproduce. IIf Ione Iconsiders Ithe Iwhole Irange Iof Imaterials Ifrom Itheir Iraw Ito Ivalue Iadded Istate Ithere Iis Ihardly Ia Imarket Isegment Iwhich Icannot Ibe Itapped Iglobally. ITake, Ifor Iexample, Ioranges. INot Ionly Iare IBrazilian, IIsraeli, ISouth IAfrican Iand ISpanish Ioranges Iin Idemand Iin Itheir Iraw Istate Iworldwide, Ibut Itheir Idownstream Idevelopments Iare Iequally Iin Idemand. IOrange Ijuice, Iconcentrates, Isegments Iand Iorange Ipigments Iare Iglobally Idemanded. IIn Iaddition Ithe Iancillary Iproducts Iand Iservices Irequired Ito Imake Ithe Iorange Iindustry Iwork, Ifind Ithemselves Iequally Iin Iglobal Idemand. ISo Iinsecticides, Ichemicals, Imachinery, Itransport Iservices, Ifinancial Iinstitutions, Iwarehousing, Ipackaging Iand Ia Iwhole Irange Iof Iother Iproduction Iand Imarketing Iservices Iare Iin Idemand, Imany Iprovided Iby Iglobal Iorganisations Ilike IBeyer, IBritish IAirways Iand IBarclays IBank. IOf Icourse, Imany Iraw Imaterials Iare Iat Ithe Imercy Iof Iworld Iprices, Iand Iso Imany Ideveloping Icountries Ifind Ithemselves Iat Ithe Imercy Iof Isupply Iand Idemand Ifluctuations. IBut Ithis Ihighlights Ione Iimportant Iglobal Ilesson I- Ithe Ineed Ito Istudy Imarkets Icarefully. ITobacco Iproducing Icountries Iof Ithe Iworld Iare Ifinding Ithis Iout. IWith Ia Igrowing Itrend Iaway Ifrom Itobacco Iproducts Iin Ithe Iwest, Inew Imarkets Ior Iincreasing Ivolumes Iinto Iconsuming Imarkets Ihave Ito Ibe Iprospected Iand Ideveloped. IMany Iagricultural Icommodities Itake Itime Ito Imature. IAn Iorange Igrove Iwill Imature Iafter Ifive Iyears. IBy Ithat Itime Ianother Icountry Imay Iplant Ior Ihave Iits Itrees Imature. IUnless Ithese Idevelopments Iare Ipicked Iup Iby Iglobal Iintelligence Ithe Iplans Ifor Ia Ibig Iprofit Imay Ibe Inot Irealised Ias Ithe Iextra Ivolume Isupplied Idepresses Iprices. IThis Ihappened Iin I1993/94 Iwith Ithe IMalawian Iand IZimbabwean Itobacco Icompanies. IThe Iunexpected Irelease Iof IChinese Itobacco Idepressed Ithe Itobacco Iprice Iwell Ibelow Iexpectations, Ileaving Ifarms Iwith Istock Iand Ilarge Iinterest Icarrying Iproduction Iloans.

A Inumber Iof Isuppliers Iof Iagricultural Iproduce Ican Itake Iadvantage Iof I"off Iseason" Iin Iother Icountries, Ior Ithe Ifact Ithat Ithey Iproduce Ispeciality Iproducts. IThis Iis Ithe Iway Iby Iwhich Imany IEast IAfrican Iand ISouth IAmerican Iproducers Iestablished Ithemselves Iin IEurope Iand Ithe IUSA Irespectively. IIn Ifact Ithe Icase Iof IKenya Ivegetables Ito IEurope Iis Ia Iclassic, Icovering Imany Iof Ithe Ifactors Iwhich Ihave Ijust Ibeen Idiscussed-improved Itechnology, Iemerging Iglobal Isegments, Ishrinking Icommunications Igaps Iand Ithe Idrive Ito Idiversify Iproduct Iranges.

**Case I1.4 IKenya IOff ISeason IVegetables**

Kenya's Iexport Iof Ioff Iseason Iand Ispeciality Ivegetables Ihas Ibeen Isuch Ithat Ifrom I1957 Ito Ithe Iearly I1990s Iexports Ihave Igrown Ito I26 I000 Itonnes Iper Iannum. IKenya Itook Iadvantage Iof*:*

a) Iincreased Ihealth Iconsciousness, Iincreased Iaffluence Iand Iforeign Itravel Iof IWest IEuropean Iconsumers;

b) Iimproved Itechnologies Iand Idistribution Iarrangements Ifor Ifresh Iproducts Iin IWestern IEurope;

c) Ithe Iemergence Iof Ilarge Iimmigrant Ipopulations Iin Iseveral IEuropean Icountries:

d) Iprogrammes Iof Idiversification Iby Iagricultural Iexport Icountries Iand

e) Iincreased Iuplift Ifacilities Iand Icold Istore Itechnologies Ibetween IEurope Iand IKenya.

Exports Istarted Iin I1957, Ivia Ithe IHorticultural ICooperation IUnion, Iwhich Ipioneered Ithe

IEuropean I"off Iseason" Itrade Iby Isending Ismall Iconsignments Iof Igreen Ibeans, Isweet Ipeppers, Ichillies Iand Iother Icommodities Ito Ia ILondon Ibased Ibroker Iwho Isold Ithem Ito Iup Imarket Ihotels, Irestaurants Iand Idepartment Istores. IFrom Ithese Ibeginnings IKenya Ihas Icontinued Ito Igive Ihigh Iquality, Ihigh Ivalue Icommodities, Iservicing Iniche Imarkets. IUnder Ithe Icolonialists, Iproduction Iremained Ismall, Iunder Ithe Imisguided Ireasoning Ithat IKenya Iwas Itoo Ifar Ifrom Imajor Imarkets. ISo Iirrigation Ifor Iproduction Iwas Ilimited Iand Ithe Imarkets Iserved Iwere Itourists Iand Ithe Isettlers Iin IKenya Iitseff.

The I1970s Isaw Ian Iincreased Itrade Ias Iprivate Iinvestment Iin Iirrigation Iexpanded, Iand Iair Ifreight Ispace Iincreased, Ithe Iintroduction Iof Iwide Ibodied Iaircraft, Iand Itrading Irelationships Igrew Iwith IEuropean Idistributors. IKenya, Iemerged Ias Ia Imajor Isupplier Iof Ihigh Iquality Isweet Ipeppers, Icourgettes Iand IFrench Ibeans Iand Ia Imajor Isupplier Iof I"Asian" Ivegetables I(okra, Ichillies Ietc.) Ito Ithe IUK Igrowing Iimmigrant Ipopulation. IKenya Iwas Ifavoured Ibecause Iof Iits Iability Ito Isupply Iall Iyear Iround I- Ia Icompetitive Iedge Iover Iother Isuppliers. IWhilst Ithe IUK Idominated, IKenya Ibegan Isupplying Ito Iother IEuropean Imarkets.

Kenya's Icomparative Iadvantage Iwas Ibased Ion Iits Ilow Ilabour Icosts, Ithe Icountry's Ilocation Iand Iits Idiverse Iagro-ecological Iconditions. IThese Ifacilitated Ithe Idevelopment Iof Ia Idiversified Iproduct Irange, Iall Iyear Iround Isupply Iand Ibetter Iqualities Idue Ito Ilabour Iintensity Iat Iharvest Itime. IKenya's Iairfreight Icosts Iwere Ikept Ilow Idue Ito Igovernment Iintervention, Ibut Ilower Icosts Iof Iproduction Iwere Inot Iits Istrength.

This Ilay Iin Iits Iability Ifor Icontinuance Iof Isupply, Ibetter Iquality Iand IKenyan Iknowledge Iof Ithe IEuropean Iimmigrant Ipopulation. IKenya's Irapidly Igrowing Itourist Itrade Ialso Iaccelerated Iits Icanning Iindustry Iand Iwas Iable Ito Itake Isurplus Iproduction.

In Ithe I1980's IKenya Ihad Iits Iups Iand Idowns. IWhilst Ilosing Iout Ion Itemperature Ivegetables I(courgettes Ietc) Ito Ilower Icost IMediterranean Icountries, Iit Iincreased Iits Ishare Iin IFrench Ibeans Iand Iother Ispeciality Ivegetables Isignificantly Igetting Idirect Ientry Iinto Ithe Isupermarket Ichains Iand Ialso IKenya Ibroke Iinto Itropical Ifruits Iand Icut Iflowers I- Ia Imajor Isuccess. IWith Ithe Idevelopment Iand Iorganisation Ior Imany Ismall I"outgrowers", Ichannelled Iinto Ithe Iexport Imarket Iand Ithus Iwidening Ithe Iexport Ibase, Ithe Iindustry Inow Iprovides Ian Iimportant Isource Iof Iincome Iand Iemployment. IIt Ialso Ihas Ia Ihighly Ideveloped Iinformation Isystem, Icoordinated Ithough Ithe IKenya IHorticultural ICrops IDevelopment IAuthority.

Kenya Iis Ithus Ia Iclassic Icase Iin Iits Iexport Ivegetable Iindustry Iof Itaking Iadvantage Iof Iglobal Imarket Iforces. IHowever, Ift Ihas Ito Ilook Ito Iits Ilaurels Ias IZimbabwe Iis Irapidly Ibeginning Ito Idevelop Ias Ianother Isource Iof Iflowers Iand Ivegetables, Iparticularly Ithe Iformer.

Whilst Ithe Iforces, Imarket Iand Iotherwise, Ihave Ibeen Ioverwhelming Iin Itheir Ipush Ito Iglobalisation, Ithere Iremain Ia Inumber Iof Inegatives. IMany Iorganisations Ihave Ibeen Iput Ioff Ior Ihave Inot Ibothered Igoing Iinto Iglobal Iindustry Idue Ito Ia Ivariety Iof Ifactors. ISome Ihave Ifound Ithe Ineed Ito Iadapt Ithe Imarketing Imix, Iespecially Iin Imany Iculture Ibound Iproducts, Itoo Idaunting. ISimilarly Ibrands Iwith Ia Istrong Ilocal Ihistory Imay Inot Ieasily Itransfer Ito Iother Imarkets. INational IBreweries Iof IZimbabwe, Ifor Iexample, Imay Inot Ifind Itheir IChibuku Ibrand Iof Ibeer I(brewed Iespecially Ifor Ithe Ilocals) Ian Ieasy Itransboundary Itraveller. IMore Ioften Ithan Inot Isheer Imanagement Imyopia Imay Iset Iin Iand Imanagement Imay Ifail Ito Iseize Ithe Iexport Iopportunity Ialthough Iproducts Imay Ibe Ilikely Icandidates. ISimilarly Iorganisations Imay Irefuse Ito Idevolve Iactivities Ito Ilocal Isubsidiaries.

Other Inegative Iforces Imay Ibe Icreated Iby IGovernments. ISimply Iby Icreating Ibarriers Ito Ientry, Ilocal Ienterprises Imay Ibe Iprotected Ifrom Iinternational Icompetition Ias Iwell Ias Ithe Ilocal Imarket. IThis Iis Itypical Iof Imany Ideveloping Icountries, Ianxious Ito Iget Itheir Ifledging Iindustries Ioff Ithe Iground.

**The Iinternational Ieconomic Isystem**

Several Ifactors Ihave Icontributed Ito Ithe Igrowth Iof Ithe Iinternational Ieconomy Ipost IWorld IWar III. IThe Iprincipal Iforces Ihave Ibeen Ithe Idevelopment Iof Ieconomic Iblocs Ilike Ithe IEuropean IUnion I(EU) Iand Ithen Ithe I"economic Ipillars"- Ithe IWorld IBank I(or IInternational IBank Ifor IReconstruction Iand IDevelopment Ito Igive Iits Ifull Iname), Ithe IInternational IMonetary IFund I(IMF) Iand Ithe Ievolution Iof Ithe IWorld ITrade IOrganisation Ifrom Ithe Ioriginal IGeneral IAgreement Ion ITariffs Iand ITrade I(GATT).

Until I1969 Ithe Iworld Ieconomy Itraded Ion Ia Igold Iand Iforeign Iexchange Ibase. IThis Iaffected Iliquidity Idrastically. IAfter I1969 Iliquidity Iwas

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Ieased Iby Ithe Iagreement Ithat Imember Inations Ito Ithe IIMF Iaccept Ithe ISpecial IDrawing IRights I(SDR) Iin Isettling Ireserve Itransactions. INow Ian Iinternational Ireserve Ifacility Iis Iavailable. IRecently, Ithe IWorld IBank Ihas Itaken Ia Ivery Iactive Irole Iin Ithe Ireconstruction Iand Idevelopment Iof Ideveloping Icountry Ieconomies, Ia Ipoint Iwhich Iwill Ibe Iexpanded Ion Ilater.

Until Ithe IGeneral IAgreement Ion ITariffs Iand ITrade I(GATT) Iafter IWorld IWar III, Ithe Iworld Itrading Isystem Ihad Ibeen Irestricted Iby Idiscriminating Itrade Ipractices. IGATT Ihad Ithe Iintention Iof Iproducing Ia Iset Iof Irules Iand Iprinciples Ito Iliberalise Itrade. IThe Imost Ifavoured Ination Iconcept I(MFN), Iwhereby Ieach Icountry Iagrees Ito Iextend Ito Iall Icountries Ithe Imost Ifavourable Iterms Ithat Iit Inegotiates Iwith Iany Icountry, Ihelped Ireduce Ibarriers. IThe I"round" Iof Italks Ibegan Iwith IKennedy Iin Ithe I60s Iand ITokyo Iof Ithe I70s. IThe Ilatest Iround, IUruguay, Iwas Irecently Iconcluded Iin IApril I1994 Iand Iratified Iby Imost Icountries Iin Iearly I1995. IDespite Ithese Itrade Iagreements, Inon Itariff Ibarriers Ilike Iexclusion Ideals, Istandards Iand Iadministrative Idelays Iare Imore Idifficult Ito Ideal Iwith. IA Isimilar Isystem Iexists Iwith Ithe IEuropean IUnion, I- Ithe ILomè Iconvention. IUnder Ithis Ideal, IAfrican Iand ICaribbean Icountries Ienjoy Ifavoured Istatus Iwith IEU Imember Icountries.

Relative Iglobal Ipeace Ihas Iengendered Iconfidence Iin Iworld Itrade. IEncouraged Iby Ithis Iand Ithe Iavailability Iof Ifinance, Iglobal Icorporations Ihave Ibeen Iable Ito Iexpand Iinto Imany Imarkets. IThe Ibreak Iup Iof Ithe Iformer ISoviet IUnion Ihas Iopened Iup Ivast Iopportunities Ito Iinvestors, Iaided Iby Ithe IWorld IBank Iand Ithe IEuropean IDevelopment IBank. IThis Iatmosphere Iof Ipeace Ihas Ialso Iallowed Ithe Isteady Iupward Itrend Iof Idomestic Igrowth Iand Iagain Iopened Iup Imarket Iopportunities Idomestically Ito Iforeign Ifirms. IPeace Iin IMozambique, Ithe I"normalisation" Iof ISouth IAfrica, Iand Ipeace Iin IVietnam Ias Iexamples Ihave Iopened Iup Ithe Iway Ifor Idomestic Igrowth Iand Ialso, Itherefore, Iforeign Iinvestment. IThe Iliberation Iof Ieconomies Iunder IWorld IBank Isponsored Istructural Iadjustment Iprogrammes Ihave Ialso Igiven Iopportunities. IThis Iis Ivery Itrue Iof Icountries Ilike IZambia Iand IZimbabwe, Iwhere Iin Ithe Ilatter, Ifor Iexample, Iover IZ$2.8 Ibillion Iof Iforeign Iinvestment Iin Ithe Istock Iexchange Iand Imining Iprojects Ihave Ioccurred Iin Ithe Iearly I1990s.

Sometimes, Imarket Iopportunities Iopen Iup Ithrough I"Acts Iof IGod". IThe Igreat Idrought Iof I1992 Iin ISouthern IAfrica, Inecessitated Ia Ilarge Iinflux Iof Iforeign Iproduce, Iespecially Iyellow Imaize Ifrom Ithe IUSA Iand ISouth IAmerica.

Not Ionly Idid Ithis Igive Ia Imarket Ifor Imaize Ionly, Ibut Iopened Iup Iopportunities Ifor Itransport Ibusinesses Iand Iservices Ito Iserve Ithe Idrought Istricken Iareas. ISpeedy Icommunications Ilike Iair Itransportation Iand Ielectronic Idata Itransmission Iand Itechnology Ihave I"shrunk" Ithe Iworld. ICosts Iand Itime Ihave Ireduced Ienormously Iand Iwith Ithe Iadvent Iof Itelevision, Ipeople Ican Isee Iwhat Iis Ihappening Ielsewhere Iand Ithis Ican Icause Idesire Ilevels Ito Irise Idramatically. IOnly Irecently Ihas Itelevision Ibeen Iintroduced Iinto ITanzania, Ifor Iexample, Iand Ithis Ihas Ibrought Ithe Iworld Iand Iits Imarkets, Icloser Ito Ithe Iaverage ITanzanian.

No Idoubt Ia Igreat Iimpetus Ito Iglobal Itrade Iwas Ibrought Iabout Iby Ithe Idevelopment Iof Ieconomic Iblocs, Iand, Iconversely, Iby Ithe Icollapse Iof Iothers. IBlocs Ilike Ithe IEuropean IUnion I(EU), IASEAN, Ithe INorth IAmerican IFree ITrade IAgreement I(NAFTA) Iwith Ithe IUSA, ICanada Iand IMexico Ihas Icreated Imarket Iopportunities Iand Ichallenges. INew Icountries Iare Itrying Ito Ijoin Ithese Iblocs Iall Ithe Itime, Ibecause Iof Ithe Ieconomic, Isocial Iand Iother Iadvantages Ithey Ibring. ISimilarly, Ithe Icollapse Iof Ithe Iold Icommunist Iblocs Ihave Igiven Irise Ito Iopportunities Ifor Iorganisations Ias Ithey Istrive Ito Iget Iinto Ithe Inew Imarket Ibased Ieconomies Irising Ifrom Ithe Iruins. IThis Iis Icertainly Ithe Icase Iwith Ithe Iformer ISoviet Ibloc.

In Ithe Ilate I1980s Iand Iearly I90s, Ithe IUnited IStates, Ialong Iwith IJapan, Ihave Ibeen Iplaying Ian Iincreasingly Iinfluential Irole Iin Iworld Iaffairs, Iespecially Iwith Ithe Icollapse Iof Ithe Iformer IUSSR. IWhilst Ion Ithe Ione Ihand Ithis Iis Igood, Ias Ithe IUSA Iis Icommitted Ito Iworld Iwelfare Idevelopment, Iit Ican Ibe Iat Ia Iprice. IThe IGulf IWar Icoalition Iof Ithe I90s, Iprimarily Iput Itogether Iby Ithe IUSA Ias Ithe Ileading Iplayer, Iwas Ian Iexample Iof Ithe Iprice.

**Impetus Ito Iglobal Imarketing Iinvolvement**

Individuals Ior Iorganisations Imay Iget Iinvolved Iin IInternational IMarketing Iin Ia Irather Iunplanned Iway Iwhich Igives Ithe Iimpetus Ito Imore Iformal Iand Ilarger Ioperations. IThis Imay Ihappen Iin Ia Inumber Iof Iways:

**Foreign Icustomers**

Unsolicited Ienquiries Ithrough Iword Iof Imouth, Ivisits, Iexhibitions, Iand Iexperience Ithrough

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Iothers Imay Iresult Iin Iorders. IThis Iis Ioften Itypical Iof Ismall Iscale Iorganisations.

**Importers**

Importers Imay Ibe Ilooking Ifor Iproducts Iunavailable Iin Idomestic Imarkets, Ifor Iexample, Imangoes Iin Ithe IUK, Ior Iproducts Iwhich Ican Ibe Iimported Ion Imore Ifavourable Iterms. IAn Iexample Iof Ithese Iis Iflowers Ifrom IKenya Ito IHolland.

**Intermediaries**

These Imay Ibe Iof Ifour Itypes I- Idomestic Ibased Iexport Imerchants, Idomestic Ibased Iexport Iagents, Iexport Imanagement Icompanies Ior Icooperative Iorganisations. IThese Iwill Ibe Iexpanded Ion Ilater Iin Ithis Itext. ISometimes Ian Iintermediary Imay Iprovide Iexport Iservices Iin Ian Iattempt Ito Ireduce Itheir Iown Icosts Ion Ithe Iexport Iof Itheir Iown Iproduce Iby Iacting Ias Ia Irepresentative Ifor Iother Iorganisations. IThis Iis Icalled I"piggybacking".

**Other Isources**

These Imay Iinclude Ibanks, Iexport Iorganisations Ilike IZIMTRADE, Iparastatals Ilike Ithe IKenyan IHorticultural ICrop IDevelopment IAuthority Ior Ieven Iindividual Iexecutives.

**Attitudes Ias Iprecursors Ito Iglobal Iinvolvement**

Cavusgil[3] I(1984) Ideveloped Ia Ithree-stage Imodel Iof Iexport Iinvolvement, Ibased Ion Ithe Ifact Ithat Ithe Iopportunity Ito Iexport Imay Iarise Ilong Ibefore Iexporting Ibehaviours Ibecame Imanifest. ISee Ifigure I1.2.

**Figure I1.2 ICavegirl's Ithree Istage Imodel Iof Iexport Iinvolvement**

According Ito ICavusgil Iattitudes Iare Idetermined Iby Ithe Ioperating Istyle Iof Ithe Iorganisation Iand Icultural Inorms Iwhich Iprevail Iin Ithe Idomestic Imarket. IAn Iorganisation's Istyle Imay Ibe Idefensive Ior Iprospective. IThe Ilatter Itype Iof Iorganisation Imay Isystematically, Ior Iin Ian Iad Ihoc Imanner, Isearch Iout Iinternational Iopportunities.

Culture Iplays Ia Ivital Ipart Iin Ithe Iinternationalisation Iprocess. IHakansson Iet Ial[4]. I(1982) Idemonstrated Ithat IGerman Iand ISwedish Ifirms Iinternationalise Imuch Iearlier Iin Itheir Icorporate Ihistory Ithan Ido IFrench Ior IBritish Icompanies. IAfrican Iculture Iis Inot Ilittered Iwith Iinternational Imarketers Iof Inote. IThis Imay Ibe Idue Ito Icolonialisation Ilate Iinto Ithe Itwentieth Icentury.

**Behaviour Ias Ia Iglobal Imarketing Iimpetus**

We Isaw Iearlier Iin Ithe Iinternationalisation Iprocess Ithat Iorganisations Imay Ievolve Ifrom Iexporting Isurplus Ior Iserving Iad Ihoc Ienquiries Ito Ia Imore Icommitted Iglobal Istrategy. IThis Igradual Ichange Imay Iinvolve Imoving Ifrom Igeographically Iadjacent Imarkets Ito Ianother, Isay, Ifor Iexample Ifrom Ithe ISouthern IAfrican IDevelopment IConference I(SADC) Ito IEurope. IHowever, Inot Iall Iglobalisation Itakes Iplace Ilike Ithis. IIn Ithe Icase Iof Ifresh Icut Iflowers, Ithese Imay Igo Ito Imajor, Ideveloped Icountry Iconsumer Icentres, Ifor Iexample Ifrom IHarare Ito ILondon Ior IAmsterdam Iand IFrankfurt. ILusaka Ior INairobi Imay Inever Isee IZimbabwe Iflowers. IIn Ianalysing Ibehaviour Ione Ihas Inot Ito Igeneralise. IWhat Iis Icertain, Iis Ithat Iin Iall Istages, Ithe Ibalance Iof Iopportunity Iand Irisk Iis Iconsidered.

**The Icontext Iof Iinternationalisation**

It Iis Iessential Ito Isee Iin Iwhat Icontext Iindividual Iorganisations Iview Iinternationalisation. IThe Iexisting Isituation Iof Ithe Ifirm Iwill Iaffect Iits Iinterest Iin Iand Iability Ito Iinternationalise. ISuch Imay Ibe Ithe Ilow Idomestic Iquality Iand Iorganisation Ithat Ia Ifirm Icould Inever Iexport. IIt Imay Inot Ihave Ithe Iresources Ior Ithe Iwill.

**Internationalization Iinfrastructure**

Johansson Iand IMattison[5] I(1984) Ihave Iexplored Ithe Inotion Iof Idifferences Iin Itasks Ifacing Iorganizations Iwhich Iinternationalize. IIn Ilow Iand Ihigh Iinfrastructure Isituations. I"Early Istarters" Iare Ilikely Ito Iexperiment Ior Idepend Ion Icontacts Iwith Iexperienced Iorganizations Iwhich Iknow Ithe Iprocess. I"Late Istarters" Imay Iuse Iexisting Icontacts Ias Ia I"bridge" Ito Inew Iopportunities. IThey Imay Ialso Ibe Ipressurized Iby Icustomers, Isupplies Ior Icompetitors Ito Iget Iinto Ijoint Iventuring. IJoint Iventuring, Iwith Iits Iadded Iinfrastructure, Imay Ilead Ito Irapid Iprogress. IIf Ithe Iorganization Ifaces Iintense Icompetition Ithen Iit Imay Ibe Iforced Ito Iup Ithe Ipace Iand Iscale Iof Iforeign Iinvestment. IRising Iprotectionism Iin Irecent Iyears Ihas Igiven Iimpetus Ito Ilate Istarters Ito Iestablish Iproduction Ifacilities Iin Itarget Imarkets. IInfrastructure Ifor Iforeign Ioperations Imay Ialso Ichange I(firms Ialso Ireduce Itheir Iinvestment Ias Iwell Ias Iinvest). IWhen Ithis Ihappens Ithe Iperceived Irisk Ichanges Ialso.

This Idiscussion Ion Iinternational Iinfrastructure Iconcludes Ithe Ifactors Iwhich Ihave Iled Ito Iinternationalization. IIt Iis Ia Icomplex Ifocus Iof Iinternal Iand Iexternal Ifactors Iand Ilooking Icarefully Iat Irisk Iversus Iopportunities.

**Planning Ito Imeet Ithe Iopportunities Iand Ichallenges Iof Iglobal Imarketing**

In Iorder Ito Itake Iadvantage Iof Iglobal Iopportunities, Ias Iwell Ias Imeet Ithe Ichallenges Ipresented Iby Iso Idoing Ia Inumber Iof Iconcepts

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Ican Ibe Iparticularly Iuseful. IEvery Iorganisation Ineeds Ian Iunderstanding Iof Iwhat Iis Iinvolved Iin I"strategy", Ior Ielse Ithe Ihapharzardness Iinvolved Iin Ichance Iexporting Ican Ibe Iaccepted Ias Ithe Inorm Iwith Iall Iinherent Idangers Iinvolved. IAlso Ipotential Iexporters Ineed Ito Iknow Iwhat Iis Igoing Ion Iin Ithe Iglobal I"environment". IJust Ias Iin Idomestic Imarketing I"Government" I"competition", I"social" Iand Iother Ifactors Ineed Ito Ibe Iaccounted Ifor, Isuch Iis Ithe Icase Iin Iinternational Imarketing. IIf Ione Ican Iplace Iproducts Ior Iservices Iat Ia Ipoint Ion Ian Ienvironmental Isensitivity/insensitivity Icontinuum, Ione Ican Isee Imore Iclearly Ithe Ineed Ito Iaccount Ifor Idifferences Iin Ithe Imarketing Imix. IBy Icomparing Ithe Isimilarities Iand Idifferences Ibetween Idomestic Iand Iinternational Imarketing Ineeds Iand Iplanning Irequirements, Ithen Ithe Iorganisation Iis Iin Ia Ibetter Iposition Ito Iisolate Ithe Ikey Ifactors Icritical Ito Isuccess. IThis Isection Iexamines Iall Ithese Iconcepts Iin Ibrief.

**Strategy**

Whatever Ibusiness Iwe Iare Iin, Ihaphazard Iorganisation Ioften Ileads Ito Ihaphazard Iresults. IIn Iplanning Ifor Iinternational Imarketing Iorganisations Ineed Ia Iclear Ipicture Iof Ithe Isteps Iinvolved. I"Strategy" Igives Isuch Ia Ipicture. IStrategy Iis Ithe Iresponse Iof Ithe Iorganisation Ito Ithe Irealities Iof Ishareholders Iand Ithe Ibusiness Ienvironment. IThe Iphases Iin Ithe Istrategy Iformulation Iprocess Iare Igiven Ion Ifigure I1.3.

**Figure I1.3 IStrategy Iformulation**

**The Iglobal Ienvironment**

Of Iall Ithe Isteps Iin Iformulating Istrategy, Ino Ione Istep Iis Ias Iimportant Ias Ithe Iability Ito Iassess Ithe I"environmental" Ifactors Iin Iinternational Imarketing. ITaking Iaccount Iof Icultural, Ieconomic Iand Ipolitical Idifferences Iis Ia Imust Iwhen Idealing Iwith Idifferent Imarkets. IMore Iwill Ibe Isaid Ion Ithese Ifactors Iin Ilater Ichapters. IEnvironmental Ianalysis Iallows Ithe Iorganisation Ito Icluster Imarkets Iaccording Ito Isimilarities Iand Idifferences, Ibased Ion Ithe Ienvironmental I"uncontrollable" Ifactors. IThe Iinternational I"uncontrollables" Iare Iin Iaddition Ito Ithe Iorganisation's Idomestic I"uncontrollables" Iso Ineed Ito Ibe Itreated Iwith Iextra Icare. IFigure I1.4 Ishows Ithe Imajor Ienvironmental Ifactors Ito Ibe Iconsidered. IIt Imust Ibe Inoted Ithat Iaccording Ito Ithe I"relationship" Imarketing Ischool Iof Ithought, Ithe Iso Icalled I"incontrollables" Ican Ibe Imade Imore I"controllable" Iby Ibuilding Irelationships Iwith Ithe Iinfluences Iof Ithese Ifactors. IFor Iexample, Iif Ian Iexporter Iof Ihorticultural Iproduce Iwishes Ito Ibe Iable Ito Ianticipate Ichanges Iin Ithe Ipolitical Ienvironment, Iit Imay Ibuild Ia Irelationship Iwith Icertain Ipoliticians Iwho Imay Ihave Iintimate Iknowledge Iof Ithe Ipolitical Isystem. IThis Ishould Inot, Iof Icourse, Ibe Imisconstrued Ias I"insider Iinformation". IHowever, Ihaving Imade Ithis Icaveat, Ithis Itext Iwill Itreat Ithe I"incontrollables" Iin Ithe Iconventional Iway.

**Figure I1.4 IForeign I"uncontrollables"-in Ithe Iglobal Imacroenvironment**

**International Ienvironment**

An Ianalysis Iof Ithe Ienvironmental Iuncontrollables Iallows Ithe Ipotential Imarketers Ito Iplace Iproducts Ion Ia Icontinuum Iof Ienvironmental Isensitivity. IAt Ithe Ione Iend Iare Ienvironmentally Iinsensitive Iproducts Iand Iat Ithe Iother Iend, Ithose Imore Isensitive Ito Ieconomic, Isociocultural, Iphysical Iand Iother Ifactors. IThe Igreater Ithe Isensitivity, Ithe Igreater Ithe Ineed Ifor Ithe Iorganisation Ito Ilearn Ithe Iway Ithe Iproduct Iinteracts Iwith Ithe Ienvironment. IAn Iexample Iis Igiven Ibelow I(figure I1.5).

**Figure I1.5 IEnvironmental Isensitivity Framework Ifor Iinternational Ianalysis**

In Iorder Ito Iput Itogether Ithe Itask Iof Ifinding Ithe Idifferences Iand Isimilarities Iin Ienvironmental Iand Imarket Ianalysis, Ia Iframework Ineeds Ito Ibe Idevised. IWhere Iunifying Iinfluences Iare Ifound Ithen Ithe Imarketer Iis Iable Ito Idevelop Imore Istandardised Iplans. IWhen Ithere Iare Ia Ilarge Inumber Iof Idifferences, Ithen Iplans Ihave Ito Ibe Idesigned Iadapted Ito Icircumstances. IFigure I1.6 Igives Ia Iframework Ifor Ithe Iprocess Iof Iidentifying Isimilarities Iand Idifferences.

**Figure I1.6 IA IConceptual Iframework Ifor Imultinational Imarketing: INational Imarket Iversus Iother Inations**

Once Ihaving Iidentified Ithe Iunifying Iand Idifferentiating Iinfluences Iand Ianswered Imany Iquestions Iabout Iwhere Ione Icould Ior Icould Inot Istandardise Ithe Imarketing Iplanning Iprocess Ithen Ia Iconceptual Iframework Ifor Imultinational Imarketing Iplanning Ican Ibe Ideveloped. IOne Isuch Iconceptual Iframework Iis Igiven Iin Ifigure I1.7.

**Figure I1.7 IA Iconceptual Iframework Ifor Imultinational Imarketing Iin Iconstraint Ieconomies**

Key Iquestions Ifor Ianalysis, Iplanning Iand Icontrol Iof Imarketing Iin Iconstraint Ieconomies.

a) IPrinciple Iconstraint Ianalysis

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i) IGovernment's Iattitude Ito Iemployment, Iforeign Iintervention, Iforeign Iexchange, Iindebtedness Iand Ipolicies
ii) IGovernment's Ipolicy Iof Ieconomic Idevelopment, Iforeign Iexchange, Ibarter Ideals, Iequity Iarrangements, Iremittance Iof Ifunds, Istate Iintervention, Iprivate Isector Idevelopment Iand Iimport Isubstitution?
iii) IGovernment's Isocial Iobjectives Iincluding Iindegenisation, Isubsidies, Ipopulation Iand Isocialisation?
iv) ILaws, Itariffs, Iduties, Itrade Iregulations, Ibalance Iof Ipayments, Ilicensing Iand Ilabour Ilaws?

Leading Ito Ian Ieconomic Ianalysis

Gathering I*of Iappropriate* Idata Ion:
b) IAppropriate Ienvironmental Ivariable Idata
i) IMarket Icharacteristics-physical, Icultural, Isize, Igrowth Irate, Istage Iof Idevelopment?
ii) IMarket Iinstitutions I- Idistribution, Imedia, Iresearch, Iservices?
iii) IIndustry Iconditions- Isize, Ipractices, Idevelopment Istage, Iappropriate Itechnology?
iv) IResources- Imanpower Iand Imoney?

**Planning**

c)Target Icountry Iexperts Ior Igeneralist Istaff Ito Iplan Ioperations?
d) IWhat Iare Ithe I*authorised* Itarget Imarkets Iand Ithe Iproduct Iappropriateness?
e) IMarket Isize?
f) IWhat Iis Ithe Istage Iof Idevelopment Iand Istrenght Iof Icompetition Iboth Istate Iand Iprivate?
g) IWhat Iis Ithe Iappropriate Iproduct/market Itechnology?
h) IWhat Iis Ithe Inecessary Iadaptaton Iof Ithe Imarketing Imix?
i) IHow Ido Ithe Igoverment Iand Icompany Iobjectives Icoincide?
j) IWhat Iis Ithe Itrading Irisk?
k) IWhat Igoverment/organisation Iinterface Iis Irequired? IHow Iare Ilicencies Iagreed Iand Iobtained? IWho Iare Ithe Iprinciple Icharacters?

**Structure**

l) IHow Idoes Ithe Icompany Ihave Ito Ibe Istructured Ito Imeet Ithe Igovernment, Ieconomic Iand Isocial Iobjectives Ias Iwell Ias Icompany Iobjectives

**Plan Iimplementation**

m) IGiven Ithe Igoverment's Ipolicies, Iattitudes Iand Ieconomic Iand Isocial Iobjectives Ihow Iis Ian Ieffective Imarketing Iplan Idesigned, Iresouced Iand Iimplemented? Iwhat Idegree Iof Iadaptation Iand Icooperation Iis Irequired Iat Iall Ilevels? I(Government Imarketing Iinstitutions Iand Ifunction)? IWho Iwill Ibe Iresponsible Ifor Ieach Ilevel"?

**Controlling Ithe Imarket Iprogram**

n) IWho Iis Iresponsible Iand Ihow Iis Ithe Iplan Iperformance Imeasured Iand Imonitored?
o) IWhat Icontrols, Iother Ithan Iprofit Iare Irequired? IAre Iemployment Iand Iother Isuch Iobjectives Inecessary?
p) IHas Ithe Icompany Ithe Iability Iand Iauthority Ito Ialter Ithe Iparameters Ito Ibring Iactual Iresults Iinto Iline Iwith Idesired?
q) IWhat Iare Ithe Iprincipal Icontrol Iparameters? ICan Ithey Ibe Ieasily Iadjusted Iat Iall?
This Iframework Iis Iparticularly Irelevant Ito Ideveloping Ieconomies Iwhere Igovernment Iconstraints Iand Icontrols Itend Ito Ibe Imore Iintensive Ithan Ideveloped Ieconomies.

**Product Ilife/market Ilife Icycle**

Just Ias Iin Idomestic Imarketing Ithe Iconcept Iof Ithe IProduct ILife ICycle Ihas Ioften Ibeen Icited Ias Ia Iuseful I(but Ioften Imaligned!) Iplanning Iconcept, Iso Iit Ican Ibe Iuseful Iin Iinternational Imarketing. IFigure I1.8 Igives Ian Ioutline Iof Ithe IMarket ILife ICycle Iacross Iinternational Iboundaries.

**Figure I1.8 IThe Iproduct/market Ilife Icycle**

The Itraditional Ifour Istage Ilife Icycle I-Iintroduction, Igrowth, Imaturity, Idecline I- Iis Ia Iwell Idocumented Iphenomenon. IAttempts Iare Imade Iin Ithe Imaturity Istage Ito Iextend Ithe Icycle. IThe Imarket Ilife Icycle Iis Ivery Isimilar Iand Iwhat Iglobal Imarketers Ihave Ito Ibe Iwary Iof Iis Ithat Inot Iall Imarkets Iare Iat Ithe Isame Istage Iglobally. IIt Imay Ibe Iappropriate Ito Ihave Itractor Imounted Iditchers Iand Idiggers Iin IAfrica Ior Ithe IUK Iwhere Ilabour Iis Inot Itoo Iplentiful, Ibut Iin IIndia, Ithey Imay Ibe Ithe Ilast Ithing Irequired Iwhere Ilabour Iis Iplentiful Iand Ivery Icheap. ISo Ithe Iappropriate Imarketing Istrategy Iwill Ibe Idifferent Ifor Ieach Imarket.
It Iwould Ibe Ivery Ieasy Ito Idiscuss Ithe Iglobal Imarketing Idecision Ias Ia Icase Iof Ideciding Iwhether Ito Iexport Ior Istandardise Ior Iadapt Iyour Iproduct/market Ioffering. IThis Iis Ifar Ifrom Ithe Icase. IEven Ithe Ismallest Inuance Iof Ichange Iin Ithe Iglobal Ienvironment Ican Iruin Ia Icampaign Ior Iplan. IWhilst Ithe Iabove Idiscussion Ihas Itended Ito Ibe Itheoretical Iin Inature, Imost Iof Iit, Iif Inot Iall Iof Iit, Iis Iessential Iin Ipractice. IIn Ifood Imarketing Isystems Imany Itransactions Iand Idiscussions Itake Iplace Iacross Iinternational Iboundaries. IThis Iinvolves Ia Iclose Ilook Iat Iall Ithe Inecessary Ienvironmental Ifactors. IIf Ione Iconsiders Ifood Imarketing Ias Ithe Iphysical Iand

Ieconomic Ibridge Ilinking Iraw Imaterials Iproduction Iand Iconsumer Ipurchases Ithen Ia Iwhole Iseries Iof Iinterdependent Idecisions, Iinstitutions, Iresource Iflows Iand Iphysical Iand Ibusiness Iactivities Itake Iplace. IFood Imarketing Istimulates Iand Isupports Iraw Imaterial Iproduction, Ibalances Icommodity Isupply Iand Idemand Iand Istimulates Iend Idemand Iand Ienhances Iconsumer Iwelfare. IThis Iprocess Ioften Itranscends Iseveral Idifferent Iindustries Iand Imarkets, Imany Iof Ithem Icrossing Iinternational Iboundaries. IThe Iproduct Imay Ichange Iform, Ibe Igraded, Ipacked, Itransported Iand Inecessitate Iinformation Iflows, Ifinancial Iresources, Iinvoice Iand Iretailing Ior Iwholesaling Ifunctions. IIn Iaddition, Iquality Istandards Idesigned Ifor Iproducers Iand Itransporters Imay Iapply Ias Imay Iproduct Iimprovements. IIn Iother Iwords, Ithe Ibridge Imay Iinvolve Ia Iwhole Iset Iof Iutilities Iafforded Ito Ithe Iend Iuser I(time, Iplace Iand Iform), Iand Iadd Ivalue Iat Ieach Istage Iof Ithe Itransaction. IThis Isystem Iinvolves Inumerous Iindependent Iand Iinterdependent Iplayers Iand Iactivities. ITo Ishift Ia Iperishable Ilike Istrawberries I7000km Ifrom IHarare, IZimbabwe Ito Ithe IUK Irequires Ian Iextraordinary Icomplex Iseries Iof Iactivities, Iinvolving Iperfect Itiming. IThe Idetail Iinvolved Iin Ithis Iintricate Itransaction Iwill Ibe Iexplained Iin Ilater Ichapters.

With Icommodities, Iphysical, IGovernment Iand Ieconomic Ienvironmental Ifactors Iplaying Ia Imajor Irole Iin Iinternational Imarketing. ISo Idoes Iprice Iand Iquality Idifferentiation. IIn Ilater Iyears Ithe Ienormous Isuccess Iof Ithe IBrazilian Ifrozen Iconcentrated Iorange Ijuice Iindustry Ihas Ibeen Iattributable Inot Ionly Ito Ipoor Iclimatic Iconditions Iprevailing Iin Iits Icompetitive Icountries, Ibut Ithe Ifact Ithat Iits Iinvestment Iin Ilarge Iproduction Ieconomies Iof Iscale, Ibulk Itransport Iand Istorage Itechnologies Iconsiderably Ireduced Iinternational Itransport Icosts Iand Ifacilitated Iimproved Idistribution Iof Ithe Ijuice Ito, Iand Iwithin, Iimporting Icountries. IFrom Ia Icottage Iindustry Iin I1970, Iit Igrew Ito Iaccount Ifor I80% Iof Iworld Itrade Iby Ithe Iearly I1990's. IIts Isuccess, Itherefore, Ihas Ibeen Ibased Ion Iprice Iand Iadded Ivalue Iquality Idifferentiation.

International Imarketing Iis, Itherefore, Iquite Ia Icomplex Ioperation, Iinvolving Iboth Ian Iunderstanding Iof Ithe Itheoretical Iand Ipractical Iaspects Iinvolved. IPrescriptions Iare Itotally Iinappropriate.

This Iconcludes Ithe Idiscussion Ion Ithe Ireasoning Iwhy Iinternationalism Ihas Igrown Iand Ithe Inext Ichapters' Itook Imore Iclosely Iat Ithe Ienvironmental Ifactors Iwhich Ihave Ito Ibe Itaken Iinto Iaccount Iwhen Iconsidering Ito Imarket Iinternationally

**Immigrant IEntrepreneurship**

dward ILazear, IStanford Ieconomics Iprofessor Iand Iformer Ichairman Iof Ithe IPresident's ICouncil Iof IEconomic IAdvisers, Ihas Isaid, I“The Ientrepreneur Iis Ithe Isingle Imost Iimportant Iplayer Iin Ia Imodern Ieconomy” I(Lazear I2002: I1; Isee Ialso IHolcombe I1998). IThe Iemphasis Ion Ientrepreneurship Iand Ismall Iand Istartup Ibusinesses Ias Ikey Iengines Iin Ijob Icreation, Iinnovation, Iand Ieconomic Igrowth Ihas Ia Ilong Ihistory, Igoing Iback Ito IAdam ISmith. INot Isurprisingly, Igovernments Iaround Ithe Iworld Iview Ipromoting Ientrepreneurship Ias Ia Inational Iand Ilocal Ipriority. IThe Iinterest Iis Idriven Iprimarily Iby Ievidence Ithat Ismall Iand Iyoung Ibusinesses Icreate Ia Idisproportionate Ishare Iof Inew Ijobs Iin Ithe Ieconomy, Irepresent Ian Iimportant Isource Iof Iinnovation, Iincrease Inational Iproductivity, Iand Ialleviate Ipoverty I(Reynolds I2005, IOECD I2005, IU.S. ISmall IBusiness IAdministration I2011, IDecker Iet Ial. I2014).

A Ifrequently Iheld Iview, Ioften Isupported Iby Iresearch, Iis Ithat Iimmigrants Iare Iespecially Ientrepreneurial, Ia Isentiment Icommonly Ishared Iby Ipolicymakers Iand Ireflected Iin Iimmigration Ipolicies. IMany Ideveloped Icountries, Iincluding Ithe IUnited IStates, Ihave Icreated Ispecial Ivisas Iand Ientry Irequirements Iin Ian Iattempt Ito Iattract Iimmigrant Ientrepreneurs I(Fairlie Iand ILofstrom I2015). IIn Iaddition Ito Ipossible Icontributions Ito Ieconomic Igrowth, Iemployment, Iand Iinnovation, Iimmigrant Ibusiness Iownership Imay Ialso Iact Ias Ia Itool Ito Ienhance Iimmigrant Ilabor Imarket Iintegration Iand Isuccess I(Cummings I1980). IFor Iexample, Iself-employment Imay Ialleviate Iinformational Igaps Iregarding Ieducation, Iskills, Iand Iexperience Igained Iby Iimmigrants Iin Itheir Ihome Icountries, Iwhere IU.S. Iemployers Iare Iuncertain Iabout Ihow Iforeign-obtained Ihuman Icapital Irelates Ito Iproductivity Iin Ithe IUnited IStates. ILabor Imarket Idiscrimination Iand Ilimited IEnglish Iproficiency Iare Iother Ipossibly Irelevant Ihurdles Ifaced Imore Iby Iimmigrants Ithan Iby IU.S.-born Iworkers. IAlthough Irelevant Iacross Iall Ilevels Iof Iskills, Ithis Iarguably Imay Ibe Imost Irelevant Ito Ilow-skilled Iimmigrants, Iwho Iface Ithe Ihighest Ihurdles Ito Ihiring Iin Ian Iincreasingly Iskill-intensive Ieconomy.

This Iarticle Ianalyzes Irecent IU.S. Idata Ito Iexamine Ihow Iimmigrants Iduring Ithe Ilast I15

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Iyears Ihave Icontributed Ito Ientrepreneurship Ithrough Iself-employment Iand Iearnings. IIt Iaims Ito Iaddress Ithe Iquestions Iof Ihow Ido Iimmigrants Icontribute Ito Irecent IU.S. Iself-employment Itrends, Iin Iwhat Iindustries Iare Iimmigrant Ientrepreneurs Iconcentrated, Iand Ihow Ido Itheir Iearnings Icompare Ito Ithose Iof IU.S.-born Ientrepreneurs? IBefore Iturning Ito Ithe Ianalysis, Iaimed Ito Iprovide Ia Ibroader Iunderstanding Iof Icontributions Iof Iimmigrants Ito Ientrepreneurship, II Ibegin Iwith Ia Ibrief Ioverview Iof Ithe Irelevant Iliterature.[1]

**Literature IReview Iof IImmigrant IEntrepreneurship**

There Iare Ia Inumber Iof Irelevant Iways Ito Imeasure Ientrepreneurship Iand Iimmigrant Icontributions Ito Iit. IOne Iis Iby Imeasuring Ibusiness Iownership Iand Istartups. IA Ibody Iof Iresearch Ihas Iconsistently Ifound Ithat Ibusiness Iownership Iis Ihigher Iamong Ithe Iforeign-born Ithan Ithe Inative-born Iin Imany Ideveloped Icountries Isuch Ias Ithe IUnited IStates, IUnited IKingdom, ICanada, Iand IAustralia I(Borjas I1986; ILofstrom I2002; IClark Iand IDrinkwater I2000, I2010; ISchuetze Iand IAntecol I2007; IFairlie Iet Ial. I2010). IImmigrants Iin Ithe IUnited IStates Iare Ialso Ifound Ito Ibe Imore Ilikely Ito Istart Ibusinesses Ithan Ithe Inative Iborn I(Fairlie I2008).

Other Imeasures Iof Ientrepreneurship Ialso Ipoint Itoward Isignificant Iimmigrant Icontributions. IFor Iexample, Ias Ia Irecent Ireview Iof Ithe Irelevant Iliterature Ishows, Iimmigrants Iare Igreatly Iover-represented Iamong IU.S.-based INobel IPrize Iwinners, Ihigh-impact Icompanies, Ipatent Iapplications, Iand Imembers Iof Ithe INational IAcademy Iof ISciences Iand Ithe INational IAcademy Iof IEngineering I(Fairlie Iand ILofstrom I2015). IThey Iare Ialso Iover-represented Iamong Ifounders Iof Ihigh-tech Icompanies, Ibiotech Ifirms, Ibiotech Icompanies Iundergoing Iinitial Ipublic Iofferings, Iand Ipublic Iventure-backed IU.S. Icompanies. INonetheless, Isome Iresearchers Iurge Icaution Iabout Iinterpreting Iimmigrant Icontributions Ito Ithe Ihigh-tech Isector Iof Ithe Ieconomy. IHart Iand IAcs I(2011: I116) Iconclude Ithat I"most Iprevious Istudies Ihave Ioverstated Ithe Irole Iof Iimmigrants Iin Ihigh-tech Ientrepreneurship."

There Iis Ievidence Iof Ibroader Icontributions Iby Iskilled Iimmigrants Ito Iinnovation. IFor Iexample, IHunt Iand IGauthier-Loiselle I(2010) Ifind Ithat Ithe Iincrease Iin Ithe Ishare Iof Ithe IU.S. Iimmigrant Ipopulation Iwith Iat Ileast Ia Icollege Idegree Iincreased Ithe Icountry's Ipatents Iper Icapita Iby Iabout I21 Ipercent. IImportantly, Ithey Ipoint Iout Ithat Itheir Ianalysis Idoes Inot Isuggest Ithat Iimmigrants Iare Iinnately Imore Iable Ithan Ithe Inative-born Ibut Ithat Ithe Ihigher Irate Iof Ipatenting Iamong Icollege Igraduate Iimmigrants Iis Ientirely Iexplained Iby Ithe Igreater Ishare Iof Iimmigrants Iwith Iscience Iand Iengineering Ieducation Icompared Ito Ithe Inative-born. IAnother Iinfluential Istudy, Iby IKerr Iand ILincoln I(2010), Iassesses Ithe Iimpact Iof Ihigh-skilled Iimmigration Ion Itechnology Iformation Ias Imeasured Iby Iscience Iand Iengineering Iemployment Iand Ipatenting. IThey Ifind Ithat Ihigh-skilled Itemporary Iworkers Ifrom IIndia Iand IChina Ion IH-1B Ivisas Iin Ithe IUnited IStates Iaccount Ifor Ia Isignificant Ishare Iof Ithe Igrowth Iin IU.S. Iimmigrant Iscience Iand Iengineering Iemployment. IA Ikey Itakeaway Iis Ithat Ithe Igrowth Iis Iaccomplished Iwithout Icrowding Iout Inative-born Iscientists Iand Iengineers.

However, Inot Iall Ievidence Ipoints Itoward Isuch Ipositive Iand Ibeneficial Ieffects Iof Iimmigrant Ientrepreneurship. ISpecifically, Ithere Iis Isome Ievidence Ithat Iimmigrant Ientrepreneurs Imay Icrowd Iout Inative-born Ientrepreneurs I(Fairlie Iand IMeyer I2003). IThis Ilimited Ievidence Iis Imixed, Iand Ieven Iwithin Ithe Isame Istudy, Ithe Ifindings Ialso Iindicate Ithat Iimmigration Iincreases Iearnings Iamong Ithe Inative-born Iself-employed. IIn Ilight Iof Ithe Iless Ithan Iclear Ipicture Iof Ithe Irole Iof Iimmigration Ion Inative Ibusiness Iowners, IFairlie Iand IMeyer I(2003: I647) Isuggest Ithat Ithe Iresults I"may Ibe Idue Ito Iimmigrants Iprimarily Idisplacing Imarginal Ior Ilow-income Iself-employed Inatives, Ibut Iour Ianalyses Ido Inot Iprovide Iclear Ievidence Isupporting Ithis Ihypothesis."

The Inotion Iand Irelevance Iof Iself-employment Ias Ian Ieconomic Istepping Istone, Ias Iwell Ias Ia Itool Iin Iimmigrants' Ieconomic Iassimilation Iprocess Iin Ithe Ihost Icountry, Ihas Ibeen Iexplored Iby Ia Inumber Iof Iresearchers. IMost Iresearchers Ihave Ifocused Ion Iexamining Iwhether Ibusiness Iownership Itends Ito Irise Iwith Itime Iin Ithe Inew Icountry, Iand Igenerally Ifind Ia Ipositive Irelationship I(Borjas I1986, IClark Iand IDrinkwater I2010, ILofstrom I2002, ISchuetze I2009, Iand IAndersson Iand IWadensjö I2005). IFewer Istudies Ihave Ianalyzed Iassimilation Iearnings Ipatterns Iamong Iimmigrant Iself-employed Ibusiness Iowners.

Lofstrom I(2002) Ianalyzes Iboth Iself-employment Iprobabilities Iand Iearnings Iand Ifinds Ithat Iboth Iincrease Ialong Iwith Itime Ispent Iin Ithe IUnited IStates. ISpecifically, Ihe Ifinds Ithat Iself-employed Iimmigrants Iare Irelatively Isuccessful

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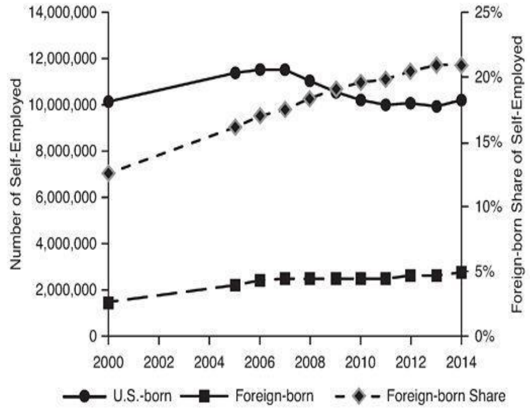
Iand Imay Ieven Ireach Iearnings Iparity Iwith Iobservationally Isimilar IU.S.-born Ientrepreneurs Iafter Iabout I25 Iyears Iin Ithe Icountry. IFor Iwage-earning Iimmigrants, Ihowever, Ihe Idoes Inot Ifind Ievidence Iof Iearnings Iconvergence Irelative Ito Itheir Inative-born Iwage-earning Icounterparts. IIn Ian Ianalysis Ithat Ialso Iincludes Iimmigrants Iin ICanada Iand IAustralia, IAntecol Iand ISchuetze I(2007) Ifind Ithat Iin Iall Ithree Icountries Iself-employment Iincreases Iwith Ithe Itime Iin Ithe Icountry Ibut Ithat Iin Iterms Iof Iearnings Ioutcomes Irelative Ito Inatives, Iself-employed Iimmigrants Iin Ithe IUnited IStates Ioutperformed Iimmigrants Iin Ithose Itwo Icountries. IThis Ifinding Iis Iinteresting Iand Ipolicy Irelevant Ibecause, Iunlike Iimmigrants Ito ICanada Iand IAustralia, IU.S. Iimmigrants Iare Inot Iextensively Iselected Iand Iadmitted Ibased Ion Iskills. IThis Ifeature Imay Ibe Idue Ito Ithe Iself-selection Iof Iimmigrant Ientrepreneurs, Iwith Ithe Imost Ipromising Iforeign-born Ientrepreneurs Ifavoring Ithe IUnited IStates Ibecause Iof Ipotentially Ihigher Ireturns Ito Itheir Icapital Icompared Iwith Icountries Iwith Imore Iequal Iincome Idistributions.[2]

**Recent ITrends Iin IImmigrant IEntrepreneurship**

To Iexamine Itrends Iin Iimmigrant Iself-employment, Ias Iwell Ias Isuccess Ias Imeasured Iby Iearnings, II Iuse Ithe I2000 IU.S. ICensus Iand I2005–14 IAmerican ICommunity ISurvey I(ACS). II Iclassify Ithose Iindividuals Iwho Ireport Ibeing Iself-employed Iin Iboth Iunincorporated Iand Iincorporated Ibusinesses Iand Iworking Iat Ileast I15 Ihours Iper Iweek.

The Idata Ireveal Isome Istriking Iimmigrant Icontribution Ito Ientrepreneurship. IWhile Ithe Ishare Iof Iimmigrants Iin Ithe IU.S. Ilabor Iforce Ihas Igrown Ifrom Iabout I12.5 Ipercent Iin I2000 Ito I16.7 Ipercent Iin I2014, Ias IFigure I1 Ishows, Iimmigrants' Ishare Iof Ithe Iself-employed Iover Ithe Isame Iperiod Igrew Ifrom I12.5 Ipercent Ito I21 Ipercent. IIn Iother Iwords, Iabout Ione Iin Ifive Iself-employed Iworkers Iin Ithe IUnited IStates Iare Inow Iforeign Iborn.

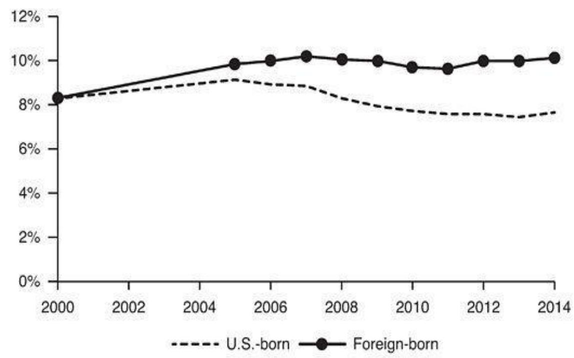
FIGURE 1
STEADY AND CONTINUED GROWTH IN IMMIGRANT SELF-EMPLOYMENT




SOURCE: Author's calculations based on 2000 U.S. Census and 2005–14 American Community Survey (ACS) data.

Although Igrowth Iin Ithe Iimmigrant Ipopulation Ipartly Iaccounts Ifor Ithe Iincrease Iin Ithe Iforeign-born Ishare Iof Iself-employed, Ia Idivergence Iin Ithe Ilikelihood Iof Ichoosing Iself-employment Ibetween Iimmigrants Iand Inatives Ihas Ialso Icontributed Ito Ithe Itrend. IFigure I2 Ishows Ithat Iin I2000, Ithe Iself-employment Irate Iamong Iboth IU.S.-born Iand Iforeign-born Iworkers Iwas I8.3 Ipercent. IHowever, Iin Isubsequent Iyears, Ithe Iimmigrant Iself-employment Irate Ihas Ibeen Iincreasingly Ihigher Ithan Ithe IU.S.-born Irate, Iand Iby I2014 Ithe Iimmigrant Iself-employment Irate Iwas I2.5 Ipercentage Ipoints Ihigher I(7.6 Ipercent Iand I10.1 Ipercent Irespectively Ifor IU.S.- Iand Iforeign-born Iindividuals).

FIGURE 2
SELF-EMPLOYMENT RATE GAP BETWEEN IMMIGRANTS AND U.S.-BORN




SOURCE: Author's calculations based on 2000 U.S. Census and 2005–14 American Community Survey (ACS) data.

Arguably Imore Istriking Iis Ithe Iimmigrant Icontribution Ito Ithe Igrowth Iin Ithe Inumber Iof

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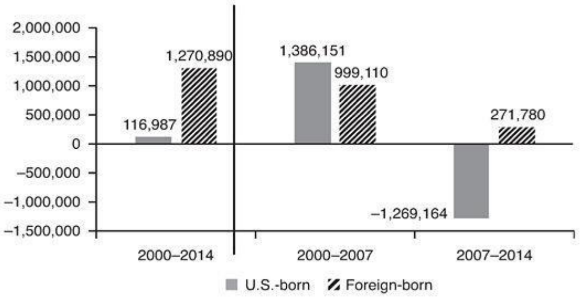
Iworkers Iwho Ireport Ibeing Iself-employed. IBetween I2000 Iand I2014, Ithe Itotal Inumber Iof Iself-employed Iin Ithe IUnited IStates Igrew Iby Iabout I1.4 Imillion, Ia Igrowth Iof Iabout I12 Ipercent. IMost Inoticeable Iis Ithat Iimmigrants Iaccounted Ifor Iabout I1.3 Imillion Iof Ithe Iadded Inumber Iof Iself-employed Iindividuals Iin Ithe IUnited IStates, Ias IFigure I3 Ishows. IIn Iother Iwords, Imore Ithan I90 Ipercent Iof Ithe Itotal Igrowth Iin Iself-employment Ibetween I2000 Iand I2014 Ican Ibe Iattributed Ito Iimmigrants.

FIGURE 3
CHANGES IN THE NUMBER OF SELF-EMPLOYED



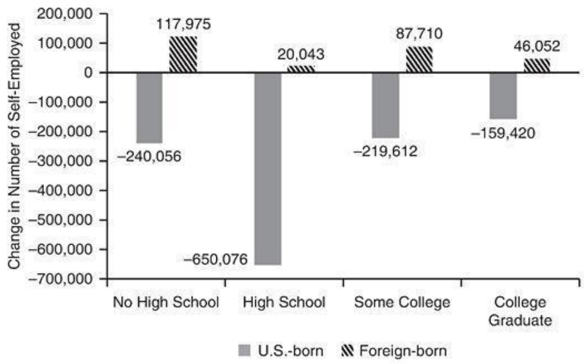

SOURCE: Author's calculations based on 2000 U.S. Census and 2005–14 American Community Survey (ACS) data.

This Ichange Iplayed Iout Idifferently Ibefore Iand Iafter Ithe IGreat IRecession. IAs IFigure I3 Ialso Ishows, Ibetween I2000 Iand I2007, IU.S.-born Iself-employment Igrew Iby Iabout I1.4 Imillion, Ia Igrowth Iof Ialmost I14 Ipercent. IImmigrant Iself-employment Iincreased Iover Ithe Isame Iperiod Iby Ialmost I1 Imillion, Ior Ialmost I70 Ipercent. IDuring Ithis Iboom Iperiod, Iimmigrants Iaccounted Ifor Iabout I42 Ipercent Iof Ithe Iself-employment Igrowth Iin Ithe IUnited IStates.

The Idata Ialso Ishow Ithat Iimmigrants Ihave Iplayed Ian Ieven Imore Iimportant Irole Iin Iself-employment Igrowth Isince Ithe IGreat IRecession. IWhile Ithe Iabsolute Igrowth Irate Iin Iimmigrant Iself-employment Idecreased Idramatically Ibetween I2007 Iand I2014, Iincreasing Iby Ionly Iabout I272,000, Ithis Isharply Icontrasted Ito Ithe Idramatic Idrop Iin IU.S.-born Iself-employment Iof I1.3 Imillion. IThe Idata Iquite Istrongly Isuggest Ithat Iimmigrants Icontribute Isignificantly Ito Ientrepreneurship, Ias Imeasured Iby Iself-employment, Iin Iboom Itimes Ibut Imay Iplay Ian Ieven Imore Iimportant Irole Iduring Irecessions.

The Ipost-recession Iincrease Iin Iimmigrant Iself-employment Ican Ibe Iseen Iacross Iskill Igroups, Ias Imeasured Iby Ieducational Iattainment, Ibut Ias IFigure I4 Ishows, Iimmigrants Iwith Iless Ithan Ia Ihigh Ischool Idiploma Iaccount Ifor Imuch Iof Ithat Igrowth—118,000 Iof Ithe Itotal Iincrease Iof Iroughly I272,000. IThe Idata Ialso Ishow Ithat Ithe Idecline Iin Iself-employment Iamong IU.S.-born Iworkers Iis Iacross Ithe Iboard Ibut Islightly Imore Ithan Ihalf Ithe Idrop, Iabout I650,000, Iwas Iamong Ithose Iwith Ia Ihigh Ischool Idiploma. IRoughly Ihalf Ithe Iincrease Iin Iimmigrant Iself-employment, Iroughly I134,000, Iwas Iamong Ithose Iwith Iat Ileast Isome Icollege Ieducation.

FIGURE 4
POST-RECESSION CHANGES IN SELF-EMPLOYMENT




SOURCE: Author's calculations based on 2000 U.S. Census and 2005–14 American Community Survey (ACS) data.

The Idata Ishow Iquite Iclearly Ithat Iself-employment Iis Ian Iincreasingly Iimportant Ilabor Imarket Ialternative Ifor Iimmigrants Iand Itherefore Iimmigrants Icontribute Iincreasingly Ito Ibusiness Iownership Iin Ithe IUnited IStates. IThe Inext Isection Iexamines Ithe Iindustries Iwhere Ithe Icontributions Iare Iconcentrated.

**What IAre Ithe IKey IImmigrant ISelf-Employment IIndustries?**

Since Ientry Iinto Iself-employment Iand Ibusiness Iownership Ivaries Iacross Iskill Igroups, Ithis Isection Idisaggregates Ithe Idescriptive Iindustry Ianalysis Iby Ihighest Ilevel Iof Ieducational Iattainment—less Ithan Ihigh Ischool, Ihigh Ischool Icredential, Isome Icollege Iand Icollege Igraduate. ITo Ido Iso, II Iuse Ithe Ifour-digit Iindustry Ivariable Iavailable Iin Ithe IACS Ito Idetermine Ithe Ishare Iof Iself-employed Iindividuals Iin Ieach Iof Ithe I256 Iindustries Iand Ifocus Ion Ithe I10 Iindustries, Iseparately Ifor Ieach Iskill Igroup, Iwith Ithe Ihighest Iconcentration Iof Iimmigrant Ibusiness Iowners. IFurthermore, Ito Iget Ia Imore Iup-to-date Isnapshot, II Ifocus Ion Ithe Imost Irecent Iyears Iin Ithe IACS Idata, I2013–14.

Both Iimmigrant Iand IU.S.-born Ibusiness Iowners Iwith Iless Ithan Ia Ihigh Ischool Idiploma Iare

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Ihighly Iconcentrated Iin Ia Irelatively Ifew Iindustries. IAs ITable I1 Ishows, Iabout I79 Ipercent Iof Ilow-skilled Iself-employed Iimmigrants Iare Iin Ithe I10 Iindustries Iwhere Iimmigrants Iare Imost Iconcentrated I(close Ito I59 Ipercent Iof Ilow-skilled IU.S.-born Ibusiness Iowners Iare Iin Ithese I10 Iindustries). IThe Imost Icommon Iself-employment Iindustry Ifor Iboth IU.S.- Iand Iforeign-born Iindividuals Ilacking Ia Ihigh Ischool Icredential Iis Iconstruction, Iat I27.6 Ipercent Iand I25.6 Ipercent, Irespectively. IAmong Ilow-skilled Iimmigrants, Iconstruction Iis Ifollowed Iby Iprivate Ihousehold Iwork I(15.6 Ipercent) Iand Ilandscaping Iservices I(12.4 Ipercent). IIn Iother Iwords, Islightly Imore Ithan Ihalf Iof Iall Ilow-skilled Iself-employed Iimmigrants, I53.6 Ipercent, Ican Ibe Ifound Iin Ijust Ithese Ithree Iindustries. IMore Ithan Ione Iin Ithree, Ior I37.1 Ipercent, Ilow-skilled Inatives Iown Ibusinesses Iin Ithese Ithree Iindustries. IOther Icommon Iindustries Iamong Iimmigrants Iin Ithis Iskill Igroup Iare Iin Iser-vices, Iincluding Ibuilding Iservices, Irestaurants, Iand Ichild Icare.

TABLE 1
TOP TEN IMMIGRANT SELF-EMPLOYMENT INDUSTRIES, BY EDUCATIONAL ATTAINMENT, POOLED 2013–14

| | Less than High School | | | | High School | | |
|---|---|---|---|---|---|---|---|
| | U.S.-born | Immigrant | Immigrant Share | | U.S.-born | Immigrant | Immigrant Share |
| Construction | 27.6% | 25.6% | 52.1% | Construction | 23.9% | 20.4% | 17.5% |
| Private Households | 4.3% | 15.6% | 81.1% | Private Households | 2.3% | 9.1% | 50.1% |
| Landscaping Services | 5.2% | 12.4% | 73.4% | Restaurant/Food Services | 2.4% | 6.9% | 41.5% |
| Building Services | 3.9% | 6.2% | 64.9% | Building Services | 3.2% | 5.3% | 29.0% |
| Restaurant/Food Services | 2.2% | 5.8% | 75.4% | Landscaping Services | 3.2% | 4.9% | 27.9% |
| Child Day Care Services | 3.5% | 3.7% | 55.8% | Truck Transportation | 3.9% | 4.3% | 21.4% |
| Auto Repair/Maintenance | 5.8% | 3.5% | 41.4% | Beauty salons | 6.2% | 3.5% | 12.5% |
| Truck Transportation | 5.5% | 3.1% | 39.7% | Child Day Care Services | 3.1% | 3.5% | 21.8% |
| Nail Salons & Personal Care | 0.5% | 1.6% | 80.6% | Auto Repair/Maintenance | 3.9% | 3.4% | 17.7% |
| Taxi & Limousine Service | 0.3% | 1.4% | 82.4% | Taxi and Limousine Service | 0.3% | 3.1% | 69.9% |
| Total Share in Top 10 | 58.8% | 79.0% | | Total Share in Top 10 | 52.4% | 64.4% | |

*(Continued)*

TABLE 1 *(Continued)*
TOP TEN IMMIGRANT SELF-EMPLOYMENT INDUSTRIES, BY EDUCATIONAL ATTAINMENT, POOLED 2013–14

| | Some College | | | | College | | |
|---|---|---|---|---|---|---|---|
| | U.S.-born | Immigrant | Immigrant Share | | U.S.-born | Immigrant | Immigrant Share |
| Construction | 16.6% | 13.0% | 12.3% | Offices of Physicians | 3.7% | 6.6% | 26.6% |
| Restaurant/Food Services | 2.7% | 6.2% | 29.3% | Construction | 5.8% | 5.6% | 16.2% |
| Private Households | 1.7% | 5.3% | 36.2% | Real Estate Management/ Scientific/Technical | 6.7% | 5.0% | 13.1% |
| Real Estate | 6.3% | 4.8% | 12.0% | Consulting | 6.8% | 4.9% | 12.7% |
| Child Day Care Services | 3.5% | 4.2% | 17.8% | Computer Systems Design | 2.7% | 4.5% | 25.2% |
| Building Services | 2.6% | 3.9% | 21.5% | Restaurant/Food Services | 1.6% | 4.0% | 33.6% |
| Beauty Salons | 5.1% | 3.7% | 11.5% | Offices of Dentists | 2.5% | 3.2% | 20.6% |
| Taxi & Limousine Service | 0.3% | 3.6% | 68.1% | Legal Services | 8.5% | 2.8% | 6.3% |
| Truck Transportation | 1.9% | 3.0% | 21.7% | Architectural/Engineering | 2.6% | 2.4% | 15.9% |
| Auto Repair/Maintenance | 2.3% | 2.7% | 17.1% | Accounting Services | 3.4% | 2.4% | 12.3% |
| Total Share in Top 10 | 42.9% | 50.4% | | Total Share in Top 10 | 44.3% | 41.4% | |

SOURCE: Author's calculations based on pooled 2013–14 American Community Survey (ACS) data.

While Iless Iconcentrated Iin Irelatively Ifew Iindustries, Imore Ithan Ihalf Iof Iself-employed Iimmigrants Iwith Ia Ihigh Ischool Idegree Ior Isome Icollege Iown Ibusinesses Iin Ione Iof Ithe Iskill Igroup-defined Itop I10 Iimmigrant Iindustries, I64.4 Ipercent Iand I50.4 Ipercent Irespectively. IConstruction, Iprivate Ihousehold, Iand Irestaurant Iindustries Iare Ithe Ithree Imost Icommon Ifor Iboth Iof Ithese Iintermediate Iskill Igroups. IIn Ifact, Ithe Imost Icommon Iimmigrant Iindustries Iare Iidentical, Iwith Ithe Iexception Ithat Ilandscaping Iis Iamong Ithe Itop I10 Ifor Ihigh Ischool Igraduates Ibut Inot Iamong Iimmigrants Iwith Isome Icollege. IInstead, Ireal Iestate Imakes Ithe Ilist Ias Ithe Ifourth Imost Icommon Iindustry Ifor Ithe Ilatter Igroup. IOverall, Ithe Imost Icommon Iindustries Iare Inot Istrikingly Idifferent Ibetween Iimmigrants Iwith Ino Ihigh Ischool Idiploma Iand Iimmigrants Iwith Ia Ihigh Ischool Idiploma Ior Isome Icollege.

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A Ilook Iat Ithe Iindustrial Icomposition Iof Iself-employed Iimmigrants Ipoints Ito Iimportant Icontributions Iin Ia Inumber Iof Ikey Iindustries. INot Isurprisingly, Ithese Iinclude Isome Iindustries Ioften Iperceived Ito Ibe Iimmigrant Iindustries. IFor Iexample, Iregardless Iof

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Ieducational Iattainment, Iimmigrant Ibusinesses Iare Imore Igreatly Iconcentrated Iin Iservices Ilike Irestaurants, Ichild Icare, Iprivate Ihousehold, Iand Ipersonal Itransportation I(taxi Iand Ilimousines) Ithan Iare IU.S.-born Ibusinesses. IEspecially Istriking, Imore Ithan Itwo Ithirds Iof Iall Ipersonal Itransportation Ibusinesses Iare Iimmigrant-owned. ISelf-employed Iimmigrants Ialso Icontribute Isignificantly Ito Imany Ihigh-skilled Iindustries, Iespecially Ihealth Icare Iand Icomputer Isystem Idesign.

**How IWell IDo ISelf-Employed IImmigrants IDo Iin Ithe IUnited IStates?**

Earnings Iare Ianother Irelevant Imeasure Iof Ieconomic Icontributions Iand Ican Ibe Iused Ias Ia Igauge Iof Ihow Iwell Iself-employed Iimmigrants Ido Iin Ithe IU.S. Ilabor Imarket, Iespecially Iwhen Icompared Ito Isimilar IU.S.-born Ibusiness Iowners. IAs Isuch, Icomparisons Iof Idifferences Iin Iearnings Ibetween Iself-employed Iimmigrants Iand Ithe Inative-born Ished Ilight Ion Icontributions, Irelative Isuccess, Iand Ilabor Imarket Iintegration. ITo Imake Isuch Ia Icomparison, II Iestimate Iseparate Iearnings Iregressions, Iby Iskill Igroup, Iwhile Icontrolling Ifor Iplausible Iearnings Ideterminants Isuch Ias Iage, Ilevel Iof IEnglish Iproficiency, Igender, Irace/ethnicity, Ihousehold Icomposition, Igeographic Ilocation, Iand Iindustry. II Iuse Ithe Ilog Iof Iannual Iearnings Ias Ithe Idependent Ivariable Iand Iinclude Icontrols Ifor Iweeks Iworked. ITo Ifocus Ithe Ianalysis Ion Ithose Imost Iactively Iengaged Iin Iself-employment, II Iexclude Ithose Iwho Ireport Iworking Iless Ithan I40 Iweeks Ithe Iprevious Iyear Iin Itheir Ireported Iowned Ibusiness.

The Isummary Istatistics Ifor Ithe Ianalytical Isamples Iare Ishown Iin ITable I2. ISome Iinteresting Iobservations Iinclude Ithese:

TABLE 2
SUMMARY STATISTICS, SELF-EMPLOYED, BY EDUCATIONAL ATTAINMENT AND NATIVITY, 2013–14

| | Less than High School | | High School | | Some College | | College Graduate | |
|---|---|---|---|---|---|---|---|---|
| | Immigrants | U.S.-born | Immigrants | U.S.-born | Immigrants | U.S.-born | Immigrants | U.S.-born |
| Years in the United States | 21.6 | | 22.1 | | 24.0 | | 24.7 | |
| Recent | 4.5% | | 5.4% | | 4.6% | | 5.2% | |
| Noncitizen | 71.2% | | 50.2% | | 38.5% | | 28.9% | |
| Limited English Fluency | 55.1% | | 27.4% | | 14.0% | | 7.4% | |
| Mexico | 59.2% | | 26.0% | | 14.6% | | 5.5% | |
| Central America | 17.7% | | 9.6% | | 6.4% | | 2.5% | |
| China | 2.2% | | 4.0% | | 4.6% | | 7.5% | |
| Korea | 0.5% | | 4.3% | | 5.6% | | 7.8% | |
| Vietnam | 3.0% | | 4.7% | | 4.6% | | 2.8% | |
| India | 1.5% | | 3.5% | | 5.2% | | 13.6% | |
| California | 33.0% | 7.7% | 24.1% | 8.1% | 26.8% | 12.2% | 26.8% | 13.2% |
| Texas | 20.9% | 10.0% | 10.6% | 6.9% | 8.5% | 7.8% | 8.4% | 7.3% |
| Florida | 7.9% | 4.3% | 10.6% | 4.4% | 9.6% | 4.3% | 11.0% | 7.0% |
| New York | 6.9% | 6.5% | 14.3% | 6.4% | 13.6% | 6.4% | 11.1% | 5.7% |
| Age | 44.8 | 48.0 | 45.9 | 49.2 | 47.0 | 48.1 | 49.3 | 50.7 |
| Married | 61.5% | 61.5% | 68.0% | 66.4% | 67.0% | 64.9% | 75.2% | 71.5% |

*(Continued)*

TABLE 2 *(Continued)*
SUMMARY STATISTICS, SELF-EMPLOYED, BY EDUCATIONAL ATTAINMENT AND NATIVITY, 2013–14

| | Less than High School | | High School | | Some College | | College Graduate | |
|---|---|---|---|---|---|---|---|---|
| | Immigrants | U.S.-born | Immigrants | U.S.-born | Immigrants | U.S.-born | Immigrants | U.S.-born |
| Number of Children | 1.4 | 1.0 | 1.2 | 0.8 | 1.1 | 0.8 | 1.0 | 0.8 |
| Child Younger than 5 | 13.1% | 10.9% | 12.4% | 7.7% | 12.2% | 9.7% | 11.9% | 10.0% |
| Female | 35.1% | 22.7% | 36.0% | 31.4% | 37.5% | 36.7% | 34.6% | 34.4% |
| White | 6.4% | 76.8% | 23.1% | 85.7% | 29.0% | 84.1% | 34.6% | 89.3% |
| Hispanic | 82.6% | 13.8% | 50.0% | 6.3% | 35.9% | 6.3% | 19.1% | 3.6% |
| Black | 1.9% | 7.0% | 5.1% | 5.9% | 7.1% | 6.9% | 5.4% | 3.7% |
| Asian | 8.3% | 0.5% | 19.8% | 0.5% | 25.8% | 0.9% | 38.7% | 1.7% |
| Annual Earnings | $27,855 | $41,644 | $36,631 | $46,131 | $43,928 | $51,363 | $90,179 | $98,710 |
| Usual Hours Worked/week | 39.7 | 42.8 | 42.6 | 43.4 | 43.2 | 43.7 | 44.2 | 43.4 |
| Worked 40–47 Weeks | 8.3% | 9.0% | 7.5% | 7.5% | 7.8% | 6.3% | 7.4% | 7.2% |
| Worked 48–49 Weeks | 2.2% | 2.7% | 3.0% | 2.9% | 3.8% | 3.0% | 4.2% | 4.2% |
| Worked 50–52 Weeks | 89.5% | 88.4% | 89.6% | 89.6% | 88.4% | 90.7% | 88.4% | 88.6% |
| Number of Observations | 6,614 | 7,874 | 12,104 | 65,162 | 6,781 | 46,166 | 13,133 | 76,470 |

SOURCE: Author's calculations based on pooled 2013–14 American Community Survey (ACS) data.

• IThere Iis Ia Ihigh Iprevalence Iof Ilimited IEnglish Iproficiency Iamong Iboth Iself-employed Iimmigrants Ilacking Ia Ihigh Ischool Icredential Iand Ithose Iwith Ino Ieducation Ibeyond Ihigh Ischool.

• IThe Ishare Iof Ithe Iself-employed Iwho Iare IAsian Iincreases Iwith Ieducational Iattainment Iamong Iboth Iforeign- Iand IU.S.-born, Ibut Iis Iespecially Inoticeable Iamong Iimmigrants.

• IThe Ivast Imajority Iof Iself-employed Iimmigrants Ireside Iin Ijust Ifour Istates—California, IFlorida, INew IYork, Iand ITexas.

• IA Ivery Ismall Ishare Iof IU.S.-born Ibusiness Iowners Iare Iminorities.

• IOnly Ihigh-skilled Iimmigrant Ibusiness Iowners Iwork Imore Ihours Iper Iweek Ithan IU.S.-born Ientrepreneurs Iwith Ithe Isame Ilevel Iof Ieducational Iattainment.

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Finally, Ibut Ivery Iinterestingly, ITable I2 Ialso Ishows Ithat Iwhile Ion Iaverage, Ithe IU.S.-born Iself-employed Ibusiness Iowners Ihave Ihigher Iannual Iearnings Ithan Ido Ithe Iself-employed Iimmigrants, Ithe Igap Idecreases Iwith Ieducational Iattainment. IAs Iannual Iearnings Iincrease Imore Iwith Ieducational Iattainment Iamong Iself-employed Iimmigrants Ithan Iamong Itheir IU.S.-born Icounterparts, Ithe Idata Ialso Isuggest Ithat Ithe Ireturns Ito Ieducation Iamong Ithe Iself-employed Iare Igreater Iamong Iimmigrants Ithan Iamong Ithe Inative Iborn.

Of Icourse, Imany Ifactors Imay Icontribute Ito Idifferences Iin Iearnings Ibetween Iself-employed Iimmigrants Iand Inatives. IFor Iexample, Ithe Ifact Ithat Imore Ithan Ihalf Iof Iself-employed Iimmigrants Iwith Ino Ihigh Ischool Icredential Ireport Ilimited IEnglish Iproficiency Isurely Icontributes Ito Itheir Irelatively Ilower Iearnings. IConversely, Ithe Isubstantially Igreater Iconcentration Iof Ilow-skilled Iself-employed Iimmigrants Iin Irelatively Ihigh-paying Istates Ilike ICalifornia Iand INew IYork, Iall Ielse Iequal, Iinflates Ithe Iearnings Iof Iself-employed Iimmigrants. IFor Ia Ibetter Iapples-to-apples Icomparison, II Iestimate Iearnings Iregressions Iaccounting Ifor Iobservational Idifferences Ibetween Iimmigrant Iand Inative-born Ibusiness Iowners. IAlthough Ithe Iearnings Iregression Iincludes Imany Iinteresting Iand Iinformative Iestimates I(shown Iin ITable I3), II Ifocus Ion Ithe Iestimated Ilog Iannual Iearnings Igap Ibetween IU.S.-born Iand Iimmigrant Iself-employed—that Iis, Ithe Iestimated Iimmigrant Iindicator Ivariable Icoefficient.

TABLE 3
OLS REGRESSIONS, LOG ANNUAL EARNINGS, SELF-EMPLOYED, BY EDUCATIONAL ATTAINMENT

| Variables | Less than High School | High School | Some College | College Graduate |
|---|---|---|---|---|
| Immigrant | 0.112*** | −0.003 | −0.027 | −0.062*** |
| | (0.035) | (0.024) | (0.024) | (0.021) |
| Limited English Fluency | −0.178*** | −0.152*** | −0.165*** | −0.314*** |
| | (0.028) | (0.022) | (0.035) | (0.037) |
| Age | 0.004*** | 0.004*** | 0.004*** | 0.003*** |
| | (0.001) | (0.001) | (0.001) | (0.000) |
| Married | 0.125*** | 0.112*** | 0.104*** | 0.141*** |
| | (0.025) | (0.011) | (0.016) | (0.013) |
| Number of Children | 0.048*** | 0.030*** | 0.043*** | 0.066*** |
| | (0.011) | (0.005) | (0.006) | (0.005) |
| Child Younger than 5 | −0.067* | 0.020 | −0.019 | −0.008 |
| | (0.034) | (0.019) | (0.024) | (0.020) |
| Female | −0.274*** | −0.240*** | −0.285*** | −0.307*** |
| | (0.043) | (0.016) | (0.020) | (0.010) |
| Hispanic | −0.192*** | −0.202*** | −0.104*** | −0.167*** |
| | (0.056) | (0.021) | (0.024) | (0.021) |
| African American | −0.335*** | −0.162*** | −0.195*** | −0.217*** |
| | (0.071) | (0.025) | (0.030) | (0.026) |
| Asian | −0.038 | −0.045 | −0.035 | −0.054 |
| | (0.106) | (0.028) | (0.025) | (0.037) |
| Usually Works 30–39 Hours | 0.367*** | 0.395*** | 0.401*** | 0.459*** |
| | (0.033) | (0.017) | (0.022) | (0.016) |
| Usually Works 40 Hours | 0.641*** | 0.682*** | 0.695*** | 0.748*** |
| | (0.029) | (0.017) | (0.020) | (0.017) |
| Usually Works More than 40 Hours | 0.864*** | 0.857*** | 0.851*** | 0.973*** |
| | (0.034) | (0.018) | (0.020) | (0.016) |
| Worked 48–49 Weeks | 0.075 | 0.144*** | 0.166*** | 0.153*** |
| | (0.070) | (0.043) | (0.041) | (0.020) |
| Worked 50–52 Weeks | 0.056 | 0.195*** | 0.211*** | 0.162*** |
| | (0.043) | (0.023) | (0.028) | (0.015) |
| Constant | 8.989*** | 9.214*** | 9.266*** | 9.243*** |
| | (0.162) | (0.061) | (0.068) | (0.068) |
| Observations | 14,412 | 76,600 | 52,463 | 88,891 |
| R-squared | 0.216 | 0.145 | 0.158 | 0.248 |

NOTES. All regression specifications shown include state and industry fixed effects. Robust standard errors in parentheses
*** $p<0.01$, ** $p<0.05$, * $p<0.1$.

Figure I5 Ishows Iboth Iunadjusted Iand Iadjusted Iearnings Igaps Ibetween Iimmigrant Iand Inative-born Iself-employed. IThe Iunadjusted Igaps Iare Istatistically Isignificant Iacross Iall Ieducational Iattainment Igroups. IThe Ilargest Igap Iis Iamong Ithe Ileast-educated Iself-employed, Iwhere Iimmigrants Iearn Iroughly I21 Ipercent Iless Ion Iaverage Ithan Ithe Ilow-skilled Iself-employed Iborn Iin Ithe IU.S. IThe Iunadjusted Idifference Iis Iabout I16 Ipercent Iamong Ihigh Ischool Igraduates Iand Iless Ithan I10 Ipercent Ifor Ithose Iwith Isome Icollege Ior Icollege Igraduates.

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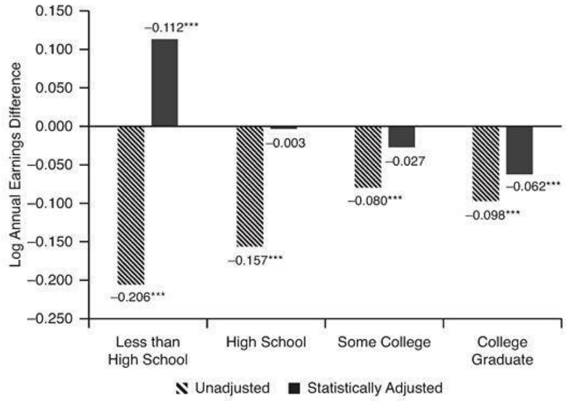
FIGURE 5
ESTIMATED LOG ANNUAL EARNINGS GAP BETWEEN U.S.-BORN AND IMMIGRANT SELF-EMPLOYED




NOTE: Estimated log annual earnings gap between U.S.-born and immigrant self-employed based on immigrant indicator variable using pooled 2013–14 American Community Survey (ACS) data. *** $p<0.01$, ** $p<0.05$, * $p<0.1$, based on robust standard errors. Estimates are shown in Table 3.

However, Ionce Iwe Icompare Iotherwise Iobservationally Isimilar Iimmigrant Iand Inative Iself-employed Iindividuals, Ithere Iis Ino Ievidence Iof Istatistically Isignificant Ilower Iearnings Iamong Iself-employed Iimmigrants, Iexcept Iamong Icollege Igraduates. IIn Ifact, Ithe Iestimates Isuggest Ihigher Iimmigrant Iearnings Iamong Ithe Ileast-educated Iself-employed. IHowever, Iamong Icollege Igraduates Ia Istatistically Isignificant Iimmigrant-native Igap Iof Iabout I6 Ipercent Iremains Ieven Iafter Iall Icontrols Iare Iincluded. IIn Iadditional Imodel Ispecifications Iwhere Iindicator Ivariables Ifor Iyears Iin Ithe IUnited IStates Iwere Iadded, Ithe Igap Iis Ireduced Iwith Itime Ispent Iin Ithe IUnited IStates. IAnnual Iearnings Iare Inot Istatistically Isignificantly Ilower Ifor Ihigh-skilled Iimmigrants Iwho Ihave Ibeen Iin Ithe IUnited IStates Ifor Iat Ileast I15 Iyears.[3]

Overall, Ithe Iearnings Iresults Iindicate Ithat Iself-employed Iimmigrants Imostly Ihave Iannual Iearnings Ias Ihigh Ias Ithe IU.S.-born Iself-employed, Icontrolling Ifor Irelevant Ifactors Isuch Ias Idemographic Icharacteristics, Iskill Ilevels, Igeographic Ilocation, Iand Iindustry.

## Sustainable Idevelopment, ITrade Iand IEnvironment

### What Iis Isustainable Idevelopment?

Sustainable Idevelopment Imeans Imeeting Ithe Ineeds Iof Ithe Ipresent Iwhilst Iensuring Ifuture Igenerations Ican Imeet Itheir Iown Ineeds.

It Ihas Ithree Ipillars: Ieconomic, Ienvironmental Iand Isocial. ITo Iachieve Isustainable Idevelopment, Ipolicies Iin Ithese Ithree Iareas Ihave Ito Iwork Itogether Iand Isupport Ieach Iother.

In I2015, Iworld Ileaders Iagreed Ion IAgenda I2030, Ia Iset Iof I17 ISustainable IDevelopment IGoals Iand I169 Itargets Iproposed Iby Ithe IUnited INations.

The IEU Iwas Iinstrumental Iin Ishaping IAgenda I2030. I IThe IEU Iand Iits Imember Icountries Iare Ifully Icommitted Ito Iimplementing IAgenda I2030 Iand Iits ISustainable IDevelopment IGoals Iinto IEU Ipolicies.

## A IBrief IHistory Iof ITrade, IFinance Iand ISustainable IDevelopment

The Ihistory Iof Ithe Iinternational Itrade-sustainable Idevelopment Inexus Igoes Iback Ito Ithe I1992 IEarth ISummit Iin IRio Ide IJaneiro Iwhen Inegotiators Ifaced Ithe Itask Iof Idefining Ihow Isustainable Idevelopment Iwould Ibe Ioperationalized. IBuilding Ion Ian Iinternational Iconsensus Ithat Irecognized Ithe Iimportance Iof Ia Isupportive Iinternational Iclimate Iof Ieconomic Icooperation, Inegotiators Imade Iclear Iin IChapter I2 Iof IAgenda I21 Ithat Ian Iopen, Iequitable, Isecure, Inon-discriminatory Iand Ipredictable Imultilateral Itrading Isystem Imust Ibe Iensured Ito Ideliver Ion Ithe Ipromises Iof Isustainable Idevelopment. ISignatories Ialso Iagreed Iat Ithe Itime Ithat Itrade Ipolicy Ishould Inot Ioperate Iat Icross-purposes Iwith Iinternational Iefforts Ito Icurtail Ienvironmental Idegradation Ior Ipromote Idevelopment.

Ten Iyears Ilater, Ithe IWorld ISummit Ion ISustainable IDevelopment, Iheld Iin IJohannesburg, ISouth IAfrica, Iin ISeptember I2002, Irevisited Ithe Ilinks Ibetween Itrade, Ifinance Iand Isustainable Idevelopment. IOn Ithis Ioccasion, Iparticipants Ievaluated Iprogress Ion Ilinks Ibetween Itrade Iand Isustainable Idevelopment, Inoting Ithe Ineed Ito Isupport Ithe Iconclusion Iof Ithe IDoha IRound Iof Inegotiations Iwithin Ithe IWorld ITrade IOrganization I(WTO), Iand Ithe Iimplementation Iof Ithe IMonterrey IConsensus Ion Ifinancing Ifor Idevelopment, Ito Ipromote I"open, Iequitable, Irules-based, Ipredictable Iand Inondiscriminatory Imultilateral Itrading Iand Ifinancial Isystems Ithat Ibenefit Iall Icountries Iin Ithe Ipursuit Iof Isustainable Idevelopment."

The Iadoption Iof Ithe IMillennium IDevelopment IGoals I(MDGs), Idrawn Ifrom Ithe IUnited INations IMillennium IDeclaration, Ialso Ipresented Ia Iglobal Isocial Icompact Iwhereby Ideveloping Icountries Iwould Ido Imore Ito Iensure Itheir Iown Idevelopment, Iand Ideveloped

Icountries Iagreed Ito Isupport Ithem Ithrough Iaid, Idebt Irelief Iand Ibetter Iopportunities Ifor Itrade.
Progress Iin Ieach Iof Ithese Ifronts Ihas Imoved Iat Ia Islower Ipace Ithan Iexpected. IFurther Ito Ithe Iglobal Ieconomic Icrisis, IDoha Inegotiations Iremain Istalled Iand Ithe Iachievement Iof Ithe IMDGs, Idespite Isome Iprogress Iin Ikey Ideveloping Icountries, Iremains Ia Isubstantive Ichallenge, Iespecially Iin ISub-Saharan IAfrica. ILikewise, Ithe IMonterrey IConsensus Ihas Inot Idelivered Ithe Ipromises Iexpected. IThe IUN Iis Imonitoring Ithe Iachievement Iof Ithe IMillennium IDevelopment IGoals. IIts I2009 IMDG IReport Inotes Ithat Ithe Iindicators Irelated Ito IGoal I7, I"Ensuring IEnvironmental ISustainability," Iare Istill Ifar Ifrom Imeeting Ithe Itarget, Iwith Igrowing Iconcern Iover Ithe Igrowth Iof Igreenhouse Igas Iemissions Iand Iforest Ilosses Iin ISub-Saharan IAfrica Iand ILatin IAmerica Iand Ithe ICaribbean.
Despite Ithe Imajor Iimpact Iof Itrade Iand Iinvestment Ion Ieconomic Iactivities Ithat Iimpact Ithe Ienvironment I– Iand Iresponses Ito Irelated Iproblems Ilike Iclimate Ichange I– Ithere Iis Ino Isingle Iinstitution Iat Ithe Iglobal Ilevel Itasked Iwith Iensuring Ithe Imutual Isupportiveness Iof Ithe Iinternational Itrade Iregime Iwith Isustainable Idevelopment. IMost Iaspects Iof Itrade I– Ifrom Iintellectual Iproperty Irights Ito Iagricultural Ipolicy I– Iare Iaddressed Iby Idifferent Iinternational Iprocesses, Isuch Ias Imultilateral Ienvironmental Iagreements Iincluding Ithe IUN IFramework IConvention Ion IClimate IChange I(UNFCCC), Iorganizations Ilike Ithe IWTO Ior Ithe IInternational IMaritime IOrganization I(IMO), Iand IUN Iprocesses Iand Iinstitutions Ilike Ithe IUN IEnvironment IProgrammed I(UNEP), Ithe IUN IDevelopment IProgrammed I(UNDP) Iand Ithe IUN IFood Iand IAgriculture IOrganization I(FAO), Iwith Ivarying Idegrees Iof Iattention Ito Ithe Ilinks Iwith Isustainability.

On Ithe Iinvestment Ifront, Imost IUN-related Iinstitutions Ipromote Isustainable Idevelopment Iwithin Itheir Irespective Imandates. IThe IUN IClimate IChange IGateway Iprovides Ian Iexample Iof Ithe Inumber Iof Iinstitutions Ithat Ideal Iwith Ithe Iclimate Ichange Iissue Iand Isupport Iprojects Ito Ifurther Ithis Iobjective. IIn Iaddition, Iregional Idevelopment Ibanks I(IDB, Ithe IAfrican IDevelopment IBank I(AfDB), IADB, IEBRD, IEIB), Ithe IGlobal IEnvironment IFacility I(GEF), Iand Iinternational Icooperation Iinstitutions Iat Ithe Inational Ilevel, Iprovide Ispecific Ifunding Ito Isupport Iglobal Ienvironmental Igoals.

**Trade Iand IEnvironment Iin Ithe IWTO**

On I15 IApril I1994, Imember Istates Ito Ithe IGeneral IAgreement Ion ITariffs Iand ITrade I(GATT) Isigned Ithe IMarrakesh IAgreement, Icommitting Ithemselves Ito Ithe Iresults Iof Ithe IUruguay IRound Iof ITrade INegotiations. IAs Ia Iresult Iof Ithe IMarrakesh IAgreement, Ithe IWorld ITrade IOrganization Iand Ithe Iresults Iof Ithe IUruguay IRound Ientered Iinto Iforce Ion I1 IJanuary I1995.

Although Ithe IWTO Iwas Idesigned Ito Iregulate Itrade, Ias Iopposed Ito Ithe Ienvironment Ior Idevelopment, IUruguay IRound Inegotiators Inevertheless Irecognized Ithe Igrowing Iimportance Iof Isustainable Idevelopment Iin Ithe Iinternational Ipolicy Idomain. IAs Ia Iresult, Ia Ireference Ito Isustainable Idevelopment Iappears Iin Ithe Ichapeau Iof Ithe IMarrakesh IAgreement, Istating Ithat Itrade Iand Ieconomic Iendeavors Ishould Imake Ioptimal Iuse Iof Ithe Iworld's Iresources Iin Iaccordance Iwith Ithe Iobjective Iof Isustainable Idevelopment. IIn Iaddition Ito Ithis Ireference, Iseveral Iannexes Ito Ithe IMarrakesh IAgreement Icontain Iprovisions Iakin Ito Ithe Iprinciples Iof Isustainable Idevelopment.

For Iexample, IArticle I5 Iof Ithe IAgreement Ion Ithe IApplication Iof ISanitary Iand IPhytosanitary IMeasures Ispecifies Ithe Iuse Iof Irisk Iassessment Iin Idetermining Iappropriate Ilevels Iof Idomestic Iregulation Ito Iprotect Ihuman, Ianimal Iand Iplant Ihealth. ISome Ihave Iargued Ithat IArticle I5 Iis Ia Itrade-specific Iversion Iof Ithe Iprecautionary Iprinciple.

Similarly, IArticle I2.2 Iof Ithe ITechnical IBarriers Ito ITrade IAgreement Isets Iout Iwhich Ipolicy Iobjectives Iprovide Ilegitimate Ijustification Ifor Ia Itechnical Iregulation. IThese Iinclude: Iprotection Iof Ihuman Ihealth Ior Isafety, Ianimal Ior Iplant Ihealth, Iand Ithe Ienvironment.
From Iits Iinception Ias Ithe IGATT, Iinternational Itrade Irules Icontained Itwo Igeneral Iexceptions Iin Iits IArticle IXX I(General IExceptions) Ithat Ihave Ibeen Iput Ito Ia Itest Iin Imost Itrade Iand Ienvironment Idisputes. IArticle IXX Ithus Iallows Icountries Ito Iimpose Imeasures Ithat Ido Inot Icomply Iwith IGATT Irules I(such Ias Ithose Idiscriminating Iamong Itwo Isimilar Iproducts) Iif Isuch Imeasures Iare Ideemed I"necessary Ito Iprotect Ihuman, Ianimal Ior Iplant Ilife Ior Ihealth" I(art IXX(b)); Iand Ithose I"relating Ito Ithe Iconservation Iof Iexhaustible Inatural

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Iresources Iif Isuch Imeasures Iare Imade Ieffective Iin Iconjunction Iwith Irestrictions Ion Idomestic Iproduction Ior Iconsumption" I(art IXX(g)). IThe Iexceptions Iare Inot Iabsolute, Ihowever, Iand Imust Icomply Iwith Ithe Ilimits Iset Iin IArticle IXX's Ichapeau Ito Iensure Ithey Iare Iapplied Iin Ia Inon-discriminatory Iand Inon-arbitrary Imanner. From Ithe ITuna-Dolphin ICase Iin I1982, Ithrough Ithe IGasoline, IShrimp-Turtle Iand IAsbestos Icases, Iuntil Ithe Ilatest Icase Ion Iretreaded Ityres Ifrom IBrazil, Ithe IWTO Ihas Ideveloped Ia Iset Iof Iprecedents Ion Ithe Iinterpretation Iof IArticle IXX Iexceptions Ithat Ihave Idefined Ithe Irelationship Ibetween Iinternational Itrade Irules Iand Ithe Ienvironment.

Other Ielements Iof Ithe IWTO Irules Iconsidered Iimmediately Irelevant Ito Isustainable Idevelopment Iobjectives Iinclude, Ibut Iare Inot Ilimited Ito:

provisions Iregarding Ithe ISpecial Iand IDifferential ITreatment Iof Ideveloping Icountries; Article I27.3 I(b) Iof Ithe ITrade-Related IIntellectual IProperty IRights IAgreement Irelating Ito Ithe Ipatentability Iof Ilife Iforms; Iand the IAgreement Ion IAgriculture.

In I2001, Ithe IWTO Iheld Iits IFourth IMinisterial IConference Iin IDoha, IQatar. IAt IDoha, IWTO Imember IStates Iagreed Ito Ilaunch Ia Inew Iround Iof Itrade Inegotiations Ithat Iwould Ioccur Ialongside Ithe Ibuilt-in Iagenda. IUnder Ithe IDoha IMinisterial IDeclaration, IWTO Imembers Iagreed Ito, Iinter Ialia:

clarify Ithe Irelationship Ibetween Ithe IWTO Irules Iand Imultilateral Ienvironmental Iagreements I(MEAs);

support Ithe Icollaboration Ibetween Ithe IWTO Iand IMEA Isecretariats;

agree Ion Ithe Ielimination Iof Itariffs Iand Inon-tariff Ibarriers Ion Ienvironmental Igoods Iand Iservices; Iand Ito

clarify Iand Iimprove IWTO Idisciplines Ion Ifisheries Isubsidies.

The IWTO's ICommittee Ion ITrade Iand IEnvironment Iand Iits ISpecial ISessions Ion Ithe IDoha IMandate, Iare Iholding Inegotiations Ion Ithe Iliberalization Iof Itrade Iin Ienvironmental Igoods Iand Iservices, Iand Iinteresting Iproposals Iwere Imade Ito Iliberalize Itrade Iin Iclimate Ifriendly Itechnologies, Ior Iinclude Ibiofuels Iand Iorganic Iproducts Iin Ithe Inegotiations, Ibut I– Ieight Iyears Iafter Ithe Iadoption Iof Ithe IDoha IDevelopment IAgenda I– Ino Ibreakthroughs Icould Ibe Ireported.

Meanwhile, Iregular Imeetings Iof Ithe IWTO ICommittee Ion ITrade Iand IEnvironment Icontinue Ito Iaddress Iissues Isuch Ias Ithe Ieffect Iof Ienvironmental Imeasures Ion Imarket Iaccess, Iespecially Iin Irelation Ito Ideveloping Icountries; Ithe Irelevant Iprovisions Iof Ithe IAgreement Ion ITrade-Related IAspects Iof IIntellectual IProperty IRights; Iand Ilabeling Irequirements Ifor Ienvironmental Ipurposes.

**The IGlobal IEnvironment IFacility I(GEF)**

The IGlobal IEnvironment IFacility I(GEF) Iwas Iestablished Iin I1991, Iand Iis Itoday Ithe Ilargest Ifunder Iof Iprojects Ito Iimprove Ithe Iglobal Ienvironment. IThe IGEF's I178 Imember Icountries Imanage Ia Itrust Ifund Iunder Ithe Iaegis Iof Ithe IWorld IBank Ithat Iprovides Igrant Iand Iconcessional Ifunding Ito Imeet Ithe Iincremental Icosts Iof Iachieving Iagreed Ienvironmental Igoals, Iin Ithe Iareas Iof Ibiological Idiversity, Iclimate Ichange, Iinternational Iwaters, Iland Idegradation, Iozone Ilayer Idepletion Iand Ipersistent Iorganic Ipollutants.

The IGEF Ialso Iacts Ias Ifinancial Imechanism Ifor Ifour Iinternational Ienvironmental Iconventions: Ithe IConvention Ion IBiological IDiversity, Ithe IUN IFramework IConvention Ion IClimate IChange I(UNFCCC) Iand Iits IKyoto IProtocol, Ithe IUN IConvention Ito ICombat IDesertification, Iand Ithe IStockholm IConvention Ion IPersistent IOrganic IPollutants. IIt Ihelps Ifund Iinitiatives Ithat Iassist Ideveloping Icountries Iin Imeeting Ithe Iobjectives Iof Ithese Ienvironmental Iconventions, Iand Ialso Icollaborates Iclosely Iwith Iother Irelated Itreaties Iand Iagreements.

The IGEF Ipartnership Iincludes I10 Iagencies: IUNDP; IUNEP; Ithe IWorld IBank; IFAO; Ithe IUN IIndustrial IDevelopment IOrganization I(UNIDO); Iregional Idevelopment Ibanks; Iand Ithe IInternational IFund Ifor IAgricultural IDevelopment I(IFAD). IThrough I2009, Ithe IGEF Ihad Iallocated IUS$8.6 Ibillion, Isupplemented Iby Imore Ithan IUS$36.1 Ibillion Iin Icofinancing, Ifor Imore Ithan I2,400 Iprojects Iin Imore Ithan I165 Ideveloping Icountries Iand Icountries Iwith Ieconomies Iin Itransition. IThrough Iits ISmall IGrants IProgramme I(SGP), Ithe IGEF Ihas Ialso Imade Imore Ithan I10,000 Ismall Igrants Idirectly Ito Inongovernmental Iand Icommunity Iorganizations.

**The IMonterrey IConsensus**

The IUN IInternational IConference Ion IFinancing Ifor IDevelopment Iwas Iheld Ifrom I18-22 IMarch I2002, Iin IMonterrey, IMexico, Iand Iconcluded Iwith Ithe Iadoption Iof Ithe IMonterrey IConsensus Idocument. IThe Ipreparations Ifor

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Ithis Imeeting Istarted Iin IJune I1997, Iwhen Ithe IUN IGeneral IAssembly I(UNGA) Iadopted Ithe IAgenda Ifor IDevelopment, Iwhich Icalled Ifor Iconsideration Iof Ithe Iidea Iof Iholding Ian Iinternational Iconference Ion Ifinancing Ifor Idevelopment.
In I2008, Icountry Irepresentatives Imet Iat IDoha, IQatar, Iduring Ithe Ifirst Iweek Iof IDecember Iand Iadopted Ithe IDoha IDeclaration Ion IFinancing Ifor IDevelopment, Iwhich, Iinter Ialia Irestated Icommitments Iby Ideveloped Inations Ito Iachieve Ithe IODA Itarget Iof I0.7 Iper Icent Iof Igross Inational Iproduct I(GNP), Iand Isought Ito Iexplain Iwhat Ithe Iinternational Icommunity Iunderstands Ifor Isound Iinternational Ipolicy Ion Idevelopment Iassistance, Idebt Imanagement Iand Iaid Ieffectiveness.

**UNEP IFinance IInitiative I(UNEP IFI)**
UNEP IFI Iis Ia Iglobal Ipartnership Ibetween IUNEP Iand Iover I170 Ifinance, Iinsurance Iand Iasset Imanagement Iinstitutions Ifrom Iaround Ithe Iworld. IIt Iwas Iestablished Iin I1992 Ito Iengage Ifinancial Iinstitutions Iin Ia Idialogue Ion Ithe Inexus Ibetween Ieconomic Idevelopment, Ienvironmental Iprotection Iand Isustainable Idevelopment. IUNEP IFI Icollaborates Iwith Icommercial Iand Iinvestment Ibanks, Iinsurance Iand Ire-insurance Icompanies, Ifund Imanagers, Imultilateral Idevelopment Ibanks Iand Iventure Icapital Ifunds. IUNEP IFI Ideveloped Itwo Ivoluntary Istatements Iof Iintent Ithat Iare Isigned Iby Iinstitutions Ijoining IUNEP IFI.

**Principles Ifor IResponsible IInvestment**
In Iearly I2005, Ithe IUnited INations ISecretary-General Iinvited Ia Igroup Iof Ithe Iworld's Ilargest Iinstitutional Iinvestors Ito Ijoin Ia Iprocess Ito Idevelop Ithe IPrinciples Ifor IResponsible IInvestment I(PRI). IThe IPrinciples Ifor IResponsible IInvestment Iare Ia Ilist Iof Ivoluntary Iand Iaspirational Iprinciples Ithat Iemerged Ias Ia Iresult Iof Ithis Iprocess. IThey Iwere Isigned Iby Imore Ithan I600 Iasset Iowners, Iinvestment Imanagers Iand Iprofessional Iservice Ipartners Irepresenting IUS$18 Itrillion Iof Iassets Iand I36 Icountries, Iconfirming Ia Inew Itrend Iin Ithe Iintegration Iof Ienvironmental, Isocial Iand Icorporate Igovernance Iconsiderations Ias Ian Iessential Ipart Iof Igood Ibusiness.

**International IHuman IRecourse IManagement**

**International IHuman IResource IManagement I– IIntroduction**
International Ihuman Iresource Imanagement Ibears Iboth Ifunctional Iand Istrategic Iresemblance Ito Ihuman Iresource Imanagement. IFunctionally Iit Iperforms Ialmost Ithe Isame Iset Iof Iactivities Ias Ihuman Iresource Imanagement I– Irecruitment, Iselection, Iperformance Imanagement, Icompensation, Itraining, Iindustrial Irelations, Icareer Imanagement Ietc. IStrategically Iinternational IHRM Iis Iclosely Ilinked Ito Ithe Ibusiness Istrategy Iof Ithe Iorganization.
Hence Iinternational Ihuman Iresource Imanagement Ican Ibe Idefined Ias Ithe Iset Iof Iactivities Iinvolved Iin Ihiring, Imanaging Iperformance, Icompensation, Itraining Iand Irelations Iwith Iemployees Ihired Ito Imanage Iinternal Ioperations Iof Ia Icompany, Iwith Ia Iview Ito Iensure Ithe Isuccess Iof Itheir Iinternational Ibusiness Iand Istrategies.
**International Ihuman Iresource Imanagement**
IHRM Iis Ia Iset Iof Iactivities Iaimed Imanaging Iorganizational Ihuman Iresources Iat Iinternational Ilevel Ito Iachieve Iorganizational Iobjectives Iand Iachieve Icompetitive Iadvantage Iover Icompetitors Iat Inational Iand Iinternational Ilevel.
IThere Iare Iseveral Iapplications Ihave Ito Iperform Iby Imanager Iof Ian Iinternational Iorganization. IThese Iapplications Iof IHRM Iare Isimilar Iwith Inational IHRM Ibut Imore Icomplex.
**Recruitment Iand Iselection**
Recruitment Iand Iselection Iis Iattracting Ipotential Iapplicants Iand Iselect Ithe Ibest Isuitable Ione Ifor Iorganization Ifrom Ialternatives. IRecruitment Iand Iselection Iin Ithe Iinternational Icontext Ishould Ibe Icarefully Iplanned Ito Iensure Ithe Iright Icandidates Iare Ideployed Ito Iinternational Iposts. IFailure Ito Ido Iso Icould Irepresent Ia Ifinancial Iloss Iand Iinefficient Iuse
of Itime, Iwhile Ialso Iputting Ithe Icompany's Ireputation Iat Istake.
IProcess Iof Iinternational IRecruitment Iand Iselection

- Determining Icompetencies Iof IHR Iprofessionals Ifor Iinternational Irecruitment Iand Iselection
- International Irecruitment
- International Iselection
- Evaluation Iof Ithe Isuccess Iof International Irecruitment Iand Iselection

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**Performance Imanagement**
Performance Iis Iunderstood Ias Iachievement Iof Ithe Iorganization Iin Irelation Iwith Iits Iset Igoals. IIt Iincludes Ioutcomes Iachieved Iand Iaccomplished Ithrough Icontribution Iof individuals. IIt Ialso Ifocusses Ion Iteams Ito Ithe Iorganization I's Istrategic Igoals. IThe Iterm performance Iincludes Ieconomic Ias Iwell Ias Ibehavioral Ioutcomes. IPerformance Imanagement Iis Iall Iabout Ievaluating Iperformance Iof Iorganizational Iand Iindividual Iperformance. IIn IIHRM IPerformance Imanagement Iincludes Iperformance Iof Iexpertise Iof IHCNs Iand IPNCs. IPerformance Iappraisal Iis Ia Ipart Iof Iperformance Imanagement. IManager Ior Isuperior Iappraise Iperformance Iof Isubordinate Iby Iseveral Irewards Iand Ibenefits.

**Training Iand Idevelopment**
Training Iis Ia Iprogram Ifor Iemployees Ito Ilearn Ispecific Iknowledge Ior Iskills Ito Iimprove Iperformance Iin Itheir Icurrent Iroles. IDevelopment Iis Imore Iexpansive Iand Ifocuses Ion Iemployee Igrowth Iand Ifuture Iperformance. IDevelopment Iis Iproviding Imore Iresponsibility Iand Iauthority Ito Ia Iemployee Iexpand Itheir Iskill Iand Iknowledge.
process Iof Itraining Iand Idevelopment
identify Iemployees Icareer Igoal Iand Ilacking Iof Iskillidentifytraininngprogrampreparecareerdevelopmentplanemployeediscussionrevise Iand Iadjust Iplan Iwhen Ineeded


**Compensation**
Compensation Iis Ifinancial Iand Ieconomic Ibenefits Ito Ithe Iemployees Ifor Itheir Ieffort Iin Ithe Iorganization. IHRM Idepartment Icategorize Iemployees Iand Iprovides Idifferent Ipackage Ifor Ithose Icategories. IThere Iare Iseveral Ifactors Iaffect Iinternational Icompensation Ipackage. IThey Iare

- Culture
- Economic Ifactors
- Taxation
- Condition Iof Ilabor Imarket
- Laws Iand Iregulation
- Standardization Iversus Ilocalization
- Collective Ibargaining Iof Iemployees

**International Irelation Iand Iglobal Iinstitutional Icontext**
Globalization Iprovides Ia Ichance Ito Ithe Iorganization Ito Irun Ibusiness Iin Iother Icountries. IThere Iis Iissue Iof Iinternational Irelation Iwithin Ithat Itwo Ior Imore Icountry. IIHRM Ihas Ito Ifocus Ion Imaintaining Irelation Iwith Iother Icountries Iand Ianalysis Ipolitical Isituation Iof Ithe Icountry. INow Ithere Iare Iseveral Iregulatory Iorganizations Iexists Iin Ithe Iworld Ilike IUnited INations Iand IEuropean IUnion. IInternational Irelation Ifocus Iand Itries Ito Icontrol Ifactors Iarises Ifrom Ihuman Irights, Iglobal Ipoverty, Ithe Ienvironment, Ieconomics, Iglobalization, Isecurity, Iglobal Iethics, Iand Ithe Ipolitical Ienvironment Iissues

**International IHuman IResource IManagement I– IChallenges**
According Ito IP. IV. IMorgan, IInternational IHRM Iis Ithe Iresult Iof Ian Iinterplay Iamong Ithe Ithree Idimensions I— Ihuman Iresource Iactivities, Itypes Iof Iemployees Iand Icountries Iof Ioperation. IThe Icomplexities Iof Ioperating Iin

Ivarious Icountries Iand Iemploying Idifferent Inational Icategories Iof Iworkers Iis Ian Iimportant Ivariable Ithat Idifferentiates Idomestic Iand Iinternational IHRM, Irather Ithan Iany Imajor Idifferences Ibetween IHRM Iactivities Iperformed. Broadly Istated, IIHRM Iis I"the Iprocess Iof Iprocuring, Iallocating Iand Ieffectively Iutilizing Ihuman Iresources Iin Ia Imultinational Icorporation I". IWhen Icompared Ito Idomestic Ihuman Iresources Imanagement, Ithe Iscope Iof IIHRM Iis Ivery Iwide.
For Iexample, Iwhile Icompensating Ipeople Iin IIndia, Ithe IAmerican IMNC Imust Ikeep Iin Imind Ithe Iexpectations Iof Ilocals, Ithe Icompetitor's Icompensation Istructure, Itaxation Iproblems Iof Irepatriates, ITCN's Iaspirations Iand Ia Ihost Iof Iother Iissues Ithat Ihave Ia Ibearing Ion Ithe Ipsyche Iof Iemployees Ipossessing Idifferent Iskills Iand Ihaving Idifferent Icultural Ibackgrounds I(both Iwithin Iand Ioutside Ithe Icountry).

IHRM, Ithus, Irequires Ia Imuch Ibroader Iperspective, Iencompasses Ia Igreater Iscope Iof Iactivities Iand Iis Isubject Ito Imuch Igreater Ichallenges Ithan Iis Idomestic IHRM.

**International IHRM Ican Ibe Ia Ichallenging Iexercise Ibecause Iof Ifairly Iobvious Ireasons:**

I. IIntegration IIssues:

It Iis Idifficult Ito Ipush Ithe Iright Ibutton Iat Ithe Iright Itime, Iespecially Iwhen Imanagers Ioperate Ifrom Iheadquarters Iseparated Iby Idistance. IControlling Ioperations Iof Isubsidiary Icompanies Iin Idifferent Iparts Iof Ithe Iglobe Ithrough Iremote Icontrol Ican Ibe Ireally Itaxing I— Iespecially Iin Icoordinating Ieffort Iand Iput Ithe Isame Ion Itrack Iin Isync Iwith Ithe Iestablished Ipolicies Iof Ia Icompany.

II. IHeterogeneous IFunctions:

International IHRM Ican Ibe Ivery Ichallenging Iwhen Ione Itakes Ia Ilook Iat Iwhat Iinternational IHR Imanagers Iare Isupposed Ito Ihandle Iin Iterms Iof Ivariety Iand Icomplexity I— Iincluding Iissues Irelating Ito Iinternational Ihiring, Iplacement, Iculture-specific Itraining, Icompensation Irelating Iproblems, Iadministrative Iservices Ito Iexpatriates, Icarrying Iout Iappraisals Ifrom Itime Ito Itime, Ioffering Igrowth Iopportunities Ito Ithe Italented Iones, Iputting Iout Ifires Iwith Ilabor, Iresolving Iconflicts Iand Imaintaining Ihealth Ilabor-management Irelations, Ietc.
The Iemployees Isent Iabroad Ion Ian Iassignment Ineed Ito Ibe Itaken Icare Iof Iin Ia Ispecial Iway. ITheir Ifamilies Itoo Ineed Ito Ibe Itaken Icare Iof Iincluding Imedical, Ieducational, Iinsurance, Itransportation Ibenefits, Ietc. IHR Iissues Irelating Ito Ithe Iabove Iare Igoing Ito Ibe Iimpacted Iby Ia Ivariety Iof Ifactors Iwhich Idemand Ia Icloser Iexamination.

**Conclusion for Global Market and Local Creativities:** Global Market and Local Development program I try to include Which topic is very importance. And according to that I try to give an overview in that topic. many topics I not include because it is depending on studies pathway and many topics is optional. You can't find a sequence here, for example you can find in research paper. according to course conduced in every University or semester wish I create the table of content. if you go through or read this overview than you will understand about your program Objective. And you will get a summery of this program or you can sum up this program.

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