

27 Global brands

A Steps abroad 1

Gianna Paolozzi is marketing manager for GI, an Italian company that makes ice cream:

'We started to get orders from Scandinavia and we wondered how people had heard about us! So we contacted **agents** there who could help us to sell the ice cream – this was **indirect export**, and they represented us. These **exclusive agents** each had their own sales area.'



Sales grew, and we moved on to **direct export**: we no longer used agents but handled exports ourselves. We had an **export manager** based here in Italy, but she spent 11 months a year travelling in our different markets.'

B Steps abroad 2

'Then we started **licensing** our production techniques to companies abroad, selling them the **rights** to produce ice cream **under licence** for their markets. In Thailand, for example, we had a **licensing agreement** with a company to produce and market our ice cream there. But in China, we signed a **joint venture** agreement with an established food processing company who knew the market well – we treated them as equal partners. The agreement worked very well for five years but then we decided to make a **direct investment** in China, building ice cream production plants and marketing our products ourselves.'

BrE: 'licence' – noun, 'license' – verb;
AmE: 'license' – noun and verb

C Think global, act local



The world as one market?

'Some companies offer exactly the same products all over the world. There are **global offerings**. But we try to **adapt** our products to individual markets and local tastes. For example, some countries prefer sweeter flavours in ice cream. Marketers talk, informally, about **glocalization**.

GI is now a **global brand** – our products are enjoyed in 120 countries all over the world.'

27.1 Complete the emails from a Canadian company called AFM (Advanced Farm Machinery) with correct forms of expressions from A and B opposite. (Some expressions are used more than once.)

a

From ... pierre.manning@afm.ca
To ... carmen.machado@maquinas-agriculturales.ar
Subject ... Our

Dear Carmen, I'm very sorry that our agreement has not worked out. Sales are good, but the continuing dispute over how we share the profits has caused lasting damage to our relationship. I therefore propose terminating our agreement ...

d

From ... pierre.manning@afm.ca
To ... carmen.machado@maquinas-agriculturales.ar
Subject of agricultural machinery

Dear Carmen, it was very nice making your acquaintance in Buenos Aires last week. Thanks for your hospitality! We would like now to proceed to a between AFM and Maquinas Agrícolas so that your company can make our machinery at your plant in Cordoba. If this arrangement works out, we would consider moving on in a few years to a full agreement between our two companies.

b

From ... pierre.manning@afm.ca
To ... info@camaradecomercio.ar
Subject of agricultural machinery

Dear Sirs, AFM are manufacturers of technically sophisticated agricultural machinery with clients in over 50 countries around the world. We are now looking to sell our products for the first time in Latin America. We would like to market our farm machinery in Argentina and neighbouring countries through exclusive each with their own sales territory ...

c

From ... pierre.manning@afm.ca
To ... carlos.vega@vinosdeargentina.ar
Subject ... Visit by our

Dear Mr Vega, Your name was given to me by the Argentinian Chamber of Commerce. AFM are manufacturers of technically sophisticated agricultural machinery. We appointed an for your area two years ago, but apparently he has not made contact with you. We are therefore moving to of our products into Latin America and our , Anne Chevalier, is planning to visit Argentina next month. Would you be interested in meeting her to discuss possible requirements for our machinery? Meanwhile you can view our products on www.afm.ca ...

e

From ... pierre.manning@afm.ca
To ... luis.lopez@ministerio-industria.gov.ar
Subject in Argentina

Dear Luis, Following our recent conversations, this is to confirm that we have recently terminated our joint venture agreement with Maquinas Agrícolas for the distribution of our machinery in Latin America. We are now seeking to make a in Argentina with the construction of a manufacturing plant near Buenos Aires for the assembly of our products. Please could you ...

Now put the emails into their probable chronological order.

27.2 Look at section C. Does each of the companies 1–3 below a) have a standard global offering, or b) adapt its products to specific markets?

- 1 a washing machine company that makes top-loading machines for some markets where kitchens are small
- 2 a furniture company that sells exactly the same products round the world
- 3 an accountancy firm that prepares accounts in different ways in different countries so that they conform with local accountancy rules

Over to you



Does your organization, or one you would like to work for, export? If so, what are the arrangements for this?

46 Global forces

A Paths to prosperity

Since the fall of communism, a lot has been said about **globalization** – the tendency for the **global economy** to function as one unit, with increasing **interdependence** between different parts of the world.

In terms of economic development, the world is divided into:

- the rich **industrialized countries** or **advanced economies** of the **West**. (The West is taken to include countries such as Japan and Australia.)
- the **developing countries** or **less-developed countries** (LDCs). Some are **rural economies** with very little industry. Others are at various stages of **industrialization** – they are **newly industrialized countries** (NICs). Some of these are **middle-income** countries. And some, such as the fast-growing economies in SE Asia like Taiwan and Singapore – the **Asian tigers** – are reaching the West's levels of wealth and prosperity.

People who want to emphasize the difference between the industrialized and the less-developed countries of the world often refer to the **North** and the **South**. Before the fall of communism, developing countries were referred to as the **Third World**, but this label is now falling out of use.

B GDP and GNI

The prosperity of a country is measured in terms of **GDP** (**Gross Domestic Product**), the value of its **economic output**: all the goods and services produced there in a year. **GDP per capita** is the total output of a particular country divided by the number of people living there.

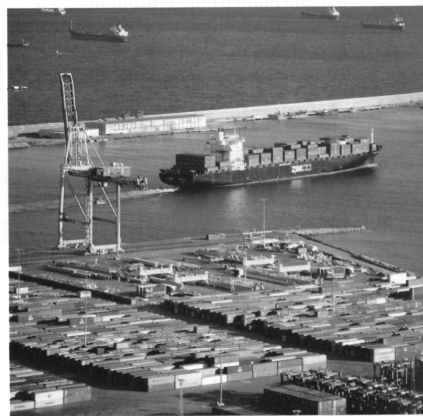
High national income can mean high **living standards** – high levels of wealth for people – but it depends on **income distribution** – the way that money is divided among the people of the country.

Prosperity can also be measured in terms of **GNI** (**Gross National Income**). This includes money coming into a country from investments abroad, minus money leaving the country to go to investors from abroad. This is the new name for what used to be called **GNP** (**Gross National Product**).

C Globalizing trends

The supporters of globalization, the way that the world's economy increasingly functions as one unit, say that it will continue to cause growth and prosperity to spread thanks to:

- **free movement of capital**: money for investment can be easily moved around the world
- **trade liberalization**: obstacles to international trade are gradually being removed.
- **shipping costs** that are ever-declining thanks to the efficiency of **containerization**.
- **telecommunications** and **computing costs** that have fallen dramatically.



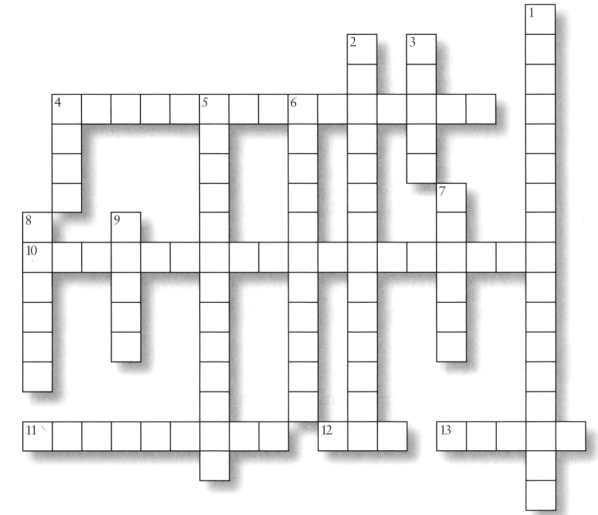
46.1 Complete the crossword with appropriate forms of expressions from A and B opposite.

Across

- 4 High levels of wealth can mean high (6,9)
- 10 The way wealth is spread (or not) through the population. (6,12)
- 11 See 3 down.
- 12 Abbreviation for 5 down. (3)
- 13 Some refer to rich countries as the (5)

Down

- 1 Nation in the process of industrializing (10,7)
- 2 Advanced economies are (14)
- 3 and 11 across Countries depending on agriculture. (5,9)
- 4 Some-developed countries have a more rural economy. (4)
- 5 The total value of a country's goods and services is its product. (5,8)
- 6 The successful economies of SE Asia. (5,6)
- 7 The value of goods and services produced is economic (6)
- 8 Between rich and poor:-income countries. (6)
- 9 Some refer to poorer countries as the (5)



46.2 Match the examples of globalization (1–4) to the trends in C opposite.

1 The charge for transporting a whole container of goods across the Pacific can be as little as \$50.

2 In today's money, the cost of a three-minute phone call from London to New York in 1930 was £200. The same call costs less than £1 today.

3 There are no taxes on goods traded within the European Union.

4 We can invest in some Asian countries and bring back our profits without penalty.

Over to you

Can the level of development of a country be measured by GDP alone? If not, what other factors should be taken into account?

Imagine that you are your country's minister for industry. Write an invitation to the chief executives of foreign companies saying why your country is a good place to invest.

A Direct investment

Companies can put money into investment projects in other countries in **private direct investment**. With free **cross-border capital flows**, they can **repatriate** their profits to their own country, or withdraw their investment altogether.

There is debate about whether governments should try to limit **capital inflows** and **outflows** with **capital controls** or whether they should follow the global trend towards **liberalization**.

Some economists say that too much liberalization leads to **instability** in a country's economy, with **foreign exchange crises** which lead to **devaluation** or **depreciation** – its currency becomes worth less in terms of others. For example, some say that China's growth has benefited from the fact that its currency is not freely **convertible**, thus avoiding the capital outflows that other Asian economies have suffered from at various times.

B Borrowing

The **International Monetary Fund (IMF)** and the **World Bank** play an important role in the development of less-developed countries. A main function of the World Bank is to lend money to countries so that they can obtain the conditions for economic growth. For example, it sponsors **infrastructure projects** – road building, water supply systems, etc. – and projects in health, education and agriculture.

But developing countries may build up **unsustainable** levels of debt and be unable to repay their debts. The IMF has **debt reduction** programmes for **Heavily Indebted Poor Countries (HIPC)**s that will reduce the amount of money that they owe. It also contributes to work on the **Millennium Development Goals** – specific targets relating to poverty reduction and the **stimulation of growth** in poorer countries.

C Word combinations with 'debt'

debt	}	burden	the amount of debt that a country has, seen as a problem
		service	making repayments on a debt
		justice	the idea that people should be treated fairly and equitably
		rescheduling	when lenders agree that a debt can be repaid in a different way or at a different time
		restructuring	
		relief	when lenders agree that debts do not need to be repaid
		forgiveness	

47.1 Look at the expressions in A and B opposite. Put the sentences a–e in the correct order. (The first is a.)

a A ban on capital controls is a bad trade-off.

b Meanwhile, import prices soar, spurring inflation.

c As money is withdrawn, the country's currency depreciates rapidly, which can lead to more investors pulling out in an effort to avoid losses.

d This vicious circle spells calamity for the country's economy: capital flows can be, and have often been, perilous.

e Because developing countries have relatively small financial markets and do much of their borrowing in dollars or euros they are vulnerable to rapid financial outflows if creditors suspect difficulties in repayment. *Financial Times*

47.2 Now match the expressions (1–10) to their definitions (a–j).

1 withdraw

2 depreciate

3 pull out

4 soar

5 spur

6 vulnerable

7 perilous

8 calamity

9 vicious circle

10 inflation

a very dangerous

b take out

c disaster

d leave

e easily affected by something negative

f cause

g lose value

h rising prices

i rise fast

j when a problem occurs that causes another problem to occur, and this process is repeated

47.3 Match the two parts of these extracts containing expressions from C opposite.

1 Under HIPC, countries have their debt

2 The arrangement with Moscow benefits the West because it involves no debt

3 Half of Africa's governments pay as much per person in debt

4 There's not much point in debt

5 Mozambique, which receives debt

6 Brady bonds, named after former US Treasury Secretary Nicholas Brady, were created in the 1980s as part of a debt

a relief if the money saved is then spent on arms.

b restructuring plan for developing countries.

c burden cut to levels which the IMF and World Bank consider sustainable.

d forgiveness and requires Russia to pay in a timely way and in full.

e service as they spend on health and education combined.

f rescheduling this month, will not be much better off.

Over to you



Should the debt of developing countries be completely forgiven? Why / Why not? Write a letter to a national newspaper with your views.