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Global Business Challenges
(HKBM7009_HKMA)
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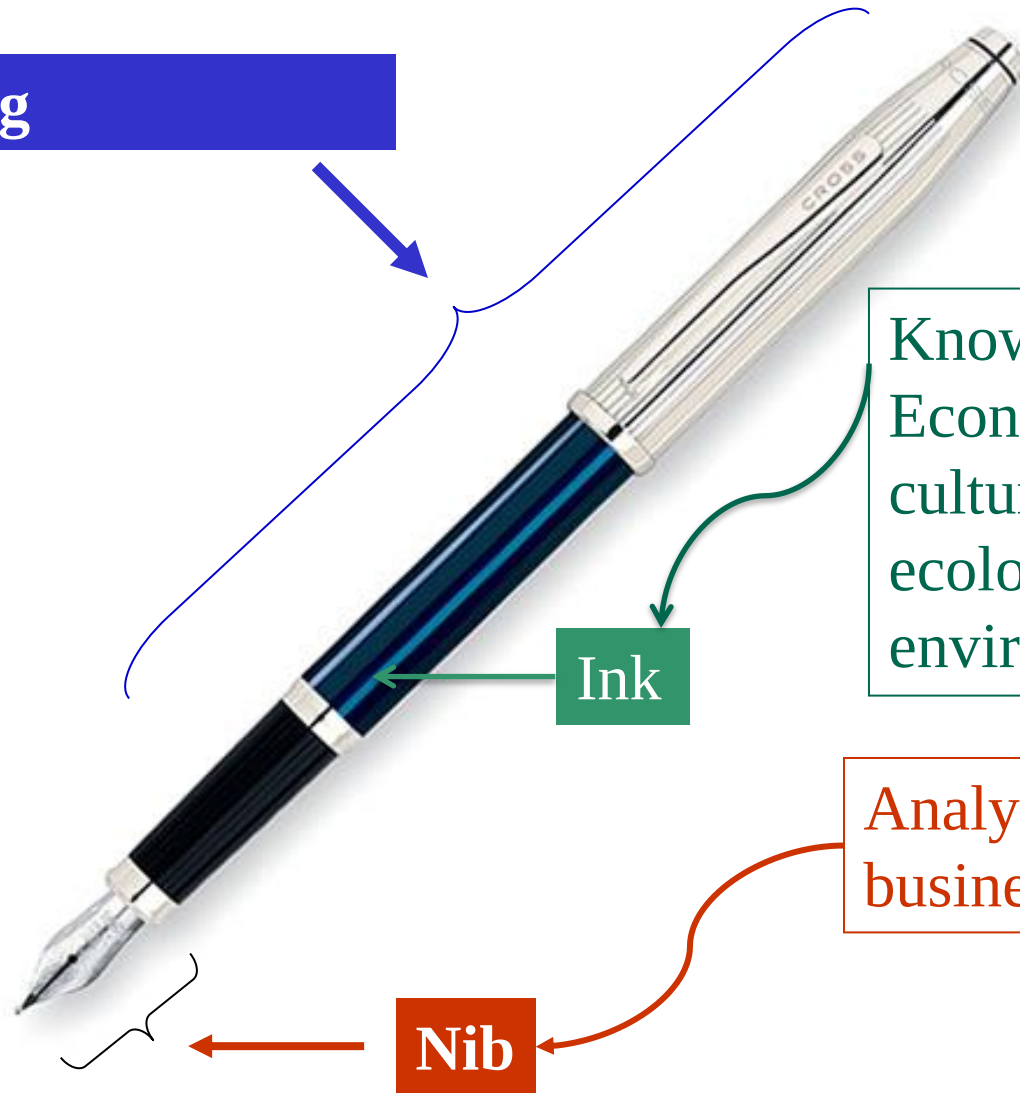
Introduction to
Global Business Challenges

Che Cheong POON
19 December 2021; Sunday 12:00nn to 6:00pm

Before starting the lecture, would each of you please write a sentence or a phrase to describe the word “Globalization”.

Economics Theories

Barrel/Casing



Knowledge of
Economic, regulatory,
cultural, and
ecological
environment

Ink

Analyze global
business challenges

Nib

Lecture Agenda :

- The concept of globalization
- The linkage of production, exchange, distribution and consumption: An example
- Current global economic environment
- General characteristics of transnational corporations
- Top global business challenges
 - Economic environment and challenge
 - Regulatory environment and challenge
 - Cultural environment and challenge
 - Ecological environment and challenge

The concept of globalization

Business refers to any type of economic activity in which goods or services (or a combination of the two) are supplied in exchange for some payment, usually money. (This definition describes the basic exchange transaction. This types of activity covered include trading goods, manufacturing products, extracting natural resources and farming.

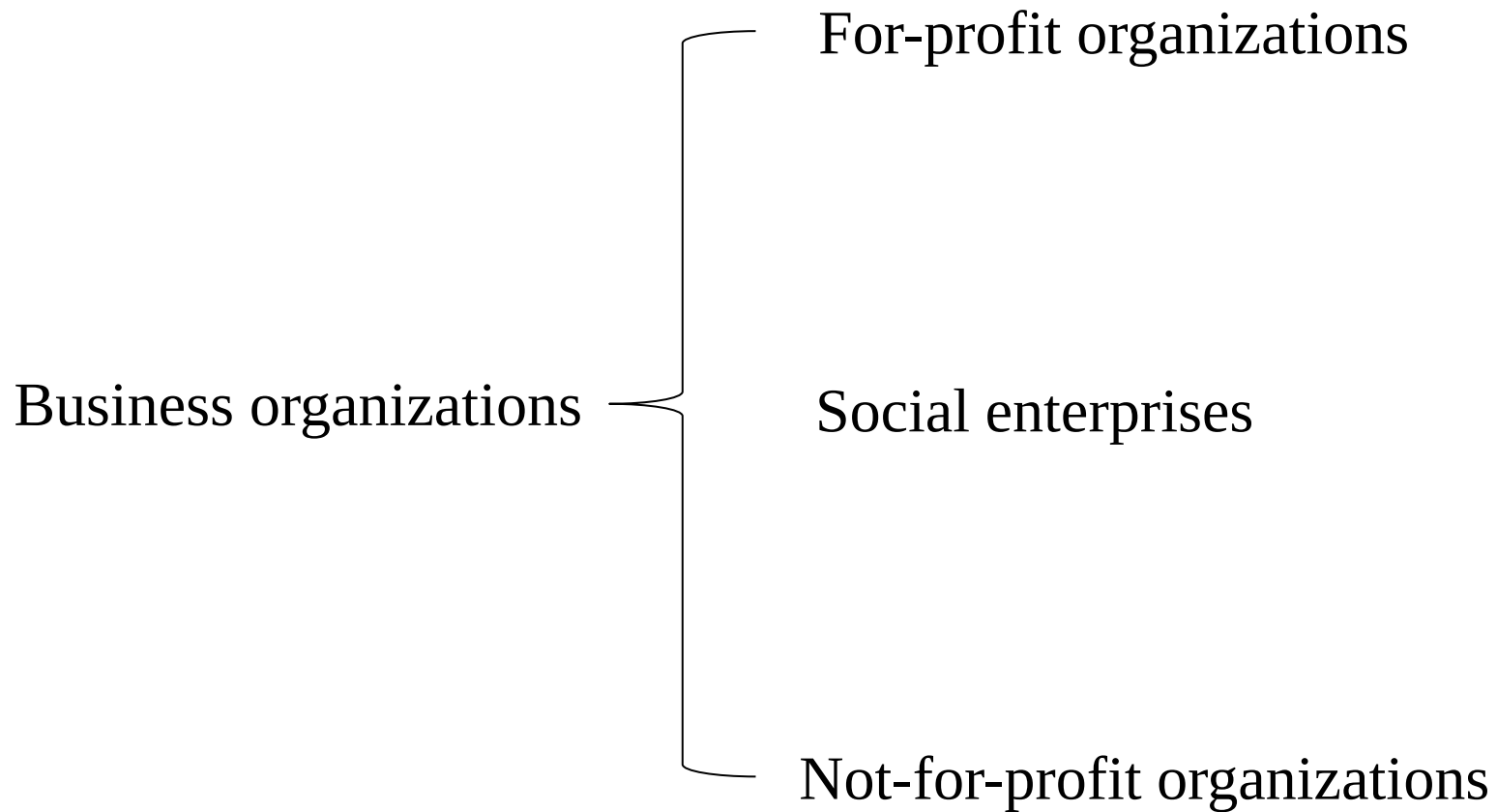
Global business refers to business activities that straddle two or more countries. Business nowadays routinely look beyond the bounds of their home country for new opportunities.

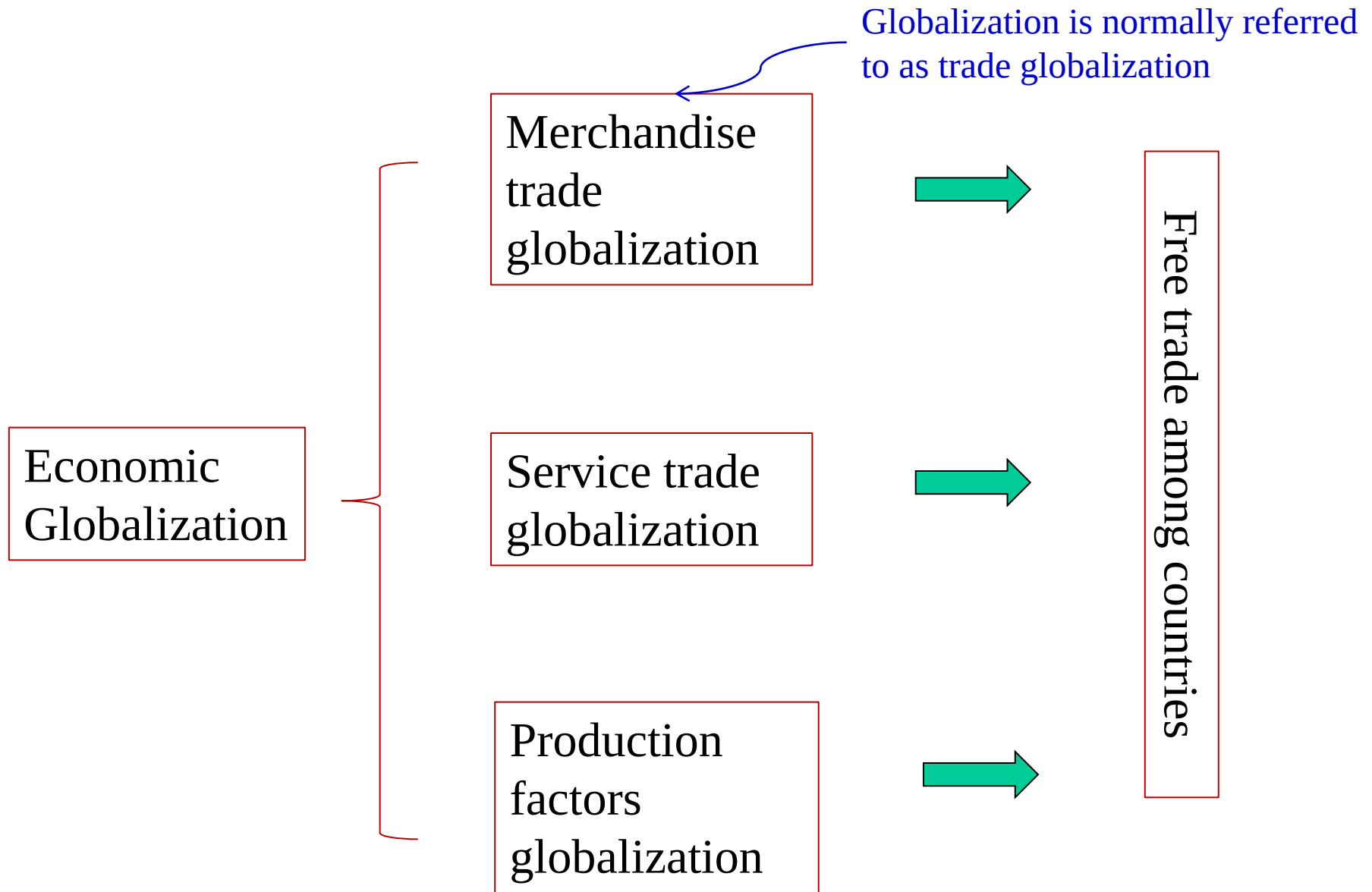
Now we see business enterprises going global, what are their motivation?

What are the contribution of globalization to economic development?

Globalization has had a positive effect on economic growth, contributing to rising living standards and the reduction of extreme poverty across the world.

Globalization has also contributed to the rapid expansion of **tourism**, via such changes as deregulation of air transport. The growth of charter flights, low-cost airlines, and package-tour holidays provided a major boost to this expansion. International and domestic tourism combined generate up to 10 percent of the world's gross domestic product (GDP) and a considerably higher share in many small nations and developing countries.





The process of globalization can be captured by the world balance-of-payments.

The contents of globalization

	Multilayered environment	Multidimensional environment	Role of the state	Emerging economies	Changing societies	Globalization of Industries	International risks	CSR and sustainability
1 Introduction	✓	✓		✓			✓	✓
2 Globalization	✓			✓	✓	✓		
3 Economies and markets	✓	✓	✓	✓				
4 Trade and global competition	✓		✓	✓				
5 Strategies in a globalized world			✓	✓		✓	✓	
6 Cultural and social environment	✓	✓		✓	✓			
7 Political environment	✓	✓	✓				✓	
8 Legal environment	✓		✓				✓	✓
9 Financial markets	✓		✓			✓	✓	✓
10 Technology and innovation	✓	✓	✓	✓		✓		
11 Ecology and climate change	✓		✓	✓	✓			✓
12 Ethics and CSR	✓				✓	✓		✓
13 Critical themes in perspective	✓	✓	✓	✓	✓	✓	✓	✓

In the 1990s, with the integration of many of the states of the former Soviet Union and the entry of China and India, globalization now embraced the majority of the world's economies.

USA

In the 1980s the U.S. moved to expand free market capitalism within the global system:

- Little government interference in the market
- Freedom of individual choice
- Borderless market economy
- Markets as masters over state policies
- People should be free to pursue economic self-interest
- Consuming goods a major value

**What is
free
market
capitalism
?**

However, most nations continued to pursue some forms of **economic nationalism**



China

In the 1980s China moved toward a free-market system and joined the global economy.

Billions of U.S. Dollars

Merchandise trade account	Mainland China		USA	
	2010	2020	2010	2020
Goods, credit (exports)	1478	2497	1290	1429
Goods, debit (imports)	1240	1982	1939	2351
Current account balance	238	274	-432	-616

Sources:

<https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52&sId=1542634807764>

[Choose data tables;

<https://data.imf.org/regular.aspx?key=60961513>

In 2020, while China had a merchandise trade surplus of US\$515 billion, the United States had a merchandise trade deficit of US\$922 billion.

Eastern European Countries

In 1989, the Berlin Wall came down and the Cold War ended. Eastern European countries broke away from Soviet control. The Soviet Union itself broke into more than a dozen new states



The Berlin Wall was built in August 1961

The Wall was destroyed on November 9, 1989



Ranking the Richest Countries in the World

December 24, 2020

- | | |
|-------------------|------------------|
| 1. United States | 13. Australia |
| 2. China | 14. Spain |
| 3. Japan | 15. Mexico |
| 4. Germany | 16. Indonesia |
| 5. India | 17. Netherlands |
| 6. United Kingdom | 18. Saudi Arabia |
| 7. France | 19. Turkey |
| 8. Italy | 20. Switzerland |
| 9. Brazil | 21. Poland |
| 10. Canada | 22. Thailand |
| 11. Russia | 23. Sweden |
| 12. South Korea | 24. Belgium |

Sources: Extracted from <https://www.investopedia.com/insights/worlds-top-economies/>

What does globalization imply?



- Increasing global connectedness through rapid communication and transport.
- Rapid intensification of worldwide social relations.
- Swift and free flow of capital, people, and ideas across national borders.

But what does globalization have to do with me?

Cap from Bangladesh

Shirt from Mexico

Backpack from China

Soccer ball from Pakistan

Jeans from Malaysia

Video game from Japan

Sneakers from Indonesia



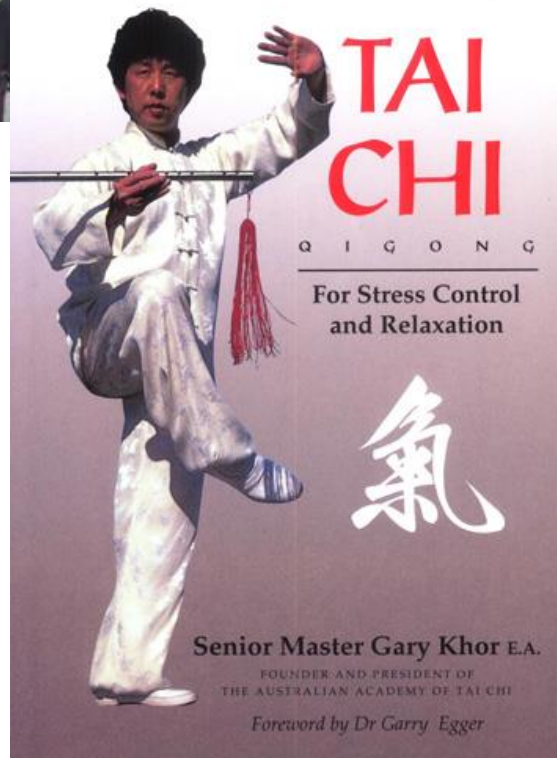
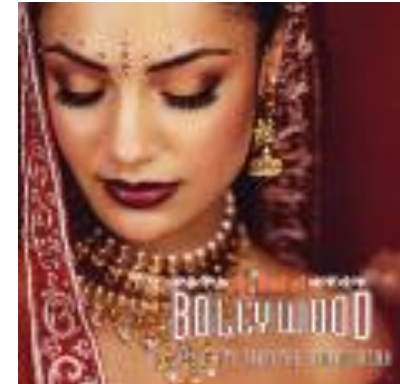
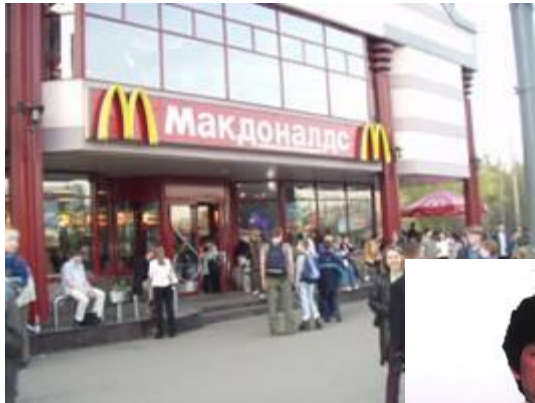
More goods are being produced, bought, and sold worldwide than ever before.



What shall
I buy next?



Globalization also spreads ideas and values.



The linkage of production, exchange,
distribution and consumption: An example

Four areas of study in Economics

Means

- Production: The creation of value (or utility)
- Exchange: The transfer of property right
- Distribution: The allocation of production output (or income) to the owners of production factors.

End

- Consumption: The destruction of value or utility so as to satisfy human wants ◦

Globalization simply free international trade.

12 month's total output produced by two countries

	Country A		Country B		Total (MMT)
	Month	MMT	Month	MMT	
Pork	4	320	9	90	410
Rice	8	320	3	90	410
Total (Months)	12	--	12	--	820 24

Their productivities per month

	Country A	Country B
Port (MMT)	$320 \div 4 = 80^*$	$90 \div 9 = 10$
Rice (MMT)	$320 \div 8 = 40^*$	$90 \div 3 = 30$

* More output demonstrating an absolute advantage

Productivity is a measure of the efficiency of a person, machine, factory, system, etc., in converting inputs into useful outputs. It is computed by dividing average output per period by the total costs incurred or resources (capital, energy, material, personnel) consumed in that period. Productivity is a critical determinant of cost efficiency.

The opportunity cost of producing 1 Kg of pork/ Rice

	Country A	Country B
Pork	$\frac{1}{2}$ MMT of rice*	3 MMT of rice
Rice	2 MMT of pork	$\frac{1}{3}$ MMT of pork*

* It shows that the country has a lower opportunity cost in producing the product, and thus Country A has a comparative advantage in producing pork, Country B has a comparative advantage in producing rice.

Opportunity cost is defined as the value of the next-best alternative that must be given up when scarce resources are used for one purpose instead of another.

- Country A's opportunity cost of producing 1 MMT of pork is $\frac{1}{2}$ MMT of rice, Country B's opportunity cost of producing 1 MMT of pork is 3 MMT of rice. Thus, Country A enjoys a comparative advantage in the production of pork; so it should be specialize in pig raising.
- Country B's opportunity cost of producing 1 MMT of rice is $\frac{1}{3}$ MMT of pork, Country A's opportunity cost of producing 1 MMT of rice is 2 MMT of pork. Thus, Country B enjoys a comparative advantage in the production of rice; so it should be specialize in planting rice.

Results of 11 months of collaboration in producing pig and rice

	Country A		Country B		Total (MMT)
	Months	MMT	Months	MMT	
Pork	9	720	0	0	720
Rice	2	80	11	330	410
Total (Months)	11	--	11	--	1130 22

Through specialization in production, Country A and Country B each has one month rest in the year, but they can increase production output; Assuming the rate of exchange between pork and rice is 1 to 1, rice consumption can maintain their original level, but everyone can eat more pork.

Consumption of pork and rice after exchange

	Country A		Country B		Total (MMT)
	Month	MMT	Month	MMT	
Pork	9	$720 - 240 = 480$	0	$0 + 240 = 240$	720
Rice	2	$80 + 240 = 320$	11	$330 - 240 = 90$	410
Total (Months)	11	--	11	--	1130 22

Current global economic environment

Current Economic Environment

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graph LR; A[Current Economic Environment] --- B[Microeconomic Environment]; A --- C[Macroeconomic Environment]
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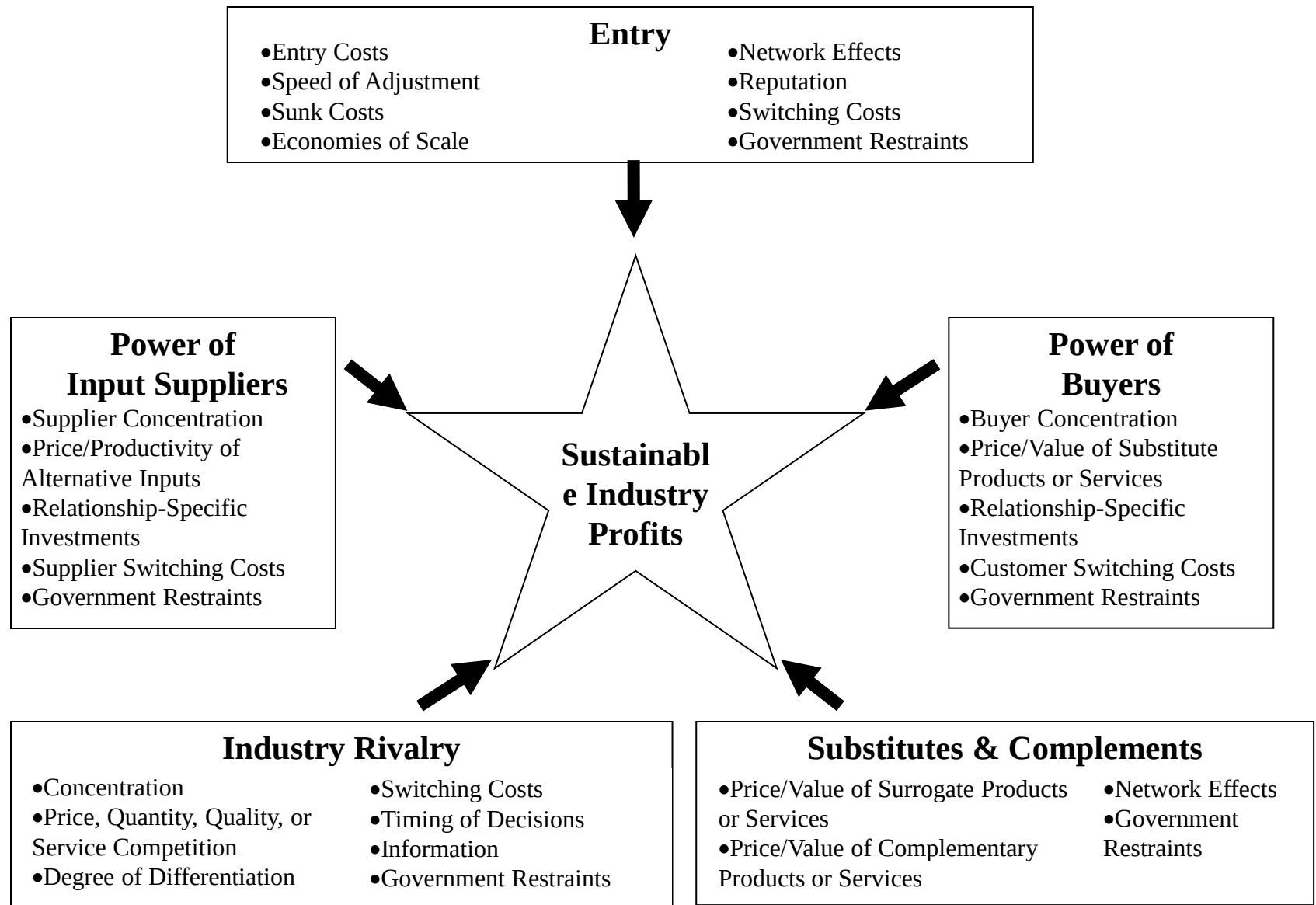
Microeconomic Environment

The study is focus on the determination of product price and quantity in an industry or a firm.

Macroeconomic Environment

The study is focus on the determination of Gross Domestic Product (GDP), employment, and general price level firm.

Microeconomic Environment: Michael Porter's Five Forces Model



Macroeconomic
Economic Environment

Hong Kong

China

Macau

Taiwan

Global

Hong Kong Macroeconomic Data

- Census and Statistics Dept.
<https://www.censtatd.gov.hk/home.html>
- Previous Budgets
<https://www.budget.gov.hk/2019/eng/previous.html>
- Office of the Government Economist
<https://www.oge.gov.hk/>
- Policy Innovation and Co-ordination Office
<https://www.pico.gov.hk/en/home/index.html>
- Hong Kong Economy Today
<https://www.hkeconomy.gov.hk/>
- The HK Centre for Economic Research
<http://www.hkcer.hku.hk/>
- IMF Country Report
<https://www.imf.org/en/Countries/HKG>

China Macroeconomic Data

- National Bureau of Statistics of China
<http://www.stats.gov.cn/>
- The State Council
<http://www.gov.cn/>
- The National people's Congress
<http://www.npc.gov.cn/npc/index.shtml>
- PBC
<http://www.pbc.gov.cn/>
- IMF Country Report
<https://www.imf.org/en/Publications/CR/Issues/2019/08/08/Peoples-Republic-of-China-2019-Article-IV-Consultation-Press-Release-Staff-Report-Staff-48576>

Macao Macroeconomic Data

- Macao SAR

<https://www.gov.mo/en/>

- Macao Statistics and Census Services

https://www.dsec.gov.mo/home_enus.aspx

- Macao Monetary Authority (AMCA)

<https://www.amcm.gov.mo/en>

- IMF Country Report

<https://www.imf.org/en/Publications/CR/Issues/2019/05/06/Peoples-Republic-of-China-Macao-Special-Administrative-Region-2019-Article-IV-Consultation-46867>

Taiwan Macroeconomic Data

- P.O.C Government

<https://www.taiwan.gov.tw/>

- National Statistics, Republic of China (Taiwan)

<https://eng.stat.gov.tw/mp.asp?mp=5>

- Central Bank of the Republic of China (Taiwan)

<https://www.cbc.gov.tw/mp2.html>

Global Macroeconomic Data

- The World Bank: Statistical Capacity Country Profile
<http://datatopics.worldbank.org/statisticalcapacity/CountryProfile.aspx>
- International Monetary Fund: IMF DataMapper
https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD
- Bank For International Settlements
<https://www.bis.org/>
- United Nations Economic and Social Council
<https://www.un.org/ecosoc/en/>



EMED Consensus Forecasts for Advanced Economies: November 2021 Survey

ADVANCED ECONOMIES	Gross Domestic Product (% yoy)		Private Consumption (% yoy)		Capital Formation (% yoy)		Consumer Prices (% yoy)		Unemployment Rate (%)	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Australia	3.7	3.5	4.7	5.8	6.8	4.6	2.6	2.4	5.3	4.5
Canada	5.0	4.2	4.4	4.5	1.2	6.0	3.1	2.8	7.6	6.1
Euro Area	5.0	4.2	3.3	4.9	5.4	4.8	2.3	1.9	7.9	7.6
France	6.1	4.1	4.3	4.6	11.7	5.1	2.0	1.7	7.9	7.9
Germany	2.8	4.5	0.3	5.9	3.2	4.4	3.0	2.1	4.7	4.5
Italy	6.1	4.3	4.6	4.4	15.7	7.3	1.6	1.5	9.7	9.2
Japan	2.4	2.5	1.9	3.0	0.8	2.7	-0.2	0.7	2.8	2.6
New Zealand	4.9	3.3	6.9	3.4	7.9	5.0	3.0	2.4	4.0	3.7
United Kingdom	6.9	5.0	4.1	6.6	5.4	6.5	2.3	2.9	4.8	4.6
United States	5.6	3.9	7.9	3.8	7.7	4.9	4.5	3.2	5.4	4.0

Sources: Emerging Markets Economic Data

Available at: <http://www.emed.com.hk/forecast.html>

ADVANCED ECONOMIES

	Current Account (% of GDP)		Exchange Rate (vis-a-vis USD)		Policy Rate (% p.a.)		10-Year Gov't Bond Yield (% p.a.)		WTI Oil Price (USD/barrel)	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022

Australia	3.5	2.0	0.75	0.75	0.10	0.10	1.65	2.00	---	---
Canada	0.5	-0.8	1.25	1.24	0.25	0.75	1.60	2.03	---	---
Euro Area	2.8	2.8	1.17	1.17	0.00	0.00	---	---	---	---
France	-1.7	-1.4	---	---	---	---	0.00	0.38	---	---
Germany	6.5	6.5	---	---	---	---	-0.20	0.13	---	---
Italy	3.0	2.6	---	---	---	---	0.84	1.14	---	---
Japan	3.5	3.5	111.50	112.00	-0.10	-0.10	0.07	0.10	---	---
New Zealand	-3.7	-3.0	0.71	0.72	0.75	1.25	2.20	2.65	---	---
United Kingdom	-3.6	-3.5	1.38	1.38	0.10	0.50	0.81	1.30	---	---
United States	-3.2	-2.8	---	---	0.13	0.38	1.60	2.05	69.50	69.90

Notes:

Consensus forecast is the median of the forecasts.

Year refers to calendar year.

GDP, private consumption and capital formation are in real terms. All other variables are in nominal terms.

Percentage change refers to change in the total or average over the previous year.

Forecasts of exchange rates, interest rates and oil prices are for year-end.

Capital formation refers to business investment for Australia, Canada and the United States;
and gross fixed investment for all other economies.

Policy rates refer to the cash rate for Australia and New Zealand; overnight financing rate for Canada; refinancing rate for the euro area;
uncollateralized overnight call rate for Japan; Bank rate for the United Kingdom; and Federal funds rate for the United States.



EMED Consensus Forecasts for Emerging Markets: November 2021 Survey

EMERGING MARKETS	Gross Domestic Product (% yoy)		Private Consumption (% yoy)		Fixed Investment (% yoy)		Consumer Prices (% yoy)		Unemployment Rate (%)	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Argentina	7.2	2.2	8.1	4.2	14.0	2.8	47.5	46.1	10.5	9.3
Brazil	5.0	1.8	3.4	1.3	15.4	1.1	8.0	5.9	13.9	12.6
Chile	9.6	3.1	12.5	3.2	11.1	3.3	4.1	3.9	9.0	7.3
China	8.1	5.3	9.7	6.0	6.5	4.1	1.0	2.2	4.1	4.0
Colombia	8.6	3.8	11.1	4.1	6.4	4.6	3.4	3.8	13.8	12.2
Czech Republic	3.2	4.7	3.7	5.0	2.7	6.7	3.1	3.0	2.9	2.5
Hong Kong	6.5	3.0	5.6	4.0	12.6	2.7	1.6	1.9	5.3	4.2
Hungary	7.2	4.9	2.9	3.9	6.3	4.1	4.7	4.2	4.2	3.7
India*	9.0	7.0	9.8	7.5	11.5	7.2	5.2	4.9	10.5	10.0
Indonesia	3.5	5.2	2.3	5.2	3.8	6.9	1.7	2.9	6.1	5.7
Malaysia	4.0	6.0	-0.6	7.0	0.8	11.5	2.4	2.2	4.6	3.8
Mexico	6.0	3.0	5.5	3.1	4.5	2.6	5.4	4.1	4.4	4.3
Philippines	4.8	6.5	1.9	6.5	14.4	13.5	4.4	3.3	7.8	6.8
Poland	5.0	4.7	5.0	5.1	4.8	5.5	4.5	4.6	3.6	3.3
Russia	4.2	2.7	8.6	2.8	5.0	4.1	6.2	4.8	5.1	4.7
Singapore	6.5	3.8	3.0	5.2	11.2	6.9	2.0	1.8	2.7	2.3
South Korea	4.0	3.0	3.6	3.5	3.8	3.3	2.3	1.8	3.7	3.6
Taiwan	5.9	3.2	0.3	3.1	10.2	3.5	1.8	1.5	3.8	3.6
Thailand	1.2	4.2	0.5	3.6	4.6	4.5	1.0	1.5	1.9	1.7
Turkey	8.9	3.7	5.9	3.0	9.1	4.3	17.5	15.0	12.8	12.5

EMERGING MARKETS	Money Supply M2 (% yoy)		Merchandise Exports (% yoy)		Merchandise Imports (% yoy)		Current Account (% of GDP)		Exchange Rate (vis-a-vis USD)	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Argentina	44.5	45.1	2.9	16.1	9.2	12.2	1.0	0.4	115.00	147.55
Brazil	9.1	6.2	7.5	3.7	10.7	3.5	-0.1	-0.5	5.38	5.48
Chile	7.0	9.0	8.0	5.0	20.0	8.0	-1.5	-0.7	750	768
China	8.5	8.5	21.3	3.8	22.1	4.5	1.9	1.5	6.45	6.43
Colombia	5.9	8.5	23.2	4.9	19.5	3.7	-4.5	-3.8	3661	3750
Czech Republic	---	---	7.0	10.4	12.7	9.6	0.6	0.9	21.5	21.9
Hong Kong	4.3	2.0	22.5	6.8	21.9	9.0	5.8	4.9	7.79	7.79
Hungary	---	---	---	---	---	---	-1.0	-0.9	302	304
India*	---	---	12.5	7.1	14.7	7.7	-0.9	-1.6	75	76
Indonesia	---	---	20.5	4.9	17.6	4.8	-0.7	-1.5	14325	14385
Malaysia	---	---	---	---	---	---	3.9	3.0	4.20	4.14
Mexico	16.8	11.3	7.2	5.4	14.2	6.6	1.3	0.6	20.5	20.9
Philippines	---	---	11.8	10.0	19.2	15.4	0.5	-0.7	49.9	50.7
Poland	---	---	---	---	---	---	1.5	1.1	3.78	3.90
Russia	10.0	9.0	9.3	2.4	9.5	6.5	5.5	5.3	72.0	72.2
Singapore	---	---	---	---	---	---	17.5	17.3	1.35	1.34
South Korea	10.0	9.6	10.7	4.8	10.3	6.7	4.8	4.1	1142	1134
Taiwan	7.8	5.6	18.9	4.3	21.1	4.9	14.8	13.0	28.0	27.9
Thailand	6.2	4.8	16.4	5.0	23.3	5.9	-1.0	1.3	32.4	32.0
Turkey	18.0	18.0	8.3	8.5	1.4	2.7	-3.0	-2.4	8.54	9.14



List of Forecasters: November 2021 Survey

ABN Amro	Fannie Mae	Taiwan Institute of Economic Research
Action Economics	First Trust Advisors	TD Economics
AIB Global Treasury	Freddie Mac	TISCO Securities
Allianz	Grupo Financiero Monex	UniCredit Group
ANZ	Handelsbanken	University of Maryland
ASB Bank	IFO Munich Institute	University of Michigan - RSQE
Banco de Oro Unibank	Infometrics	UOB
Bank Julius Baer	Intesa Sanpaolo	Wells Fargo
Bank Mandiri	Invesco	WestLB
Bank of Ayudhya PCL	ITOCHU Institute	Westpac Bank
Bank of East Asia	Japan Center for Economic Research	
Bank of Ireland	JP Morgan	
Bank of Tokyo-Mitsubishi UFJ	Kasikornbank	
Bank Pocztowy	KBC	
Bahana TCW IM	Kiel Institute	
BayernLB	Korea Investment and Securities	
BBVA	Mesirow Financial	
Berenberg Capital Markets	Metrobank	
BHF Bank	Mizuho Securities	
BMO Capital Markets	Monte Dei Paschi Di Siena	
BNP Paribas	Moody's Analytics	
BNZ	Mortgage Bankers Association	
Cambridge Econometrics	National Association of Realtors	
Capital Economics	National Australia Bank	
CEBR	National Bank of Canada	
CEESP	NBNZ	
CIBC World Markets	NIESR	
Comerica Bank	Nordea	
Commerzbank	Northern Trust	
Commonwealth Bank	NZIER	
Confederation of British Industry	OCBC Bank	
Credit Agricole	OTP Bank	
Credit Suisse	Phatra Securities	
Daiwa Institute of Research	PNC	
Danamon Bank	Prometeia	
Danske Bank	Rabobank	
DBS Bank	Raymond James	
Deka Bank	ROBECO	
Desjardins	Royal Bank of Canada	
DIW Berlin	RWI	
DnB NOR	Schroders	
DZ Bank	Scotia Capital	
Erste Group Bank AG	Societe Generale	
ETLA	Standard & Poor's	
EUROFER	Swedbank	

Who controls the new globalized world?
States or Transnational Corporations (TNCs)?

General characteristics Transnational Corporations (TNCs)

Transnational corporation may be defined as a firm which engages in direct investment in more than one country; that is, it owns and/or controls income-generating assets (factories, mines, plantations, etc.) in a number of countries, and is thus engaged in international production.

The nature of TNCs

- The number and size of TNCs have significantly increased in the second half of the past century and have caused a shift from an international economy to a globalized economy.
- HQ in 1 country (in richer areas such as Japan and USA) , branches across the world (in poorer areas with lower labour costs, lenient laws or government wants investment).
- The main advantage of TNCs is the large scale of their operations which enables them to run efficiently and reduce operational cost.
- Reduced cost from mass production leads to increased profits and so TNCs can invest heavily in research, marketing, advertising, and general development.
- Acquisition of another domestic firm which already has foreign operations; virtually all TNCs include merger and acquisition as part of their development.

The Global 500 shrank a little over the past year. After reaching a record high of \$33.3 trillion in the 2020 edition, total revenue for the world's biggest companies fell 4.8% to \$31.7 trillion this year. It was the first decline in half a decade. The culprit, of course, was COVID-19, which slammed huge swaths of the global economy as countries went into lockdown. Cumulative sales in both the energy and automotive sectors, for example, fell by more than 10%. And all six of the airlines that appeared in last year's ranking failed to make the cut this year. Despite the setbacks, the heft of the Global 500 remains formidable: The combined sales of the companies on the list are equal to more than one-third of global GDP.

The Global 500 rankings

The Top 10	Revenues (\$M)
1. Walmart	US\$523,964
2. State Grid (5)	US\$383,906
3. Amazon (New)	US\$280,522
4. China National Petroleum	US\$379,130
5. Sinopec Group (2)	US\$407,609
6. Apple (New)	US\$260,174
7. CVS Health (New)	US\$256,776
8. UnitedHealth group (New)	US\$242,155
9. Toyota Motor (10)	US\$275,288
10. Volkswagen (9)	US\$282,760

Source: Fortune Global 500
<https://fortune.com/global500/>

The world's 500 largest companies generated \$32.7 trillion in revenues and \$2.15 trillion in profits in 2018.



How much
is a trillion
dollars?

A trillion dollars is enough to give \$400,000 each family in Hong Kong.



Examples:

McDonald's is the world's largest restaurant chain by revenue, serving over 69 million customers daily in over 100 countries across 37,855 outlets as of 2018.

Nike operates in 80 countries, its three major HQs are in Netherland, USA, and Hong Kong,

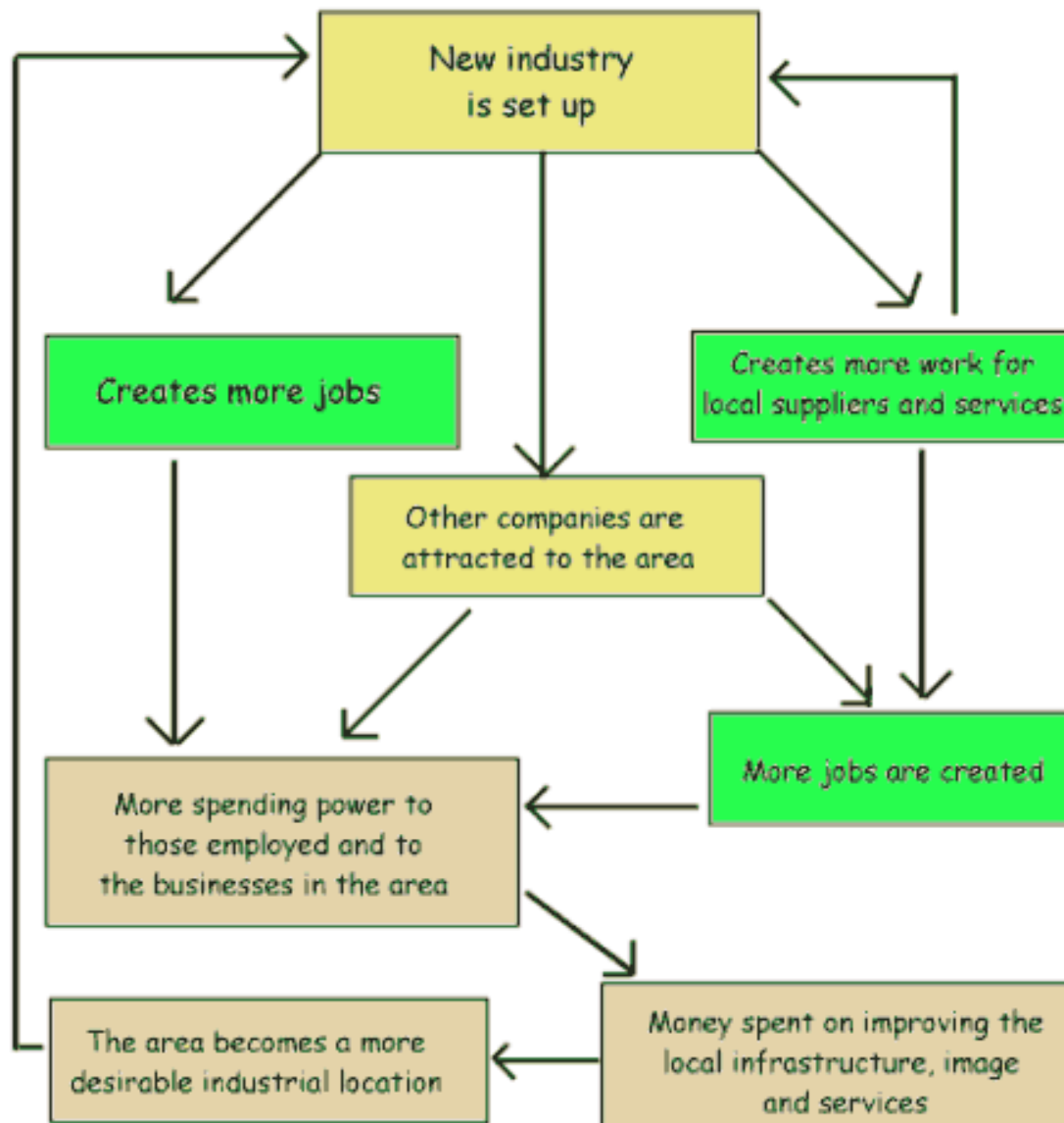
The giant American conglomerate General Electric (GE) holds more assets abroad than any other non-financial firm in the world—over \$500 billion worth. Its foreign assets make up over 70% of its total.



TNCs and LEDCs

- TNCs have a very powerful influence on LEDCs and their economies.
- In many cases they control most of, if not all, activities involved with a product from producing the raw material to processing, packaging, transportation, advertising, and sales.
- They provide LEDCs with the necessary investment and the provision of skills and technology.
- However, they may decide to switch production from one country to another. (the decision are made outside the related LEDCs at the TNC HQ).

Advantages of TNCs



Disadvantages

- Damage to the environment by ignoring the local laws of the host country.
- Profits going to companies overseas rather than locals.
- Little reinvestment in the local area.
- Markets appear to be homogenizing.
- Sweatshops

Like my new shirt?

Yeah! Those abused
Indonesian kids working
for slave wages in sweatshops
did a DAMN fine job!



Top challenges businesses face today

As the accelerating shift in the global economic landscape from Europe and North America to Asia, Latin America and Africa intensifies, global business enterprises are happening to find themselves operating in new and sometimes unfamiliar market environments.

Such global dynamics create new opportunities, challenges, risks and threats, which would need to be understood if such businesses are to succeed.

Economic environment and challenge

Opportunity	Challenge
Access to customers in new countries	New competition for existing customers in domestic markets
Learning about customers in new markets	Adjusting products to local tastes and cultural peculiarities
Access to new, cheaper sources of finance	Global financial contagion
Government incentives to relocate	Costs of meeting a multitude of local/national laws and regulations
Access to regional trading agreements/avoidance of trade barriers	Exchange rate fluctuations
Economies of scale	Managing long supply chains
Access to new resources (e.g. cheap of skilled labour, natural resources)	New competition for local resources (e.g. more demand for labour pushing up local wage costs)

Regulatory environment and challenge

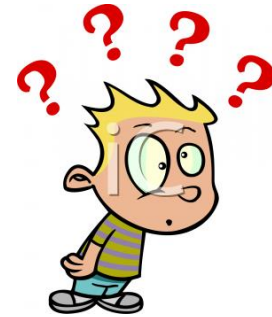
- Gaining a comprehensive **understanding of the local laws and regulations governing your target markets** is key. From tax implications through to trading laws, navigating legal requirements is a central function for any successful international business.
- **Eligibility to trade** is a significant consideration, as are potential tariffs and the legal costs associated with entering new markets.
- It is important to note that **employment and labor requirements** also differ by country.
- Determining **acceptable payment methods** and ensuring secure processing must be a central consideration for businesses who seeks to trade internationally
- Depending on your industry, it can make much more sense to bring in a **consultant** to help with these areas rather than trying to understand the complexities yourself — and risk fines or worse for non-compliance.

Cultural environment and challenge

- Beyond abiding by official laws, engaging in international business often requires following other **unwritten cultural guidelines**. This can prove especially challenging in emerging markets with ill-defined regulations or potential corruption.
- **Good communication** is at the heart of effective international business strategy. However, communicating across cultures can be a very real challenge.
- **Cultural differences can also influence market demand** for your product or service.
- Corporate social responsibility issues.
- Capricious political environments/political risk /**bias in favors of domestic companies**.

Ecological environment and challenge

- As the environmental risks and effects of climate change are becoming better understood, sustainability is high on the agenda of many major global corporations. Recent international legislations and proposals, such as the UN's Sustainable Development Goals, have put environmental issues at the forefront of international business development.
- It is important to be aware of [the country-specific environmental regulations](#) and issues associated with your industry. Some key considerations include how your production methods might impact the local environment through waste and pollution.
- Beyond a legal or ethical incentive to be more eco-friendly, establishing environmentally conscious business practices can attract new, forward-thinking consumers to your company.
- There is an opportunity and demand for changing production methods and consumer behavior to establish a more sustainable future for the environment and society as a whole



How much blame can we place on ourselves for the expansion of transnational corporations in its unjust globalized practices?

(When answering this question, keep in mind that we are the consumers of the products these corporations make profit from)

Thank you
for your attention !