

Second Edition

INTERNATIONAL BUSINESS

Perspectives from Developed and
Emerging Markets



K. Praveen Parboteeah
and John B. Cullen



International Business

International Business provides students with a balanced perspective on business in a global environment, exploring implications for multinational companies in developed and emerging markets. It is the first text of its kind to emphasize strategic decision making as the cornerstone of its approach while focusing on emerging markets.

Traditional topics, like foreign exchange markets and global competition, are contrasted with emerging operations, like Chinese market intervention and Islamic finance, to provide students with an understanding of successful business strategy. Readers learn to develop and implement these strategies across cultures, and across economic, legal, and religious institutions in order to cope with competitive players in the global landscape. Application-based chapters open with reading goals and conclude with case studies and discussion questions to encourage a practical understanding of strategy.

With in-depth analyses and recommended strategies, this edition equips students of international business with the skills they need for success on the global stage. A companion website features an instructor's manual, test bank, PowerPoint slides, and useful tips for instructors as well as in-class exercises and web resources for students.

K. Praveen Parboteeah is the inaugural COBE Distinguished Professor and Director of the Doctorate of Business Administration at the University of Wisconsin–Whitewater, USA.

John B. Cullen is Professor of Management and Huber Chair of Entrepreneurial Studies at Washington State University, USA.

“Parboteeah and Cullen do a great job of covering traditional international business topics like the environment, institutions, and culture. They also cover all of the operational and organizational materials, so it is a complete book. The focus on emerging markets is particularly timely and important.”

Len J. Treviño, *Florida Atlantic University, USA*

“In today’s volatile, uncertain world, global firms are looking for employees who have a global view as well as special skills to manage uncertainties across world markets. This book strives to bridge the gap between domestic and global skill sets. It is an excellent resource for students, faculty, and corporates who want to learn about international business from an analytical, logical framework, and knowledge point of view.”

Prashant Salwan, *Indian Institute of Management Indore, India*

International Business

Perspectives from Developed
and Emerging Markets

SECOND EDITION

K. Praveen Parboteeah & John B. Cullen

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To
Kyong, Alisha, and Davin
and
Jean and Jaye



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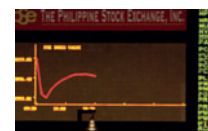
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BRIC INSIGHT

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Concluding Case Study with Case Discussion Points

Similar to Preview Emerging Market IB Strategic Insight.

International Business Skill Builder

Experiential exercise relevant to chapter content.

Chapter Internet Activity

Key Concepts

Discussion Questions



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Preface

The globalization of markets and companies, the impact of the possible recession, the sustained performance of the emerging markets economic bloc, and the pressures for companies to become more environmentally sustainable define international business today. No companies are immune to such environmental forces. To cope adequately with this complex global environment, international managers need to be able to develop and implement successful strategies. *International Business: Perspectives From Developed and Emerging Markets* is designed to provide students with the latest insights into the complexity of managing multinationals and domestic operations across borders. The text uses a strategic perspective as the dominant theme to explore international business and its implications for the multinational company (MNC). This text also is among the first international business texts to acknowledge the critical roles played by emerging markets. The book's central theme is to expose students to critical challenges facing multinationals as they operate in such markets. This text thus informs students of the environment in emerging markets in comparison to developed markets through an emphasis on strategic decision making as the cornerstone of its approach.

Pedagogical Approach

International Business: Perspectives From Developed and Emerging Markets provides a thorough review and analysis of international business using several learning tools:

Strategy as the Theme All chapters have been written using strategy as a unifying theme that is highlighted for the learner through the relevance of the material. This theme provides the students with the ability to see how the various functional areas of international business contribute to the overall strategy of the MNC.

Emerging Markets Compared to Developed Markets All chapters have ample examples of situations and challenges in emerging markets in comparison to developed markets. Such an approach helps the students to see the unique circumstances facing any international business manager as they operate in such critical markets. The text therefore provides deep insights into emerging markets—something that most other international texts do not do.

Application-based All chapters give the learner three opportunities to apply the knowledge gained from reading the chapter—an International Business Skill Builder, Chapter Internet Activity, and an end-of-chapter Case Study. These exercises provide deeper insights into the challenges faced by international business managers.

Current The text contains the latest international business information and examples. It is the first to address the issue of emerging markets in depth in the international business area.

Key Features

Chapter Case Studies, Internet Activities, and International Business Skill Builders End-of-chapter projects include cases and activities, which give the learner the opportunity to apply text material to real-life international business problems.

Extensive Examples Throughout, many examples enhance the text material by showing actual international management situations. These examples are illustrated in six different formats:

- *Preview IB Emerging Market Strategic Insight* show you how real MNCs handle issues in emerging markets to be discussed in the chapter.
- *IB Emerging Market Strategic Insight* give information on the strategic implications for international businesses in emerging markets that relate to the current discussion in the text.
- *BRIC Insights* highlight chapter material of particular relevance to the BRIC bloc; namely, Brazil, Russia, China, and India.
- *Emerging Market Ethical Challenges* are examples of situations faced by multinational managers in dealing with ethical issues in emerging markets being discussed in the chapter.
- *Emerging Market Briefs* discuss emerging market situations in less detail.

Learning Aids The companion website (www.routledge.com/cw/parboteeah) also contains an extensive selection of Internet links to resources and information that are updated regularly.

Current Data All chapters have been updated to include the latest research, examples, and statistics in multinational management, creating the most accurate and current presentation possible.

Contents

The book is divided into five major sections. Each section contains chapters that provide information on essential topics of international business as they apply to emerging markets. The intent is to give you an overview of the complex and exciting world of international business and the challenges facing multinationals as they operate globally with a special emphasis on emerging markets.

The first section provides an introduction to the field of international business, including background on globalization and how MNCs compete strategically. It is important that you first understand the strategic choices open to MNCs. With that understanding, you will have a better appreciation of the information provided in later chapters that gives essential material for understanding international business in emerging markets.

Part Two of your text is intended to provide you with an understanding of the global context in which MNCs compete. Chapter 1, in Part One, touched on the issue of how growing international trade and investment combined with global economic integration is changing the competitive landscape for MNCs. These are illustrated within the context of emerging markets. Two additional chapters will show you how money moves across borders to make international transactions possible. One chapter overviews the basics of foreign exchange. There you learn

what affects the varying values of currencies from different countries and how international managers manage cross-border money transactions. A second chapter discusses how MNCs, in today's global financial systems, get capital from bond and stock markets outside of their own countries.

Part Three looks inside the countries (with a special focus on emerging markets) where MNCs do business. Here you will learn how MNCs adjust their strategies and operations to the local context. One chapter looks at how culture influences the conduct of international business. The other chapter focuses on social institutions such as the legal and political systems. It also considers the effects of religion on an MNC's operations and strategies when doing business in countries or areas of the world with particular religious institutions.

Part Four of your text brings you inside the MNC to look at the functional and operational strategies that support the broader multinational strategies that you learned about in Chapter 2. This is the largest part of the book because there are many issues that an MNC must consider in conducting its international businesses in emerging markets. One chapter shows how MNCs actually set up operations in different countries through techniques such as joint ventures or licensing. The second chapter in this part looks at how companies adjust their marketing and supply-chain management strategies to support operations in varied countries. The third and fourth chapters show how MNCs develop specialized accounting systems and manage their financial systems to conduct cross-border activities successfully.

Because running an MNC is an organizational challenge, Part Four contains a chapter devoted to organizational structures for international operations. Similarly, because of the complexities of dealing with managers and workers located anywhere in the world, a full chapter is also dedicated to international human resource management. Part Four concludes with a chapter on e-commerce for the MNC. This chapter focuses on the unique challenges of running an international operation via the Internet.

Part Five, the final part of your text, contains only one chapter, "Managing Ethical and Social Responsibility in an MNC." However, the challenges of managing ethical issues in varied cultural and institutional contexts cannot be overestimated. This becomes especially challenging in emerging markets where local environmental conditions bring on additional difficulties. While you will not learn how to be ethical by reading this chapter, you will be introduced to the basics of ethical reasoning and some of the issues you need to consider when faced with ethically challenging decisions in all markets.

Support Materials

International Business offers a website for both students and instructors at www.routledge.com/cw/parboteeah. This site contains supplements to the text that give students and instructors many options for learning and teaching the text content.

For Instructors

Web support is available with the following features:

Instructor's Manual Chapter-by-chapter outlines with teaching tips, web and in-class exercises, and video resources.

Test Bank A full test bank for each chapter, with multiple choice and true/false questions, available as Word documents or in a format compatible with uploading to Blackboard or WebCT.

PowerPoint® Slide Presentations Instructors can access more than 40 slides per chapter illustrating the main points of each text.

Weblinks Useful links are provided as instructional resources, including all the links in the Instructor's Manual.

For Students

Web support is available with the following features:

Practice Quizzes Self-tests for each chapter provide students with instant feedback on their answers.

Flashcards Interactive flashcards allow students to test their knowledge of the book's key concepts.

Weblinks All the book's informational links are provided to give students easy access to online resources.

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Professor Cullen has consulted with both private and public organizations in the US and elsewhere in the areas of international management, organizational design, and ethics management.

Chapters in Part One

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Competing in the Global Marketplace



After reading this chapter you should be able to:

- Define international business.
- Understand the critical importance of emerging markets in today's international business environment.
- Understand the nature of an MNC.
- Understand the key forces that drive globalization and the current global economy.
- Know the basic types of economies that make up the world's competitive landscape.
- Appreciate the role that low-cost countries and rapidly emerging economies play in today's world.
- Appreciate the importance of sustainability in the new global environment.

International Business *Preview IB Emerging Market Strategic Insight*

Emerging Markets: The Wave of the Future

The popular business press abounds with stories of emerging markets and emerging market multinationals. Emerging markets is an umbrella term referring to countries that have traditionally been seen as less developed but have markets that have grown rapidly recently. Prominent examples of emerging markets include the BRIC countries or Brazil, Russia, India, and China. Despite an economic slowdown recently, emerging markets continue to present tremendous potential.

Within these emerging markets, new multinationals have emerged and they are taking the business world by storm. Such emerging market multinationals are rewriting the rules of the game. Consider the emerging market multinationals such as Bimbo from Mexico, Tata from India, and Orascom from Egypt and how they are all rewriting the rules of business. These emerging market multinationals shy away from long-term planning typical of multinationals based in more developed economies. Rather, they strive on chaos and have an insatiable hunger for global expansion. Such multinationals have undeniable advantages based on their knowledge of extremely volatile local environments and their ability to deal with chaos.

Many factors have impacted the development of such emerging market multinationals. Emerging markets have typically faced markets for labor, capital, goods, and services that are imperfect or incomplete. Additionally, emerging markets have also included governments that have been ready to have heavy intervention. Some emerging markets also have unstable currencies.

Despite such challenges, emerging market multinationals have experienced success and have achieved tremendous learning in the process. They have been able to imitate developed world multinationals in some areas such as strategy and organizational structure. However, they have also developed their own innovative capabilities based on the unique characteristics of the markets they operate in. Such local challenges and chaotic environments have enabled emerging market multinationals to develop uniquely innovative products that can potentially help in developed markets. Consider, for instance, the case of the Tata Nano, the Indian giant's effort to develop a very low-cost car. Such advances are helping Tata develop products for low-income countries that will soon have more individuals in the middle class. These individuals will be interested in cheap transportation options in the future.

Source: Based on D. Currell and T. D. Bradley, 2013, "Greased palms, giant headaches," *Harvard Business Review*, September, pp. 21–23; M. F. Guillén and E. García-Canal, 2011, "The rise of emerging market multinationals," *IESE Insight*, Third Quarter, issue 10, pp. 13–19; C. Nettesheim, L. Faeste, D. Khanna, B. Waltermann and P. Ullrich, 2016, "Transformation in emerging markets," Boston Consulting Group, February, <http://bcg.perspectives>; M. Sako, 2015, "Competing in emerging markets," *Communications of the ACM*, 58(4), 27–29.

As the Preview IB Emerging Market Strategic Insight shows, emerging markets and emerging market multinationals will continue playing a critical role in the international business arena. Often, in today's competitive world, the only opportunity to grow a business and its profitability is when a company leaves its home country. Established multinationals have traditionally looked to developed market economies for such opportunities. However, as the above examples show, emerging markets present significant opportunities. Nevertheless, with these opportunities come the challenges of running a multinational operation in an emerging market. To help you understand and meet the challenges of international business, the objective of this text is to show you how companies such as Shoprite succeed in the global marketplace and how they cope with the many complexities of running an international operation.

Whether a business is large or small or located in whatever continent, the pressures to think global continue to grow. Consider just a few examples: if you look at the clothes you wear, the cars you drive, or the computers that sit on your desk, or keep track of your money in the bank, all have some components produced or sold by companies engaged in international business. Why? The major reason is the unrelenting pressures of globalization.

Globalization is the worldwide trend of the economies of the world becoming borderless and interlinked—companies are no longer limited by their domestic boundaries and may conduct any business activity anywhere in the world. Globalization means that companies are more

globalization

the worldwide trend of economic integration across borders allowing businesses to expand beyond their domestic boundaries

likely to compete anywhere. Many companies now sell anywhere, source their raw materials or conduct research and development (R&D) anywhere, and produce anywhere.

Trade barriers are falling, and world trade among countries in goods and services is growing faster than domestic production. Money is flowing more freely across national borders as companies seek the best rates for financing anywhere in the world, and investors look for the best returns anywhere in the world. The Internet crosses national boundaries with the click of a mouse, allowing even the smallest of businesses to go global immediately. Consequently, companies can no longer afford the luxury of assuming that success in their home market equates to long-term profitability—or even survival.

Globalization is perhaps the major reason why you should study international business. In today's Internet-connected world, you may have little choice. With companies increasingly looking at global rather than domestic markets, managers must become international in outlook and strategies. Your suppliers, your research and development, your manufacturing facilities, your strategic alliance partners, and your customers increasingly come from beyond your national borders. Foreign competition and doing business in foreign markets are daily facts of life for today's managers. Successful managers must become international in outlook. These are executives with the ability and motivation to meet and beat the challenges of international business. The study of international business helps prepare you to deal with this evolving global economy and to develop the skills necessary to succeed in business in a globalizing world.

To provide you with a basic background in international business, this book introduces you to the latest information on how managers respond to the challenges of globalization and conduct competitive international operations. Throughout the text, you will also learn about the importance of emerging markets and the critical influence they are having on global business. You will see how businesses both large and small deal with the complexities of national differences in cultural, economic, legal, ethical, religious, and political systems. You will learn how multinational managers use their understanding of these national differences to formulate strategies that maximize their companies' success in globalizing industries. You will also learn how multinational managers implement international strategies with supporting marketing, financial, organizational, and human resource management systems.

To help you better understand the real world of international business, you will find several types of real business examples in this and the following chapters. **Preview IB Emerging Market Strategic Insight** show you how real **multinational companies** handle issues in emerging markets to be discussed in the chapter. **IB Emerging Market Strategic Insight** give information on the strategic implications for international businesses in emerging markets that relate to the current discussion in the text. **BRIC Insights** highlight chapter material of particular relevance to the BRIC bloc, namely Brazil, Russia, China, and India. **Emerging Market Ethical Challenges** are examples of situations faced by multinational managers in dealing with ethical issues in emerging markets as pertaining to the areas being discussed in the chapter. Finally, **Emerging Market Briefs** discuss emerging market situations in less detail.

multinational company (MNC)

any company that engages in business functions beyond its domestic borders

The Nature of International Business

A company engages in **international business** when it conducts any business functions beyond its domestic borders. What kinds of business activities might make a company international? The most apparent activity, of course, is international sales. When a company produces in its own country and sells in another, it engages in the simplest level of international activity. However, as you will see in much more detail later in the book, crossing national borders opens up more international options than simply selling internationally.

international business

when a company conducts any business functions beyond its domestic borders

In this text, we refer to any company engaging in international business as a multinational company or MNC. This is a broad definition, which includes all types of companies, large and small, that engage in international business. Most multinational companies, however, are also multinational corporations—the companies are publicly owned through stocks. Most often, when you see references to MNCs in the popular business press, the reference is to multinational corporations.

As mentioned in the Preview IB Emerging Market Strategic Insight, the importance of emerging markets has also seen the rise of **emerging market multinationals**. Emerging market multinationals are influential multinationals from emerging markets that are changing the traditional rules of competition and establishing new business models. These multinationals are competing head-to-head with established developed world multinationals. Other prominent examples include Mexico's cement manufacturer CEMEX and bakery company Bimbo, Brazil's aircraft manufacturer Embraer, and India's software companies Wipro and Infosys. These multinationals have had dramatic impact on how business is being done worldwide. To give you further insights on an African emerging market multinational, consider the following IB Emerging Market Strategic Insight.

emerging market multinationals are influential multinationals from emerging markets that are changing the traditional rules of competition and establishing new business models



South Africa's Shoprite: The Next Walmart?

IB EMERGING MARKET
STRATEGIC INSIGHT

Already operating with over 1855 corporate and 359 franchise outlets in 15 countries such as Mauritius and Madagascar, Shoprite (www.shoprite.co.za), the South African Walmart wannabe, now has revenues of \$9.9 billion a year. Only given the opportunity to go international in 1994 after the fall of apartheid, Shoprite now gets over half its revenue outside of South Africa. Shoprite is now the largest retailer in Africa.

Because Shoprite operates mostly in poorer developing nations, its target customers are low- to middle-income customers. Most traditional multinational retailers have ignored this niche. However, by focusing on value, the company has been able to build a strong customer base from this income group. Because this group continues to grow, Shoprite is poised to continue outcompeting rival multinationals as it continues its expansion in the future.

In spite of its success, Shoprite also faces many challenges in running its multinational operations. It is very dependent on the African continent and that has been problematic. African currencies are highly volatile making the costs of supplies and value of sales very unpredictable. Additionally, economic growth in Africa has fallen from 7 percent in 2007 to around 4 percent in 2014. This suggests that Shoprite will need to look into other markets to succeed in the future.

Also, with over 138,000 employees speaking many different languages and complex differences in local laws regarding health, employment, taxes, etc., organizational challenges are constant. Like many multinationals, Shoprite uses technology to help manage these complex operations. A satellite system tracks shipping and sales, and suppliers and local stores are linked with an ecommerce system.

Source: Based on A. Brown, 2016, "Africa's Sam Walton," *Forbes*, March 21, pp. 66–75; *The Economist*, 2005, "Africa's Walmart heads east," www.economist.com, January 13; www.shoprite.co.za/

As you can see above, emerging market multinationals have had significant influence on how business is conducted worldwide. They will likely keep growing in stature in the future. Furthermore, many of the top largest multinationals today come from emerging markets. Exhibit 1.1 lists the top MNCs in the world.

Company	Revenues (US\$ million)	Country
1. Walmart	482,130	USA
2. State Grid	329,601	China
3. China National Petroleum	299,271	China
4. Sinopec Group	294,344	China
5. Royal Dutch Shell	272,156	Holland
6. Exxon Mobil	246,204	USA
7. Volkswagen	236,600	Germany
8. Toyota Motor	236,592	Japan
9. Apple	233,715	USA
10. BP	225,982	UK
11. Berkshire Hathaway	210,821	USA
12. McKesson	192,487	USA
13. Samsung Electronics	177,440	South Korea
14. Glencore	170,497	Anglo-Swiss
15. Industrial & Commercial Bank of China	167,227	China

Exhibit 1.1 Top 15 Companies in the World Based on Revenues, 2015

Source: Adapted from Fortune Global 500, <http://beta.fortune.com/global500/>

As you can see from the above, emerging market multinationals feature prominently on the list of top multinationals worldwide. Additionally, examination of the top 500 companies shows that there are many such multinationals in that list. This confirms the importance and clout of these emerging market multinationals.

To introduce some of the international options, consider the following hypothetical company that produces PCs. As a domestic-only company it can manufacture the chips and other electronic components, build the cases, assemble the components, and sell the computers, all in its home country. However, the firm might not be able to compete successfully using this approach. The local market may be stagnant, with competitive pricing and lower profit margins. Even in a growing market, competitors like Dell Computer might source high-quality, low-cost components from anywhere in the world. Competitors might also find lower production costs in low-cost countries, allowing them to offer lower prices. What can this company do?

As an MNC, the firm might sell PCs to overseas buyers in countries with less competition and higher prices. Several other international activities might increase its competitive strength. For example, this company might locate any of the steps in obtaining components or completing production in other countries. It might buy the highest-quality chips from Taiwan, use the lowest-cost assemblers in Vietnam, and sell primarily in Europe and the US. For any of these steps, the company might outsource the activity to local companies in another country or own its own factories within another country. As you will see in later chapters, MNCs must develop strategies and systems to accomplish all or some of these international business tasks.

Next, we will consider the forces that drive the new economic reality facing the next generation of international managers and MNCs.

Globalization: A Dynamic Context for International Business

Globalization is not a simple uniform evolutionary process. Not all economies of the world benefit equally or participate equally. In the recent past, financial crises, terrorism, wars,

increased border security, and a worldwide economic stagnation have limited, or in some cases even reversed, some of the aspects of globalization. You will see below, in the context of the discussion of the major drivers of globalization, some of the effects produced by political, economic, and sociocultural upheavals. Consider Exhibit 1.2, which shows the history of globalization's major events.

The financial crisis of 2008 demonstrated just how interconnected the global economy has become in the last few decades. When failures and bad debt in the home mortgage industry forced some US banks and other financial institutions out of business, the US stock market declined quickly and precipitously. Almost immediately, financial institutions around the world followed the US market. Before discussing the key globalization trends that affect international business, it is useful to look at some commonly used classifications of the world's countries. The classifications roughly indicate a country's gross domestic product (GDP) and the growth in GDP. The classifications are not exact but they simplify discussions of world trade and investments.

Time	Economic	Political	Technological
1940s	<ul style="list-style-type: none"> • Establishment of the Bretton Woods System, a new international monetary system (1944–1971) • Establishment of GATT (1947) entering into force in January 1948 • Soviet Union establishes the Council for Mutual Economic Assistance (CMEA) for economic cooperation among communist countries (1949–1991) 	<ul style="list-style-type: none"> • Foundation of the United Nations (1945) • Launch of the Marshall Plan (1948–1957), a European recovery program • Founding of the Organization for European Economic Cooperation (1948) • Decolonization starts (1948–1962). Independence of India, Indonesia, Egypt, for example • China becomes a socialist republic in 1949 	<ul style="list-style-type: none"> • Expansion of plastics and fiber products e.g. first nylon stockings for women (1940) • Discovery of large oilfields in the Middle East, especially in Saudi Arabia (1948)
1950s	<ul style="list-style-type: none"> • Treaty of Rome establishes the European Community (1957). EC and the European Free Trade Association (1959) favor West European integration • Major currencies become convertible (1958–1964) • Development of the Eurodollar Market in London, which contributed to the expansion of international liquidity 	<ul style="list-style-type: none"> • Korean war (1950–1953) • Suez crisis (1956) • Decolonization in Africa (15 countries become independent between 1958 and 1962) 	<ul style="list-style-type: none"> • Increased use of oil from the Middle East in Europe and Japan • “Just-in-time” production implemented by Toyota • Increasing usage of jet engines in air transport (1957–1972) • Offshore oil and gas production developed
1960s	<ul style="list-style-type: none"> • Foundation of the Organization of the Petroleum Exporting Countries (OPEC) (1960) • Kennedy Round, 6th session of the GATT (1964–1967) 	<ul style="list-style-type: none"> • Erection of Berlin Wall (1961) and Cuban missile crisis (1962) highlight sharp confrontation between East and West 	<ul style="list-style-type: none"> • Green Revolution—transforming agricultural production in developing countries (1960s onwards) • Integrated circuits become commercially available (1961)

Exhibit 1.2 Globalization Chronology

Time	Economic	Political	Technological
1960s cont'd	<ul style="list-style-type: none"> • Rapid spread of automobiles and highways in the North accelerates demand and shift in fuels consumption (from coal to oil) • Trade politics of East Asian countries put more emphasis on export-led development than on import substitution • Elimination of last customs duties within EC (1968) 		<ul style="list-style-type: none"> • First person in space (Yuri Gagarin, 1961) and the first man on the moon (Neil Armstrong, 1969) • First line of Japan's high-speed train system (<i>shinkansen</i>) opened in 1964 • Mont Blanc Road Tunnel (1965) • Increasing usage of containerization in ocean transport (1968 onwards)
1970s	<ul style="list-style-type: none"> • Departure from US dollar exchange rate gold standard (1971) • Tokyo Round of the GATT (1973–1979) • Oil price “shocks” (1973–1974 and 1979) reverse decades of real oil price declines • Rise of Asian newly industrialized countries • China's economic reform (1978) 	<ul style="list-style-type: none"> • Yom Kippur war (1973) helps to trigger oil price hike • EU enlargement to nine members (1973) 	<ul style="list-style-type: none"> • First single chip microprocessor (Intel 4004) is introduced (1971)
1980s	<ul style="list-style-type: none"> • Volcker Fed successfully extinguishes US inflation • Developing country debt crisis • Mexico starts market reforms and joins the GATT in 1986 • Louvre Accord promotes stabilization of major exchange rates (1987) 	<ul style="list-style-type: none"> • Enlargement of the EU to 12 members • Fall of the Berlin Wall (1989) 	<ul style="list-style-type: none"> • IBM introduces first personal computer (1981) • Microsoft Windows introduced (1985) • Invention of the World Wide Web by Tim Berners-Lee (1989)
1990s	<ul style="list-style-type: none"> • Indian economic reforms launched in 1991 • Establishment of the North American Free Trade Agreement (1994) • Establishment of the WTO (1995) • Asian financial crisis (1997) • Adoption of the euro by 11 European countries (1999) 	<ul style="list-style-type: none"> • Dissolution of the Soviet Union (1991) leads to the formation of 13 independent states • Maastricht Treaty (formally, the Treaty on European Union) signed (1992) 	<ul style="list-style-type: none"> • First website put online in 1991 • Launch of the first 2G-GSM network by Radiolinja in Finland (1991) • Eurotunnel opens in 1994 linking the United Kingdom to the continent • The number of mobile phones increases due to the introduction of second-generation (2G) networks using digital technology
2000s	<ul style="list-style-type: none"> • Dotcom crisis (2001) • China joins WTO (2001) • End of the Multi-fiber Agreement in 2005 (quantitative restrictions of textiles lifted) • Increased importance of emerging markets to global economy • Global value chains become critical 	<ul style="list-style-type: none"> • European Union has 28 members (as of 2016) • Millions out of poverty in emerging nations • Number of multinationals increase to 111,000 from only 24,000 in 1990s 	<ul style="list-style-type: none"> • Number of Internet users in 2016 rises to 3.5 billion from 800 million in 2005 • Container ships transport more than 70 percent of the seaborne trade in value terms • All types of transport and communication technologies continue serious improvement

Exhibit 1.2 Globalization Chronology

Source: UNCTAD, 2007, *World Investment Report*, New York and Geneva: United Nations, pp. 22–23; World Trade Report, 2015, www.wto.org/english/res_e/booksp_e/world_trade_report15_e.pdf