

Global Governance Students:

Bottoni Cristina	“Women that made history”
Di Fabio Sara	“Is Apartheid over?”
Falcone Luisa	“Transnational crime”
Germani Alessandro	“Cuba: a different economic system and the recent reforms”
Ihnatiuc Izabela Diana	“Sovereign Wealth Funds”
Korniychenko Ganna	“Women that made history”
Massimi Sara	“Transnational crime”
Matera Sonia	“Ethnic Entrepreneurship”
Morucci Giorgia	“Transnational Crime”
Occhilupo Alice	“Cuba: a different economic system and the recent reforms”
Paronitti Gloria	“Impacts of MNCs on daily life in the developing world”
Santini Riccardo	“Is Apartheid over?”
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Freek Klaseen

Global Governance students

Group I

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Comparative Business History
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Cristina Bottoni
Ganna Koriychenko

Women that made the history

A political-economic perspective

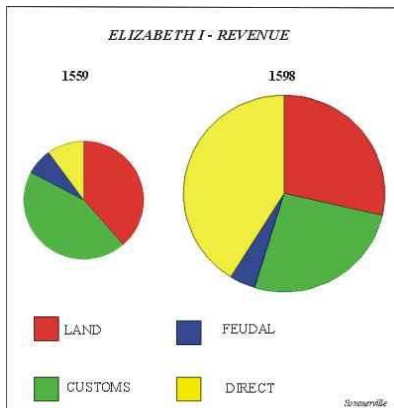
Abstract: The paper has as the main objective of highlighting the fact that in history women have demonstrated to be competent in dealing in political and economic matters, challenging prejudices and *clichés* regarding gender discrimination. Starting from the great personalities of the past centuries such as Queen Elizabeth I and Margaret Thatcher we will carry on an inference on how this role has evolved with the passing of time and its main achievements which are the milestones of nowadays society.

1. Introduction: great women from the past.

History is mainly made of men. History is mainly made *by* men. If someone asks to give an example of a great leader from the past, probably the first thought will focus on a male character. The reason is simple. The walls of the institutional buildings are covered with beautiful portraits of great leaders of all time riding their horses or sitting on their armchairs looking powerful and self-confident. But history is not only a matter of men. Starting from the XVI century, we find ***Queen Elizabeth I (1533-1603)***, who presided over an era of economic and political expansion of England. She had an important role in facing delicate issues such as the threat of Spanish Armada and the struggle between Catholic and Protestants. In her famous speech held at Tilburg in front of England Troops she stated: "*I know I have the body but of a weak and feeble woman; but I have the heart and stomach of a king, and of a king of England too.*" She proved to have many



important skills as both Queen and leader. She was supported by the most skilled advisors of that time and she managed to foil many threats of crises.



On a pure financial level, it is important to say that the revenues of the Crown increased during Queen Elizabeth's kingdom due to direct taxation, even though she did not succeed in increasing feudal customs and for this reason she was obliged to sell royal lands. She was very committed on the military field but this resulted to burden on the financial administration of the reign. In fact, Parliamentary taxation (coming from customs, feudal dues and income from royal land) never supplied enough to cover Elizabeth's military expenditures.

Three centuries after, **Eleanor Roosevelt** (1884-1962) was crucial in dealing with issues such as politics, trade, human rights and economy. She was different from the other first ladies because she took active part in the political and economic political program of her husband, the 32nd President of the USA Franklin Delano Roosevelt, especially after his death. During his mandate, she helped the President in spreading his political and economic influence and program worldwide, supporting him in his business trips.



She took part also in the National Women's Trade Union League (NWTUL), born in 1903, which aimed at protect women rights and interest for what concerns their working conditions. In fact, in those times women were used to work hard in factories with terrible conditions and low wages. She took part in the women fights of their rights which had as the main aim to "assist in the organization of women wage workers into trade unions and thereby to help them secure conditions necessary for healthful and efficient work and to obtain a just reward for such work." Eleanor Roosevelt became part of the coalition in 1922 and remained an active member of it until 1950, when the NWTUL faced and financial crisis and was forced to dismantle due to lack in funds and personnel.

2. Female leaders during the second half of the XX century

2.1 European female leaders

The second half of the XX century have seen many female leaders such as **Margaret Thatcher** (1979-1990), **Indira Gandhi** (1966-1984) and **Benazir Bhutto** (1988-1996).

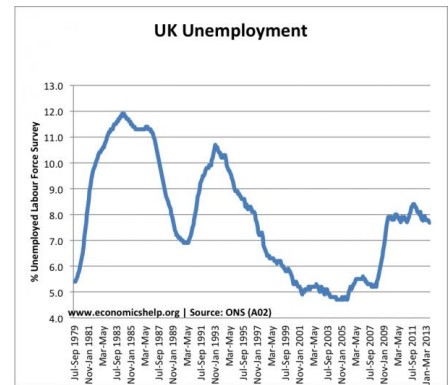
For what concerns **Margaret Thatcher**, she was the UK Prime Minister during the period that goes from 1979 to 1990. She was elected three times and her political vision was influenced deeply by the economists such that Friedman and Von Hayek. Their vision was based on political liberalism highlighting principles such as anti-keynesian theories and lassaiz-faire. They went against the expansive



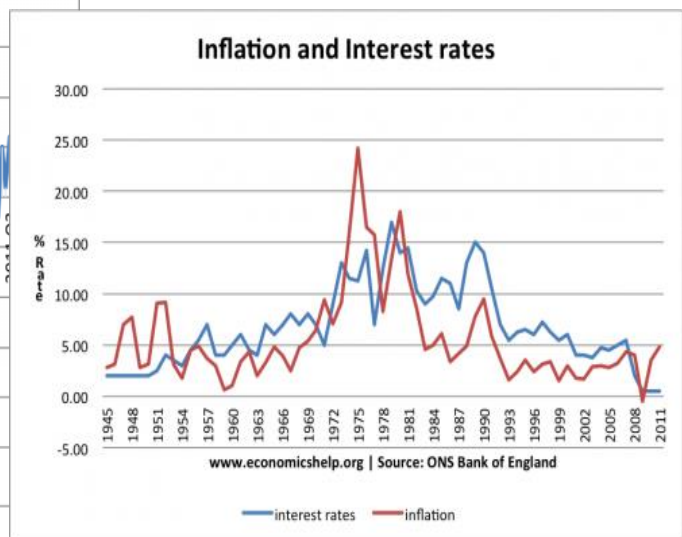
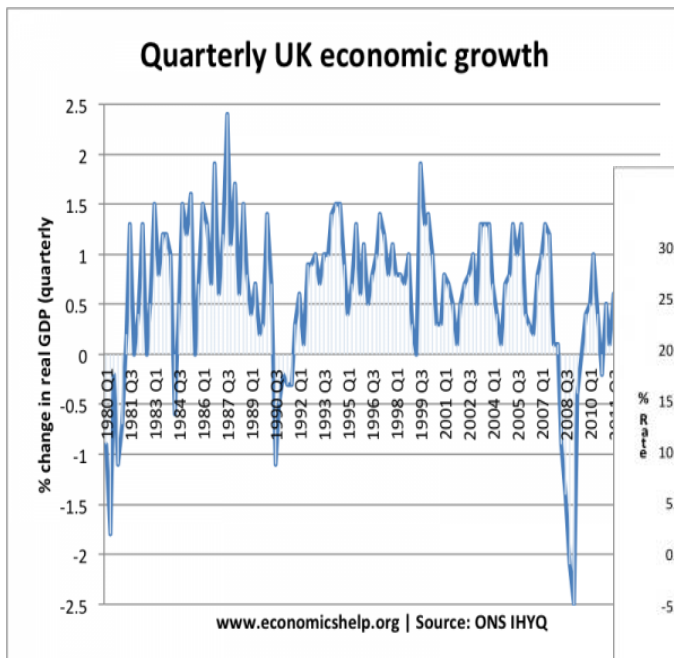
monetary policies of that time considering these to be responsible for the inflation rates and tried to propose bank reforms in order to solve the claims for a fairer distribution of resources.

Mrs. Thatcher had to face difficult period because her mandate started after the petroleum shock of 1973. for this reason, she tried to keep prices under a certain threshold maintaining inflation rates low. This policy ignored working conditions and for this reason unemployment rate grew until three million people worsened also by the recession of 1981 and the decline of heavy industry.

The policy impacted most on the manufacture industry because the interest rate was increased along with VAT and direct taxation. This kind of measures were followed also in US by President Ronald Reagan who, along with Margaret Thatcher, characterized



the Neoliberalism: a theory according to which the State is engaged in the market dynamics; a completely different approach from the one used by liberal theories, which



conceived the market as a autonomous entity.

UK went through a period of privatization deregulation of public agencies which were now engaged in market rules overseen by the government, such as the British Airways, the company of British Gas, the British Telecommunication agency and the British Steel. Austerity measures were adopted and this made Margaret Thatcher become famous with the name of “The Iron Lady”. The English society found its own wellbeing, no more focused on public services but guaranteed by the growing economic sector: in fact, economic growth reached 4-5% a year, along with inflation rates increasing by 9%.

Her main lines of action were:

- reduce the power of trade unions causing many strikes and a falling membership
- pursue of supply-side policies aimed at increasing efficiency and productivity of the economy
- reduce higher rates of marginal income tax in order to increase incentives to work
- stop state subsidies given to manufacturing companies

- reduce budget deficit and inflation adopting a policy of Monetarism aimed at control money supply in order to control inflation

Figure 1: Inequality as measured by Gini coefficient 1979 to 2010-11



Source: Author's calculations using the Family Resources Survey and Family Expenditure Survey, various years.

In conclusion, we can say that Margaret Thatcher's operate has both pros and cons. She has been for sure on the greatest personalities of the XX century in all Europe. During the period 1979-1990, UK reached an enormous economic growth and power, but mostly favoring the richest and powerful part of the society, while the medium and low income families were penalized. the graph on the left shows how the inequality rates rose enormously in those year, along with inflation rates.

2.2 Asian female leaders

The XX century has seen relevant female figures also in the Asian continent with the Pakistani Prime minister **Benazir Bhutto** and the Indian leader **Indira Gandhi**.



Indira Gandhi became Prime Minister of India in 1966 and she continued her mandate until 1984. During her mandate, she had to face many opponents but she managed to counter them by launching a series of economic policies. These policies were based on liberal principles characterized by an hostile approach towards the private sector and capitalism, detaching from the overall East-Asian trends which favoured globalization and privatization. First of all she nationalized all the Indian banks in 1969, with the purpose of allowing access to financial credits for poor people.

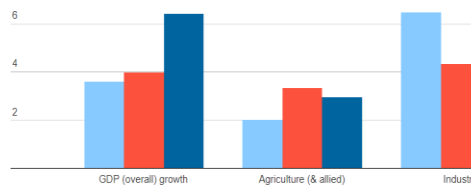
The ruling class, who used it as a tool for self-interest and empowerment, and revealed itself counterproductive in terms of bad loans, which were never repaid, misused this policy. For the same reason, also the subsequent policies on nationalized insurance and coal sectors turned to be not effective. Despite holding the third largest reserves of coal in the world, India imported more than 200 million tons of coal in 2014 because the state owned Coal India was not able to increase output.

In 1969, the Indian government enacted the Monopolies and Restrictive Trade Practices Act (MRTP Act) which aimed at avoiding the economic power to be concentrated in the hands of a few rich people, at controlling monopolies and forbidding monopolistic and restrictive trade practices. These practices were poisonous for the market because they eliminate competition, tend to raise prices and deteriorate the product quality. The act assured also the fair trade practices through the ban of false advertisement and representation of goods, prices and services. The government had to release a permit and a patent to any new entrepreneurial activity.

Indira Gandhi's growth performance

Agricultural growth was the highest during Indira Gandhi's period while industrial growth was the lowest

FY1952-FY1966 FY1967-FY1984 (Indira Gandhi era) FY1985-FY2016



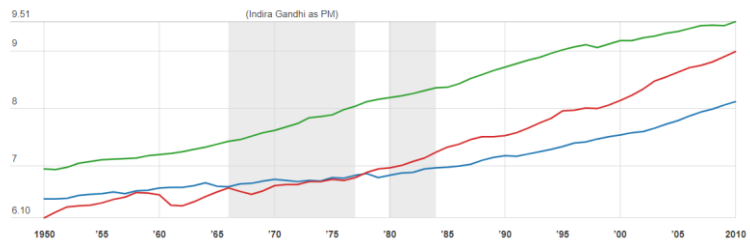
The columns show average annual real growth rates in each period; data before FY13 pertains to GDP at fact

Source: Planning Commission and RBI Handbook of Statistics [Get the data](#)

In 1973, another act, the Foreign

GDP per capita (1990 Int. GKS) (expressed below in logarithm terms)

South-East Asia* China India



Note: 1990 GKS or Geary-Khamis dollar is the hypothetical unit of currency that has the same purchasing power parity that the US Dollar had in the USA in 1990; South-East Asia refers to simple average of Philippines, S. Korea, Thailand, Taiwan & Malaysia

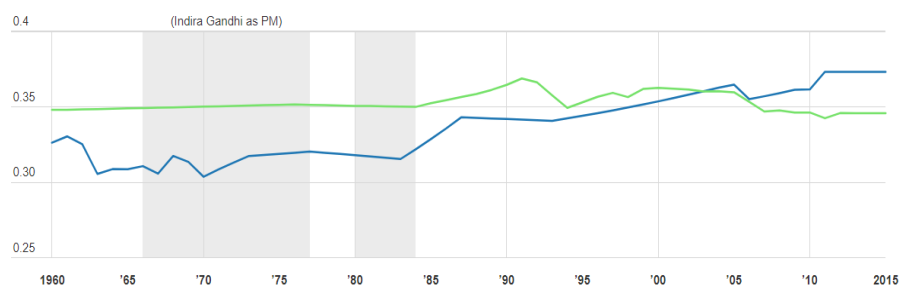
Source: [The Maddison Project](#) [Get the data](#)

Exchange Violations Act, was

emitted aiming at effectively barring Indian citizens from holding any foreign currency. This financial restriction, along with MRTP Act hindered the spread of a system of corruption and black market due to a strong and restrictive authority of the Government.

Gini coefficient of inequality (in consumer spending)

India South-East Asia*



* South-East Asia refers to simple average of Philippines, S. Korea, Thailand, Taiwan & Malaysia

Source: [Global Consumption and Income Project \(GCIP\)](#) [Get the data](#)

Because of these restrictions, from the 60s to the 80s, India failed in keeping up with other East-Asian countries, which moved miles ahead in terms of economic prosperity.

in 1982, the approach of the Indian government led by Indira Gandhi changed completely. She deregulated the cement industry: this led to an increase in production, lowering of market prices and the abolition of black market in the field. She also encouraged foreign investment in the automobile and electronic sectors.

Unfortunately, even though in the last two years of her mandate and life (since she was assassinated in 1984) she tried to re-launch the economy, her previous policies had an enormous impact on the Indian GDP and living standards. These policies slowed the Indian growth in terms of economic and financial sector and resulted in serious consequences that can see until today.

Even though Indira Gandhi results to have generated more negative consequences than positive results, it is important to note that during Indira's period high levels of agricultural growth were recorded compared to her successors and predecessors.

For what concerns the Gini coefficient for the measurement of inequalities, calculated in consumer spending, it is relevant to say that the inequality ratio between rich and poor people was lower during that period compared with nowadays.

Immediately after the assassination of Indira Gandhi, also Pakistan saw a woman as the Prime Minister of the country: in fact, in 1988, Mrs. **Benazir Bhutto** took the leadership of the country and she remained in charge for two mandates until 1996. She has been the first and only women to serve as Prime Minister of Pakistan and the first women to head a democratic government in a Muslim nation.



First, it has to be said that she was appointed in a period of deep crisis for Pakistan: in fact, the macro-economic imbalances in the country were large. Interest rate was in stagnation, the fiscal deficit has risen up to 8.5% of GNP. She can be defined a secularist and a liberal, she chaired the Pakistan People's Party (PPP) until her assassination in 2007. When she took the power, the unemployment rate of the country was very high and the Pakistani government was facing bankrupt because of public debt and the spreading of illegal narcotics trade (in fact, Pakistan was the world's biggest exporter of heroin).

Regarding the foreign affairs, as soon as she became prime minister, she started to travel all around the world in order to strengthen her image as first female leader of the Islamic world.

During both her terms as Prime Minister, Bhutto followed the science and technology policy her father laid out in 1972, and promoted military funding of science and technology as part of that policy by potentiating and modernizing the Pakistani atomic weapons. As she stated many times, the economy of the country and the nuclear weapons potentiation measures remained of primal importance for her. Many countries tried to stop her for promoting and carrying of these plans, even by offering economic aid in exchange as the European Union and the United States did, but she inexorably continued the program.

She gained the nickname "Iron Lady" of Pakistan due to her authoritative and strong behavior.

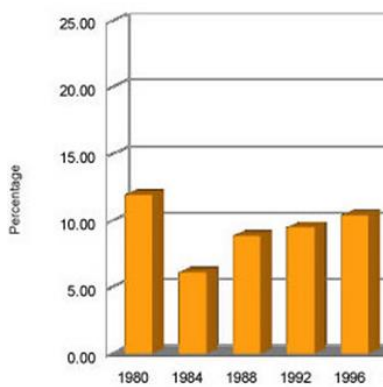
During her second mandate, she focalized mainly on internal security and army empowerment and operations.

Benazir Bhutto was an economist by profession so during both of her two mandates she took charge also of the Ministry of Finance. She had as one of the main goals of her agenda to improve the country's economy which as suffering for a prolonged stagnation. For this reason, she attempted to privatize all those major industries that had been nationalized in 1970s. She also swore to end the process of nationalization and to carry on a program limiting the state intervention in the market. Unfortunately, she did not maintain her promises because by the end of her first mandate, no nationalized unites were privatized: her promises met many setbacks because investors were still following the nationalizations plans of 1970s. The second reason for the impossibility of Benazir Bhutto to carry on denationalization programs was the involvement of her members of the government in corruption relations with the major government-owned industries.

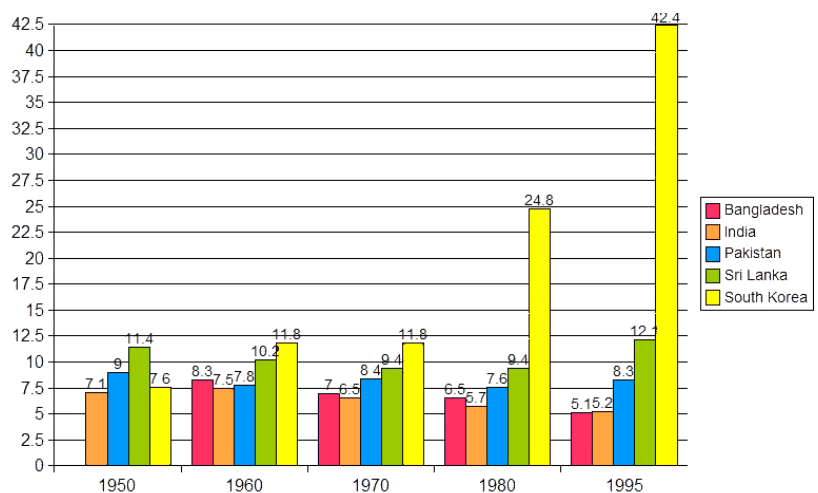
The Pakistani Rupee fall by 30% compared to USD: by 1990s, for the first time the Indian Rupee won the currency war and beat the value of the Pakistani one.

During her second mandate, Benazir Bhutto had to manage the interests imposed by International Monetary Fund due to high loans borrowed.

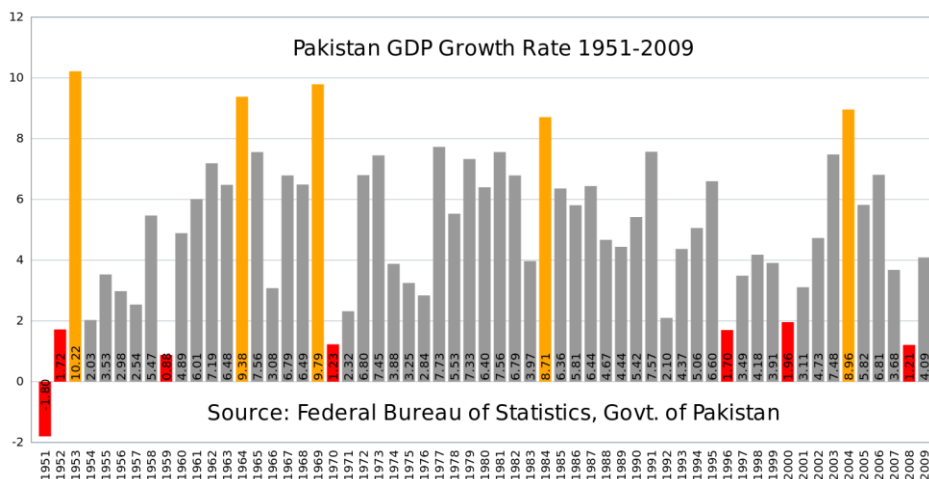
The period after 1988 witnessed a sharp decline in the growth rate of the economy, acceleration in inflation, worsening income distribution and increasing poverty. The living standards declined and unemployment grew.



Annual inflation rate (%)



The total GDP per capita as a percentage of the U.S GDP per capita stood between 8.4% (in the 1970s) and 8.3% in (1993-1996), period of nationalization.



The GDP growth rate was at 4.37% in 1993, which fell to 1.70% in 1996, before Bhutto's dismissal.

After 1993, the program of privatization of banks and companies accelerated. In a small amount of time, 42 billion of Rupees were gained from the sale of nationalized corporation and industries and other US 20 billion dollars from foreign investment. The period of economic revival was unfortunately followed by a period of stagflation.

To sum up, Benazir Bhutto was fundamental for what concerns the foreign affairs of Pakistan and the strengthening of international relationships both with neighbour country and overseas nations. She had a modern vision of a new Pakistan with a liberal market and a strong private sector seen as an high-revenue generator. She was an example of the fact that, even in Muslim countries, women can have a fundamental and leading role. She did not succeed in making Pakistan that modernized and forefront country that she had imagined, due to the inherited critical situation of the country: a nation corroded by corruption and stagnant feelings, hard to recover and change.

3. Female leaders of today

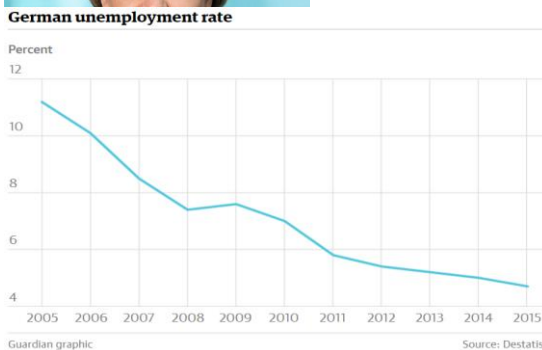
Nowadays the world is far away from the one we have described until now. Women are gaining more and more civil and social rights and they are starting to be considered as capable as men when coming to matters such as leading the country or economic reforms.

In Europe, with the advent of the second millennium, many countries elected female presidents or Prime Ministers such as Norway, Switzerland, Austria and Iceland. On the other hand, countries such as Italy and France never elected a woman as leader of the country.

We would like to focus on Germany, which has seen in the figure of **Angela Merkel** the consolidated leader elected 12 years ago.



Angela Merkel (2005-still in charge) is the chancellor of the Federal Republic of Germany and she has been widely described as the most powerful woman in the world.



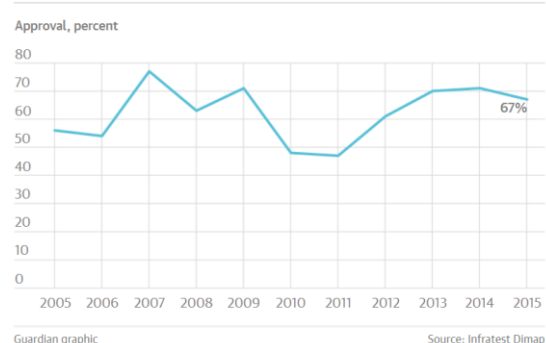
She has based her economic policies on austerity. Many believe that her policies on cutting subsidies and raising tax have damaged the future of German development but she has, in fact, lifted the GDP growth of the German state. She has also stated that this program of austerity would cut the government spending by 80 billion dollars and as a consequence reduce German debt. In 12 years of mandate, in fact, Germany has become probably the strongest European country in terms of GDP growth and

diminishing unemployment rate. As soon as her mandate started, she put economic development as her main objective and she thought that this could be reached only by reducing the unemployment rate. In fact, from 2005 to 2008 unemployment rate went from 11.2% to 7.4% and reached its minimum in 2014, when it was 5%. Unfortunately, during the 2007-2008 economic crisis, Germany's economic prosperity came to a halt. But Mrs. Merkel did not surrender and in some years she re-launched the country. For this reason, Merkel created an *ad hoc* policy which provided subsidies for business for 18 months and required them not to fire the employees. At the end of the crisis, the demand for German products rose again and production rates shifted upward.

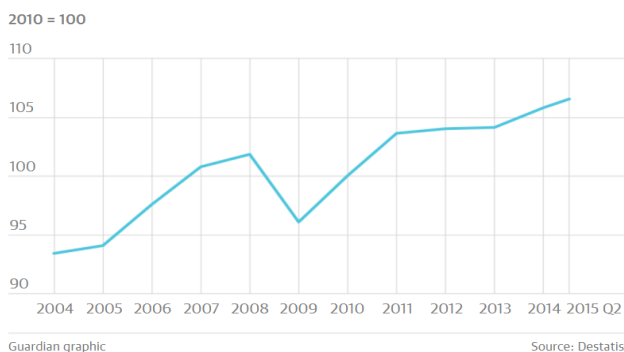
In 2007, she was also appointed President of the European Council. Her first decision was to create the Transatlantic Economic Council (TEC) aimed at creating economic cooperation between the USA and the EU.

Angela Merkel has always had high approval ratings, even though the percentage dipped below 50% in the years 2010-2011, when the effects of the economic and financial crisis impacted on the German living standards.

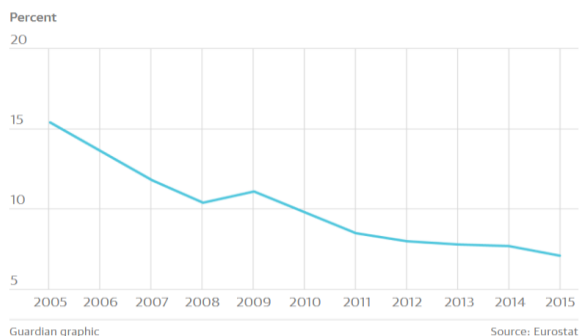
Angela Merkel approval ratings



German GDP

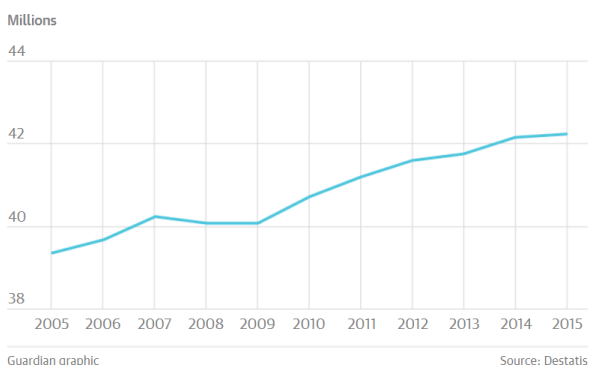


Youth unemployment rate

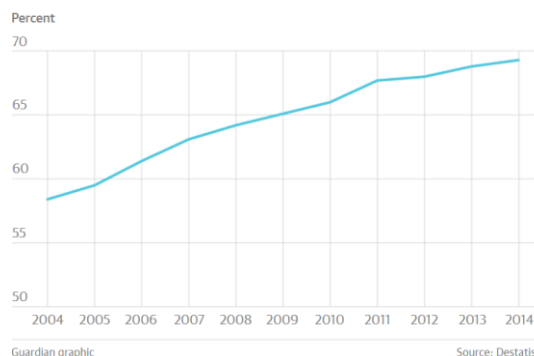


German youth unemployment rate is decreasing as GDP is increasing.

Number of people in employment



Employment rate among women



For what concerns the Employment rates, we can say that the number of people that are employed is exceeding 42 million people. For what concerns the employment rate among women, it is important to note that about 70% of them are actually employed.

For what concerns once again the Asian world, Bangladesh is the most relevant country for what concerns women power and capability to lead. In fact, the country has a female Prime Minister: **Sheikh Hasina**.

She became prime minister of Bangladesh in 1996 and she covers this role still nowadays. After the separation of Bangladesh from Pakistan in 1947, the country faced an enormous political instability. Mrs. Hasina's democratic ideology pushed her to change the country's weaknesses, such as unfair elections or murders of government's opponents, and transform them towards civil liberties and no violence anymore. She dedicated herself also to women and children's rights. Before being elected as Prime Minister, she was in the Bangladesh Nationalist Party (BNP) and this latter convinced the government to give more power to the Parliament. The second step was to challenge the voting system through an act which purpose was a fair and accountable voting system and counting process. In 1997, she had to manage negotiations between the government and a political-military organization with an agreement but this was not enough to stop the hostility.

She received rewards for her contribution to promoting peace in the country and prohibition of anti-personnel mines.

Since she was elected as Prime Minister, the poverty rate decreased thank to her effort to ensure higher daily income to poor people. Mortality rate decreased and literacy rate increased thank to the speed of



education along the country. Her main goal is to make Bangladesh free from hunger and poverty by the end of 2018.



Unemployment rate decreased from 5% to 4.1% in the period 2009-2016.



Average income increased by 5.5% from 2002 to 2012.

Agricultural, environmental, electrification and disaster management fields faced a big improvement.

GDP growth rate reached 6.55% in 2015 and per capita income increased from 1190 to 1214 \$. In 2016 is registered as 7.11%. 1214 \$.

In 2016 is registered as 7.11%.

As a global leader, Sheikh Hasina has been maintaining healthy foreign relations with all the powerful countries including Russia, China, Japan and India.

In 2017, Hasina made strong bilateral economic and strategic agreements with India. This fact is supported by persistent Indian investments in Bangladesh. The two countries collaborate in many fields such as defense, energy, nuclear, cyber, development and other sectors.

Bangladesh and India signed 16 Memorandum of Agreement on Infrastructure, Connectivity, Defense, Information, Technology and nuclear safety.

Stronger regional connectivity and infrastructure growth will encourage the flow of more people, resources, and goods between the two countries, and is sure to have a positive impact on the Indian states that border with Bangladesh.

Sheikh Hasina is focusing also on the private sector, which represents the 60% of national GDP, 80% of capital flows and 90% of employed people.



Hasina set up digital centre in all local government institutions where citizens can easily get private and public services. These include services like birth registration, land records, passports, banking and e-commerce.



The governments is focusing on sustainable development goals which include incentives on foreign direct investments. Thanks to these reforms Foreign Direct Investment in Bangladesh increased by 2003.53 USD Million in 2016. Foreign Direct Investment in Bangladesh averaged 1001.57 USD Million from 2002 until 2016, reaching an all time high of 2003.53 USD Million in 2016 and a record low of 276 USD Million in 2004.

Exports of goods, services and income (BoP, current US\$) in Bangladesh was reported at 37.690.067.190 USD in 2016, according to the World Bank collection of development indicators.

The UN Food and Agriculture Organization awarded the prestigious CERES medal to Sheikh Hasina in recognition to her fight against hunger, while the GAVI Alliance recognized Bangladesh for best immunization performance among six large populous countries which are eligible for its support this year. GAVI, the Vaccine Alliance is a public-private global health partnership committed to increasing access to immunization in poor countries. Bangladesh has shown leadership in reducing the number of un-immunized children by 52% in last four years.



Mortality rate, infant (per 1,000 live births) in Bangladesh was reported at 28.2 in 2016, according to the World Bank collection of development indicators, compiled from officially recognized sources.

4. Conclusions

To sum up, we can say that even if history is revolved around the role of men and their actions, during the centuries many women played an important role in shaping the societies of nowadays. Indeed, the successes and the achievements of these exemplary women is proof that women have always had a voice that has been overstepped and obscured by those of the men. And from what we have seen, these women were put in a situation in which they were not initially admitted to (such as in economic and political spheres) and thus they were in the hands of many influences that advised them on what to do, consequently it lead them to make mistakes and struggle to keep their own voice and their own stance, in which some prevailed and some failed. Therefore, what we must take away from this is to work more on closing the gap of gender inequality and give women more opportunities, equal to that of men, and remove those obstacles that hinders their capabilities and their potentials.

From the beginning of our analysis, we have seen different women with different life experiences acting in different periods of time and achieve different outcomes. This analysis has been a climax of women empowerment, going from the attempt of Queen Elizabeth I to the leading personality of Angela Merkel, most important women of the German state and of the European Union.

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Group II

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COMPARATIVE BUSINESS
HISTORY – Presentation January
11th, 2018

Is Apartheid Over?

BRIEF HISTORY OF APARTHEID

In the election of 26th May 1948, D.F. Malan's National Party, in alliance with N.C. Havenga's Afrikaner Party, won. The National Party that came to power was therefore two parties rolled into one. One party

promoted white supremacy and introduced apartheid, promising the electorate to secure the political future of whites; the other party, instead, sought to mobilize the Afrikaner community by appealing to Afrikaans culture, establishing a sense of common history, and shared hopes and fears for the future. Under the slogan “Apartheid” (which literally means “separateness”), the all-white South African government immediately began enforcing the



existing policies of racial segregation under a system of legislation, called indeed apartheid, which marginalized the four ethnic groups - Africans, Coloreds, Indians and Europeans (or whites) - undermining their cultures. The goal was to separate South Africa’s white minority from its non-white majority, mostly to divide black South Africans along tribal lines in order to decrease their political power. Under apartheid, non-white South Africans were therefore forced to live in separate areas from whites and to use separate public facilities, limiting the contact between the two groups.

By 1950, the government banned marriages between whites and people of other races, and prohibited sexual relations between black and white South Africans. Moreover, the government limited the activity of non-white labor unions and denied non-white participation in national government. The government forcibly removed black South Africans from rural areas designated as “white” to the homelands, and sold their land at low prices to white farmers.

From 1961 to 1994, more than 3.5 million people were forcibly removed from their homes and deposited in the Bantustans, territories set aside for black South Africans where they were plunged into poverty and hopelessness, as part of the policy of apartheid.

THE ROLE OF NELSON MANDELA

The South African activist and former president Nelson Mandela (1918-2013) helped to bring an end to apartheid and has been a global advocate for human rights. He was a member of the African National Congress party beginning in the 1940s, and he was a leader of both peaceful protests and armed resistance against the white minority’s oppressive regime in a racially divided South Africa. He went to prison for nearly three decades and this made him the face of the anti-apartheid movement both within his country and internationally. He was then released in 1990, and he participated in the eradication of apartheid. In 1994, Mandela became the first black president of South Africa, forming a multi-ethnic government to oversee the country’s transition.

Nelson Mandela gave South Africa a better economic shape than it was under white minority rule, indeed in the years 1994-1999 South Africa was characterized by strong growth despite of the heavy international trade sanctions under apartheid. Moreover, Mandela was very good at strengthening trade

post-sanctions, and this allowed South Africa to repair trade relations, in particular with USA and Europe.

ECONOMIC DEVELOPMENT

During the Apartheid, South Africa's resources were mostly used for military expenditures rather than public utilities, education, or health care. The government's decision to invest mainly in the military sector was driven by the arms embargo imposed by the international community aiming at hurting the apartheid government. The political instability of the country was the primary concern for many of the foreign companies, indeed in the early 1980s many private businesses felt the pressure to disinvest. Due to the withdrawal of international funds and businesses, South Africa began to actually face its foreign debts and also the mining sector suffered since it was largely supported by foreign capital. To fight the Apartheid government, Western countries began to impose sanctions on trading with South Africa, for instance, in 1986, the US Congress, over a presidential veto, passed the Comprehensive Anti-Apartheid Act. The economic sanctions were seen as the ultimate means in the campaign against the apartheid government. Therefore, it is not surprisingly the effect that those sanctions had on the country's economy.

An International Monetary Fund report, by Tamin Bayoumi in 1990, states that sanctions are leading to a large upturn in white unemployment and that the non-white employment growth will rise resulting in a decline in white's wages.

In April 1994, South Africa held its first democratic elections, won by the African National Congress (ANC). Since 1994, South Africa started to be reintegrated into the global economy as part of the Reconstruction and Development Programme (RDP). This re-entry was characterized by a process of trade liberalization which brought to a sharp increase in exports and imports. South Africa began the post-apartheid era with the challenge to re-engineer an economy dominated by mining and expand into modern economic sectors like tourism and agriculture, while dealing with colonial exploitation, racial oppression and global isolation coming from the decades of sanctions.

The broader aim of the RDP was to establish a more equal society through reconstruction and development as well as strengthening democracy for all South Africans. The major policy programmes were: creating a strong, dynamic and balanced economy; developing human resource capacity of all South Africans; ensuring that no one suffers racial or gender discrimination in hiring, promotion or training situations; developing a prosperous, balanced regional economy in Southern Africa; and democratizing the state and society.

In 1996 the government introduced a macroeconomic policy framework, the Growth, Employment and Redistribution (GEAR) to stimulate economic growth in order to provide resources to meet social investment needs. The policy encompassed most of the social objectives of the RDP but was also aimed at reducing fiscal deficits, lowering inflation, maintaining exchange rate stability, decreasing barriers to trade and liberalizing capital flows.

From 1998 to 2008, the economy expanded by 3.5% a year, doubling the size of the black middle class. The government built new homes and systems for clean water and electricity for black South Africans, but concentrated it in the townships, reinforcing the geographic structures of apartheid.

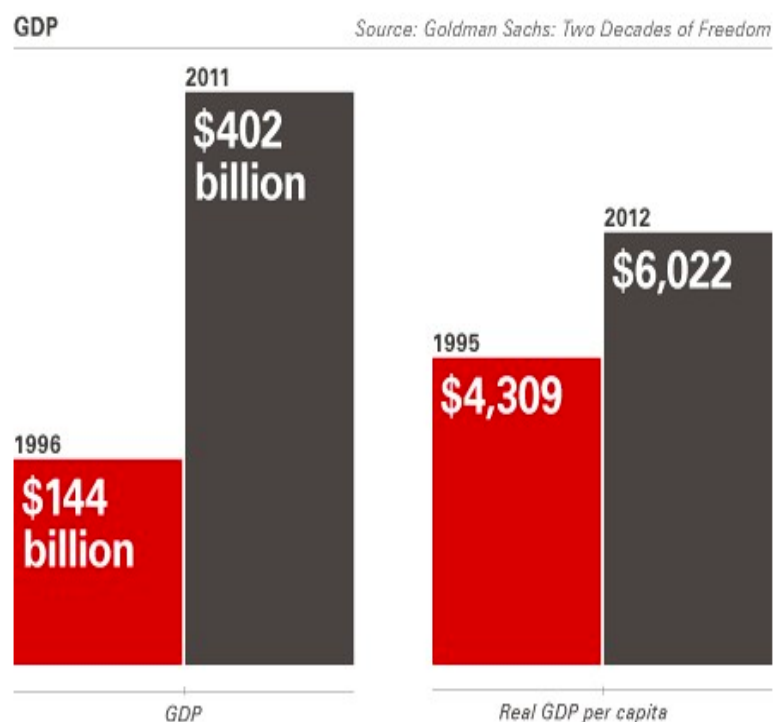
The global financial crisis of 2008 had a significant impact on South Africa's economy by destroying the demand for the mineral deposits and by wiping out many of the new jobs that had been created in the post-apartheid era.

According to a report of 2013 released by investment banking giant Goldman Sachs, South Africa's Gross Domestic Product has almost tripled to \$400 billion; foreign exchange reserves have increased from \$3 billion to nearly \$50 billion; and a growing and sizable African middle class was created, within two decades of freedom. Many argue that in the first decades of democracy, the country's ethnically African middle class doubled in size and in the real GDP per capita increased by 40%, moreover around 10 million South Africans graduated from the lower to the middle and higher income bands.

Although the positive effects of the Reconstruction and Development Programme regarding the inherited gross inequalities of apartheid – socially, economically and spatially – many argues that the ultimate goal of the African National Congress government – "to mobilize all our people and our country's resources towards the final eradication of apartheid and the building of a democratic, non-racial and non-sexist future" – has not been achieved yet. The main argument is that apartheid persisted in economic form because the government left land and other assets largely in the hands of a predominantly white elite which prevents millions of black South Africans to start their businesses because of their chronicle short of capital. Therefore, the main concern is that political liberation has yet to translated into material gains for blacks.

EMPLOYMENT

During the 20th century, the government saw the need for cheap labor to work in mines and farms. In the early 20s Hertzog's pact government implemented the Civilized Labor Policy, which was meant to replace black workers with whites. This policy was a major step towards the creation of apartheid segregation 30 years later. The system of racial discrimination was extended to all aspects of social and political life, in particular, it created the so called 'apartheid workplace regime'. Inequalities in the workplace come mainly from the state intervention in the labor market to protect white interests, explicitly limiting black participation.



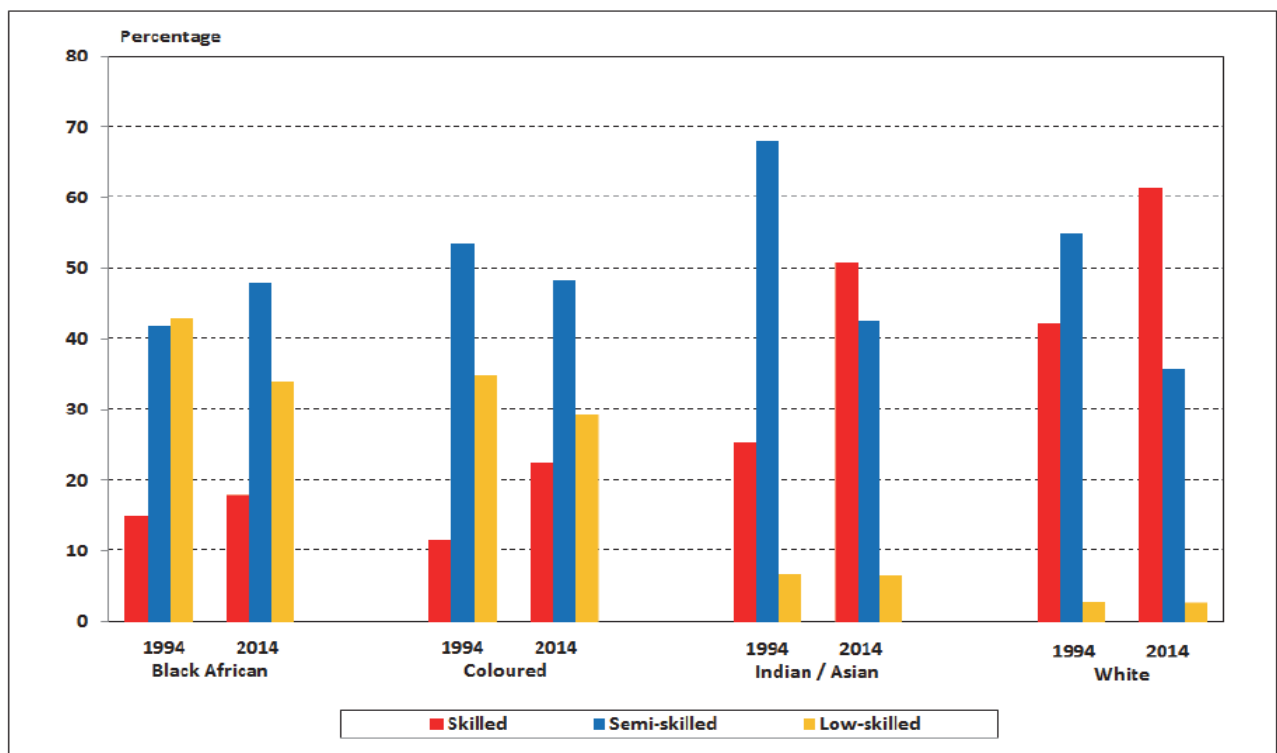
In 1948, the practice of reserving certain occupations in the manufacturing sector for whites was legalized. This law affected the livelihood of hundreds of thousands of South Africa's Non-White workers. The positions of laborers and artisan's assistants were occupied by black workers, and the more skilled job, such as artisans, foremen and managers were strictly reserved for whites. The differences in economic opportunities were also dictated by the level of education; indeed English speaking whites had the highest level of education whereas black people could not enter into universities, following the Bantu Education Act of 1953.

From 1970s, the pressures arising from international sanctions and the growth of black labor union demanding better wages and working conditions, lead to a partial dismantling of legislated racism in the labor market. However, in the 1980s almost all union leaders were white and some employers refused to negotiate with black representatives. Notwithstanding the economic growth experienced after the transition to democracy, unemployment remained a significant social and economic challenge even in the post-apartheid era.

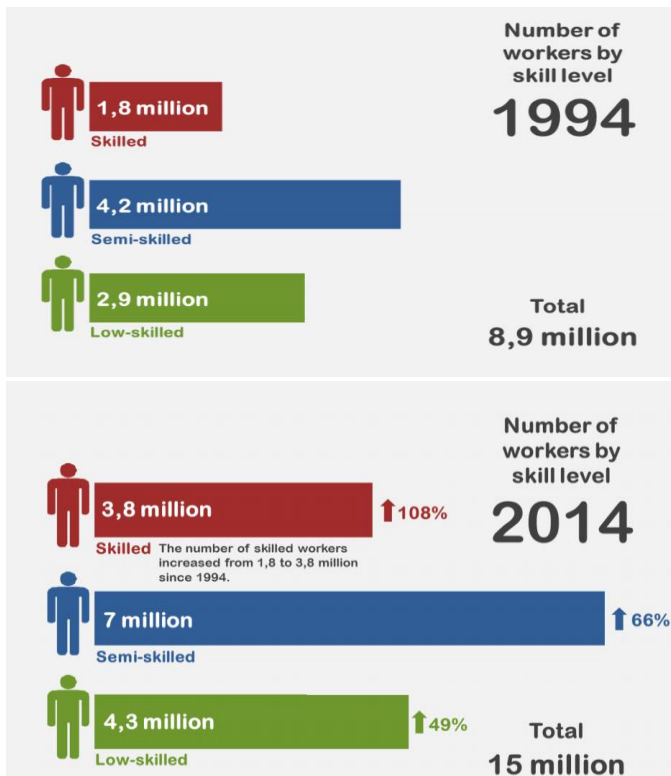
The national statistical service compared data from the October 1994 household survey, and its 2014 quarterly labor force survey. From the analysis of unemployment, it emerged that it is particularly concentrated among historically disadvantaged groups and it is higher among the rural, female, uneducated, and young segments of the population.

In the first quarter of 2014, approximately 25% of South African workers were in a skilled occupation, namely managers, professionals and technicians. This was an increase from 21% in 1994. However, a higher percentage (46%) were still in semi-skilled occupations and 29% were in low-skilled occupations (elementary jobs and domestic work), down from 32% in 1994.

Employment composition of population groups by skills group



There were substantial shifts towards skilled work among white and Indian/Asian populations but the black African workforce showed only a slight movement towards skilled occupations, but a more substantial movement towards semi-skilled occupations.



Regarding employment as a whole it can be observed that, from 2000 until 2017, employment rate in South Africa averaged 43.21%, reaching its peak of 46.17% in the fourth quarter of 2008 and a record low of 41% in the first quarter of 2004.



INVESTMENT

Foreign direct investment has a long and complex history in South Africa since the British domination. South Africa had long based its economy on agricultural exports to Europe, as industrial development initiated only after the discovery of major mineral deposits (diamond and gold) from the 1860s. Indeed, effective exploitation of these resources required large capital-intensive operations, made possible by both direct and portfolio investment flows from Europe. This contributed to the early development of a domestic stock exchange in Johannesburg. Consequently, an increasing domestic economic growth and the profits earned from industrial operations stimulated South Africa's productivity. Direct investment from USA and UK and Europe were vital for the growth of the country in the new sectors. Notably, South Africa relied heavily on foreign capital. From 1964 to 1974, foreign investment contributed 8% of the country's gross domestic investment. Foreign investment averaged 14% during the first five years of the 1970s and peaked at 24.5% in 1975-76.

Foreign investment indeed brought with it technical expertise, with the provision of technical know-how. So, South African whites enjoyed a rapidly rising standard of living, a benefit which was instead denied to the country's black population.

By 1981, US direct investment totaled more than \$2.6 billion, nearly triple the book value of investments made during the previous decade. US investors, like other foreign investors, had been drawn to South Africa by very high rates of return -29% in 1980 and 19% in 1981, several percentage points higher than the average rates of return worldwide. Due to such heavy reliance on foreign capital, South Africa suffered from the sanctions imposed by the world community to end apartheid.

South Africa's white-controlled economy was indeed potentially very vulnerable to economic sanctions. Veritably, one of the reasons apartheid ended was because of protest divestment.

Protest divestment is a form of dissent in which stockholders intentionally sell their assets from a corporation in order to enact social change. By selling off stocks, protesters hope to influence corporations against performing some aspect of their business. In this case, those opposed to apartheid wanted to keep companies from doing business in South Africa.

Anti-apartheid protests took hold in the 1960s, particularly on the campuses of American colleges and universities. Initially, protesters wanted to end apartheid. But there were not many ways to influence the South African government using the traditional forms of protest such as picketing or demonstrations. Eventually, members of the college-based anti-apartheid movement thought of a more practical way to enact change - by pressuring their universities to divest stocks of companies doing business in the country. Many students brought attention to their cause by building shanties on their own campuses to represent the living conditions many oppressed South Africans faced daily. Putting pressure on companies to stop doing business in South Africa was therefore the intent of such movements so that companies would withdraw from the country, eventually dissipating the apartheid mentality to grant full rights to all South Africans.

THE DIVESTMENT OF UNITED STATES COMPANIES IN SOUTH AFRICA

American investment in South Africa increased by 300% between 1960 and 1975. Furthermore, American firms provide 70% of the computers used in South Africa, 43% of its petroleum, and 23% of its automobiles. United States firms employ approximately 100,000 South Africans, 70% of whom are black. However, since the American civil rights movement and US disdain of apartheid, the United States has grown more awareness of the racial situation in South Africa. That awareness has accompanied growing concern about corporate social responsibility. In the American business community, the debate about South Africa has focused upon the propriety of American corporate investment in that country. Those who protest the American corporate presence and participation in the apartheid system have pursued two tactics. First, shareholders have presented resolutions to encourage corporate management to evaluate the role of US corporations in South Africa in order to determine whether the investments serve to perpetuate or to discourage apartheid. These resolutions prompted more than one hundred American companies to adopt the Sullivan Principles, a code of conduct governing corporate investment written by the Rev. Leon H. Sullivan, a black director of the General Motors Corporation.

The code calls for corporations to observe the following principles:

Principle 1 – Non-segregation of the races in all eating, comfort, and working facilities.

Principle 2 – Equal and fair employment practices for all employees.

Principle 3 – Equal pay for all employees doing equal or comparable work for the same period of time.

Principle 4 – Initiation and development of training programs that will prepare, in substantial numbers, blacks and other nonwhites for supervisory, administrative, clerical, and technical jobs. Principle 5 – Increasing the number of blacks and other nonwhites in management and supervisory positions.

Principle 6 – Improving the quality of employees' lives outside of work in such areas as housing, transportation, schooling, recreation, and health facilities.

Unfortunately, the impact of the Sullivan Principles has been limited, largely because of South African laws, racially based job categories, pressures on corporate management in South Africa, and the lack of enforcement mechanisms.

CONCLUSION

Taking into consideration the apartheid era and the post-apartheid era in South Africa, it is possible to argue that apartheid did produce social and economic discrimination within South African society. The

relative internal political instability brought other countries to dissociate and disinvest from South Africa as a measure to fight the apartheid government. In 1994, with the first free election open to all citizens, Nelson Mandela became the first black president of the country. From 1994 afterwards, the racial segregation seemed to be over, but actually recent data show that the economic and social effects of apartheid are still present in today's society.

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Group III

Luisa Falcone
Giorgia Morucci
Sara Massimi

Transnational Crime: a historical-economic analysis

Abstract

The main purpose of this paper is to explore and analyse the current issue of transnational crime. To this end, the definition of transnational crime will be provided, together with the economic, social and political causes that have led to its flourishing throughout history. Consequently, the reasons why European Union, United States and United Nations have become more and more concerned with the matter, and the strategies found to tackle it, will be explained. For a clearer comprehension and understanding of the topic, it will be useful to analyse a case study concerning the economy of one of the main profitable transnational crimes in the world, namely the smuggling of migrants.

Transnational crime: definition and scope

Statistics in 2014:



Transnational crimes are known as violations of law that include more than one country in their planning, impact or execution. They can be divided in three categories: 1) the provision of illicit goods – such as drug trafficking, trafficking of stolen or cultural property, weapons trafficking, and counterfeiting; 2) illicit services – such as commercial sex and human trafficking; and 3) infiltration of business and government – such as fraud, racketeering, money laundering, and corruption.¹

These crimes are becoming a changing and flexible phenomenon. Activities tend to flourish due to the benefits of globalization which include better communication, movement of finances and international travel. Groups have evolved in more flexible networks with branches across several countries and jurisdictions. This is why during investigations, victims and suspects can be located in many different States. Another consequence of organized crime is that it affects multiple countries either due to the supply, transit or demand processes.²

In chronological terms the concept of 'transnational crime' comes from the mid-1970s when the United Nations used the term in order to identify certain criminal activities which transcend national

¹ *Transnational Crime* (J. Albanese, 2005)

² UNODC, 2000.

<https://www.unodc.org/unodc/en/organized-crime/intro.html>

jurisdictions.

In 1995 Transnational crime was defined as *offences whose inception, prevention and/or direct or indirect effects involved more than one country*.³

Transnational crimes have spread exponentially with the development of globalization and it is only relatively recent that some progress has been made by states and international organizations in developing measures to combat this type of criminality. They affect individuals, societies, and states, as well as state and non-state actors. Globalization *enables criminal networks to work alongside legal global activities and to establish connections with many different countries*.⁴ Payne explains that the notion of transnational crime “is intricately intertwined with revolutionary technological, financial, communications, economic, cultural, and political changes that characterize globalization, and it is increasingly difficult to separate criminal activities from legitimate global transactions”. Some have argued that one factor for global crime has been the fall of the Soviet Union, which has allowed groups easier access to operate in the international system. In addition to shifting geopolitical realities, other reasons for transnational crime have been linked to issues of poverty and economic imbalances. Other factors may include *failed states, global migration, growth of global cities, the expansion of free trade, rapid communications and computer technologies, and easy global financial transactions*.⁵

Criminal organizations often look at how non-criminal organizations are run because they are both profit-driven. They share the hierarchical leadership structure, they concern themselves with things such as product and technological innovations, and try to reduce the level of risk in conducting their business. In addition, *beyond these characteristics, what bears emphasis is that both of these transnational actors, crime groups and corporations, follow the logic of neoliberalism and design innovative strategies to do so. They are engaged in head-on competition with one another*. Even if they often are in competition with other criminal organizations who are working in the same criminal activities, these criminal organizations – in order to conduct their businesses – are reliant on several other criminal groups, because of the delivery of a product or assistance in shipping a product. However, groups still distrust each other, often because of a fear of the motivations and intentions of the other groups. Yet, they work together due to the fact that the profits far outweigh any of the differences between criminal organizations. However, the cooperation between different criminal organizations is often not the only factor that allows for these groups to carry out their illegal criminal activity. As Mittleman & Johnston (1999) argue, *the smuggling operations would not be possible without the involvement of powerful and wealthy criminals who have the resources to corrupt state officials. The corruption of political authorities is the crucible in which customs officers, police and tax inspectors assist in criminal operations or merely look the other way... In this web of criminals, the rich, and politicians, the latter provide legal protection for their partners*. These criminal organizations are often able to function because they work both “above the state” as well as “below the state. It is often the case that *these groups reach down and out to the lower rungs of social structures–the impoverished–a substratum that does not lend itself to the easy strategies prescribed by the state and interstate institutions*. They operate throughout the world and Mittlemen & Johnston, writing in 1999 on this issue, have argued that *global cities, more than states, are the main loci of transnational criminal organizations. It is world cities...that offer agglomerations of financial services (which provide vast opportunities for disguising the use and flow of money), sources of technological innovation, and advanced communications and transportation systems. In these locales and elsewhere, a new breed of cybercriminals can exploit inherent vulnerabilities in the electronic infrastructure of global finance through computer intrusions for the purpose of theft, blackmail, and extortion*.⁶

Numerous international entities have tried to stop transnational crime but this is not an easy task. Scholars argue that *countries are ill equipped to effectively respond to global criminal activities...globalization has been far more beneficial to non-state actors, including smugglers, drug*

³ UN Doc. A. CONF. 169/15/Add.1, 1995.

⁴ <https://www.peacepalacelibrary.nl/research-guides/international-criminal-law/transnational-crime/#introduction>

⁵ Payne, 2013, 256.

⁶ Mittleman & Johnston, 1999.

traffickers, and other global criminal networks, than it has been to nation states. The hierarchical structure of countries is a liability in an increasingly decentralized, global society. Furthermore, globalization has diminished the ability of states to exercise effective jurisdiction over their territories and to regulate trade and other activities. It is often very expensive to halt transnational crime, and governments do not have the necessary budgets.⁷

One of the key organizations working to combat transnational crime is the International Criminal Police Organization, or Interpol. Interpol is understood to be a *global clearinghouse for police information that assists countries in criminal cases* and it is *the world's largest international police organization, with 190 member countries*.⁸ In terms of its responsibilities in their fight against transnational crime, *Interpol collects and analyzes data, supports global crime investigations, organizes operational working meetings among countries, and organizes regional and global conferences on a wide range of criminal activities*.⁹ Interpol (2014) explains that they *work to ensure that police around the world have access to the tools and services necessary to do their jobs effectively. We provide targeted training, expert investigative support, relevant data and secure communications channels*. International treaties and conventions also have a key role with regards to countering global crime. One of the most related conventions is the United Nations Convention Against Transnational Organized Crime which is a *global agreement that outlaws bank secrecy, keeps prosecutors worldwide in contact by email, allows international arrest warrants to be sent by e-mail, provided for videoconferences to allow witnesses to testify without have to travel around the world, and creates international witness protection programs*.¹⁰ The United Nations Convention Against Transnational Organized Crime was adopted by General Assembly resolution 55/25 of 15 November 2000. The UN Convention was put into force in 2003. This document is seen as an important addition to the fight against transnational crime, and is being put in place in many different ways, such as helping with legal aid, setting up extradition for those accused of committing a crime.

In addition to the UN Convention Against Transnational Organized Crime, the UN also passed The Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children in 2003.¹¹ This Protocol is very important, as *it is the first global legally binding instrument with an agreed definition on trafficking in persons*. The UN has also passed a number of additional protocols, such as the Protocol Against the Smuggling of Migrants by Land, Sea, and Air, and other protocols such as the Protocol Against the Illicit Manufacturing of and Trafficking in Firearms, their Parts and Components and Ammunition. These protocols have aided in bringing addition attention to these criminal issues, and offering a wide range of support for the ending of such transnational crime.

However, the sharing of information is not always effective. For example, the United States government has attempted to increase the collection and sharing of information with regards to criminal organizations. But, taking the U.S. actions with regards to cooperation efforts with El Salvador, *the FBI released lists of suspected gang-member deportees to a special unit within the Salvadoran national police, which then disseminated the list across the country's law enforcement agencies. However, according to interviews conducted the police unit responsible for disseminating the information did not properly communicate, or in some cases refused to communicate, the names of suspected gang members to other police agencies. There are many reasons for such breakdowns in communication, including distrust about how the information will be used*.¹²

Along with legal measures and police response to stop transnational crime, there have also been attempts to address root causes of criminal behaviour, both underlying causes, such as poverty, but also ways to minimize the abilities for crime to take place. And while there are challenges to examining the level of effectiveness of international laws and international cooperation against transnational crime, it

⁷ Payne, 2013.

⁸ INTERPOL, 2014

⁹ Payne, 2013: 270

¹⁰ Payne, 2013: 270

¹¹ UNODC, 2003

¹² Dudley, 2012: 9-10.

is critical to carry out such tasks, given the importance of preventing human rights abuses and ensuring that criminal activity is stopped.¹³

Economic, social and political roots and strategies

Nowadays, transnational crime comprises a great share of global economic activities. Indeed, transnational crime is comparable to a real business, as it allows for the bringing or taking of commodities from one country to another, but with one fundamental exception – state authorities are not involved in this transnational movement of goods. However, much of what is now considered to be transnational crime, was not criminalized one century ago. Indeed, transnational crime has become subject of research and interest of scholars only from the 1990s, when several striking events occurred, shaping the future configuration of international economics and politics. As a matter of fact, this decade was mainly characterized by the end of the Cold War and the subsequent collapse of Soviet Union. As a result, former Soviet countries in Eastern Europe started to emerge and to gain independence, but at the same time, migration from these countries increased towards Western Europe. Since border controls within the former Soviet countries were very low, corruption and illegal activities – such as the smuggling of migrants – were able to spread. Furthermore, the collapse of Soviet Union did not only increase the incidence of human mobility, and crimes linked to it, but it also meant that thousands of state employees were now unemployed. Thus, these people became essential figures for criminal organizations, as they possessed valuable skills – acquired under the Soviet regime – such as surveillance, smuggling, eliminating people, creating networks and blackmailing. Moreover, the situation was further worsened by smaller regional conflicts, such as the Balkan Wars, where new criminal networks unleashed, profiting from the outbreak of conflict inside the region, which caused the breakdown of institutions and a mass migration of people. Hence, within this rapidly changing and increasingly vulnerable environment, cross-border criminal activities started to flourish.¹⁴

On more general grounds, the global landscape had been affected by the end of the Cold War, leading to common patterns of behaviour not only in Europe, but also around the world: the barriers, that had characterized the former global political and economic scenario, were now torn down, thus leading to free trade, as well as free movement of people, commodities and capital, not only between European Democracies, but also with the post-communist countries.¹⁵ Indeed, the 20th century saw economic liberalization as the key to achieving increased productivity and development. *Economic liberalization*, according to the definition provided by the United Nations, *encompasses the processes, including government policies, that promote free trade, deregulation, elimination of subsidies, price controls and rationing systems, and, often, the downsizing or privatization of public services*.¹⁶ However, this process – intended for the achievement of prosperity and a more responsive economy, through structural programs that reduced state intervention – in reality contributed to encouraging and facilitating the criminalized sectors of global economy. In fact, the increase in market liberalization by governments all around the world, coincided with an increase in inequalities and thus, a need for transnational crime. The driving forces behind this logic were, and still are, the interest in gaining high profits – from the criminals' side – and the ever-higher levels of consumer demand for smuggled commodities. Since economic liberalization had produced several shocks and displacement of workers, transnational crime entered the system by reducing the width of the gap: within the underground economy, new jobs were

¹³ Albanese, 2013.

¹⁴ *A Historical Overview of Transnational Crime* (D. Felsen and A. Kalaitzidis, 2005), chapter 1 from *Handbook of Transnational Crime & Justice* (P. Reichel, 2005)
http://archives.cerium.ca/IMG/pdf/Felsen_Kalaitzidis2005Historical_overview_Transnational_crime.pdf

¹⁵ *Globalization, Transnational Crime and State Power: The need for a New Criminology* (E. C. Viano, 2009).
http://www.vittimologia.it/rivista/articolo_viano_2009-03_2010-01.pdf

¹⁶ *Economic Liberalization and Poverty Reduction* (United Nations Department of Economics, 2010), pg. 97 – Chapter VI from *Rethinking Poverty: Report on the World Social Situation 2010* (United Nations Department of Economic and Social Affairs, 2010)
<http://www.un.org/esa/socdev/rwss/docs/2010/fullreport.pdf>

created and hard currency was transferred in “debt-strapped” nations.¹⁷ Furthermore, the economic logic of the Washington Consensus, envisaging an increase in efficiency and production within the agricultural sector, fit well with the flourishing of transnational crime, as peasant farmers, especially in Latin America, started to specialize in the sector that would generate the greatest financial returns, namely the cultivation and trafficking of drugs – mainly due to the collapse of prices for raw commodities. As a matter of fact, this sector was estimated to account for two percent of world’s economy in the late 1990s, but it comprised a much larger share of developing countries’ economy rather than the developed ones.¹⁸

The major economic changes that occurred during this period – such as the expansion of markets, and the speed, ease and privacy with which transactions could now be conducted – were possible only thanks to globalization, which typified the new world by progress in transportation, communication and information.

In practice, globalization – defined as *the closer integration of countries and peoples of the world, which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge and people across borders*¹⁹ – has produced not only benefits, but also an array of negative consequences, among which economic dislocation, violence, conflicts and transnational crime. International criminals have thus been able to take advantage of the new global scenario, which offered better accessibility to the international market. Moreover, globalization has led to an increase in poverty and marginalization of communities living in the developing world, which have had to turn to the informal and illicit market as the only solution for their economic survival.

Transnational crime became an issue not only for scholars, but it also affected the policies of both European Union and United States. Indeed, even though Europe was still prioritising the economic and monetary union during the Maastricht Treaty in 1991, policymakers started to be concerned about the emerging illegal opportunities stemming out of free movement of goods and people. Therefore, European Union decided to strengthen its Justice and Home Affairs Institutions, by dedicating TITLE VI of the Maastricht Treaty²⁰ to a commitment to increased cooperation between Member States in the areas of asylum policy, immigration policy and especially against international drug trafficking. Moreover, during the drafting of Maastricht Treaty, Member States also discussed about the creation of EUROPOL (European Police Office), which had been ratified only in 1998.

From the perspective of the United States, there was the need to transform both foreign and internal policies, in order to counteract the new threats and challenges, and in particular, the growing penetration of international organized criminal groups into US economy and society. As a matter of fact, US had to shift from the logic of the Cold War – thus abandoning its moral obligations to contain communism – towards an increased focus on security linked to transnational crime. Therefore, United States started its war on drugs in 1970s and expanded under Reagan Administration in 1980s. Indeed, attempts to eradicate the drug market especially in Latin America were conducted through conditional certifications: in 1995 US threatened Colombia, Bolivia and Peru to receive antidrug assistance if their government would not contribute to stop the production and flows of drugs.

¹⁷ *Transnational Organized Crime and International Security: Business as Usual?* (M. Berdal and M. Serrano, 2002). https://books.google.it/books?id=3vv_vK6dIBUC&pg=PA13&lpg=PA13&dq=business+of+transnational+crime&source=bl&ots=SYBwk4FTCC&sig=uEnA3n2Fe5U_ann6dk-xTNKLk5c&hl=it&sa=X&ved=0ahUKEwiCmdLh3MrYAhVMuhQKHXXzD7MQ6AEIdDAJ#v=onepage&q=business%20of%20transnational%20crime&f=false

¹⁸ *The Unholy Trinity: Transnational Crime, Corruption and Terrorism* (L. Shelley, 2005), pp. 101-111 from *The Brown Journal of World Affairs*, Vol.11, No. 2 (Winter/Spring 2005).

¹⁹ *Globalization and Its Discontents*, pg. 9 (J. E. Stiglitz, 2002). <https://books.google.it/books?id=geN6MUthHdKC&printsec=frontcover&hl=it#v=onepage&q&f=false>

²⁰ http://www.hri.org/docs/Maastricht92/mt_title6.html

The internationalization of the concept of transnational crime can be observed not only in the efforts of the EU and US – along with other countries – but especially, in the strengthening of the lead role of United Nations. Indeed, UN profited from the growth of transnational crime as an opportunity to take a lead in this area. In 1992 *The Commission on Crime Prevention and Criminal Justice (CCPCJ)* was established by the *Economic and Social Council (ECOSOC) resolution 1992/1*, upon request of *General Assembly (GA) resolution 46/152*, with the aim of *improving international action to combat national and transnational crime and the efficiency and fairness of criminal justice administration systems*.²¹ However, the efforts of CCPCJ were galvanized by the assassination of the Judge Giovanni Falcone, in May 1992, at the hand of organized crime in Italy²². Nonetheless, the World Ministerial Conference on Transnational Organized Crime took place in Naples in 1994, during which *The Naples Political Declaration and Global Action Plan against Transnational Organized Crime*²³ was adopted. In 2000, *The UN Convention Against Transnational Organized Crime* was signed in Palermo, where it was stated that *the international community demonstrated the political will to answer a global challenge with a global response. If crime crosses borders, so must law enforcement. If the rule of law is undermined not only in one country, but in many, then those who defend it cannot limit themselves to purely national means. If the enemies of progress and human rights seek to exploit the openness and opportunities of globalization for their purposes, then we must exploit those very same factors to defend human rights and defeat the forces of crime, corruption and trafficking in human beings*.²⁴

In sum, transnational crime has become a relevant issue and security priority within one single decade, attracting the interest of both domestic policies – EU and US – and the international system – UN.

Case study: the economy of migrant-smuggling

Migration is not a new phenomenon. Indeed, for centuries people have left their home-country to search for better living conditions. However, in the last decade, the process of globalization has caused an overflow of migrants, fleeing from conflict-torn areas or leaving their counties in search for a safer and better life. In this context, in recent years the Mediterranean Region has not only witnessed a skyrocketing increase in migrants and asylum seekers but, linked to this phenomenon, a linear increase in the activities of organized criminal networks that seek profit from facilitating illegal migration.

Migrant smuggling is defined as a crime involving the procurement of illegal entry of a person into a State, of which that person is not a national, in exchange of financial or other material benefit. In this context some trends and patterns are visible. As a matter of fact, in recent years there has been an increase in smuggling services to evade national border controls, migration regulation and visa requirements. Furthermore, since there has been an increase in border controls, migrants were deterred in trying to enter illegally a nation state by themselves, therefore, more and more migrants resort to the assistance of profit-seeking smugglers. However, the modus operandi of smugglers differs from criminal organization to criminal organization. Indeed, some of them have highly sophisticated and expensive services that rely on document fraud and visa-smuggling, whereas, other use low cost methods which often involve high risk mortality for migrants.

In nowadays situation, migrants enter in a contract with the smuggler consenting to being moved, the transaction of money resulting by the contract happens typically when the former reaches the destination country. Nonetheless, even though the transaction happens through a consensus-based agreement, people who are smuggled can be extremely vulnerable to human trafficking, abuses, and other crimes, not only because they are illegally entering the borders of a third country, but also because migrants often owe a large debt to their smugglers.

²¹ <http://www.unodc.org/unodc/en/commissions/CCPCJ/index.html>

²² <https://www.un.org/pga/71/wp-content/uploads/sites/40/2015/08/Assassination-of-Judge-Giovanni-Falcone.pdf>

²³ <http://www.un.org/documents/ga/res/49/a49r159.htm>

²⁴ https://www.unodc.org/documents/middleeastandnorthafrica/organised-crime/UNITED_NATIONS_CONVENTION_AGAINST_TRANSNATIONAL_ORGANIZED_CRIME_AND_THE_PROTOCOLS_THERETO.pdf

For the organized criminal networks, the smuggling activities has never been so profitable. Indeed, the United Nations Office on Drugs and Crimes estimated that just two among the principle migratory routes, i.e. from East, North and West Africa toward Europe and from South to North America, are worth 6.75 billion US dollars to smugglers.²⁵ In this context it is important to highlight the major routes for migration in the world. Indeed, Interpol recognized four major routes:

1. East, North and West Africa to Europe;
2. Middle East and Central Asia to Europe;
3. South America and Central America to North America;
4. Asia to Australia.

Focusing on the European part of migration, smuggling activities are really worthy in the Mediterranean region. Indeed, a study from the European Union found an active market for smuggling services with a strong networking activity and a strong business model. As a matter of fact, the model used is network-based, using and forming active hubs where the activities are profitable. The study shows the main routes for the smuggling of migrants in order to reach the country of destination; those main routes are:

1. From Syria – passing through Lebanon and Egypt – to Italy;
2. From Ethiopia – passing through Libya – to Malta and Italy;
3. From Pakistan – passing through Turkey – to Greece;
4. From Nigeria – passing through Turkey – to Bulgaria;
5. From Greece – passing through The Former Yugoslav Republic of Macedonia – to Serbia-Hungary.

Hence, the aforementioned routes are considered among the most dangerous itineraries for migrants: this is the reason why in 2014 the Global Initiative estimated that, around 80% of migrant journeys, especially from Africa to Europe, were facilitated by smuggling networks. Indeed, data shows that, taking into consideration all sea, land and air routes, in 2014 more than 280 000 people were detected of illegally crossing the European borders, i.e. a 164% increase compared to 2013. Among this statistic, 220 000 people were arriving from Libya to Italy and from Turkey to Greece via sea routes, the majority of which were smuggled. Within this group, studies have highlighted the various profile of migrants arrived at the European borders. In this context, in 2014, the 71% were male, while only the 11% were female, and the remaining 18% is unknown. Among those numbers, the 15% were minors. Probably, the high number of unaccompanied minors is linked to smugglers which promise to the families of the aforementioned group an automatic right to asylum, after which families can join them. According to data displayed by Frontex, the main nationalities of migrants were: Syrian, Eritrean, Afghan and Kosovar. Indeed, the number of Syrians illegally crossing the borders grew of the 210% from 2013 to 2014, an increase which is visible also for migrants from Mali. Furthermore, the main sea routes into EU for migrants from the African borders, is the Central Mediterranean Route, with 170.664 migrants detected at the border in 2014. Second for importance, the Eastern Mediterranean Route, with 44.057 migrants detected at the border in the same year. On the other hand, the main land routes for migrant smuggling is the Western Balkan Routes with 43.357 migrants in 2014. In those years, this route was not only one of the most populated, together with the Western Mediterranean one, also, because of the closure of the Border of Hungary, with the further building of the wall, smugglers had to change their modus operandi, thus also the path of the route.

Migrant smuggling networks not only pay a fundamental role both in facilitating illegal migration but also in channelling movements towards specific countries. The latter, sometimes, includes the deliberate deception of clients. As for example, *an official from an EU embassy in Abuja [...] reported in the context of smuggling from Nigeria that smugglers make use of their client's lack of awareness of the political geography of Europe by offering smuggling services to countries neighbouring the EU, such*

²⁵ INTERPOL, *People Smuggling*.

<https://www.interpol.int/Crime-areas/Trafficking-in-human-beings/People-smuggling/Questions-and-answers>

*as Ukraine, making migrants believe that they will gain access to the Schengen zone and have the possibility of further movement within the EU.*²⁶

Moreover, because of external factors, such as the change in the policy of destination countries, the modus operandi of the smuggling network may change, and especially the routes. On the other hand, Hubs have the potential to remain and to grow of importance in the long term. Therefore, Hubs can be analysed as the nodes connecting the changing routes, i.e. they appear as the geographical and operational nodes that structure the further routes used by migrants, defining the itineraries of migrant smuggling. Other researches showed that for long distance journeys, for example, the Syrian one, small scale networks may be mostly used, i.e. small networks of smugglers that works together passing on groups of migrants to the organization that control the other part of the territory. However, in order to detect the modus operandi of migrant smuggler organizations, there is the need to look at the border type and not at the routes per se. Indeed, the process changes constantly depending on 3 variables:

1. Border control policies;
2. Type of border to be crossed;
3. Costs.

For what concerns the third and fundamental aspect abovementioned, usually costs and fees for smuggling trips are not constant, but they mainly depend on various factors, such as: the distance to be travelled; the target country; expected logistical complexity of the route or of the border-crossing; supply and demand factors; means of travel; the seasons; the gender; the age – children usually pay less; the nationality; and finally, the different terrain and/or war zone (e.g. across the Sahara Desert of from Sudan to Libya).

Indeed, the smuggling market could be compared to the tourist one, that has low and high seasons, i.e. referring to times of higher intensity of border controls and times of larger increase in demand. However, studies have also shown that, as in the tourist market, full packages, thus, from point of departure to destination, cost more than step-by-step approaches. In this context, some data may be useful. As mentioned before, a high increase in border control may increase the price of the package offered. For example, during the football championship, 1000+ migrants were smuggled from Turkey to Greece for a drastically lower price, i.e. 900€ rather than 2000€ - 7000€, “because the policemen were watching the game”. Furthermore, prices, as in a usual market situation, are the result of supply, demand, smuggler’s capacities and the number and financial situation of the potential client. For example, prior to 2012 the route from Greece to Serbia costed 500€, whereas, in 2014 it was 2000€ mainly because of the increase in the demand. However, costs are incurred also from Smuggling networks. Indeed, in Libya in 2014, there were few barriers for the access to boats, therefore, smuggling operations were generally lower in costs. Nonetheless, when leaving areas where militias were in charge, rose significantly the cost. Indeed, smuggler organizations, needed to pay up to 20.000\$ a month to local militia, in order to have safe departure points. For what concerns, crossing border from Turkey to Bulgaria, and then to Sofia, it was highlighted that for a group of 4 to 5 migrants the profit for the organization was around 10.000€ to 13.000€, i.e. 2500€ to 3000€ for each migrant, whereas smuggler’s expenses would be: 1000€ for the car; 500€ for the guide; and 200€ for the person who bought the car. All in all, according to Newsweek, several multinational organized criminal organization are estimated to worth 6 billion euros a year. Indeed, even though prices and fees both for migrants and smugglers varies due to the laws of the market and the different policies applied to the States, it is of general knowledge that costs are passed mainly on to migrants in a way that high profits are always ensured.²⁷

Conclusion

Organized crime has existed for a long period of time, but only recently – about two decades ago – it has expanded in scope, both from a local and organizational point of view. As a matter of fact, criminal

²⁶ *A study on smuggling of migrants, Characteristics, Response and Cooperation with third countries*. Final Report, September 2015. (European Commission, DG Migration and Home Affairs).

http://www.emn.lv/wp-content/uploads/study_on_smuggling_of_migrants_final_report_master_091115_final_pdf.pdf

²⁷ *ibidem*.

organizations have been able to grow and to become market players at the global level, by creating new alliances with other organizations worldwide. This upscaling has been possible only thanks to the significant political changes that occurred during the 1990s (i.e. the end of the Cold War and the collapse of Soviet Union), mirrored by an economic liberalization pursued by governments all over the world. Moreover, globalization, which has brought about easier and faster means of communication, movement of finances and international travel, has allowed for the internationalization of criminal organizations over the last decades.

Such internationalization of organized crime has represented – and still represents – an enormous threat globally both at the political and economic level, as it is able to undermine the role of the global market and democracy, by conducting illegal business in parallel to legal activities.

One important, and very profitable example of transnational crime is the smuggling of migrants. Even though migration has always existed in the history of humanity, it has currently become more relevant than ever, as more and more people are fleeing conflict-torn areas or searching for better lives. By studying the peculiar crime of smuggling of migrants, several features have been highlighted. Firstly the *modus operandi* of the criminal network involved is ever changing and depends on the border policies applied by countries worldwide. Linked to this aspect, routes may change quickly, but hubs play an important role as they represent nodes connecting the ever-changing routes, thus defining migrants' path toward a third country. In order to better understand the *modus operandi* there is the need to look at the border type to be crossed rather than at the route. Finally, costs have to be taken into account as well. As in a tourist business, they mainly depend on the distance of the travel, the country of destination, the complexity of the border crossing and of the route, supply and demand factors, means of travel, season, gender, age and nationality. In any case, the different costs borne by migrants will inevitably lead smugglers to gain high profits from the crime.

In conclusion, transnational organized crime is bound to last: as long as demand for illicit and smuggled commodities and services persists, this peculiar type of market is served more than before. Hence, the only way to tackle the problem is by adopting a coherent and concerted global response.

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Group IV

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Cuba: a different economic system and the recent reforms

Abstract

This paper will analyse the economy of Cuba in different times of history, namely, will compare Cuban economy before the revolution, during the revolution, in the Special Period and in the new era of the 21st century. We choose this topic for the fact that Cuba has such a peculiar, unique, alternative economic and political system which makes the Caribbean island an interesting subject to study and discover. Furthermore, one member of our group visited the country during the historical period called “Periodo de Duelo” when Fidel Castro died. Another member of the group had the opportunity to discuss about several topics with the Ambassador of Cuba in Rome. Anyhow, we all have a personal interest to deepen our understanding on this topic.

1. Economy of Cuba before the revolution

Cuba was one of the last colonial possessions under Spanish rule just 90 miles south of Florida. As Spain's Imperial power was in decline, Washington had imperial ambitions to expand its influence on Cuba. Cuba had the potential to produce unlimited profits for U.S. business interests. Even organized crime got into the picture when they became a major player in Cuba in the early 1930's. The Mafia controlling the gaming industry, prostitution and the drug trade in the U.S. mainland had its sights on Cuba. It managed to expand their operations to Cuba to avoid harassment from the U.S. government and to set its headquarters for other Caribbean countries. In 1952 the triangle Mafia - landowners/businessmen - US intelligence backed a military coup d'état with which the dictator Fulgencio Batista took power on the island. Cuba became a cesspool of corruption, illegal drugs and prostitution, with the majority of ordinary Cubans living in extreme poverty. In a 2004 article for the Nation, Arthur Miller, based on what he had learned from people who had worked in the film industry in Cuba, described the Batista society “as hopelessly corrupt, a Mafia playground, a bordello for Americans and other foreigners”.

Although Cuba belonged to the high-income countries of Latin America since the 1870s, income inequality was high, accompanied by capital outflows to foreign investors. The country's economy had grown rapidly in the early part of the century, fuelled by the sale of sugar to the United States. Its proximity to the US made it a familiar holiday destination for wealthy Americans. Their visits for gambling, horse racing and golfing made tourism an important economic sector. Tourism magazine Cabaret Quarterly described Havana as “a mistress of pleasure, the lush and opulent goddess of delights”. According to Louis Perez, a Cuba historian at the University of North Carolina at Chapel Hill, “Havana was then what Las Vegas has become”. The dictator Batista had plans to line the Malecon, Havana's famous walkway by the water, with hotels and casinos to attract even more tourists. Today Hotel Havana Riviera is the only hotel that was built before the revolution.

Cuba had a one-crop economy based on sugar with a constricted domestic market. Its population was characterized by chronic unemployment and deep poverty. 1% of Cuban landowners controlled about 50% of the agricultural areas of the island. Companies such as the “American Sugar Refining Company”, “Vertientes y Camaguey”, “Francisco Sugar”, “Atlantica del Golfo” and “Cuban American Sugar” owned 2684 million hectares, cultivating only less than a half of them. United States monopolies like Bethlehem Steel Corporation and Speyer controlled valuable national resources. Other US companies dominated the entire Cuban financial and banking system, the electric power production and the vast majority of the industrial sector. US monopolies owned 25% of the best land in Cuba.

More than 80% of farmland was owned by sugar and livestock-raising big landowners. 90% of the country's raw sugar and tobacco exports was exported to the United States. According to a report published by the Department of Commerce, in 1956 US businesses controlled "90% of the telephone and electric services, about 50% in public service railways and roughly 40% in raw sugar production". In the 1950s, most Cuban children did not get education. There was an incredible gap between the cities and the countryside. Indeed, 87% of urban homes had electricity, but only 10% of rural homes did. Only 15% of rural homes had running water. Nearly 50% of the rural population was illiterate. Poverty and unemployment in the countryside triggered migration to the capital city, Havana, despite there the levels of crime and prostitution were high. In 1958 more than 40% of the Cubans were underemployed or unemployed. There was also a racial issue: Afro-Cubans had the worst living conditions and held the lowest paid jobs. Schools for blacks and mulattoes were inferior to those for whites. Black people were kept away from the tourist areas, in order not to upset the wealthy Americans. Women's conditions were also terrible: according to the last Cuban national census before the revolution (1953), 87522 women were working as domestic servants, 77500 women were working for a relative without pay and 21000 women were totally without employment and looking for work. Moreover, an estimated 83% of all employed women worked less than ten weeks a year, and only 14% worked year-round. Poor and unemployed young rural women were condemned to end up working as maids for upper-class urban people or as prostitutes. It is estimated that by the end of the '50s Havana had 270 brothels and 11500 women earned their living as sex workers. Compared with New York City in 1977, the ratio of sex workers in 1950s in the Cuban capital was about the double.

2. Cuban revolution under an economic prospective

At the end of 1952, Fidel Castro and his brother Raúl created "The Movement", recruiting around 1200 working class rebels from the poor areas. They needed weapons; therefore, in 1952 around 120 fighters attacked the Moncada barracks, the second largest military garrison in Cuba. However, the offensive was a failure: 9 were killed in the fighting, 56 were executed after being captured and many others were arrested and tortured. Fidel and Raúl Castro managed to escape in the nearby mountainous countryside (Sierra Maestra) but then captured along with other rebels. They were put on trial and Fidel, a trained lawyer, defended himself with the famous speech "History will absolve me" but was eventually sentenced to 15 years in jail. Raúl and others were sentenced to 13 years, but after political pressure, the Cuban Congress passed an act granting general amnesty to political prisoners, including the Moncada attackers. The Castro brothers joined with other exiles in Mexico and founded the 26th of July Movement (date of the Moncada attack) together with Camilo Cienfuegos and the Argentine doctor Ernesto "Che" Guevara. The revolutionary group, ideologically inspired by Marxism-Leninism, had as main objectives the distribution of land to peasants, nationalization of public services, industrialization, honest elections, and large scale education reform. In 1956, 82 men crowded onto the tiny yacht Granma originally designed to accommodate 12 people with a maximum of 25 and set sail for Cuba. The Movement started a guerrilla warfare in the Sierra Maestra, receiving increasing support until the final victory in 1959, when Batista fled from Cuba and the rebels entered Havana, the capital. The Moncada barracks were converted into a school; the revolution was victorious. In 1959, Fidel Castro was sworn in as Prime Minister of Cuba (then, according to 1976 Constitution, President of Cuba) and set a socialist state characterised by workers' control on production, state-run companies and planned economy.

The revolutionary government immediately started a series of nationalizations, starting with the Cuban Telephone Company, which was a subsidiary of the International Telephone and Telecommunications Corporation, an American company. All businesses and firms owned by upper and middle-class Cubans were nationalized, including the plantations owned by Fidel Castro's family. The revolutionary government formally nationalized all foreign-owned property in Cuba on 6th August 1960, in particular American holdings. The latter included the big Cuban Electric Company, a subsidiary of the American & Foreign Power Company that provided more than 90% of Cuba's electricity, and US oil companies such as Esso, Texaco and Shell after having refused to process the Soviet oil in their installations, thus clearly violating Article 44 of the Oil Minerals Law valid since 1938 that established the duty to process

oil supplied by the State. By the end of 1960, the revolutionary government had nationalized more than 25 billion USD of private property and created the Ministry for the Recovery of Misappropriated Assets. The following year, 70% of the industrial sector was owned and run by the state. The current total value of the seized assets would be approximately 1.89 trillion dollars according to the 11.42% rate of growth that the average US company experienced from 1959 to 2014. The new Republic of Cuba, officially an atheist state (until 1992), seized also all property owned by religious organizations, including the dominant Catholic Church. Other important assets were hotel and casinos that were nationalized after the ban of gambling. This measure hit mafia leaders such as Meyer Lansky, known as the "Mob's Accountant", who lost 7 million USD at once. He then fled Cuba with his estimated property of 20 million USD (163 in 2016) and, before he died, he said that Cuba "ruined" him.

The other first important measure was the First Agrarian Reform, which set a cap for landholdings to 402 hectares per owner and prohibited foreigners from obtaining Cuban land ownership. With this act, large land holdings were broken up and around 200000 peasants received title deeds. The limit for a farm size was set at 13 km² and for a real estate to 4 km². Any property exceeding these limits was seized by the revolutionary government and either redistributed to peasants or run by cooperatives. A Second Agrarian Reform limited the landholding to 63 hectares. 1959 marked the creation of the National Institute of Agrarian Reform (INRA), established to implement this law and led by the future Minister of Industries Ernesto "Che" Guevara. He was also President of the nationalized National Bank of Cuba until 1961, expelling all US banks and financial operators such as the National City Bank of New York (now Citigroup), the National Bank of Boston (now Bank of America) and Chase Manhattan (now JPMorgan Chase). Fidel Castro's government launched a series of progressive social reforms to improve the standard of living of the poor, creating new and fully public healthcare, education, housing and infrastructure systems. Indeed, within the first six months, 600 miles of roads were built in Cuba, about 300 million USD was spent on water and sanitation projects and over 800 houses were constructed with the purpose of eliminating homelessness. Private schools were banned, granting free and open access to all levels of education, and teachers were sent in the most remote areas. In just one year, 1961, the Cuban Literacy Campaign raised the national literacy rate from 56% to 96%; the current one is the astonishing 99.8%. The same happened with healthcare, as described by Che Guevara in his "On Revolutionary Medicine": "The work that today is entrusted to the Ministry of Health and similar organizations is to provide public health services for the greatest possible number of persons, institute a program of preventive medicine, and orient the public to the performance of hygienic practices". In 1965 Cuba became the first Latin American country to legalize abortion and to launch a massive universal vaccination campaign. The government enlisted 750 physicians and medical students in the Rural Medical Service, which settled the basis that led Cuba to be the first country to eliminate mother-to-child transmission of HIV in 2015, to have one of the lowest infant mortality rate of the world (4.2 per thousand births) and the higher life expectancy of the whole American continent (79.1). This social system allowed Cuba to rank "high" in the Human Development Index (HDI) despite the relatively low GDP, excelling not only in healthcare and education but also in "women's participation", "political inclusion" and eliminating child malnutrition and homelessness. Moreover, transport and cultural activities costs were kept low. This radical social change allowed also the emancipation of blacks and women, ending a long history of discrimination, segregation and inequality.

The results of the Cuban Revolution are even more astonishing if set in the geo-political context: the Cold War. Cuba was a new revolutionary state led by a Communist party and allied with Soviet Union and the socialist bloc, a small island just 90 miles away from the United States of America. In March 1960 US President Dwight D. Eisenhower allocated 13.1 million USD to the CIA for the purpose of overthrowing Castro. The CIA proceeded with the formation and the training of Cuban counter-revolutionary forces, including the Brigade 2506 in Guatemala. The next US President, John F. Kennedy, approved an invasion plan in April 1961 which involved the para-military group mentioned before. 1500 fighters and 8 American B-26 bombers attacked the Bay of Pigs but were defeated in just three days by the Cuban Revolutionary Armed Forces under the direct command of Castro. After this military defeat, the CIA planned the Operation Mongoose, a set of actions to overthrow the government

and even kill Castro. Some operations involved also the Mafia, especially the Chicago gangs, with the promise that if a pro-US government was restored in Cuba, “Cosa Nostra” would get a “monopoly on gaming, prostitution and drugs”. Cuban intelligence official Fabian Escalante reported that there have been 638 separate CIA assassination attempts on Castro, including explosive and poisonous cigars, explosive seashells at a scuba diving site and a diving wetsuit contaminated by lethal chemical agents. This programme had a budget of 50 million USD per year, employed 2500 people including about 500 Americans, and remained secret for 14 years, from 1961 to 1975. In 1961, the U.S. started to use the economy as a weapon, establishing a trade embargo -*blockade* is the correct term according to international law- on exports to Cuba except for food and medicine. The following year, US President John F. Kennedy extended measures by Executive order, expanding the blockade to all Cuban trade, including all imports of products containing Cuban goods, even if the final products had been made or assembled outside Cuba. The United States started to refuse to trade and give aid to countries that traded with the island, thus involving third parties. After these attacks and coup attempts, in July 1962 Soviet leader Nikita Khrushchev reached a secret agreement with Fidel Castro to install Soviet nuclear missiles in Cuba for deterrence purposes. The plan was discovered and this led to the “Cuban Missile Crisis”, the most tense moment of the Cold War. The total current cost of the blockade for Cuba recently reached 130 million USD, 822 million USD if taking into account the depreciation of USD with respect to gold in the international market.

In the spirit of internationalist proletarian solidarity, Cuba was one of the few developing countries to provide foreign aid to other countries and to send soldiers to help locals fighting colonialism for their national liberation, such as in Angola and Guinea-Bissau against Portugal, but also doctors and teachers to improve living conditions. According to the research “Cuba's International Cooperation in Health: an Overview” (De Vos et al., 2007), “since the early 1960s, 28422 Cuban health workers have worked in 37 Latin American countries, 31181 in 33 African countries, and 7986 in 24 Asian countries. Throughout a period of four decades, Cuba sent 67000 health workers to structural cooperation programs, usually for at least two years, in 94 countries [...] an average of 3350 health workers working abroad every year between 1960 and 2000”

3. “Special Period in Peacetime”

At the end of 80's, the Soviet Union was about to collapse and this provoked a relevant economic crisis in Cuba, the so-called “Periodo Especial”. The sudden suspension of privileged trade with the Soviet Union forced the island to adopt a regime of isolation and self-governing economy. The US economic embargo against Cuba increased, and the situation resembled to the path taken in the beginning of 60's (rupture with Washington) but this time Cuba did not have a super power like URSS to “ally” with. As strategic solutions to recover, Cuba raised commercial exchanges with China, opened to international tourism, authorized foreign investment and private economy and enhanced internal production and agriculture.

The governmental emergency program aimed at reducing domestic demand and at reaching an autarchic food system. However, most of the agricultural products were exported and few used for domestic population. Before 90's URSS used to provide raw material, arms, machinery and oil to Cuba. Hence, during the Special Period the island experienced an oil crisis as well, vehicles and busses could not run without oil and the main mean of transportation was the bicycle; for this reason millions of bicycles were imported from China. This Period meant for Cuba a collapse in industry, social services and agriculture. Cuban statistics report a reduction of 34% in Gross Domestic Product (GDP), nonetheless, statistics more reliable states that the reduction was about 45% of GDP. Urban population was invited to move in the countryside to escape from the urban famine. Moreover, a cut down of electricity caused black-outs that would last more than 12 hours, this caused the shut downs of many firms and industries, and as a consequence unemployment went up. The critic situation tackled in particular young people and women. Woman had to face huge line to get their daily/weakly ration of basic food (milk, eggs, bread and so on), hence Cuba experienced a drastic reduction of female workers. During the Special Period the overall economic, political, social picture worsened, black market increased and the quality of education and health care decreased.

Due to the hard conditions of everyday life, many young Cubans boarded in *balsas* (temporary, unstable boats) towards Florida. More than 35.000 refugees, in America, were recorded in 1994, the so-called “*Balseros*”.

For what regard foreign investment, in 1992, was passed a law stating that foreign people could invest on Cuban territory, however with a constraint. They could own no more than 49% of the property, the other 51% had to be owned by a local person. Eventually, in 1995, another law passed, allowing foreign investors to invest in Cuban territory without any constraint. Meanwhile, tourism, which was increasing after a period of stagnation between 60's and 70's, was the main economic entrance, however modifying society values and more in general affecting negatively the social frame. The opening of the tourism was part of a bigger program, the one of aligning public and private economy.

4. Case study- Casas Particulares

The economic changes of this peculiar Cuban system through history can be better understood by analysing the phenomenon of Casas Particulares. The latter are basically rooms rented to tourists, with the owners living in the same house. Casas Particulares are born exactly when Cuba was experiencing the “Periodo Especial”. The few Hotels available were (and actually are) governed by the state, so single individuals started to illegally rent their own rooms to tourist, in order to get some revenues. In the early 90's the State made this process legal, in order to allow locals to gain an extra profit to survive to the economic crisis, hence everyone started to declare their entries to the state and pay taxes. It all started like a spontaneous phenomenon, however, in current days people build houses with the purpose of opening a business, people invest on architectural design to build the best Casas Particulares in their own competitive area.

Casas Particulares use to be also a way of exchanging cultures and kindness. Now, there is no exchange of informal and true kindness and culture, only formal kindness, except for some Casas Particulares run by old ladies or old gentlemen. Now people are treated as clients, no as guests like it uses to be. Also, it used to be a tradition (and also a constraint by law) that only the family itself managed the costumers, while now with the increasing tourism and evolution of this process (and with the legal consensus of the state), some families start to hire external people to record economic transaction, to clean rooms, to make breakfast and dinner. This phenomenon was born as a way of making the best of what you had in order to “survive” (economically speaking). The idea was the one of using sleeping assets to create revenues and unconsciously creating social relationships with the rest of the world, giving tourists the possibility to experience the authentic Cuba. However, this phenomenon is not authentic anymore since those structures are built specifically for tourists, currently it's a “built” idea. However, it was born as a spontaneous starting process of privatization, in fact the word “Particular” in Spanish means both private or peculiar. Of course, these structures bring wealth to the country but also social changes.

5. Post Fidel-reforms

In 2010, Raul Castro became president of Cuba, and many reforms were made. In 2011 the so-called “New Cuban Economy” started, more than four thousand Cubans signed up to be entrepreneurs. In 2008, Raul Castro, stated that the purchase of computers and DVDs was legalized. Private ownership of home, cars, restaurants was legalized. We can say that Raul started a real process of privatization, however, trying to socialism. Nonetheless, in 2014 Cuba's economic freedom score was 28.7, making its economy one of the world's least free.

An interesting fact is that individual income tax rate is 50%, while the rate for foreign investors is 30%. The overall tax burden is 24.4 percent of GDP.

Statistics show that in terms of redistribution of employment toward non-state sectors, as workers employed in medium and small scale private enterprises jumped from 160,000 in 2009 to more than 550,000 in December 2015.

Despite reforms, the government continues to play a large role in the economy. To show the evidence, “el partido” and its General, Raúl Castro, created “los Lineamientos de la politica economica y social del partido y la revolution para el periodo 2016-2021[...]”. The latter are 274 “directives”, were both general and specific guidelines are mentioned. General lines about maintaining the social structure are

mentioned as well as specific categories, for example entrepreneurs, political fiscal, cooperatives, land use ext.

6. Periodo de Duelo

In November 25th of 2016 Fidel Castro died. For a matter of respect and honor, the state decided that for 10 days no alcohol would be sold, no music on the street would be played and all clubs would be closed. In TV only programs about life history of Fidel Castro were transmitted. Once again, even if for a short time, we can observe how specific political and historical period can strongly affect the economic regime of Cuba. For ten days the entire economy of Cuba was blocked, this was a deficit especially for tourism, however most of the population agreed on what the state adopted for the fact that they were really sad for Fidel death. Besides, some individuals got drunk even if alcohol was not allowed, “thanks” to black markets.

Conclusion

Cuba as always been a peculiar system because even if characterized by several crises, which brought to poverty at times, it never had characteristics of developing countries, on the other side always had a high rate of educated people and good health care systems. In Cuba there are no homeless people, no one lies on the ground doing nothing, even really poor people help society by cleaning the street in order to receive money from the state. Cuba is the only country which resisted to autarchic regime in a honorable way.

Old people who lived the glorious time of Cuban revolution with the charisma of Fidel Castro, were really sad when Fidel died, while most young people were “happy” for the fact that they only have experienced period of constraints and imposition set by the state without living the glorious time. This system has pros and cons, as we have seen, however situation is going to change drastically when Raúl will not be General de Ejército anymore. In March 2018 election will be held and the future of Cuba, without its leaders Fidel and Raúl Castro, is unpredictable.

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Group V

Ihnatiuc Izabela Diana

Sovereign wealth funds

The sovereign funds (or sovereign wealth funds) are pools of money invested in financial assets such as stocks, bonds, raw materials. These are typically state owned and they are created when a nation has a budgetary surplus that is not channeled back into the economy but it is reinvested.

In simpler terms we can say that in the creation of sovereign funds the states act as if they were private companies.

Usually these funds are used in order to be beneficial to the Country itself, an example of this is the Japanese GPIF (Government Pension Investment Fund).

This has been done because Japan has been having a growth in elder population and is also facing the risks of the global job market.

This fund is aimed at covering the costs (at least in large part) of the pensions.

Other Countries have created such funds in order to diversify its streams of revenue with the purpose of diminishing / avoiding risks.

An example of this case is the fund created by the united Arab emirates.

As we all know, UAE's main stream of revenue is obtained by the production and export of oil.

Notwithstanding this fact, A part of this fund is invested in other types of assets. This is done in order to create a shield against the risks related to oil.

The appearance of such mechanisms in the global economic scenario is considered to be very recent. The first official sovereign fund has been created during the 1950s in USA and others were created during the 70s in other countries of the world.

The history of these commercial and financial tools is very recent, even though we know that also in the previous centuries there were companies that acted as if they were sovereign funds. An example of this fact is surely represented by the British East Indian Company that used its resources in order to oblige India to entertain commercial relations only with Great Britain.

Of course, as aforementioned, at those times there wasn't the concept of sovereign funds, that have been started to be given this name during the early 2000s, but there were Countries (usually colonialist ones) that adopted such an approach.

Nowadays about 50 countries have their own sovereign funds.

Some of these are based on liquidity taken from budgetary surpluses, such as the example aforementioned of Japan's GPIF.

Others are based on the export of raw materials and natural resources such as the Arab ones as well as those of Russia and other relevant Nations in exporting resources.

These are funds based on commodities. There are also other types of funds not based on commodities. The best example of sovereign funds not based on commodities is the fund owned by China, the CIC (China Investment Company), based on reserves of foreign currency.

I take some examples a bit more in details of both kinds.

As I said before, the Temasek is one of the biggest and most important SWFs and one of the most active.

A state-owned holding company that can be characterized as a national wealth fund owned by the Government of Singapore. Incorporated in 1974, Temasek owns and manages a net portfolio of 275 billion US dollars and a considerable quantity of companies within its portfolio.

It is active mostly in Singapore and other Asian Countries.

(as of 31 March 2017), with S\$18 billion divested and S\$16 billion invested during the year, and 68% exposure to Asia - 29% Singapore and 39% Asia ex-Singapore.

It is an active shareholder and investor, and its investments are guided by four key themes - transforming economies, growing middle income populations, deepening comparative advantages and emerging champions. Its portfolio covers a broad spectrum of sectors including financial services, telecommunications, media and technology, transportation and industrials, life sciences and agribusiness, consumer and real estate, energy and resources, as well as multi-sector funds. Temasek has a multinational team of 630 people, in 10 global offices not only in Singapore but also in the USA.

The China Investment Corporation (CIC) is responsible for the management of part of the Country for what concerns the reserves of foreign currency.

CIC was established in 2007 with approximately US\$200 billion of assets under management. . At the end of 2015, the CIC had over US\$810 billion in assets under management..

The China Investment Corporation was established with the intent of utilizing these reserves for the benefit of the state, modeled according to Temasek Holdings LTD.

bonds were issued to create the capital that the CIC needed. 1,550.35 billion yuan (\$207.91 billion) was issued in this bond sale. The bond process was completed in December 2007. According to Lou Jiwei the CIC needs to make a profit of 300 million yuan per day just to pay on the bonds and operation costs. The CIC paid its first interest on the bonds in February 2008 where it paid 12.9 billion yuan.

In 2008 CIC joined the International Forum on Sovereign Wealth Funds and signed up the Santiago Principles.

The Santiago principles Sovereign Wealth Funds: Generally Accepted Principles and Practices) are a set of global common good practices for sovereign wealth funds subscribed voluntarily.

They are a consequence of the concern of investors and regulators in the inadequate transparency, independence, and governance in the industry. They are guidelines to be followed by sovereign wealth fund management to maintain a stable global financial system , proper controls around risk, regulation and a sound governance structure.

Up to 2016 funds have formally signed up to the Principles and joined the IFSWF representing collectively 80% of assets managed by sovereign funds globally.

Other sovereign wealth funds are in India, Australia but also in Europe there are some, The most important is owned by Norway.

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Group IV

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January 12th, 2018

ETHNIC ENTREPRENEURSHIP

DEFINITION

In order to define the term Ethnic Entrepreneurship we should look at the meanings of the two words separately. "Ethnic" is an adjective pertaining to or characteristic of a people, especially a group (ethnic group) sharing a common and distinctive culture, religion, language, or the like. Thus, when "ethnic" is linked to "group," it implies that the members are aware of the group's membership or common origin and culture. On the other hand entrepreneurship can be defined as "the capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit or, also, as the combining of resources in novel ways so as to create something of value". Therefore as a whole the term Ethnic entrepreneurship can be defined as "a set of connections and regular patterns of interaction among people sharing common national background or migration experiences".

EVOLUTION OF THE CONCEPT

Clearly, ethnic entrepreneurship is a phenomenon that is strictly linked to migration and most obviously observed in the United States, where since 1880 there was an overrepresentation of foreign born in small businesses and, due to this long history of ethnic entrepreneurship belonging to the USA, the roots of its researches can be found mostly there. Europe, on the contrary, was until the 19th century an emigration continent and remained as such until after World War II, when the development of the industrial sector started requiring new labour forces. Therefore, originally, the immigrants came as a temporary workforce but with the time passing by they started to settle down, and with them the preconditions for ethnic businesses slowly started to evolve. According to Waldinger in his book *Ethnic Entrepreneurs: Immigrant Business in Industrial Societies* (Waldinger et al., 1990), new ethnic populations have grown at a time when Western economies were in a phase of slow growth and massive technological challenge, and, for this reason, ethnic adaptation and mobility were central issues to economic research. In Europe, the presence of minority ethnic groups owned businesses have always been present, but according to Barrett in his book *Ethnic Minority Business: Theoretical Discourse in Britain and North America* (Barrett et al., 1996) there have been three historical circumstances that have increased their prominence and visibility over the past decades:

- 1) Massive immigration from former colonies, southern Europe and North Africa has constituted a massive migration flows.
- 2) Three decades of economic restructuring that led to a general shift away from employment in large firms to self-employment in small ones.

These two trends have influenced greatly certain immigrant groups much more than indigenous populations.

- 3) Europe changing industrial structure has given more opportunity for ethnic business because of the rise of numerous small and medium-sized enterprises.

Since the importance of the topic is greatly spread, it is essential to make a distinction between two different categories within the group of ethnic entrepreneurs: Immigrant Entrepreneurs and Minority

Entrepreneurs. While the former comprise individuals who, as recent arrivals in the country, start a business as a means of economic survival, the latter consider only business owners who are not of the majority population. Often this group occasionally includes also women.

BUSINESS FORMATION

Numerous theories have been developed in order to explain the formation of ethnic minority businesses that tend to stress the importance of cultural resources, therefore family and community ties. In a lot of cases, it was the ethnic community itself which created the demand for specific ethnic goods and services that could only be provided by other co-ethnics with knowledge of tastes and buying preferences.

Moreover a “push” towards the creation of small firm is also the desire for autonomy and for making money, in addition to the implicit disadvantage caused by wider societies. In fact limited and blocked opportunities for many ethnic minorities continue to be a main reason behind the decision to become self-employed. Overall, ethnic entrepreneurship has been considered as a means to economic security for members of ethnic groups.

One common trend of Ethnic minority firms is that they usually tend to remain in limited markets and, it is still the case that a lot of them are captured within traditional sectors where competition and decline are very intense. Though the existing need to “break out” from the trapped markets, there is also a strong wave of sectoral diversification that sees ethnic minority entrepreneurs opening to new market realities along with the spread phenomenon of ‘transnational’ entrepreneurship that demonstrates the increased global reach of ethnic minority trading networks.

ETHNIC MINORITY ENTERPRISE AND BUSINESS SUPPORT

The promotion of ‘entrepreneurship’ has often represented a tool in order to alleviate minorities’ disadvantages and for preserving social harmony in urban areas. For example in UK, the most considerable urban areas have always some form of initiative or agency designated to support ethnic minority businesses and this encouragement has started since the early development of the businesses. For example, The Centre for Research in Ethnic Minority Entrepreneurship (CREME) has built up a strong reputation regionally, nationally and internationally for its research and business engagement activities, promoting diversity and enterprise. Based in the University of Birmingham Business School, CREME delivers pioneering expertise on business support for ethnic minority entrepreneurs. To conclude, it is fundamental to say that the influence of the socioeconomic context as a whole is a determinant factor that affects the decision to enter self-employment.

ETHNIC MINORITY ENTREPRENEURSHIP IN THE UK

GENERAL CHARACTERISTICS

Immigration in the UK is an evergreen phenomenon, as it is stated by the Office for National Statistics: *“Immigration to the UK continues to be higher than emigration, meaning that more people are coming to live in the UK than are leaving”²⁸*.

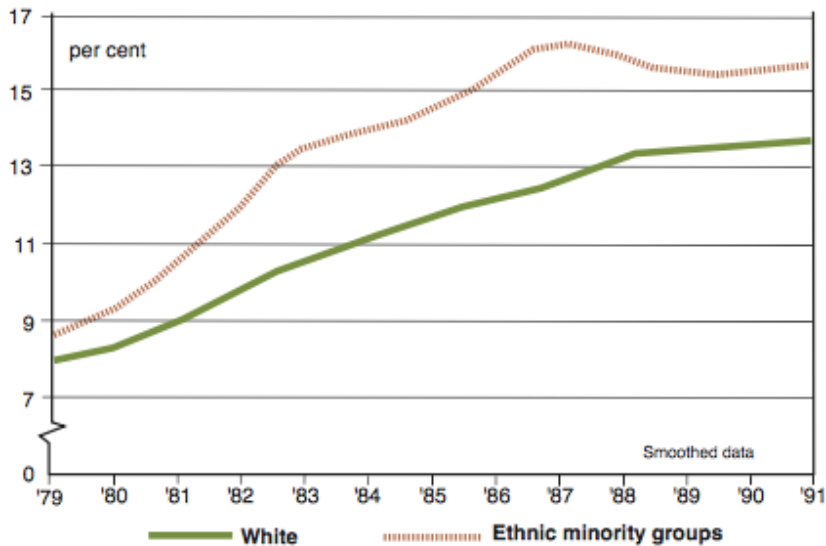
Ethnic minorities represent a big and important share of the population and, as it will be assessed afterwards, have an incredible potential in regenerating deprived areas and communities. With the establishment of Ethnic Minority Businesses (EMBs), they play a significant role in the communities both in economic and social terms.

²⁸ Migration Statistics Quarterly Report: November 2017, Office for National Statistics

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/november2017#main-points>

Analysing the 1980s self-employment rates in the UK, as an alternative variable for independent business ownership, the graph (Figure 1.1) confirms an entrepreneurial propensity among the ethnic minority population.

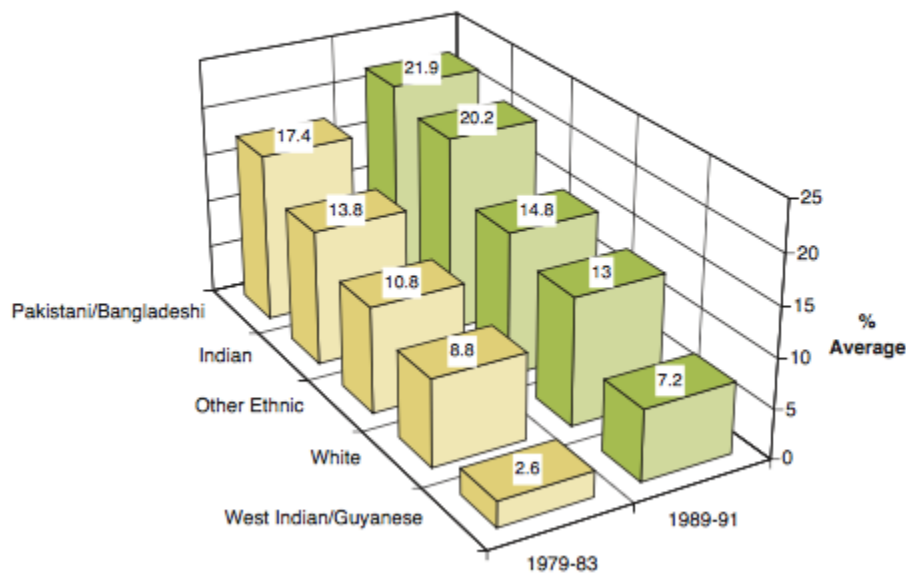
Figure 1.1 Self-employment by Ethnic Origin (First Phase)



Source: Employment Gazette, June 1992

As it is shown in Figure 1.2, the main ethnic minorities groups are formed by Bangladeshi, Pakistani, Indian and Guyanese.

Figure 1.2 Self-employment as a proportion of all employment (male and female)



Source: *Employment Gazette*, June 1992

In Table 1.1, it is possible to observe the distribution of self-employed workers among the different sectors. In order to fully understand it, a margin of error must be taken into account since the number of illegal activities is significant. Nevertheless, ethnic minority businesses tend to be concentrated in a narrow range of sectors: catering, retailing and clothing.

Table 1.1 East Midlands Self-Employed by Broad Sector (per cent)

	White British	All Ethnic Minorities (Exc. Irish)
Agriculture	5.4	0
Manufacturing	8.7	8.3
Construction	23.9	1.2
Distribution, hotels, restaurants	19.8	51.2
Transport and communications	6.2	14.3
Banking, finance, insurance	16.7	10.7
Public admin, education, health	9.7	9.5
Other	9.5	4.8

Source: *Labour Force Survey*, 2004

Therefore, it follows a special focus on the catering and clothing enterprises held by ethnic minorities in United Kingdom.

Ethnic Restaurants

The demand for exotic cuisine has witnessed an exponential increase. The Chinese and Indian cuisines have always predominated in the British scenario. Over the past decade, the Indian curry house has established itself as the market leader. Nowadays in England all but the smallest towns have an Indian restaurant and some of the dishes are considered British.

Even though fast food chains and supermarket ready meals are considered important competitors, most of the economic pressure comes from excessive numbers of Asians activities in the same trade area which, at the end, leads to destructive price wars.

Clothing Manufacture

The clothing industry is a popular business among ethnic minority communities. Entrepreneurs decide to invest in this field because it is a low entry threshold activity and technological demands are modest. South Asian entrepreneurs are facing hard times and, sometimes, they have to employ illegal labour to survive in the business arena.

THE BENEFITS BROUGHT FROM EMBs TO THE COMMUNITY

Ethnic minority owned businesses are an important and growing feature of the private sector, playing a significant economic and social role.

From the economic side, they account for a comparable share of employment growth. In a study developed by the University of Birmingham, it is stated that EMBs create 14 percent of new jobs.²⁹ They are more likely to be small and micro enterprises and to work in more traditional lower value sectors than other businesses. In addition, stronger transnational links with growing economies such as the Chinese and Indian ones, represent a key economic opportunity for UK international trade in the coming years.

The social benefits are equally important, they have helped regenerate some of the most deprived areas of the UK. The entrepreneurs are considered as positive role models in their communities. Moreover, migrant owned businesses are an important reference point in integrating newly arrived communities into life in the United Kingdom.

THE BARRIERS EMBs HAVE TO FACE

Despite their social importance and growing role in the UK's economic life, they still have to face important barriers that impact upon the growth and development of ethnic minority enterprises in the UK.

Some of the greatest obstacles Ethnic Minority Businesses have to overcome are the access to finance and the low confidence in setting up a company.

These barriers might be accentuated by weak English language skills and cultural differences. High confidence is a fundamental prerequisite when starting a business and the lack of it can prevent many entrepreneurs from opening new commercial activities. Another factor is the perceptions of prejudice in accessing finance which acts as a poisonous disincentive in the starting phase of a new business.

Last but not least, one should not forget to mention the possible inadequacies of mainstream business services in engaging and delivering services to ethnic minorities groups since they might fail to show sensitivity to different ethnic groups. As a result, EMBs feel that mainstream businesses are inaccessible or not relevant to them.

All these factors constrain the development and diversification of migrant enterprise in Britain.

POSSIBLE SOLUTIONS

With a specific agenda and the elaboration of different strategies, it is possible to address the problem and make it easier for ethnic minorities entrepreneurs to open commercial activities.

²⁹ Migrant Business Organising: A project partnership with Citizens UK, University of Birmingham.

An already existing solution is the creation of *business networks* and organisations which can provide EMBs support and practical help through the sharing of information and practices. However, the efficacy of this strategy is limited by the lack of co-ordination at national level.

In addition, in many cases these barriers can be removed by adjusting mainstream business services by making them more accessible and relevant to potential EMBs clients.

Nevertheless, there is the need of a specific kind of intervention that require EMBs-specific targeting. An example might be represented by business awards that promote and celebrate ethnic minority enterprises and, at the same time, work as a source of inspiration for the whole community.

One should not forget to mention the fundamental role covered by *trusted intermediary bodies*, they play a key role supporting entrepreneurs to overcome language barriers and cultural differences as well as improve their level of confidence in pursuing business aspirations.

These projects have the potential to have a significant positive impact with relatively low resource inputs. Ethnic Minority Businesses represent an incredible economic and social asset for UK, it is a growing field of study and it is expected to grow even more with the accelerated migration flows. The leading class should not underestimate their power and should try to develop as much as possible their potential.

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Group VII

Gloria Paronitti
Jiali Zeng

Comparative Business History *Impacts of MNCs on daily life in the developing world: the case of Coca-Cola in Mexico*

Abstract

What impacts can a Multinational Corporation have on the daily life of citizens from the developing world? Our paper tries to give a possible answer to the question by analyzing the case of the Coca-Cola industry in Mexico. After having understood what a MNC is, its role in the process of cultural globalization and its pros and cons when implanted in a developing country, we will finally be able to explore the tremendous, but at the same time curious, effects that Coca-Cola's industry is having on the populations of the state of Chiapas, Southern Mexico.

Introduction

Today, due to **globalization**, the world is rapidly changing its face, continuously becoming more complex than it has ever been. Thanks to technology, new ways of communication and transportation, transnational trade and international politics, phenomena like migration or the new relevance of tourism, a "*single world space*" is rising, bringing people in contact from far and different parts of the world and moving toward a process of **cultural globalization**. Moreover, this phenomenon coincide with a "*single moral space*"³⁰ were, for example, Native Amazonians claim for their rights or indigenous groups are becoming accustomed to money. To cite T. H. Eriksen: *"However, as the world began to shrink as a result of accelerated change in the postwar decades, it increasingly became epistemologically and morally difficult to place 'the others' on a different moral scale than oneself. The de facto cultural differences also shrunk as people across the world increasingly began to partake in a bumpy, unequal but seamless global conversation"*. Despite this **apparent continuity** and **trend to homogenization**, however, the author stress that the situation hide many **contradictions** and **tensions**: relevant for our case is the drive for globalization, simplification and universalization that clashes with the defense of local values, practices and relations. To cite again the author "*[...] globalization does not lead to global homogeneity, but highlights tension, typical of modernity, between the system world and the life-world, between the standardized and the unique, the universal and the particular*". We can find this contraposition analyzed by many authors, for example in the work of **Benjamin Barber**³¹: he conceived in 1995 the concept of "*Jihad*" vs. "*McWorld*"; the first term represents traditions and traditional values. Unfortunately, history shows us that too often they lead to extreme nationalism or religious orthodoxy and theocracy; the second term instead, represent the globalized world, where nation states and citizens have little power compared to multinational corporations. Obviously none of the two worlds is able to ensure **democracy**.

Having analyzed these two opposite drivers peculiar of the current situation, in order to answer to our question, we will explain what a multinational corporation is (as one of the main actor in the McWorld and in the world shrinking process defined by Eriksen). Lastly we will highlight its impact within a developing country through the help of our case study.

What is a Multinational Corporation?

³⁰ Thomas Hylland Eriksen, "Overheating", 2016.

³¹ Barber, "Jihad vs. McWorld: How Globalism and Tribalism Are Reshaping the World", 1995

*"A multinational corporation (MNC) has facilities and other assets in at least one country other than its home country. Such companies have offices and/or factories in different countries and usually have a centralized head office where they coordinate global management. Very large multinationals have budgets that exceed those of many small countries."*³²

MNCs are sons of the western, industrialized part of the world, despite now we can find many of them coming by developing countries (e.g. India, China, Brazil and many others). The top 100 of these corporations are highly concentrated, controlling a significant proportion of total foreign assets, sales, and employment of all multinationals. Sometimes, **MNCs' total annual sales are comparable to or greater than the yearly GDP of several countries**³³.

According to **Mattei** and **Capra**, the institutions of the past that resembled them the most were the Middle Age commercial companies, endowed with patrimonial autonomy and active mostly later, during the Italian Renaissance. Nevertheless, their real ancestor was the **Dutch East India Company**, that thanks to the help of an important jurist, **Grotious**, was able to **affirm its legal privileges over** those of the state of **Portugal**. However, we have to wait till the advent of **industrial capitalism** to see the rise of the MNCs as we know them today.

During the 19th/20th centuries, companies most of all from USA and a handful of European states, started to move their investments toward places like Latin America, Asia, Africa and the Middle East, pushed by the search for new resources and the will to enlarge their markets. Their aim was and still is to **maximize profit through value-adding activities across national borders**, and for this reason their structure overarches more than one country. From this "fragmentation" they try to get the best **advantages**, searching for places where **lower standards and cheaper costs** (compared to the ones of the home country) are adopted. A second advantage beside lower standards, is the possibility to **internally purchase inputs** used in the production process, avoiding the open market.³⁴ As already said, those advantages are useful to increase profit, a part of which is reused for **investments** that foster growth. Some of these investments are oriented abroad, far from the centralized head office: MNCs, in fact, are authors of both **Foreign Direct Investments** (FDI: investment with physical presence or corporate form) and **Foreign Portfolio Investments** (simply indirect investments such as the purchase of foreign debt, loans and stock market investments) that reaches several developing countries. But which is the impact that a multinational corporation has when it open a branch in one of these countries?

Pros and Cons of multinationals in developing countries

Whether the outcomes of the presence of a MNC branch there are positive or negative, is an argument that has been widely debated and that will continue to ignite hearts in the future. **Opinions are really divergent.**

Among the **pros** we can list:

- Foreign direct investments helps to create capital flows to poorer/developing economies;
- MNCs are believed to increase jobs places. Although wages may be lower than the standards of the developed world, they are better jobs than alternatives and gradually help to raise wages;
 - MNCs promote and support many ecological and social initiatives and devolve a big part of their profit to charity;
 - MNCs can benefit from economies of scale, enabling local people to buy goods that otherwise would have a higher price, since they would be produced by local craftsmen or other local producers;
 - Large profits can be used for Research and Development, activity in which some poor governments cannot engage;
 - MNCs are believed by some to increase wealth by making more money circulate;

³² Definition by Investopedia.com: <https://www.investopedia.com/terms/m/multinationalcorporation.asp>

³³ "Itochu Corporation's sales, for instance, exceed the gross domestic product of Austria, while those of Royal Dutch/Shell equal Iran's GDP. Together, the sales of Mitsui and General Motors are greater than the GDPs of Denmark, Portugal, and Turkey combined, and US\$50 billion more than all the GDPs of the countries in sub-Saharan Africa." Greer and Singh, 2000.

³⁴ The two cited advantages are considered by John Dunning (26 June 1927 – 29 January 2009, a great British economist and widely recognized as the father of the field of international business) the distinctive features of the MNCs.

• MNCs are believed to bring new technologies and experts, facilitating the transfer of knowhow. The **cons** that we have been able to find instead are:

- Fear that if the MNCs is more powerful than the government of the country where it arrives, it will be able to establish a "patron-client" relationship or interfere with the political affairs of the sovereign state. This will also lead to an increase in corruption.
- Possibility of human rights abuses due to low labor standards. A sad testimony of this point is the collapse of the Rana Plaza building in Bangladesh (1.129 deaths among underpaid workers) or the high number of sweatshops.
- Belief that too little knowhow or technology would be available to people: MNCs will bring their own experts from the home country. Local people would cover only low skilled jobs.
- MNCs market dominance makes it difficult for local small firms to thrive. Many local firms and businesses would be pushed out of business.

This is a brief sum-up of the motivations behind the two sides of the debate. However our list is not finished yet: we want to add two other cons we believe to be the focus of the case study we want to analyze. They are:

- *MNCs have an impact on health and environment;*
- *MNCs have an impact on culture and lifestyle.*

Regarding the first point, when the **government** is too weak or unwilling to safeguard its citizens and the environment, communities are exposed to an array of health, safety and ecological dangers by MNCs. Talking about damages to **environment**, their activities generate more than half of the greenhouse gases emitted by the industrial sector, recording the greatest impact on **global warming**⁸⁵. Obviously in many industrialized countries these gas releases are forbidden by law, so how can we explain this data? Maybe we can try to do adopt the "*pollution haven hypothesis*": when large industrialized nations seek to set up factories or offices abroad, they will often look for **the cheapest option in terms of resources, labor and land and material access**. However, this often comes at the cost of environmentally sound practices. Developing nations with cheap resources and labor tend to have **less stringent environmental regulations**. Thus, companies that choose to physically invest in foreign countries tend to settle in countries with the **lowest environmental standards** or **weakest enforcement**. These un-ecological practices directly affects also **human health**: just to provide an example "TNCs also manufacture most of the world's chlorine _ the basis for some of the most toxic, persistent, and bioaccumulative synthetic chemicals [...]. These chemicals' impacts on health include: immune suppression; birth defects; cancer; reproductive, developmental, and neurological harm; and damage to the liver and other organs. As a group, TNCs lead in the export and import of products and technologies that have been controlled or banned in some countries for health and safety reasons. For instance, 25 per cent of total pesticide exports by TNCs from the US in the late 1980s were chemicals that were banned, unregistered, canceled, or withdrawn in the US itself"⁸⁶. However as already said this is just one of the many examples.

Regarding the second point (*MNCs have an impact on culture and lifestyle*), we can go back to what we were saying in the introduction: the world represented by the "**Jihad**" is today in contrast **with globalization**. In this contraposition, local traditions and values seems to be overwhelmed by a strong drive toward **homogenizations**. MNCs are leading actors in this process: nearly every person in the world knows Coca-Cola, McDonald, Google or Apple. People are abandoning part of their customs in order to welcome and adopt MNCs's products, leading to a **unification of consumer's patterns** and making **cultural hybridization** occur. A vivid example of these points is provided by the case study that we decided to report below.

⁸⁵ Greer and Singh, 2000.

⁸⁶ Greer and Singh, 2000, based on data from: "Pesticides: Export of Unregistered Pesticides is not Adequately Monitored by the EPA," General Accounting Office of the US Congress, April 1989. Cited in "Unregistered Pesticides Rejected Toxics Escape Export Controls," Greenpeace International and Pesticide Action Network-FRG, October 1990, p. 2.

Coca-Cola in Mexico

Since **Coca-Cola FEMSA**, the **biggest bottling company of Coca-Cola** brand products in the world, opened in the south of Mexico, in the state of Chiapas, life has greatly changed in those lands. Many impacts have been recorded on health and environment, together with social changes, and we will see them together now.

Starting from the first point that regards environmental impacts, it is enough to think that for a liter of Coke ten liters of water are needed. This is not at all sustainable. However in many parts of the world the brand has started to use very efficient water depuration systems to overcome this wastage. Nevertheless, the problem in Mexico remains: for the production of the beverage a lot of water is needed and for this reason, the industry is **exploiting the water reserves of the region**. The production plant is located on the Mount Huitepec (mount sacred to Maya, called the mountain of water), at the top of an aquifer that is the principal water supply of the city of **San Cristóbal de Las Casas**. The water is paid at a paltry sum, that according to local people goes from 15 to 29 thousand dollars per year, not enough if we consider the extraordinary amount of water used. As referred by the episode on air the 3rd of April, 2017 of Report, the **National Water Commission** and Coca-Cola FEMSA, the owner of the production plant, both refused to release any data about quantities of water used and its cost. However, they reassured the journalist that through a variety of projects, they commit to give back to the environment and to the community every drop of water used in the production process. Nevertheless, Report continued by showing that **people of the city do not have tap water** for the major part of the week, and are forced to buy it from tanker trucks. Water is missing both in houses and public buildings. This happens **even in schools** where the Coca Cola Foundation installed water fountains in the first years of 2000. In exchange they had the authorization of placing **advertisement posters** in these buildings, breaking also the law. Furthermore they forgot to do the required maintenance works over time. As we can imagine, today the majority of them does not function. The same situation is present in **the Communal Territory of San Felipe Ecatepec**, an Indigenous town three miles outside of San Cristobal de las Casas, Chiapas, in southern Mexico. According to the **ex president of the region, Juan Urbano**, interviewed in a study by "Salon"³⁷, a breaking-news website, *"In the past four years, our wells have started drying up. People sometimes walk two hours a day to get water. Others have to buy their water".* In all this dramatic situation, what about the government? Ironically it has done nothing about it and continues to stay silent on the issue, partly due to the example gave by the former President of Mexico, **Vincente Fox**, ex Director of Coca-Cola Mexico. Despite Chiapas has the highest rate of renewable water resources per capita in all of Mexico, the tap water is rarely safe to drink. Farther, in rural Chiapas more than one every three people do not have running water. Families in San Felipe frequently get sick from water contamination. As Urbano says: *"We have been asking the government to install a deep well in the community for 12 years [...]. We've gone to the municipal, state and federal governments, but they've done nothing".* All this situation also goes against the Article 4, paragraph 5 of the Mexican Constitution of 1917³⁸: *"Any person has the right of access, provision and drainage of water for personal and domestic consumption in a sufficient, healthy, acceptable and affordable manner. The State will guarantee such right and the law will define the bases, subsidies and modality for the equitable and sustainable access and use of the freshwater resources, establishing the participation of the Federation, local governments and municipalities, as well as the participation of the citizens for the achievement of such purposes".*

Talking about **health impacts**, the consumption of soda drinks has dramatically increased the incidence of **diabetes** in the state. Soft drinks are the main cause, since the diet of the indigenous community is healthy, mainly composed of legumes and vegetables. Based on a research from *Statista*³⁹, the annual per capita consumption of Coca-Cola in Mexico in 2012 was 745 servings of 8-fluid ounce beverages, far advanced compared to the followings: Chile (only 486) and Panama (416). Surprisingly, the United States, home of the Coca-Cola's legend, register only 401 servings of 8-fluid ounce beverages

³⁷ https://www.salon.com/2017/09/16/coca-cola-sucks-wells-dry-in-chiapas-forcing-residents-to-buy-water_partner/

³⁸ https://www.constituteproject.org/constitution/Mexico_2015.pdf?lang=en

³⁹ <https://www.statista.com/statistics/271156/per-capita-consumption-of-soft-drinks-of-the-coca-cola-company-by-country/>

consumption per capita, gaining the fourth place in the ranking. Moreover, Mexico's data changes dramatically through the time: in 1991 the yearly consumption was only 290 liters per capita, growing to 728 in 2011, and to 745 in 2012. It is quite safe to say that **Mexican people are more than other populations keen on this little bubbly drink**. As the *The Guardian*⁴⁰ confirms: "*Mexicans love their soda. Construction workers go to their jobs in the early morning clutching giant two-liter or even three-liter bottles. Babies in strollers suck on bottles filled with orange soda*"⁴¹. For this reason we are inclined to wonder if Mexicans know that drinking even one soda drink per day can increase the risk of developing heart disease by 20 to 30 percent, while the chance of stroke increases by 16 percent⁴². Moreover, Mexico is the country currently suffering the **highest mortality rates from chronic diseases due to sugary soda drinks** in the world, nearly three times more than the second placed country, South Africa.

In order to limit such terrible effects on human health, the **World Health Organization** has suggested to introduce a **20-50%⁴³ tax on soft drinks**. Mexico has the highest obesity rate in the world: 70 % of adults are overweight or obese, while 14% have diabetes. In 2015, 90 thousand people died due to complications from this disease (Report, 03.04.2013). Thus In 2014, Mexican government understood the necessity of concretizing the WHO advice, introducing a **10% soda-tax** that lead to a diminution in consumption of 9.7% in the first two years. However, according to **Simon Barquera**, the director of nutrition and health programs of the National Institute of Public Health (INSP): "*The problem with a 10 percent tax is that its effect could be partially cancelled out by industry marketing strategies, advertising or a change in prices. We are therefore asking that the tax be doubled*". In fact, it was estimated that it would have the greatest benefits in the country only if raised to 30/40 %. Because of its campaign pro soda-tax, Simon Barquera has been at the center of a **spy story**: he started to receive intimidatory messages on his cell phone; the same happened to other people that publicly supported the tax. They all have the suspect that the responsible are individuals linked to the government; perhaps those were doing a favor to the big businesses annoyed by the campaigns.

More specifically, Coke is retained responsible, a part for increasing the risk of the insurgence of diabetes, of influencing people's metabolism and body because of the presence of various dangerous ingredients like aspartame, acesulfame-K, neotame, saccharin, cyclamate and many others. These can cause reduction in people sperm count, stomach acid and addiction to caffeine and sugars. Another deleterious chemical element found in the beverage is **titanium**. Always in the same episode of Report (03.04.2017)⁴⁴, Sigfrido Ranucci, presenter of the show made its congratulations to the Coca-Cola industry for its **extraordinary water treatment systems**. However, he reported the presence of this chemical: "*We had different samples of soft drinks analyzed, not only Coca-Cola, so that we could get an idea, and we found this in all of them, in differing amounts depending on where the soda had been bottled and where it had been bought. The amounts range from 3.27 micrograms in the Coca-Cola we bought in New York, to 27.89 in the one from Mexico*". We were not able to find the exact harmful effects that titanium can have on human health once ingested, however it is suspected to be carcinogenic.

For what regards the last point, the impact of Coca-Cola' FEMSA on the **lifestyle and culture** of the state of Chiapas is very curios. The brand has been able to permeate in the area, changing people's daily life and merging with some local traditions that managed to remain, creating a sort of **cultural hybridization**. In fact, regarding this last point, a relevant example are the bottles of Coca-Cola that have begun to be involved on religious sacrifices and rites, together with more traditional sacrificial offerings: In **San Juan de Chamula**, where the Catholic religion merges with ancient rituals of purification and healing, **sacrifices of chickens and Coca-Cola** are the most common. Residents believe that drinking Coca-Cola will rid them of darkness and will help them to regain health. In fact, the gas makes people burp, and that is seen as a **moment of purification**. People drink Coke to celebrate any occasion, from

⁴⁰<https://www.theguardian.com/news/2015/nov/03/obese-soda-sugar-tax-mexico>

⁴¹ Fanta is another product of the Coca cola Company.

⁴² Scientific opinion by Frank Hu, professor of nutrition sciences at Harvard University, Report, 03.04.2017.

⁴³ Range in which the tax is considered to be effective.

⁴⁴<http://www.report.rai.it/dl/Report/puntata/ContentItem-9ee3a0ef-7916-4de4-9264-1c573a82b72c.html>

birth, to graduations, from wedding to funerals to commemorate the death. As **Anthony Guccirdi** replied in “*Natural Society*” to the question “*How do you get more consumers to drink your chemical-laden soda products?*”, the secret is to push spiritual leaders to use the beverage for rituals performed by **Shamans** in Mexico. For this reason, people are so obsessed and trust the brand so much, that a lot of women would even feed their infant with **Coca-Cola in the feeding bottle**, replacing milk.

Moreover, Coca-Cola is providing **jobs** to almost all the families of the state. Every house is a retailer, so some local people see the MNC as a source of revenues. However, a two-and-a-half liters bottle costs one dollar, and families gain from it only one or two pesos. The major consumer becomes the family itself, creating addiction. Coca-Cola is ubiquitous in the territory: advertisements and retailers are everywhere, cities like San Cristóbal de Las Casas and many others in the state, seem open-air Coca-Cola shops. The situation is probably degenerating!

Conclusion

This is time to analyze our findings and try to give an answer to the initial question. Based on the case study about Coca-Cola in Chiapas, our response is “**yes**”: MNCs have the power to penetrate in the life of local people through several pathways, from damaging their natural resources, to threatening their health. However, we believe that MNCs are not the evil in themselves. They can be author of many important campaign, charity events and many others. They can bring value in our world, provided that a strong state can halt them when they get too far. In fact, if we want to look at the issue with too cold, but rational eyes, their job is just to get high profits. If they pursue this aim without violating law, there is nothing we can say against them. Instead, the role of caring for and protecting citizens is in the hands of governments. If situations like the one described above occurs, is because they are weaker than the MN or not willing to contrast its power (sometimes because of corruption). A way to help such governments in need should be found in law in order to prevent or stop what Capra and Mattei call “**mechanistic trap**”⁴⁵: “*Human actors are no longer able to control anymore the work of legal institutions created by themselves, such as multinationals or government bureaucracies, even when these proves harmful to the community or to the common environmental goods*”.

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⁴⁵ Capra and Mattei, Ecologia del diritto, 2017.

Group VIII

Rias Uddin

Who is the next textile leader? China or Bangladesh?

China is the largest exporter in the world in the textile industry. And Bangladesh holds the second largest place after China. The confrontation question who is next leader in the textile industry has a strong evident who was the leader in the textile industry. To find the prediction of this complex query of leading position, both the textile industry history of China and Bangladesh is a must.

It is quite a common answer come in one's mind that China is ruling power. In contemporary situation, Comparing to China, Bangladesh does not hold the ability as China does. However, historical evident proves Bengal's were the textile leader. And this paper will try out to predict the next leader in the Textile industry.

History of China Textile Industry:⁴⁶

In the late 1800s, Chinese textile industry started placing its contribution. Britain India of cotton yarn exported the yarn to China that is the starter of Chinese Textile Industry. Since then the market in China has been highly attracted to foreigners due to cheap labor, long wage working hours, less expense for transport. During the WWI the textile industry has been at the hand of Chinese textile industry due to no import from western production made the necessity higher of textile goods to fill the needs in Asia.

It is quite ridiculous to hear that where did British get the yarn to fill their own needs and to export to China as well. Japan was the competitor of China that time, but after the defeat's of Japan, China had a great possibility to lead in the textile industry.

History of Cotton proves the evidence of Bengals(Bangladesh) textile industry and how the British were able to export yarn to China.

History of Cotton:⁴⁷

It might sound political, but the complete event is strongly connected to Textile Industry of Bengals. First, shortly I am mentioning the textile Industry of Bengals. Afterwards, the reason behind the involvement of British in Cotton or textile industry shall be explained.

Under the Mughal empire, Bengal was the center of cotton (silk, muslin) in the world. The city Dhaka (Capital city of Bangladesh) at that time was highly popular because of its Muslin clothes production. The vast, terrifying history of Bengals tells how they lost their pride in the textile industry. To begin with, I find it is important to know the lost pride of Bengals is "MUSLIN" clothes, which relates the reason behind greediness of British to rule Bengals.

What is Muslin?⁴⁸

Muslin is a cotton fabric. It was so thin and smooth that A width of 50 meters tall, the muslin cloth could be folded smoothly into a 4-inch sizes box. For the manufacture of muslin, there was a special type of fine thread, which would not be imported from elsewhere. Rather, the plant called (futi karpas) were planted on the river banks in Bangladesh.

⁴⁶ https://en.wikipedia.org/wiki/Textile_industry_in_China

⁴⁷ https://en.wikipedia.org/wiki/History_of_cotton#Mughal_India

⁴⁸ <https://en.wikipedia.org/wiki/Muslin>

Dhaka Muslin was in great demand in the international markets. It was exported to the Egyptian, the Roman, and the Chinese empires. It was a choice of the royals and aristocrats of those empires.

Bengal's lost pride:⁴⁹

During the ruling of Mughal empire, on 9th may 1518 by Portuguese came for their vast host of silk and spice. Following, British negotiated for trade establishing 'East-India Company.' Company interests turned from trade to territory during the 18th century. The Battle of Plassey⁵⁰ was a decisive victory for the British East India Company. Their greed was to take control of the Indian continent to they could govern economically. The British occupied Bengal by defeating the Mughals; Before assuming power in the state, they realized that the only rival is 'Muslin' of Dhaka. So they wanted to remove the muslin forever. At first, they put too much tax on muslin clothes or tax. The duty on imported clothes from Britain was 2-4%. But they put the tax on local clothes, including muslin, 70-80%. So, in the country such as luxury clothes are affordable, as well as the costly muslin and native cloth. Muslin could not survive in the competition. But still, the muslin survived.

Now the English rulers ban the manufacture of muslin. The production of muslin was in violation of their restrictions. Then the British raid was also on the makers of muslin. They took muslin artisans and started cutting their fingers so that they could not secretly make the muslin or teach others its mechanism. And this way Bengalis lost one day to their pride in the creation of muslin technology.

China's shift to high-tech: Can Bangladesh keep up?⁵¹

China remains the undisputed global giant in the textile and apparel industry. China's extensive material base is unparalleled. Bangladesh still cannot provide a vertical supply chain and are still heavily dependent on imports of raw materials. China has a long history of manufacturing and is constantly investing extensively in highly efficient and specialized ports, roads, bridges, and services to support the movement of goods. Chinese workers are not only more skilled and experienced but are also far more productive.

It is heard in many discussions that Bangladesh's apparel industry has a huge opportunity to avail from China shifting to high-tech industries. How authentic is this belief?

China is aggressively pursuing technological advancement as a core driver for retaining its competitiveness. With the Chinese central government eager to push China's manufacturing sector up the value chain and looking to shift from "made in China" to "created in China," indigenous innovation is spurring. The automated feather filling machine reduces the number of workers from five to two. The two workers require training to operate the machine and an additional technician to maintain it. In this case, investment in a single automated feather filling machine costs USD 33,000. With the average wage of a worker in China being USD 491, the company can recover the investment made in about one-and-a-half-years. The Digital Capability Center is a one-of-a-kind facility, tailor-made for China, which showcases technology, provides training, and develops innovative solutions. Manufacturers can quickly learn how to put digital operations and smart manufacturing to work in their companies and see noticeable improvements in innovation and efficiency.

China-The next export destination for Bangladesh⁵²

Bangladesh's garment export to China increased 14.77 percent year-on-year to \$391.59 million in fiscal 2016-17. This is considered as a sign of new opportunities by the exporters. During the 2008-2009 global recessions, global trade experienced a significant slump, but Bangladesh's export got a boost for increased shipments to China. According to the director of a leading garment exporting company, Ananta Group, Asif Zahir, "Garment export from my group has been maintaining 10 percent growth

⁴⁹ https://en.wikipedia.org/wiki/Battle_of_Plassey

⁵⁰ https://en.wikipedia.org/wiki/Battle_of_Plassey

⁵¹ <http://www.thedailystar.net/opinion/can-bangladesh-keep-1497295>

⁵² <http://texttalks.com/china-the-next-export-destination-for-bangladesh/>

every year in China. China is a new destination for us.” The company exports garment products, mainly of denim and trousers, worth US \$15 million last year for retailers like H&M, GAP, and Zara who is his main buyers from Chinese markets.

In fiscal 2016-17, to China, overall Bangladesh export also increased by 17.49 percent to the US \$949.41 million from the US \$808.14 million in the 2015-16 fiscal, according to data from Bangladesh Export Promotion Bureau.

Reviving Muslin: Can Bangladesh be next leader?⁵³

History is dotted with examples of the fame and glory of Muslin. Today, one may argue that it is merely a fancy for the past as the cotton-plant, from which the yarn was produced, is extinct. However, it is a beautiful past indeed. And hence, the question arises: can it be brought back to life? Can the stories of Muslin be continued from where it had been left off?

Researchers are already taken a deep investigation to restore the plant, taken up a number of plantation projects. Be it working on a project with Cotton Development Board or working independently, Bengal Muslin is determined to identify the most suitable plant. These have been planted near the river bank, replicating the ancient environmental conditions which supported the ‘Phuti Karpas’ plant.

They have entered into scientific collaborations with different organizations, including Kew Gardens which hold the original specimens, to identify the plant's genome profile. This will reveal the DNA of the fiber of our plants and those of the original and give us the necessary benchmark to carry out further research,"

Based on all the evidence, it is still a continuous proof that China is current leader, but it can be predicted firmly that Bangladesh will take place as next leader. The reviving of “MUSLIN” will be leading driver.

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⁵³ <http://www.thedailystar.net/lifestyle/special-feature/reviving-muslin-1339270>

Erasmus students

Group I

*Celine Aden
Clara Lundblad*

Economic Challenges and Opportunities with the Increased Immigration Focusing on Sweden

Why did we choose this topic?

We choose this topic because this is one of the most current issues in today's debate. The reason we chose to focusing on Sweden is because We have chosen to focus on Sweden as the issue in the country receives most refugees in relation to its population which puts pressure on our politicians who are now preparing for next year's elections.

Introduction

Between January and October 2015 it were more than 1.8 million people that entered Europe illegally and almost 1 million of these were applying for asylum. Refugees from conflicts in Syria, Iraq and Afghanistan and economic migrants from the Balkans, the Middle East and Africa. Today the world is facing the largest refugee stream since 1992, which creates great demands on countries that have to receive all these people. It brings many interesting and shared aspects of how to handle financial issues.

The refugee debate is more current than ever and the opinions are very shared. Xenophobic parties grows around the world while people flees from fear for their lives. Sweden has been excellent in Europe for decades to have an open refugee policy while many other European countries have pursued a more strict immigration policy. As Europe receive all these people, we meet the economic challenges and opportunities and not least, we are facing the need to establish a good integration policy

Different types of immigration

There are different categories of immigrants, and the different types often get confused by people. The most common sorts of immigration are: refugees, people coming to Europe because of work and studies, immigration because of relatives and immigration because of special needs for protection.

Who is defined as a refugee?

A refugee is a person who has been forced to escape from his or her country in fear of persecution, violence or war. A refugee has well-founded fear of persecution for reasons of nationality, race, religion, political opinion or membership in a particular social group. Because of this, they cannot return to their home country and are afraid to do so.

History

After World War II and until the 1970s, labor immigration to Sweden was at a relatively high level because of the industry which had remained intact. The Swedish economy expanded rapidly after the war, which meant that the demand for external labor was high. The immigrants during this time were partly covered by south Europeans. Labor migration to all the Scandinavian countries stopped when the oil crisis in 1973 led to restrictions on immigration from countries outside the Nordic region. After the early years of the 70's Sweden has almost exclusively received refugees and relatives. Since the

eastward expansion of the EU in 2004, labor migration, particularly from Poland and the Baltic states, has characterized the immigration situation in the Scandinavian countries. Since the recent years of refugee crisis, the immigration has raised sharply as a result of generous immigration rules in Sweden.

Refugee crisis (2015)

For the first time ever, the number of people running from war exceeded to 60 million people in 2015, according to the UNHCR Refugee Body. The number of asylum seekers has increased by 78 percent compared to the same period the year before. The large number of refugees is largely because of the war in Syria that started in 2011. Over 4 million Syrians have moved out of the country. The vast majority, 34 million, are fleeing within their own countries, which is 2 million more compared to 2014.

The Refugee Convention was the first international agreement to cover most of the fundamental aspects of a refugee's life. They created a number of human rights that would be a minimum requirement for refugees, but it also changed the conditions of foreigners who already lived lawfully in a country and even for ordinary citizens in some countries. The Convention recognized the refugee crisis as an international problem that requires international cooperation and shared "burden" between the countries to deal the problem.

Challenges with the increasing immigration

Labor market

Some European economies and societies are far more successful than others in integrating immigrants into their labor markets. In Sweden the employment of foreigners was 68.4 percent, compared to 84.8 percent among native-born, by 2016. The employment rate for the entire population was 81.2 percent by the end of 2016. The employment rate for the entire population by the end of 2015 was 80.5 percent. For the past ten years, employment rates have increased for both native and foreign born, but the gap between the domestic and foreign-born employment rate has remained.

There are a lot of questions and split opinions about the question of how the increased immigration affects the economy. Many countries are facing the challenges of integrating and employing all these newly arrived people. There is one aspect where companies see immigrants as an asset for cheap labor. This is something companies in The US have utilized, where they hire immigrants to do easier job for a very low amount of payments. In Sweden, the rules on mini wages are strict and it costs a lot of money to have people employed. Because of this, it's not easy for workers to find jobs in Sweden. Because of the high number of immigrants Sweden receives, it may seem worrying that it is so difficult to integrate them into the labor market. It is important to integrate people into society and the labor market.

One of the main problems of unemployment is that people get restless and many times that is the beginning of a sense of exclusion and isolation. Here we can see an advantage in the United States way of handling this, that people, despite shameful wages, becomes integrated into society faster.

One way to solve this problem in Sweden could be less expensive forms of work for the employer. It have been discussed to introduce mini-jobs where people work to lower wages and the employer does not have to pay social security contributions. You are replacing unemployment with low-paid jobs, this is an example that some countries, like Germany have applied.

How long a person has lived in Sweden affects the likelihood of getting a job. The employment rates increase over time in Sweden for all, but differ greatly depending on which level of education you have and reason that the person immigrated. For example, refugee immigrants have a significantly lower employment rate than many other groups, but their employment rate also increases over time in Sweden.

Another problem for immigrants when it comes to enter the labor market is the discrimination. For example, a person who has an Arabic name but otherwise identical application documents has unfortunately a worse chance of being called a job interview. This makes the understanding of the

mechanisms behind discrimination important to identifying its socioeconomic effects and formulating an effective anti-discrimination policy.

Fix accommodation for people

A large part of the integration is about housing for new arrivals. This is one of the largest economic challenges to deal with. Many of the refugees do not have much money left after their escape. When new arrivals come to Sweden they have traditionally been placed in municipalities with temporary housing or in suburbs where only other immigrants live. This makes it hard for immigrants and the native society to integrate which easily creates a feeling of exclusion. When this kind of separation takes place, it creates "own communities" where the sense of exclusion is created from the rest of society.

Cultural differences

An even more difficult insight is that differences in attitudes and norms can complicate full economic integration. It turns out that the immigrants of recent years are more and more born in countries where more people consider that the women should primarily take care of the home and that men are entitled to work before women. To do something about these cultural attitudes in the short term is difficult if not impossible. The most important initiative is the long-term through education and school systems.

Language problems

Another challenge is the language. Many of the new arrivals do not speak English or Swedish, which creates difficulties for the communication. In order to help the new arrivals into the labor market and society requires the need to understand each other. The language differences create difficulties for immigrants to get jobs and to integrate with the society. In many cases there are also big problems for highly educated people to get jobs due to the language problems.

Opportunities

Tax revenues

The increasing population is a problem with all the future retirements we need to handle. If we successfully integrate new arrivals and put people into work, this will in the long run be repaid in form of tax revenues. This is an advantage for the aging population. In the future, we will have many more senior citizens in Europe who are in need of government grants.

Increased population brings increased employment and GDP

Many economists in Sweden see the influx of refugees as an opportunity rather than an obligation or threat. Europe does today face a major change and challenge demographic. The immigration entails a large increase in the population, which of course leads to consequences. More population in a country brings consequences as a significant increase in the total employment and hence GDP. The growth of the population also increases the pressure on public services, such as healthcare, which is more than compensated by increased tax revenues.

New skills and aptitudes

Besides the consequences the immigration has on the demographic it could also bring positive consequences to Europe's economic performance over the medium-to-long-term in a number of ways. Immigrants can bring different aptitudes and skills from their country and culture which they can transmit to natives, and the other way around. The immigrants can create a new standard of competition in particular labor markets which can lead to a positive development of specific markets. It creates a need for natives to develop their performance and skill, which in turn can result in better products for the consumers.

Conclusion

We face ongoing challenges of integration, integration that can create many positive effects if we handle it right. It is a great advantage to receive all the knowledge, experiences and perspectives of people who migrate from other countries. If we want to realize the very large potential gains from this new wave of immigration, we must not just be about where to put the new arrivals and how to deal with their resettlement in the short term, but how to ensure that they integrate successfully, both economically and socially. And this will not be painless or cost-free, either for them or for the host countries.

We think that the generous refugee policy Sweden so far has done is good, but there is a lack of integration policy that must cover this generosity. We must accept the situation and show consideration for the integration of new cultures. We believe in a great effort to solve the language differences and misunderstandings that may arise because of this. Immigration can lead to great development within the country if we continue to work to solve these integration problems. Last but not least, it is important to achieve successful integration in combating xenophobia.

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Group II

Luis Felipe de Freitas Granzioli

Project Work: An economical and political analysis of BRIC (2001-2016)



1. History of BRIC

The acronym **BRIC** was first used by Jim O'Neil, then Chief Economist of Goldman Sachs, in 2001, in reference to the four largest emerging countries in that time: Brazil, Russia, India and China. According to him, these countries had an expectation to grow faster than the developed countries and to play an increasingly important role in the world. In fact, Goldman Sachs believes that by 2050 these will be the most important economies, relegating the US to fifth place. (Ministry of Foreign Affairs).

Furthermore, the decade of 2000 seemed to prove the bank's forecasts, since the growth of the **BRIC** countries between 2003 and 2010 represented about 40% of the world GDP expansion. (The World Bank, 2017).

Although the term was used for the first time in 2001, the first formal **BRIC** Foreign Ministers Summit was held only on May 18, 2008 in Yekaterinburg, Russia. Since then, the **BRICs** Heads of State and Government have met annually.

Until this first formal meeting in 2009, **BRIC** was just an acronym used by the financial market; it was only after the summit in Russia that the group became a political-diplomatic entity.

In the second meeting, which was held in Brasília, Brazil, the group deepened the political coordination in order to expand. Among the main activities, we can highlight the meeting of the Heads of Statistical Institutes and the publication of two papers with joint statistics of the member countries; a meeting of Ministers of Agriculture; of Presidents of Development Banks meeting; a Think Tank Seminar; a meeting of Cooperatives; a Business Forum; and the Second meeting of National Security Advisors. (Ministry of Foreign Affairs).

By these activities we can conclude that the group made a great effort in aligning the coordination between the Heads of State in order to expand its interests quickly and reach the common goals. Therefore, we can say that they had certain success by consolidating the group as a mechanism and deepened the political concert among its members, through the definition of cooperation initiatives in various areas.

At the third meeting, held in China, one of the most important decisions was made and had a great impact to the group. In the 2011 summit, they announced South Africa as a new member to join the group which led to its current formation known by the acronym **BRICS**.

The entry of South Africa had some good impacts to the group. In comparison to the other members of **BRICS**, South Africa is the one with less impressive statistics; however, it is still have some value to add and can be considered an important element on the global scenario, especially with the influence that it exert on the local scope (LIMA, 2013).

Among the main elements about South Africa, we can mention the impressive GDP growth that the country had between 2002 and 2011. For sure, this was a significant and positive data to take

into consideration by the BRIC members. The GDP in 2002, according to World Bank data, was 115.482 billion dollars and in 2011, they had a massive increase, reaching the value of 416.419 billion dollars. In comparison to the other members of BRIC, these numbers are not that expressive, but, would be unintelligent not to take into account the potential of South Africa. (The World Bank, 2017).

In addition to the GDP analysis, we can also mention the importance of the African market, which has as its main exporter South Africa and regarding the political aspect, since the end of Apartheid, South African democracy has been consolidating and no longer entails instability capable of engendering civil wars nor the country have border issues.

On the 2015 summit, held in Russia, the BRICS were working on the ratification of constituting agreements of the New Development Bank and the Contingent Reserve Arrangement. Later, in the meeting of 2016, in India, new approaches to the world economic recovery took place together with the concern of to resume the economic growth of the members' economies, for instance, with the creation of the BRICS' Bank, foreign investment attraction and fiscal responsibility. (Ministry of Foreign Affairs).

2. Objectives of the Group

The idea of Goldman Sachs when they first used the acronym BRICS was, as we said in the above topic, to refer to the four largest emerging countries or, with the largest potential growth, that, according to their point of view, was Brazil, Russia, India and China.

These analysts believed that by working together, the BRIC countries could carve out the future economic order between themselves. They believed that China could dominate in manufactured goods, India in services, and Russia and Brazil in raw material supplies. By working together, they can effectively counter the entrenched interests and organizational structures of the west (EconomyWatch, 2010).

Another purpose of the group was to improve the relations with the EU countries and the United States. They believed that together they could be more powerful in bargain their demands, especially in some sectors that alone, they could have some problems in arranging good partner trades. (EconomyWatch, 2010).

In order to reach the desired level, they intend also to have more power in the main organizations. As we know, the IFM and the United Nations, especially with the Security Council, use to follow intends and desires of the most powerful countries. So, by creating the BRIC, they intend to play an important role in these organizations and to be able to negotiate with better conditions. One of the most substantial changes that the group wishes to put into practice was the reform of the IFM.

After the first years of BRICS (now with South Africa was mentioned before) we can conclude that some of the objectives were accomplished by the group. In fact, now they have better conditions when negotiating with the EU and US, most because of the China's growth, but also because these emergent countries had a notable role in the global economic sector.

3. The importance of BRIC

If we take into consideration the role of each member of BRICS in the global scenario we will notice that they are important in many sectors. Regarding the financial situation of these countries, it is important to emphasize that combined their GDP is about 20% of the world. They hold over US\$4 trillion in reserves and account for over 17 per cent of global trade, which means a lot in the recent global scenario. Together, BRICS' nominal GDP is similar to that of the EU or US and is likely to overtake both in the coming few years. As we said before, China is likely to overtake US place in about twenty years. (The World Bank, 2017).

We need also to emphasize the fact that BRICS account for over 40 per cent of the world population, almost three billion people, with just five countries. This means that the group has the most populous societies, which is also important for understanding why they should play a better role in the

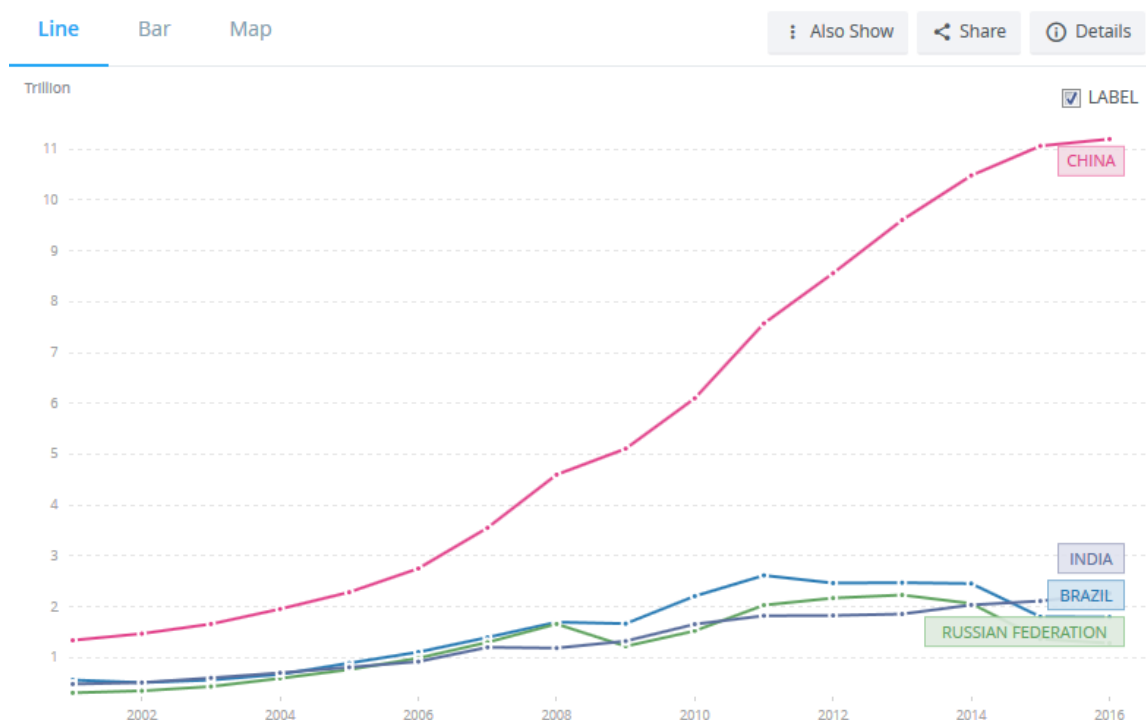
global level. They have an enormous workforce in their societies, and unlike European countries, they do not face the problem of birth rate. (The World Bank, 2017).

The last point that we can mention here is the role that each member of BRICS plays in their local level. China is now the most influence country in Asia; Brazil have the most important economy in South America and is responsible for many sectors in the region; Russia, with Putin and the military sector increasing, is now playing a better role in UN and EU, and South Africa is responsible for the majority of the trades in the African continent.

4. Progress (2001-2016)

The purpose of this paper is to make a comparison between the four former members of BRICS and then to show which of these countries has benefited most after the creation of the group. The idea is to take data from 2001 and 2016 and analyze the growth in GDP (Gross Domestic Product) and some political events that might be relevant to the analysis. After presenting the data, we are going to make some comments in order to try to explain the reasons for our conclusion.

Charter 1: GDP (current US\$)



Source: World Bank, 2017.

As we can see in the chart above in 2001 the four former members of BRICS were in a similar situation if consider the GDP data. Brazil and Russia were coming from a period of decreasing while India was increasing in small steps. China was already becoming an important economy and started playing a better role in the global scenario, but the increases in the GDP amount until 2001 were shy, it was increasing in great percentages but not if compared to nowadays.

When in 2002, Brazil had a new president, Lula, which we all know that he achieved certain success in his first mandate period (2002-2006), especially in the foreign relations, improving the image of Brazil as a great nation. Russia had Vladimir Putin in his third year, so we can also consider it as a new period in the history of Russia. Both countries were in a recession period, but after 2001, things changed and they could achieve better results in the years that followed.

Charter 2: GDP (current US\$)

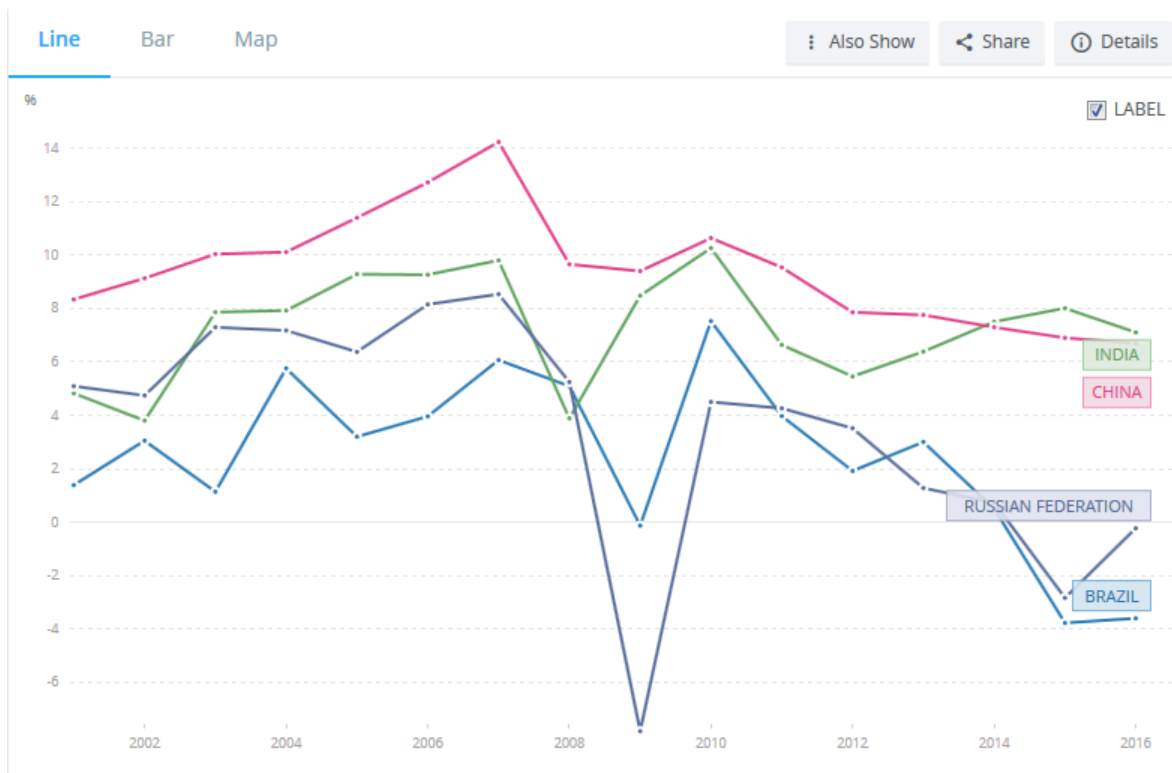
Country	2001 (million)	2016 (million)	
Brazil	559,372.50	1,796,186.59	
China	1,339,395.44	11,199,145.16	
India	478,965.49	2,263,522.52	
Russian Federation	306,602.67	1,283,162.35	

Source: World Bank, 2017.

Over the fifteen years in analysis here, we can find some convergences. Brazil and Russia have a very similar line during this period. Between 2008 and 2009 they both had a decrease in GDP, which meant the first decline since 2001. However, it did not have a big impact on their economy and a year later they were able to resume the good times. In recent year, more specifically in 2014, both Russia and Brazil they once again had a decrease in levels which is dragging down to the present days. Many experts believe that this is about the political issues that they both were facing in that time. Brazil had an impeachment with the president Dilma Rousseff and Russia had their issues with Ukraine, which many led to a decrease in GDP.

On the other hand, India took advantage of the poor period of Brazil and Russia and had increases in numbers, becoming today the second power in BRICS. But, the difference between China and all the other members are getting more and more disparate. In 2016, the total GDP of China was 11,119 billion dollars while India had a GDP of 2,264 billion dollars, which is almost five times less than China's.

Charter 3: GDP growth (annual %)



Source:

World Bank, 2017

In this chart above it becomes easier to see what we just said in the previous paragraphs. Russia and Brazil have a lot of convergence in their line, they both had periods of increase and periods of decrease, at similar times and most of it is due to politics issues, that is, domestic's issues. Meanwhile, India and China are growing in great percentages. One thing that we can detach in this charter is that since 2014 India is having increasing percentages higher than China.

5. Conclusion

As we could find in the topics above, China is the country that reached the higher levels of GDP during the past years. Therefore, in order to understand the reasons for such a great performance, we will make some comments on how is BRICS helping China. We know that the Chinese were already playing an important role before BRICS, but we want to add new elements from BRICS that is helping them to grow faster, that is, how the group is valuable to China.

The BRICS have a great importance to the Chinese foreign policy, but they are not as much important as United States, with whom they have a more strategic bilateral relationship, especially if take into consideration the issues in Taiwan and the military field. So, we consider that BRICS is kind an ace up one's sleeve to China. What does that means? It means that when China is discussing about international macroeconomic cooperation on the international monetary system, China acts alone. When performing a role in financial matters, the negotiation goes to a G2 scope, that is, between China and USA. (Barbosa, 2012).

In the other hands, BRICS is important to China, particularly, when needs to configure a soft power agenda. When speaking in G20 conferences, the BRICS together can be louder than if they were by their selves. All BRICS try to use others members to increase their political power under the G20 conferences. So, in some agendas China use BRICS to increase their political power and in other

agendas, that they seems to be stronger, for instance, in financial matters, they act on their own. (Barbosa, 2012).

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Group III

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Tuva Thyreen

How has gender equality in the US and Scandinavia developed over time, and how far has equality come today?

What effects has equality had on labor markets?

Introduction

A consistently current topic, at least where we come from, is gender equality. There are constantly new associations, demonstrations, discussions as well as hashtags relating to the subject in one way or another. For example, no one can possibly have missed the latest hashtag #metoo that has spread worldwide, used to denounce sexual assault and harassment.

The definition of gender equality is, according to Wikipedia, “the state of equal ease of access to resources and opportunities regardless of gender, including economic participation and decision making; and the state of valuing different behaviors, aspirations and needs equally, regardless of gender”.

We have made a comparison of the past and current gender equality situation between the US and the Scandinavian countries, which include Sweden, Norway and Denmark. We are also going to examine how the increasing gender equality has affected labor markets.

There are many different aspects of gender equality to keep in mind, for example the rights for transgender women and men, gender nonconforming individuals and individuals who identify with genders outside the gender binary. Obviously, the discrimination of these groups is enormously much bigger than the general discrimination of women, but we have chosen to focus primarily on past and current inequality between men and women, both to make it easier to find information and to keep this presentation quite short and clear.

Although no country in the world has yet achieved gender equality, the Scandinavian countries consistently stand out in the World Economic Forum’s annual Global Gender Gap report, which measures how well countries are doing at removing the obstacles that hold women back. In the last report, Norway was the second most equal country, Sweden was the fifth and Denmark was on the 14th place. In comparison, US was ranked first as number 49.

Gender Equality History in the US

Historians describe two waves of feminism in the history: the first in the 19th century, growing out of the anti-slavery movement, and the second in the 1960s and 1970s.

1769 - The colonies adopt the English system decreeing women cannot own property in their own name or keep their own earnings

1777 - All states pass laws which can take away women’s right to vote

1872 - Victoria Claflin Woodhull becomes the first female presidential candidate in the United States

1900 - By this year, every state had passed legislation granting married women the right to keep their own wages and to own property in their own name.

1920 - The Nineteenth Amendment to the Constitution is ratified, ensuring the right of women to vote.

1973 – Abortion is legalized nationwide (it had earlier only been legal in certain states)

2013 – The ban against women in military combat positions is removed

2016 – Hillary Rodham Clinton becomes the first U.S. woman to lead the ticket of a major party. She loses to Republican Donald Trump in the fall.

World War I

During the war, all states organized women's committees. Women served in the military as nurses and in support roles; tens of thousands were employed in the United States, and thousands more in France. Many military nurses died in the line of duty during WWI, most of them from the highly contagious form of influenza known as the "Spanish flu".

In 1917 women were able to join the Navy for other jobs than nurses, and they could now become for example yeomen, electricians and other ratings necessary to the naval district operations. The army also employed 450 female telephone operators who served overseas. After the war ended in 1918, American women were no longer allowed to serve in the military, except as nurses, until 1942.

World War II

When the United States entered the World War II in 1941, 12 million women were already working, making up one quarter of the workforce. By the end of the war, the number was up to 18 million, and women were then making up one third of the workforce. The majority of women who worked during World War II worked in traditionally female occupations, like the service sector.

As a consequence of wartime mobilization, the sexual division of labor changed a lot since many young men were sent overseas, and the wartime manufacturing production increased. This made it possible for many women to enter the labor market since the demand for workforce was very high, and many women took paid jobs that had previously only been able to men. The greatest increase in female employment was in the manufacturing industry, in which more than 2.5 million women were employed, increasing the female representation with 140 percent.

In 1946, millions of women were fired from their jobs to make way for returning veterans.

This forced many of them to go back to the sort of low-paying jobs they had before the war. However, most people in the 1950s felt that women should be homemakers and men should be breadwinners. But even though many women lost their jobs after the war ended, female participation in the workforce was still higher than it had ever been. 46 % of women worked during the 1950s, but they earned 60 % of the average working man's salary.

From this view, we can see that one (maybe the one and only) positive consequence from the war was that more women got the chance to enter the labor force, even if it was just temporarily for many of them. A very famous picture from 1943 is the "We can do it!" poster, that was produced as an inspirational image to boost worker moral amongst women.

Gender Equality History in Scandinavia

As mentioned before, Scandinavia consists of three different countries. These countries have had quite similar histories though, so we will try to merge it into one.

In 1840 the first wave of feminism starts.

1845 – At this time, women status was considered as incapable and it was impossible to enter into any agreement, debates or have control over their own money. A first step towards women's emancipation was taken with the "Law on the vast majority for single women," for which the age majority was granted at age 25, without a requirement for submitting to a guardian after that age.

1880s - Gender roles were discussed in literary debates in regards. High level of emigration in Scandinavia (especially in Norway due to a high level of poverty), and more men than women emigrated. The consequence was the disintegration of the family unit, resulting in the increase in births outside marriage and increase in prostitution.

1884 - Association for Women's Rights was created

1920s - The principles of equal pay and the right to access all jobs in the government became established.

1938 - Abortion was legalized in Sweden

1946 - Post war years: allowances for mothers at home were created

1960 - 1990 - Second wave of feminism. The first wave was about changing the position of women in marriage, the next wave of feminism fought to obtain the same rights as men. In this period of time, many reforms were implemented

1977 - Law on the work environment that allows to extend pregnancy leave and greater access to parental leave,

1978 - Abortion law. Law on gender equality (implemented in 1979).

1981 - Provided equal treatment between men and women in hiring and salary

The United States Today

As mentioned earlier, United States is today listed as number 49 in the gender equality report. This is a significant decline compared to when the study first started in 2006, when the US was ranked as number 23.

Gender inequality continues to persist in many forms, including the disparity in women's political representation and participation, the gender pay gap, and the unequal distribution of household labor. However, the development seems to be heading towards the right direction: in 1979, women earned about 62 percent as much as men, while in 2015, American women on average earned 83 percent of what their male counterparts earned. This is a clear improvement, but 19 percent difference is still 19 percent too much. The pay gap is even bigger compared between different racial groups, and Latina and African American women had even lower salaries compared with non-hispanic white and Asian women.

Another thing is sexual and domestic violence that is still very common. One in 3 women have been a victim of some form of physical violence by an intimate partner, and one in six American women will be the victim of an attempted or completed rape.

The US is also one of few developed countries that does not have guaranteed paid maternity leave, which would be a simple way for the nation to increase gender equality.

When it comes to female participation in the politics, as of March 2015, women held just 19.4 percent of the seats in the U.S. Congress, 24.2 percent of the seats in the nation's state legislatures and 24.6 percent statewide elective executive offices.

Scandinavia Today

Over 80% percent of gender gap is today closed, which makes the country's role models and benchmarks. It is not just about wealth, but how resources and opportunities are distributed between women and men. The education gender gap has been reversed and women now make up the majority of the high-skilled workforce. In Sweden and Norway there are over 1.5 women for every man enrolled in university, and Denmark is right behind. While many developed economies, like the US, have succeeded in closing the gender gap in education, few have succeeded in maximizing the returns on this investment. Scandinavia is a leader, and the countries feature in the top 25 of the economic

participation and opportunity pillar of the Global Gender Gap Index. This is explained by a combination of factors: high female labor force participation and salary gaps are among the lowest in the world, but not non-existent. Scandinavia has also made it possible for parents to combine work and family, resulting in more women in the workforce, more shared participation in childcare and a better work-life balance for both women and men.

There has also been success with policies aimed at promoting women's participation in leadership. In Norway, since 2008, listed companies have been required to have 40 percent of each sex on their boards, and other countries are adopting similar measures. Today, Sweden has among the highest percentage of women in parliament in the world, and the other countries are in the top 10.

When it comes to women in the politics, Norway's current head of state is a woman.

Denmark had their first female head of state in 2011-2015 and Sweden has not yet had one. Still, almost half of the party leaders for the biggest parties in Sweden are women.

Like we said earlier, no country is yet to achieve gender equality. People argue that Scandinavia might just be average in economic terms of gender equality. For example, the rank incredible high in violence against women, and the chance to experience sexual violence by a partner or a non-partner for women is double as high as in the EU average. Also, because of high living costs and the breadwinner model make two earners in a family necessary. So if you take a deeper look you will discover many problems Scandinavia is facing.

Comparison

Abortion was legalized in the United States first in 1973, compared to Sweden where it was legalized in 1938. This also reflects current differences, since abortion in the United States is much more controversial and debated than it is in the Scandinavian countries. People in Scandinavia usually see it as a matter of course, a woman's right to control and decide over her own body. In the United States there are a lot of abortion opponents, and abortion is a very sensitive topic that is constantly being debated.

Scandinavia was early in giving women the right to vote. Historically, Scandinavia gained a head start by giving women the right to vote before many other countries. Norway in 1913, Denmark in 1915 and Sweden in 1919. In the USA, women got the right to vote in 1920.

One fact that might be considered quite insane is that women in military combat positions was prohibited in the United States until 2013. In Sweden, the last legal obstacle for women in the military was removed in 1989 and women have from then on been able to work in the defence with the same terms as men. In Denmark, the year was 1978, and in Norway it was 1985. In this regard, US was way behind the Scandinavian countries.

Effects for Labor Markets

The increasing gender equality and all consequences connected to that, has increased the amount of female labor participation. This has of course affected the workforce since half of the world's population, that was earlier much less represented in this area, has entered the labor market. A bigger female participation has increased the work force range, which increases the chances for having "right man or woman in the right place", in other words to have the most suitable person for a certain job.

The female entrance on the labor market has also had many other positive consequences, both for individual women as well as the whole society. When women start working instead of being unpaid housewives, the households get a higher disposable income. A higher disposable income probably leads up to increasing consumption and higher demand on the market, which in turn leads to more vacant job and allows more people (women) to enter the labor market. We can also assume that the decreasing

amount of housewives leads to increasing demand of nannies and daycare, which creates jobs as well. In other words, improving gender equality would lead to an increase in GDP per capita as well as boost the long-term competitiveness in the workforce for both men and women.

More people in the workforce also means an increase in the number of taxpayers which is positive for the country. It also leads to economic growth in a way that is not possible when half of the population does not have the same working conditions or expectations.

Conclusion

Why is it important that we continue our fight towards equality?

Around the world nearly 98 million girls are not in school. Globally, 1 in 3 women will experience gender-based violence in her lifetime. In the developing world, 1 in 7 girls is married before her 15th birthday, with some child brides as young as 8 or 9. Each year more than 287,000 women, 99 percent of them in developing countries, die from pregnancy- and childbirth-related complications.

While women make up more than 40 percent of the agricultural labor force only 3 to 30 percent are landholders. In Africa, women-owned enterprises make up as little as 10 percent of all businesses. In South Asia, that number is only 3 percent. And despite representing half the global population, women comprise less than 20 percent of the world's legislators.

A higher amount of female workforce means that more women are able to provide for themselves, and prevents for example that women are forced to stay in violent relationships because they are dependent to the supply. As often quoted: "Women rights are human rights".

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Group IV

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HISTORY OF LAWS OF INDEPENDENCE

In this topic, I wish to address the laws in United Nation (UN) regarding the Independence, and how it is legal from the point of view of the international laws and the constitutions of each perspective country, for example UK and Spain.

United Nation

On October 24, 1945, the United Nation Charter was born, which was created as the sole purpose of better arbitrating international conflict and negotiating peace than was provided for by the old League of Nations. It was the main necessity with the growing problem during World War II and became the impetus for United States, Britain, and Soviet to begin formulating the original U.N. Declaration, signed by 26 nations in January 1942, as a formal act of opposition to Germany, Italy, and Japan, the Axis Powers. Other important mission for them is to maintain international cooperation in solving social, economic, humanitarian and other globally problems around the globe, and last but not least is respecting every countries's equal right and self-determination. The meaning of self-determination itself have various understanding, but most of the times it refers to independence of one country. The expression "self-determination" is explicitly mentioned in two articles of the Charter. Article 1 (2) describes clearly that one of the purposes of the United Nations is to be the development of "friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, and to take other appropriate measures to strengthen universal peace." Also article 55, is relating to international economic and social cooperation.

Regarding the self-determination, it was later initially be seen as the form of freedom. If people who were living under colonization territory wanted an independence for their own country, the principle suggest that they are capable of doing and should have it. Long after that, United Nation currently has 193 members, opposed to the founding year in 1945, where they had only 51 members.

There is one crucial characteristics that when a state wanted to go for independence; the recognition as a state by the body of United Nations. One of many benefits is that perspective country would have protection from international law against foreign aggression. They also may have access to loans from the World Bank and the IMF; control over borders and greater access to economic networks; and mechanisms.

International law

In the international law, it is frequently described as not taking on any sides if such cases as independence or secession arise, so by all means they have to remain a neutral stance. International law recognizes the right of self-determination, but such right if applied broadly to offer the state sole independence, would result the dramatic change of framework on the present world community. For that reason, the application of self-determination is exclusively selective and limited in many respects.

After successful recession the former parent's state would shrink on their own territory. But in some cases, it would also lead the former one to dissolution, one example was what happened back then with Yugoslavia in 1990s. When Yugoslavia broke up, it was replaced by six republics, one of which was Serbia.

SELF-DETERMINATION IN HISTORICAL PERSPECTIVE

- The best known historical instances of self-determination are probably the American and French Revolution.
- Woodrow Wilson as the 28th President of United States once said "national aspirations must be respected; peoples may now be dominated and governed only by their own consent. 'Self-determination' is not a mere phrase it is an imperative principle of action ." and regarded as the first person who first contributed on the theory of self-determination.

UK & Spanish Constitutional

Secession should not be seen as an absolute act of taboo. Ethiopia's constitution Article 39 provide that, "every nation, nationality or people in Ethiopia' with 'the unrestricted right to self-determination up to secession." which conclude that it is possible for the citizen who resides in the perspective country. The similar statement also found in the constitution of United Kingdom (UK) which allows its region to do the same thing. Without a Constitution that could forbid or allow it, the UK has shown in the last two decades that it could be ready to accept the secession of at least two parts of its territory –Scotland and Northern Ireland. In the case of Northern Ireland, on the 1998 UK and Irish governments and eight political parties in Northern Ireland signed an Good Friday Agreement, to open the door of reunification of Ireland by democratic means. Also In the case of Scotland, prime minister of United Kingdom, David Cameron agreed with his Scottish counterpart Alex Salmond, hold an independence referendum in September 2014.

One of the main cause of independency is that Spain's Constitutional Tribunal *rejected* parts of a new statute that would have given Catalonia more autonomy. Catalonia is poised to declare independence from Spain unilaterally. The Spanish prime minister says there's not a single country that recognizes the right to independence, after officials in Catalonia signed a document that they called a declaration of independence from Spain.

SCOTTISH INDEPENDENCE

In my part of Scotland I will talk about the history, including the economic history, moreover I would like to mention the principle arguments what cause of the independence. I will explain the accurate

status of Scotland and what happened after the independence and our main focus is on the economic side of Scotland.

HISTORY

Before 1700 Scotland was a poor area, with few natural resources or advantages. It was located on a rear periphery of the Europe. After 1800 the economy mechanized really fast, with textile, coal, iron, railroads, and most famously shipbuilding and banking. Glasgow was the centre of the Scottish economy. After the end of the First World War in 1918, Scotland started to decline, shedding thousands of engineering jobs, and having very high rates of unemployment especially in the 1930s. In the Second World War temporarily restrained the decline, but for this, the conditions became difficult in the 1950s and 1960s. After they discover that the North Sea oil is in there, the 1970s brought new wealthness. „The first Scottish banks, Bank of Scotland (Edinburgh, 1695) the Royal Bank of Scotland (Edinburgh, 1727) are still in operation.[54] By the early 19th century Glasgow had strong banks as well and Scotland had a flourishing financial system.” (Wikipedia, 2017)⁵⁴

PRINCIPLE ARGUMENTS

The head of the Scottish government, First Minister Alex Salmond said that the 300-year old Union is not good for them for long time and they want to be independent and with oil, Scotland could be one of the world's richest countries.(BBC.com, 2014)

„He says it's time for Scotland to take charge of its own destiny, free from what he describes as the "shackles" of a London-based UK parliament.” (BBC.com, 2014)⁵⁵

Economic

The principal reason was the economy. Scotland's banking systems would be too big to make it safe the if an event of crisis. Scottish banks would have credit worth 1,254% of GDP. The solution was that the Scottish taxpayers would each have £65,000 of potential liabilities during a possible crisis in Scotland, but in the United Kingdom the taxpayers would each have just £30,000. This huge difference make the Scottish people unsatisfied and this is one of the hundreds reason. Scotland's first minister was argued about that her plan involves the best of all worlds as well: retaining free and effortlessly access to the rest of the UK while also remaining part of the EU single market. US banks looking for a new home after Brexit might find Edinburgh a good choice. (Wikipedia, 2017)⁵⁶

Those who supported the independence they told that Scotland does not have a full economic potential because it is just a subject of the same economic policy like in the rest of the UK. The UK economic policy had become "overwhelmingly geared to helping London, meaning Scotland and other UK

⁵⁴2017, *Economic history of Scotland*, Available online: https://en.wikipedia.org/wiki/Economic_history_of_Scotland (Last checked: 2017.12.04.)

⁵⁵UK, 2014, Scottish independence: How would the UK fare without Scotland? Available online: <http://www.bbc.com/news/uk-28192293> (Last checked: 2017.12.04.)

⁵⁶2017, *Scottish independence referendum, 2014, Economy*, Available online: https://en.wikipedia.org/wiki/Scottish_independence_referendum,_2014 (Last checked: 2017.12.04.)

regions suffer from being denied the specific, local policies they need". Scotland is "penalised by an economic model biased towards the South East of England". (Wikipedia, 2017)⁵⁷

Oil

In Scotland the oil is one of the most important material. The North Sea oil and gas inventory are key to the Scottish government's case for independence. Mr Salmond says marking a tenth of earnings - about £1bn a year - could form an oil fund similar to the one operated in Norway, creating a £30bn absolute wealth pot over a generation.(BBC.com, 2014)⁵⁸

„Mr Cameron says the North Sea has been a British success story - and now the oil and gas is getting harder to recover, it's more important than ever to back the industry with the "broad shoulders" of the UK. The SNP's opponents also argue they're pinning future hopes on something that's eventually going to run out.” (BBC.com, 2014)⁵⁹

Currency

The currency has been a big disagreement. Under the independence, the Scottish part wanted to keep the pounds as part of a formal currency union. It was everyone's best interests, but the three main UK parties - Conservatives, Labour and Liberal Democrats - didn't let it. It was the UP Treasury pub.(BBC.com, 2014)

NOWADAYS

Oil

Since 2014 The most issue is that the oil price has reduced by fifty since the 2014 poll, making Scotland's public finances after independence look far less glowing. (The Guardian, 2017)⁶⁰

Currency

Having its own currency and setting its own interest rates would make it easier for Scotland to adjust to circle in the oil price and to cope with its budget deficit. „A crash in commodity prices - of the sort seen in 2014-15 - would result in borrowing costs being cut and the currency falling in value. Exports

⁵⁷ 2017, *Scottish independence referendum, 2014, Economy*, Available online: https://en.wikipedia.org/wiki/Scottish_independence_referendum,_2014 (Last checked: 2017.12.04.)

⁵⁸ UK, 2014, Scottish independence: How would the UK fare without Scotland? Available online: <http://www.bbc.com/news/uk-28192293> (Last checked: 2017.12.04.)

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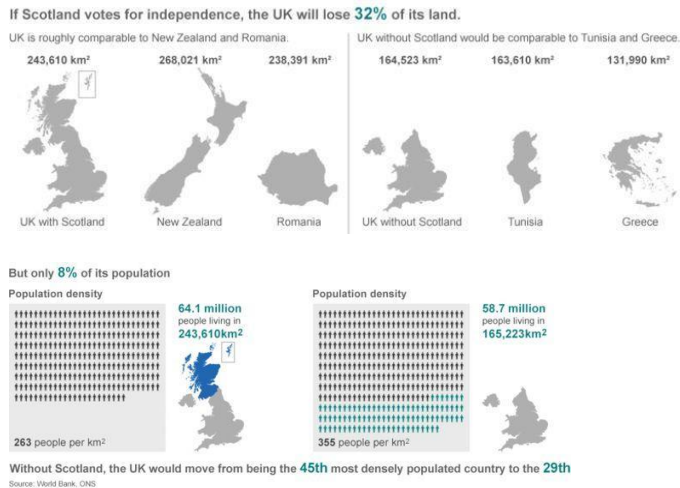
⁶⁰ Larry Elliot, 2017, The Scottish economy has strengths - but could it make a success of independence? www.theguardian.com Available online: <https://www.theguardian.com/politics/2017/mar/13/scottish-economy-independence-referendum-oil-price> (Last checked: 2017.12.04.)

would become cheaper and foreign investors would be wooed by the prospect of being able to purchase assets more cheaply.”(The Guardian, 2017)⁶¹

PRINCIPLE CONSEQUENCES OF THE INDEPENDENCE

Land

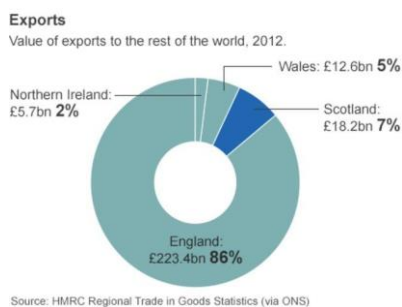
If the Scottish citizens would say yes it could be a huge change for the whole United Kingdom. So an already busy country would suddenly become much more crowded, statistically at least. (BBC News, 2014)⁶²



(Foto 01: BBC News, 2014)

Economy

Scotland's financial position is worse than it was in 2014. The crash in oil prices increased the public spending deficit last year to £15bn, or more than 20% of annual government spending; Scotland's economy is growing more slowly than they expected and than the UK's and its exports to the rest of the EU are not growing as fast as to the rest of the UK. (The Guardian, 2017)⁶³



⁶¹ Larry Elliot, 2017, The Scottish economy has strengths – but could it make a success of independence? [www.theguardian.com](https://www.theguardian.com/politics/2017/mar/13/scottish-economy-independence-referendum-oil-price) Available online: <https://www.theguardian.com/politics/2017/mar/13/scottish-economy-independence-referendum-oil-price> (Last checked: 2017.12.04.)

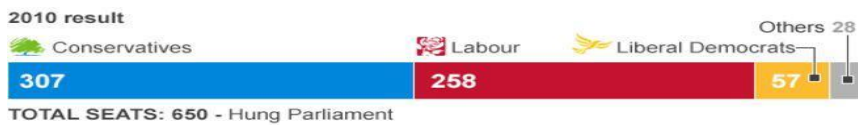
⁶² UK, 2014, Scottish independence: How would the UK fare without Scotland? Available online: <http://www.bbc.com/news/uk-28192293> (Last checked: 2017.12.04.)

⁶³ Severin Carell, 2017, Scottish independence: why a second vote is back on the table, www.theguardian.com Available online: <https://www.theguardian.com/politics/2017/mar/13/scottish-independence-why-second-vote-back-on-table-nicola-sturgeon> (Last checked: 2017.12.04.)

(Foto 02: BBC News, 2014)

Politics

Scotland has 59 seats in Westminster and if they would vote for the independency they would lost their places and this could have a drastic impact on future governments. (BBC News, 2014)



(Foto 03: BBC News, 2014)

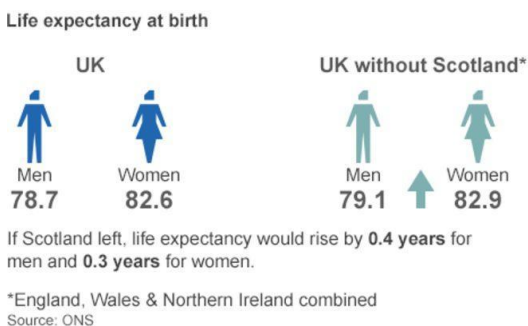
„Modelling the result of the 2010 general election minus Scotland's 59 Westminster seats would have seen David Cameron secure a modest but workable majority of 21. Labour would lose their 41 seats north of the border, while the Lib Dems would drop by 11. In this alternate 2010 universe, the House of Commons would have looked like something like this.” (BBC News, 2014) ⁶⁴



(Foto 04: BBC News, 2014)

Life expectancy

Scotland has lower life-expectancy rates than other parts of the UK, it is because of the social problems and other factors of poverty. Current UK figures show that men can expect to reach **78.7** years and women **82.6** years. But if Scotland left the effect would only be a small statistical shift, with men gaining a potential extra **0.4 years** (4.8 months) and women **0.3 years** (3.6 months). (BBC News, 2014) ⁶⁵



(Foto 05: BBC News, 2014)

⁶⁴ UK, 2014, *Scottish independence: How would the UK fare without Scotland?* Available online: <http://www.bbc.com/news/uk-28192293> (Last checked: 2017.12.04.)

⁶⁵ UK, 2014, *Scottish independence: How would the UK fare without Scotland?* Available online: <http://www.bbc.com/news/uk-28192293> (Last checked: 2017.12.04.)

CATALONIA

Now we deal the topic about the independence of Catalonia. First, we will talk about the history of the nationalism (focusing on business topics); second, the principles arguments of the pro-independence; third, the actual situation (according to the Spanish Constitution) and we will finish with the economic consequences for Spain and Catalonia.

HISTORY

As we know, nationalisms were born in the nineteenth century and it is in this period when catalonian nationalism appeared. Catalonia had a great economic growth due to the expansion of industry but Spain was in crisis and it lost all its colonies in South America, it meant a smear and loss of international power used by the catalan bourgeoisie (who owned the main means of production) in pro of Independence; but at the beginning, nationalism was not a popular feeling. A part of the population thinks (this is a controversial topic) that pro-independence people used and still use their influence and power to twist the history in order to convince the others (mainly children, the future generation). Nationalist propaganda identified the Spanish state as an oppressor, not only in economic issues (whose we will talk in the next pages) but also in political, social and cultural matters.

The first catalonian national party was Estat Catalá founded by Francesc Macià in 1922. During the dictatorship of Franco (1939-1975) the nationalism was totally prohibited but it also grew up, above all in the population. In 1977, with the arrival of democracy and the Constitution a new model of autonomous community was created and Catalonia could access to competencies not gave in from the Spanish State un until then. Moreover, pro-independence parties were legalized and they were able to access to the institutions.

With the education competency totally given in, new generations of pro-independence children were growing and mobilizing. In 2009, a popular referéndum was celebrated with the victory of the Independence, this was not legal because it was not celebrated by the State of Spain, but by popular associations. This was the beginning of the “process”. From then, a lot of demonstrations and protests came into the scene. In 2014 (after the Scottish referendum), the president of Catalonia, Artur Mas (from the European Catalanian Democratic Party), announced a new referéndum, also illegal, with the victory of the pro-independence. The State of Spain did not recognise it.

PRINCIPLE ARGUMENTS

People who is pro-independence defend the next arguments:

- More self-governance, catalonian people were able to decide o their own issues.

- Economy and public Budget: fiscal sovereignty in order to collect and management the taxes. Most of them think that Catalonia has economic deficit respect to the rest of Spain, they support that they give more than received. With the taxes detonated to the rest of communities, they sustain that Catalonia would be a sostenible independent state.

- Culture: in order to preserve the own culture, traditions and language.

It is important to know that there are not historical reasons for the Independence, because Catalonia has never been and independent country and Spain did not conquer it.

On the other hand, people against the Independence support that:

-Legality: the “process” is anti-constitutional because in case of a referendum, this must be for all the spanish. Moreover, this question must be supported by all of the catalonian, not only by the simple majority. A new Catalan State would have social problems, because population would be divided.

-Economic and international weakening: in a globalized world, big countries have more options to leverage than small countries. Moreover, Catalonia will be out of the European Union and it would harm its economic and trade interests. Also, it will be not able to issue euros.

NOWADAYS

Now that we already know the history and the position defended by both sides, we analyse the actual context.

The first of october of this year, the new president of Catalonia, Carles Puigdemont (also the same party of Artur Mas), convened a referendum of autodetermination (referring to the nations’ right of auto determination in the Organisation of United Nations). This was suspended by the Constitutional Court because it was illegal from the constitutional point of view (we saw why before), but it was held anyway. The results are not clear because this voting did not have any guarantees, but the Generalitat of Catalonia announced them on the 6th of october: 43% of participation with more than 95% of pro-independence votes. On 10th october Carles Puigdemont declared the Catalanian Republic, however he had to suspend it in order to negotiate with the Spanish State and look for international mediation. Nobody has recognised this Republic and the State of Spain applied the article 155 of the Spanish Constitution (it has assumed all the competencies of Catalonia) and has convened new elections to the Parliament on december. Carles Puigdemont has gone to Belgium to seek international support but he is pretending to be a candidate for the next elections even if he is prosecuted by the spanish Justice.

By the moment, all of the countries, European Union and other institutions have shown their support to the Spanish State, they know that the Independence of Catalonia would be harmful for their interests. It could be the beginning of a nationalist tide in many countries of Europe.

We have to wait a few days to see what happens in Spain, but we hope that the situation is solved as soon as possible.

PRINCIPAL CONSEQUENCES OF THE INDEPENDENCE

To finish this part, we are going to address the main consequences of the independence for Catalonia and Spain (focusing of economic ones).

By the moment, more than 2.500 companies have moved from Catalonia to the rest of Spain, which means a loss in the GDP of 11.540 millions of euros (it represents a 5,4% in the catalonian economy and a 1% in the spanish one). Some of these companies are very important for the catalonian economy, for example, Sabadell, CaixaBank, eDreams, Gas Natural...

In this context of instability, the international investment has reduced a lot, also the tourism has been damaged. An example of this is that Catalonia has been excluded from hosting the European Agency of Medicine headquarter.

Another important question is what would happen with the debt, treaties and other issues in case of the Independence. This would be mean a very huge transaction cost.

If Catalonia gets the Independence it would be out of the European Union which means an important reduction of the exportations and importations. Moreover, it will not be able to use the euro so it would

have to create a new currency but it would have to devalue it, which implies a fall in the value of the Catalonian economy.

Spain would be also harmed because Catalonia is a very significant source of resources and wealth for the country.

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Group V

Freek Klaasen

“What are the fundamental aspects of the Japanese way of conducting business, how is it influenced by history and culture, and what are the major differences compared to the U.S.”

Introduction

Japan is a prominent member of the global economy, which status it built up after its fast industrialization and rapid technological advancements succeeding the events of World War II. Japan possesses an extensive pride for its heritage and customs, which has therefore also a great influence on how the Japanese conduct business. Japan is a country where major companies focused on electronics and motorized vehicles reside, like Sony, Toyota and Mitsubishi, companies critically acclaimed all over the world. Therefore, it is inevitable for western business men and women to get in contact with the Japanese businesses, no matter if this occurs in Japan itself or through Japanese companies present and actively conducting business in western countries. In order to make the most of your correspondence with the Japanese businesses world, first of all it is important to be well aware of your own business culture and history. This means that you should not consider everything about your own way of doing business, inherent of where you live, as “normal”, because on the other side of the world the contrary could definitely be the norm. Second, it is important to immerse yourself in the Japanese business culture. Do not just and only do as everybody does, but also know the reasons behind the Japanese business culture. It is therefore advisable to be aware of the Japanese culture, history, business systems and the way the Japanese market works, in order to understand and effectively manage Japanese behavioral situations. In this paper will discuss these matters and give a clear view of the Japanese business culture. Subsequently, also the major differences on business level between Japan and one of its main competitors on a global level, the U.S.A., will be discussed.

Japan

First, I will give a brief description of Japan itself, followed by a review of the Japanese economic system and its markets and all the characteristics of it. Later on, I will give a thorough description of the way of doing business in Japan and which cultural factors are involved in the process.

Global history of Japan

Japan is a country which was most of its long history isolated from foreign countries, until the beginning of the 16th century. This was the time of discovery voyages and the European international trade was in bloom like never before. As a result of that, missionaries and tradesmen reached Japan. Japan was an empire, led by the emperor, and united and governed by the *shogun*, Japanese warlords. The Japanese *shogun* often came in conflict with the emperor.

When the Christian faith became to spread through the southern parts, the *shogun* saw this as a threat for their own *Shinto* faith, and demanded a halt to the traders with strong connections to missionary manifestations of foreign religions. Only the Dutch achieved to remain in Japan and conduct trade there, even though it was only from a small island off the coast of Nagasaki. Through this, and the fact that the Japanese were not allowed to leave the country, Japan aimed to achieve the state of isolation again, which was roughly disturbed by the arrival of the foreign tradesmen.

Japan experienced a period of prosperity of its arts and culture. For instance, the Japanese social classes origin from this period, with the result of having still a great impact on the contemporary Japanese way of life. This was also the period of long feud between different shogun clans and the emperor, eventually resulting during the second half of the 19th century in the restoration of the emperor's powers accompanied by his seat in Tokyo.

During this time, the western world (mainly Europe and the U.S.A.) made great improvements concerning industrialization, which resulted in the industrial revolution, and the western countries wanted to pick up the trade with Japan again. On the contrary, Japan had not experienced any major industrial advancement. Due to intimidation by especially the U.S.A., Japan gave in with the trade demands which resulted in a period of rapid western integration, in which the Japanese government did everything to modernize its country to modern standards.

Japan, feeling empowered by their westernization and fueled by a strong national feeling, started invading surrounding countries, and more and more improve its military system. After joining the allies in WWI, and eventually winning, Japan experienced a bitter aftermath, due to remaining superior feeling the western countries had over Japan. This again fueled Japan's nationalism and its urge to prove itself, resulting in the subsequent invasion of its surrounding countries, now with the additional goal of acquiring natural resources, which Japan itself dramatically lacked. When the search for land and resources eventually reached Hawaii (attack on Pearl Harbor) and the Philippines, two zones of the U.S.A., Japan got entangled in WWII.

At the end of WWII, the Japanese proved themselves very thorough in their war efforts and possessing an everlasting urge to win the war, whatsoever: surrendering was no option, because it diminishes one's honor. Nevertheless, two atomic bombs ended the war for Japan.

1945 was the year that shaped Japan as it is today. Japan's constitution got rewritten along with its stance on foreign policies, which resulted in a time of economic prosperity for Japan that continues to last till this day.

Japanese Economic Systems and Markets

Japan is a coordinated market economy, and that model is characterized by:

- A financial system that allows the long-term financing of companies
- An industrial relations system in which union plays an important part and that allows cooperative industrial relations within the company and coordinated wage bargaining across companies
- An education and training system that encourages serious initial vocation training of young people, and in which organized business and/or individual companies are closely involved
- An inter-company system that enables substantial technology and standard-setting cooperation to take place between companies

Japan possesses a Gross Domestic Product of approximately 4.884 billion U.S. dollar in 2017, which makes it the third largest economy based on nominal GDP in the world. 71,1% of Japan's GDP is derived from the service sector, which is therefore the main driver of Japan's economy. Following the service sector, the industry sector has the second largest share of GDP, namely 27,7%.

The Japanese model of corporate governance, capital markets and regulation is characterized by a great reliance on bank lending or on retained earnings. Japanese banks do not have a clear separation between commercial banks (specializing in deposits and loans) and securities firms (in charge of securities underwriting and dealing). From the late 1980s onwards, large Japanese firms have shown high levels of self-finance and increased use of securities markets. From that time onwards, the large city banks, which used to concentrate on providing loans to large firms, were forced to actively seek new borrowers and started to channel funds into the smaller firms. Until 1985 enterprises had to rely on their local banks. From the 1990s onwards, the crisis in the financial sector under the recession forced banks to become more selective in their lending habits. Smaller firms in particular have been hit by these changes. Unable to go to the bond markets and restricted in their bank borrowing, these firms face hard times.

If we take a look at how the ownership of Japanese companies is we see that the majority of shares of major corporations are held by stable shareholders, which include other corporations in the same business group, major creditors and major customers and suppliers connected through cross-holding of shares and inter-firm relations. These shareholders hold shares primarily to maintain their

relationships rather than for financial gain. Governance is largely external and in the hands of the banks, but employees have a relatively strong voice as part of rather informal arrangements between labor and management. Banks and insurance companies often number among the major shareholders of their main large clients. While Japanese banks were prohibited by law from holding more than 5 per cent of the outstanding stock of any other firm, the main bank could mobilize shareholdings by the group-affiliated trust bank, insurance company, trading company and other firms for reasons of concerted voting or to protect a customer firm from hostile takeover. Banks thus also allow large firms to have a long-term strategy. A pressure on the Japanese capital market was the increase of foreign ownership, performance-oriented expectations and social and political pressures. Because of this more shareholder-orientated approach, the new foreign investors can pressure Japanese firms to restructure their operations in the case of poor performance. Thus, the structural reforms, revision of Japan's regulation and government policies promoted corporate restructuring and increased the foreign direct investments (FDI) in Japan through mergers and acquisitions.

Relationships between stakeholders and management in Japanese companies are close. Especially between companies and their main bank. The relationship between a main bank and its customer can be viewed as a particularly intense manifestation of relationship banking. The main bank not only assigns one of its employees as a board member, when requested it also assigns bank officers to customer clients as full-time employees. The main bank also plays the leading role in monitoring of and substantial intervention in the company it is linked to. The most powerful safeguard in the Japanese corporate governance system is the ability of one or more equity-owning stakeholders to intervene directly and explicitly in the affairs of another company when this is required in order to correct a problem. This is not limited to only banks. Also, major industrial stakeholders will sometimes take quick, decisive steps to replace an important supplier's or customer's autonomy with temporary administrative control when the supplier or customer fails to perform. The stability of cross-shareholding patterns in Japan could be seen as an indication of the fact that Japanese capital markets will tend to remain relatively illiquid and will continue to be prevented from playing an active role in corporate control in the foreseeable future. The Japanese monitoring abilities have been questioned. Moreover, the banks' diminished control over the supply of capital to the large firm segment has greatly reduced the ability of the banks to undertake corrective action and to perform their corporate control function effectively. As a consequence, and given the continuing importance of major aspects of the traditional model, one option could be the strengthening of the role of the board of directors and the introduction of a legislative requirement for outside directors to occupy a certain number of seats on the board.

A good example of the intensive relationship between banks and companies are the *keiretsu*, which are conglomerates of companies situated around a bank. Those *keiretsu* can both be vertically and horizontally integrated. *Keiretsu* are the successors of the *zaibatsu* which were disintegrated from Japan due to WWII, but revived during the period of economic prosperity in Japan after the world war. Major *keiretsu* are for instance Mitsubishi Group, Mitsui and Sumitomo.

Japanese corporate structure of top management institutions is based on the unitary board system.

There must be at least three directors. The board elects representative directors, the Japanese counterparts of U.S. executives. There must be at least one representative director (manager who runs the company). The board of directors in a typical large Japanese company consists of about 20 to 25 directors, most of whom are at least 50 years old. Japanese law does not require outside directors. Shareholders are supposed to elect directors at annual meetings, the majority are nominated by management itself. Major share-owning stakeholders in a Japanese company often obtain indirect representation through former executives that assume positions on the boards of companies with which their former employers do business. Typically, an executive from a share owning corporation, bank or other financial institution who is well into his career will be retired from his first job and start a second career as a director of the associated company in question.

Group-coordinated market economies

In Japan, the primary coordination of inter-company strategies takes place within cross industry groupings of large companies, to which the great majority of large companies belong. These groupings include companies from each major industry, with relatively little product-market overlap between the companies in any one group. Many smaller supplier companies have close and exclusive relations with a larger company, and, hence fall within the sphere of influence of the relevant group. The different social institutional features of different constellations help us to explain differences in international competitiveness. The coordinated market economies' model pushes manufacturers towards a product-market strategy that emphasizes high-quality products and incremental innovation.

Corporate restructuring

As a consequence of stable shareholding patterns, a hostile takeover is very difficult to implement and rarely happens in Japan, and rescue operations to aid financially troubled firms are generally set up by the main bank. The government substantially intervened in corporate governance issues. Following the 2008 crisis, we can state three major changes in Japan. First, the governmental intervention has become more important when it comes to the initiative for corporate restructuring and providing loan guarantees for traditional Japanese firms. Second, the role of the bank is considered for redesigning the corporate finance and governance, as the bank is expected to be an important monitor for the traditional Japanese firm, which takes more explicit contracts with clients. Finally, inside ownership has developed which means that corporate and employee holding of equity is considered as an alternative to public and bank ownership.

Japanese Cultural Business Model

The Japanese business culture was one of the first non-Western cultures to be studied by Western researchers. The reason for this were the astonishing economic achievements of the Japanese economy after WWII and the success of Japanese companies in important world markets like that for automobiles and electronics. This success suggested that other countries could learn from the Japanese approach, and the system of management and organization was seen as one of the keys to understand the Japanese revival. I will focus on two cultural aspects that are essential for the functioning of the

Japanese system: Consensus and *Amae* (indulgent dependency).

Consensus is one of the characteristics of management and organization in Japan that strikes many observers as the absence of clearly visible decisions and decision makers. This phenomenon is caused by the strong preference of consensus. This preference is signified by the concept of *wa*, referring to the avoidance of extensive opposition and the importance of building cooperative and most of all trusting relationships. Striving for *wa* implies that where necessary, individual interests are sacrificed in order to maintain group harmony. Therefore, in Japan it is not only important that the outcomes of decisions are supported by all involved, but also that the process leading to the decisions does not lead to a loss of harmony. In Japanese organizations two consensus procedures are followed that meet these demands, the informal process of *nemawashi*, and the more formal *ringiseido* process. In the context of organizational decision making *nemawashi* refers to a process in which the parties involved are cautiously consulted, and in which negotiations are held behind the scenes and not publicly. Also important is that any differences of opinion can be addressed in closed meetings, avoiding confrontations in the open that could lead to a loss of face, and a threat to group harmony. Consensus reached through *nemawashi* helps avoiding risks, both for the decision makers and for the company. *Ringiseido* is a more bureaucratic and formal version. In the *ringiseido* system a formal document is circulated among all the involved organization members, often the heads of departments. Recipients indicate their approval of the proposal in the document by affixing their personal seal. *Ringiseido* makes sure that all parties affected are informed, rather than to give them a say in the decision.

After discussing consensus there is *Amae*, which is an indigenous Japanese concept of relatedness which cannot easily be translated in English, but has been described as ‘indulgent dependency’. One of the problems understanding a concept like *amae* is that translation in other languages often have negative connotations that differ from the meaning as perceived by the Japanese. *Amae* implies that a person who is in a higher position of authority or power, will accept behavior from a subordinate that is normally seen as inappropriate if his or her relations with the subordinate is close. Understanding this is essential for understanding Japanese hierarchy, because it means that the power of the superior is restricted because of the *amae* that is expected in his or her relationship with subordinates.

Job classifications are kept simple and broad in Japanese firms, with most factory production workers, for example, falling within a single classification. Job descriptions, if they exist at all, are short and written in rather vague terms. Detailed job titles, formal job descriptions and other job-related criteria have been continuously absent from Japanese employment practices, whereas job rotation and extensive cross-training are the rule. Extensive on-the-job training is used to train workers through learning by doing, while off-the-job training is used to supplement this process with systematic and codified knowledge about the firm, industry and functions of which employees are in charge. Japanese supervisors are working members of the team who can fill in for absent workers and coordinate the team. Job rotation and production teams are central features in Japan. Japanese workers experience little freedom in determining how production tasks are to be performed. The simple and broad designs in Japan are related to Japanese collective bargaining contracts and other legal instruments used in this society. These are phrased in very flexible and general language. Japanese unions have certainly shown

strong resistance to the top executive decisions of the Japanese companies. Also, the extreme flexibility with which Japanese companies rotate, retrain and transfer workers is also very much an adaptation to the restrictions imposed by permanent employment and seniority wage systems. These systems set severe limits on a company's flexibility to terminate the contracts of employees whose particular skills and specialties are no longer in demand.

An important feature of Japanese human resource management is lifetime employment. An important implication of the lifetime employment system is not to fire core employees except in very unusual circumstances. It is not a contract, but rather a moral way of thinking on the part of both employer and employee. When profits decline, a company will take many measures to reduce its costs, including the cut of dividends and bonuses for top management, but it will retain its employees for as long as possible. However, the Japanese lifetime employment system does not apply to all employees. It does not apply to temporary workers, subcontractors, seasonal workers, part-timers and dispatched employees. The system applies only to larger companies, and the definition of lifetime employment refers to core employees' long-term training and employment within the enterprise group (keiretsu). Lifetime employment combined with internal promotion ladders and continuous in-company training, hampers radical innovation, is an essential ingredient of the cooperative relationship between producers and suppliers working on a high-quality and just-in-time basis.

Finally, we take a look at consensus and the institutions of employee representation. As discussed earlier, Japanese company law prescribes a one-tier board system. Employee participation on the board has not been adopted. However, the enterprise-based unions provide employees with an opportunity to participate. Employees are important in Japan, promoted for loyalty, social compatibility and performance. Employees can exercise voice through the extensive use of joint labor-management consultation. A traditional and frequent statement is that Japanese companies are run in the best interests of employees and not in the interests of shareholders. The strong emphasis on employee retention is also evident when looking at employee competence formation. Employees enjoy frequent in-house and cross-functional training, which is essentially firm specific, as employee turnover is not expected. Thus, like I stated earlier, a common phenomenon is that when a Japanese company is facing financial distress, management will cut dividends before it starts firing employees. In fact, lifetime employment, compensation tied to seniority and company-by-company labor unions are often singled out as the distinctive characteristics of Japanese companies, and have functioned to keep employee supremacy alive.

Global differences

In this section I will discuss some major differences between the Japanese and the American way of doing business and economic activities, based on the finding I already illustrated. In the 1980s and 90s U.S. companies observed from a distance the rapid economic growth of Japanese companies, and were astonished by the explosive way Japan's economy developed after the devastating events of World War II. Some U.S. companies tried to copy the way Japanese companies are built up, function and conduct business. However, this strategy failed miserably, due to the fact the U.S. companies did not take into

account the big difference between the Japanese and American national culture. Even though we live in a globalized world, where far off countries like Japan seem to lie closer to our doorstep than for instance 30 years ago, we still have to take into account the fundamental distinctions between our and their culture. I will sketch this difference using the U.S., Japan's major export partner and at the same time one of Japan's major competitors world-wide, most of all on an industrial level, like the car and consumer electronics industry

First, it has to be noted that the biggest difference between the Japanese and U.S. cultural way of doing business is that Japan has historically a high-context culture and the U.S. a low-context culture. The intensity of context means in what degree context does matter during situations, and the context might therefore have a determining or non-determining effect on the outcome of a situation. High-context cultures rely on non-verbal, implicit ways of communication, with messages interpreted through the use of tradition and deeply rooted personal relationships. Therefore, messages need not to be fully verbally conveyed in order to be understood by the receiver, the context plays a major role. Japan possesses such a high-context culture, with a long-term focused view on matters at hand. On the contrary, low-context cultures like western countries like the U.S. possess, are to a large extent built on short-term focused relationships where every message needs to be explicitly and verbally conveyed in order to be understood, which means that context plays a minor role. The Japanese high-context culture leaves a footprint on all the characteristics of Japan, such as its business culture.

When we look at traditional Japanese companies and compare them with U.S. companies, we see significant differences. Japanese companies are cross-functional, which means that as an employee you can get assigned to different kind of jobs, all across the company. On the contrary, American companies are vertical functional, due to the fact that an employee most of the time remains working in its own department and are promoted in this department. This significant cross-cultural business difference is derived from the fact that Japanese company tradition requires Japanese workers to work at the same company for the remainder of their lives, which is called lifetime employment, as we discussed earlier. This in contrast with U.S. companies, where there is a culture of switching multiple times between companies in one's lifetime, which results in the situation where the entire job market develops one's career, not one single company. Because of the lifetime employment culture in Japan, companies have also a different view on contracts. In the U.S. contracts are the major safeguards for employees to keep their job, and thus are of great importance. Not only is it important for the employee but also for the employer. They then possess a clearly signed statement of what he/she can expect from the employee. You can easily say that the U.S. business world to a large extent revolves around contracts. In Japan, meanwhile, a contract is more a moral, mutual understanding between the employer and the employee: the lifetime employment system is an employee's safeguard. What is required of you as an employee, as stated in your contract, is also different in Japan and the U.S. Japanese companies for instance have contracts with rather vague terms in it, which describe the job broadly. Also, they require very general skills from employees, which enables an employee to fulfill tasks all over the company, doing various types of jobs. The U.S. companies require specific skills from their employees, because they are hired to do only one specific job, thoroughly and clearly described in the employee's contract. The amount of the wages, and especially the differences between the wages of the top management and factory

worker, differ also in Japan and the U.S. The average CEO in the U.S. gets paid 160 times more than the plant worker, compared to 10 to 20 times in Japan. American superiors in the corporate hierarchy have also a different relationship between them and subordinates, then Japanese superiors have with their subordinates. This is partly due to the concept of *amae*, which we discussed earlier.

To sum up the biggest differences between the Japanese and American business industry:

Japan

- Broad job classifications, refined job specifications, job rotation and cross-training
- No fixed or permanent tasks, limited job evaluation
- Unions – employment security, collective bargaining, contracts in flexible/general word-use
- Lifetime employment, seniority wage systems
- Generalist management education, firm-specific technical training, absence of formal business school training, internal career paths

USA

- Highly specialized jobs, formal job descriptions, systematic job evaluations, direct supervision of foremen, standardized processes
- Job control unionism, low status vocational training, deregulated labor market, market finance
- Generalist management education, formal business school training, competitive labor market for executive manpower
- External career paths

Conclusion

This paper is inspired by the course called “International Comparative Management”, which I followed at Tilburg University, The Netherlands. In this course professor Noorderhaven, who also wrote the literature that comes with the course “Comparative International Management” (2015), taught the major difference that culture makes in international interactions and relations on an economical and business level. Real life cases were discussed, about persons who have first-hand experience with conducting business in a foreign country with a different culture. It prepared us, the students, for a world packed with cultural business diversity. I remember that Japan was a point of discussing in one of the classes, during which we had interactions with Japanese students who could tell us about the culture and the way of doing business in Japan. Writing this paper was therefore for me the best opportunity to dig deeper into this subject and learn more about Japan, its history and its way of doing business.

Japan, as I illustrated, has a long history of tradition, of which the Japanese are very proud and this fuels them with the strong urge to preserve their heritage. There are a lot of difference between our more diverse, heterogeneous western countries and Japan, which is far more homogeneous and traditional. Seeing the differences in culture and way of conducting business is not enough. To fully understand

and be able to make the most of our business relations with Japan, total immersion in the Japanese culture is required. This means, among others, mastering one of the most difficult languages for foreigners to learn, Japanese. Learning about Japan's history, and putting the Japanese customs in an historical cultural perspective, also helps a great deal in understanding Japan as a *gaijin*, Japanese for foreigner. We should learn from their history, as much as we should from our own, and aim at making history and strong business relations together in the future for our mutual benefit, by respecting, and learning from, the long Japanese traditions and (business) culture.

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