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Belarusian State University
School of Business of Belarusian State University
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International Economic Relations

Electronic educational-methodical complex for specialty 1-26 02 03 “Marketing”

Registration № 2.4.2-20/223

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СОГЛАСОВАНО
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Международные экономические отношения

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Electronic educational-methodical complex (EEMC) on the academic discipline “International Economic Relations” is designed for students of the specialty 1-26 02 03 “Marketing”. The EEMC contains 4 sections: theoretical, practical, knowledge control and supporting. The EEMC includes the lecture materials for mastering the discipline, questions for discussion and assignments for practical exercises, situations for analysis and homework, the list of sample questions for the final assessment (credit) and recommended literature sources for the study of the discipline. The EEMC can be used by students majoring in Economics.

CONTENTS

COURSE DESCRIPTION

The curriculum on the discipline "International economic relations" is developed for the students of the 1st stage of higher education of speciality 1-26 02 03 "Marketing".

The goal of the course is to study the theoretical foundations, regularities, functioning mechanisms and trends in international economic relations.

Key task of the course is to prepare a specialist that can understand and analyse modern processes and trends in international economic relations as well as apply this knowledge in the future professional activities.

Within the limits of the given goal **the main objectives** of discipline are:

- examination of the research achievements in the field of international economic relations;
- study and systematization of the factors of the development of the world market and its separate segments;
- analysis of the forms of organization of international economic relations;
- exploring the technologies of operations of the main segments of the world market;
- mastering the methods of national and supranational regulation of the forms of international economic relations;
- developing the competencies necessary for the use of the acquired knowledge in the practical work of the marketer.

The place of the academic discipline:

The discipline belongs to the cycle of the disciplines of students' choice.

Links to other academic disciplines:

The study of the discipline is closely connected to such courses as "Macroeconomics", "International Economics" and "Marketing".

Upon completion of the course, the students should **know*:***

- the preconditions and main stages of the formation of the system of international economic relations;
- the mechanisms of world commodity markets functioning;
- the theory and practice of international trade, investment, innovation, currency and migration policies;
- the functioning of global financial markets;
- the development of international monetary relations, their modern trends and regulation mechanisms;
- the principles, structure and main methods of state regulation of the balance of payments;
- the forms and methods of national regulation of modern international economic relations.

Upon completion of the course, the students should **be able to:**

- use the mechanism of the international market for goods, services and technology;
- analyse the mechanism of functioning of the capital, labour and world currency markets;
- apply methods, forms and tools of state national and international regulation of international economic relations.

Upon completion of the course, students should **possess:**

- basic theoretical knowledge of international economic relations and apply it to tackle practical problems;
- interdisciplinary approach to solving foreign economic problems;
- economic tools for analysis and interpretation of real facts of international economy;
- methods of the evaluation of practical situations and making decisions on the directions of external economic development and international cooperation of the national economy of the Republic of Belarus.

Requirements for the specialist's professional competences.

The specialist are to do the following.

PC-1. Be able to apply basic scientific-theoretical knowledge to solve theoretical and practical problems.

PC-2. Master the system and comparative analysis.

PC-3. Master the skills of research.

PC-4. Work with the economic and legal literature and sources.

PC-5. Prepare reports, presentations and materials.

PC-6. Analyse and evaluate data.

PC-7. Identify effective areas of international economic relations.

PC-8. Select the best tools (tariff, non-tariff, financial) for regulation of foreign economic activity.

PC-9. Evaluate the effectiveness of management.

PC-10. Determine the effectiveness of FEA.

Structure of the academic discipline

Total duration of the discipline "International economic relations" is 108 hours in the 4th semester (52 in-class hours), including lectures (30 hours) and practical classes (22 hours).

The final control is the credit.

The workload of the discipline accounts for 3 credit points.

1. THEORETICAL SECTION

1.1. International Economic Relations: Introduction

1.1.1. The Essence of International Economic Relations (IER)

The features of IER

IER are the **prerequisite** of the world economy formation, and in the XXth century they are the making element of world economy and the result of its development.

All the subjects of the world economy interact through the system of the **international economic relations** which in practice form the mechanism of the world economy functioning.

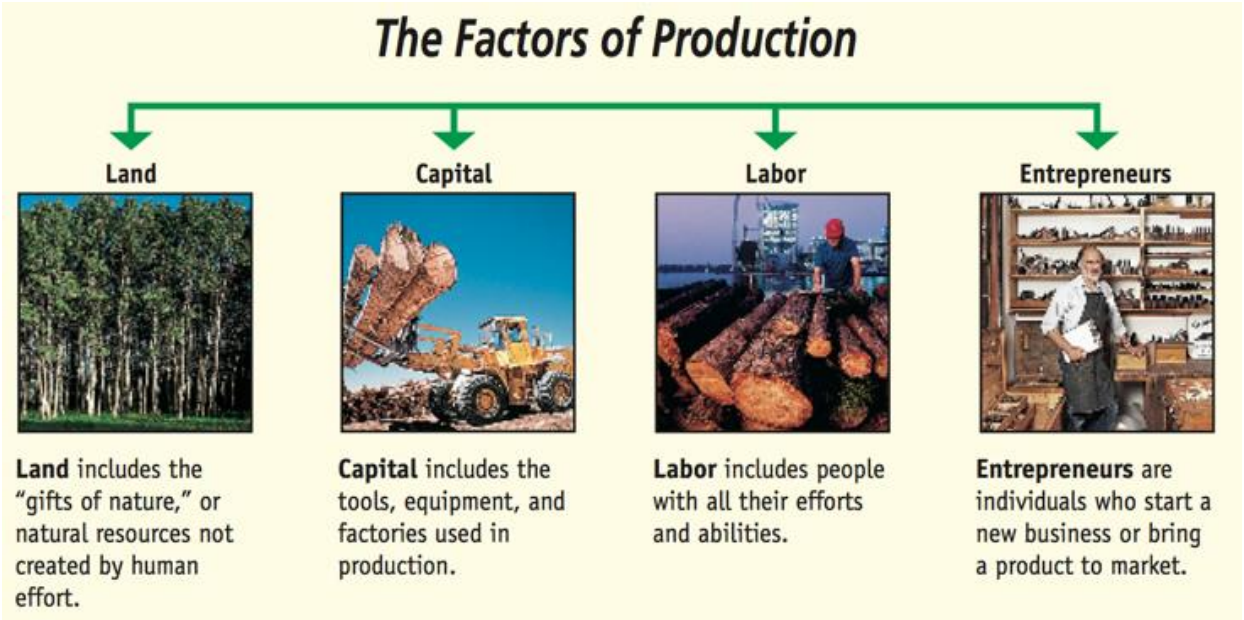
IER and factors of production

The **world economy** as a system is fastened by the movement of goods, services and also economic resources / factors of production.

Q&A

- *Which factors of production do you know?*
- *What is the difference between economic resources and factors of production?*

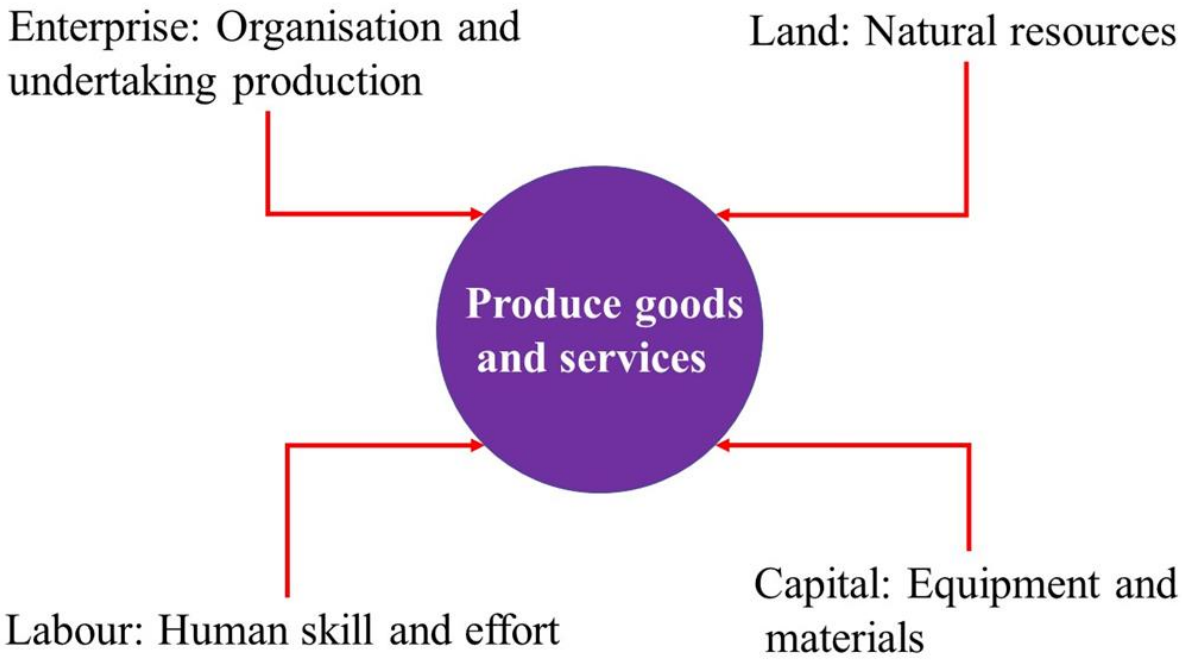
It is possible to mention the following factors of production (see Picture 1).



Picture 1 – Main factors of production

Economic resorces vs factors

- ✓ Economic resources are available to individuals and businesses.
- ✓ Factors are used to produce valuable consumer products (see Picture 2).



Picture 2 – The examples and usage of the factors of production

- *What is missing here?*

Technology: R&D

Many economists also identify the fifth factor of production: **technology**. Technology refers not just to robots and computers but to the entire body of knowledge or science that informs or improves a production process.

Technology is the group of knowledge, methods and procedures used in the production process. These factors can be classified in three branches:

Manual or handmade: humans provide the labour force and use of tools.

Mechanised: machines provide labour force but humans manage them.

Automatic or robotic: humans only program or control the machine and the latter does everything.

Definition of IER

International economic relations (foreign economic relations, world economic communications) – economic relations between states, regional associations of countries and separate enterprises (*transnational and multinational corporations*) in the system of the world economy and also between other subjects of the world economy.

Q&A 

TNC vs MNC

Transnational companies (TNC) and multinational companies (MNC) are two of a these categories. Both MNC and TNC are enterprises that manage production or delivers services in more than one country.

Some of the top TNC's and MNC's are General Electric, Toyota Motor, Total, Royal Dutch Shell, ExxonMobil and Vodafone Group.

Industries like manufacturing, oil mining, agriculture, consulting, accounting, construction, legal, advertising, entertainment, banking, telecommunications and lodging are often run through TNC's and MNC's. The said corporations maintain various bases all over the world. Many of them are owned by a mixture of domestic and foreign stock holders. Most TNC's and MNC's are massive with budgets that outweigh smaller nations' GDPs. Thus, TNC and MNC alike are highly influential to globalization, economic and environmental lobbying in most countries.

Transnational corporation follows decentralised structure – the corporation operates in numerous countries where goods and services are produced.

Multinational corporation is a centralised management structure, where the home country is considered the main headquarters – while operating other countries for production.

MNC refers to multinational corporations usually a large corporation operated in the home country which produces or sells goods or services in other countries. Example: Apple (produces goods in China and other counties but operated or decision via home country).

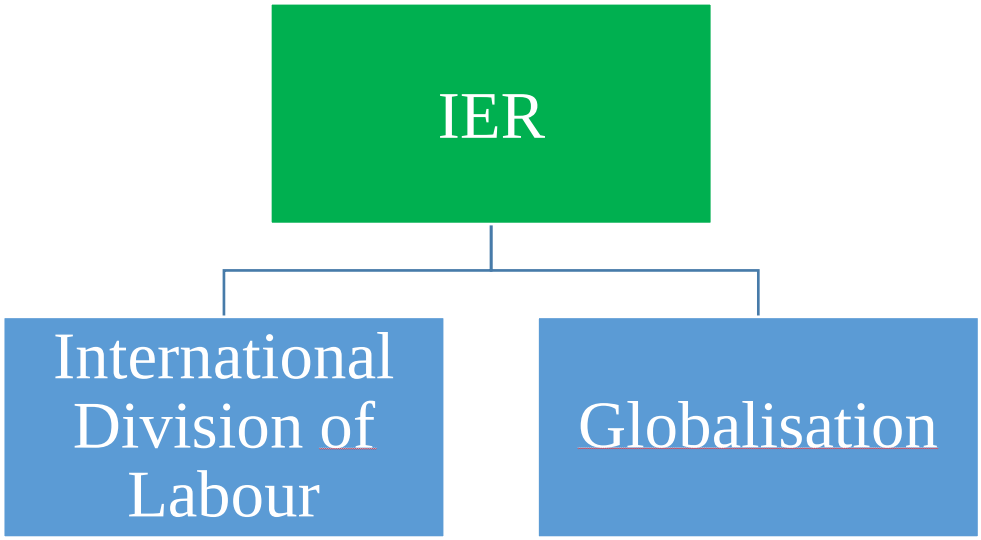
TNC refers to companies that operated in foreign countries individually, not through the home country. Example: Vodafone Group (USA based group but in India this company is operated separately as Vodafone India and make decisions independently).

IER: description

Object of IER: studying the most essential, typical, repeating and defining economic relations.

Subject of IER: actually international economic relations and the mechanism of their implementation.

IER are based on the **division of labor** and a tendency to **globalization** (see Picture 3).



Picture 3 – The basis of IER

It is possible to differentiate between macro- and microlevels of IER as well as the subjects at each level (see Table 1).

Table 1 – Macrolevel vs microlevel of IER

IER: Macrolevel	**IER: Microlevel**
Macrolevel (the world economy level) are the forms and *ways of communications* of national economies in the world economy: foreign trade, international migration of the factors of production, etc.	Microlevel (the level of the *national participants* of foreign economic relations) is the special field of activity of national economic units focused on foreign economic relations, based on the international division of labor. For national producers and consumers the international economic relations are understood as export, import, re-export, re-import of goods, services, capitals and technologies, international cooperation of production and research and development, international transport, insurance, calculations, etc.

The continuation of Table 1

Subjects of IER at the macrolevel are: national governments and other public authorities (for example, National Bank) as well as international economic organizations. The main goal of the former – regulation of the IER of the country by means of foreign trade, scientific and technical, currency, tax and investment policy. The purpose of the latter – to develop the regulatory legal basis of IER implementation for all the participants.	**Subjects of IER at the microlevel are:** firms; international corporations; unions of businessmen; the public authorities and organizations which are engaged in foreign economic / trade activities.

The objects of IER are:

- goods (raw and food products, finished products, production of manufacturing industry, machine and technical production);
- services (international engineering, consulting, audit, leasing, tourism, transportations, calculations, etc.);
- technologies (patent and unlicensed licenses, trademarks);
- capital (foreign direct and portfolio investments, international credit, etc.);
- labour.

Tradable and non-tradable goods and services

Tradable goods and services can move between different countries and are involved in international exchange / trade.

Non-tradable goods and services are consumed in the same country where they are produced, or serve a public good, and do not move between countries, do not participate in international exchange / trade.

Tradable goods and services are divided into exportables and importables.

The exclusion of non-tradable goods and services from the international trade turnover is due to two main factors:

- high *transport costs* of moving them across national borders and
- high level of *protectionist (tariff and non-tariff) restrictions*.

The division of goods and services into tradable and non-tradable has a conditional character.

Goods and services are the output of an economic system. The goods are of a tangible nature and the services are intangible and inseparable by nature. The main differences are considered in Table 2.

Table 2 – Goods vs services

Goods	**Services**
Tangible	Intangible
Can be transferred from one business unit to another	Can't be transferred from one business unit to another
Visible	Invisible
It's easy to find a substitute	It's pretty difficult to find a substitute
Subject to storage	Non-storable
All goods may be the object of foreign trade transactions	Not all types of services can be involved in international economic turnover (for example, personal and municipal services)
Trade in goods is not related to their production	Trade in services is linked to their production (production is combined with export in one contract). Production and consumption of a service overlap in time
No contact between the manufacturer and the customer is required	Trade in services is linked to their production (production is combined with export in one contract). Production and consumption of a service overlap in time
Export of goods means export from the customs territory of the country (without the obligation to re-import)	Export of services means providing a service to a non-resident (even if he / she is in the customs territory of the country)

The mechanism of IER (implementation) – is the set of the precepts of law and tools on their implementation (international agreements, contracts, conventions, charters, codes, etc.) accepted at the national and international levels, including regional and global international economic organizations.

Practical implementation of IER assumes the existence of this mechanism.

Main indicators of IER

- Laws of **supply and demand**.
- Free **competition**.
- **Exchange of goods** (as well as, for example, the movement of labour resources) is caused **by cash flows**.
- The fundamental principle is the **division of labor**.
- Each participant is characterised by **economic isolation**.
- The development of IER is monitored by **international structures** (for example, the WTO).

- **Monopolisation** is possible in case, for instance, the sale of one or several goods concentrates in one state.

Economic relations between subjects of the world economy are developed concerning export (import) of goods and services, technologies, labor and capital, implementation of economic activities abroad as well as the attraction of currency and financial transactions. *The structure of IER in a broad sense includes also international transport and international customs relations (ICR).*

The specified interaction of subjects defines the structure of modern IER and allows **to allocate the following main forms of world economic communications / IER [1]:**

1) international trade in goods and services;
2) international movement of capital and foreign investments;
3) international labour migration;
4) international monetary, financial and credit relations;
5) international economic integration;
6) international scientific and technical cooperation (exchange of scientific and technical knowledge).

Structure of IER:

1. International division of labor.
2. International trade in goods and services.
3. International exchange of scientific and technical knowledge.
4. International movement of capital and foreign investment.
5. International monetary, financial and credit relations.
6. International migration of labor resources.
7. International economic integration.

Q&A 

Any differences?

IER vs World economy vs International economy

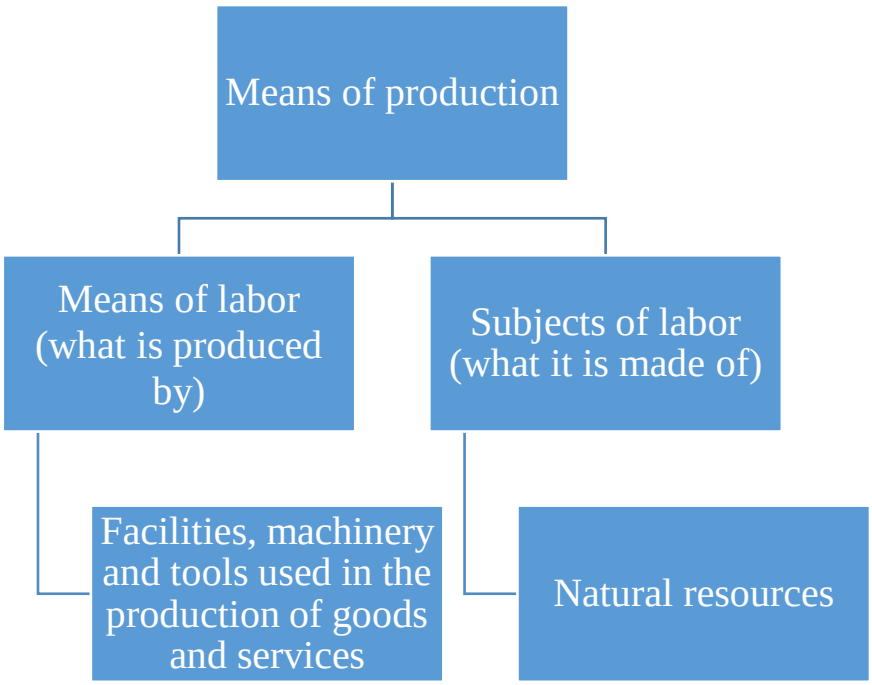
World economy – multilevel, global system uniting national economies of the countries of the world on the basis of the international division of labor by means of the system of the international economic relations; national economies and non-governmental structures united by the international economic relations.

The concept of **"international economy"** is the theory of international economic relations, i.e. the part of economic theory.

[1] International tourism sometimes is considered as one of the principal forms of IER (but as usual, there are 6 main forms of IER).

Social production includes:

- production relations;
- the forces of production;
- the means of production (subjects and means of labour), which are presented in Picture 4.



Picture 4 – The structure of the means of production

1.1.2. International Division of Labour as IER Basis

Division of labour, the separation of a work process into a number of tasks, with each task performed by a separate person or group of persons.

It is most often applied to systems of mass production and is one of the basic organizing principles of the assembly line.

International division of labour (IDL)

IDL is the organization of production in case the enterprises of different countries **specialize in certain technological processes, manufacture specific goods and services and then exchange them**.

The entity of the international division of labor is shown in **the unity of division and combining the process of production.**

Production assumes, on the one hand, *isolation and specialisation on the different types of work*, and on the other hand, their *cooperation and interaction*.

The international division of labour is the specialisation of individual countries on the production of goods and services that they exchange with each other.

Benefits from the IDL

Each national economy benefits from the international division of labor.

If national production costs are below world, the goods **are exported** into the world market and if national production costs are above world, the goods **are imported** from the world market.

IDL allows to receive the margin between world and internal prices of the exported goods and services as well as to lower internal expenses, while cheaper import allows to refuse expensive national production.

International division of labour (IDL): forms

1. **international specialisation**

- branches, subsectors and separate technological processes of enterprises are oriented to the uniform production over internal requirements.

Three types of subject specialisation are defined:

- production of finished (manufactured) goods;
- production of details and components;
- technological specialisation.

2. **international cooperation –** is the creation of stable productive relations between independent economic subjects.

International cooperation can be classified as follows:

a) by **types**: production, scientific and technical, in the field of design and construction of facilities, in spheres of sale, rendering services, etc.;

b) on **stages**: preproduction, production, commercial;

c) on **structure of communications between participants**: intercompany and intra-corporate;

d) on **number of participants**: two - and multilateral;

e) in **forms of the organization**: contract, coproduction, joint ventures and contractual;

e) on **territorial coverage**: between two and more countries, regional, interregional and world.

Theoretical basis of IDL

This concept was popularized by Adam Smith (1776)

The international division of labour theory is essentially based upon two elements:

– the *"Theory of Comparative Cost Advantages"*, which originates from Ricardo, and

– the *"Factor Proportion Theory"* founded by Heckscher and Ohlin.

IDL also acts as a prerequisite of the existence of international trade.

"New" International Division of Labor (NIDL):

- an outcome of globalisation (since the 1980s);
- the term seeking to explain the shift of manufacturing industries from developed to developing countries – an ongoing geographic reorganization of production;

•"old" international division of labor: until around 1970, underdeveloped areas were incorporated into the world economy principally as suppliers of minerals and agricultural commodities. However, as developing economies are merged into the world economy, more and more production takes place in these economies.

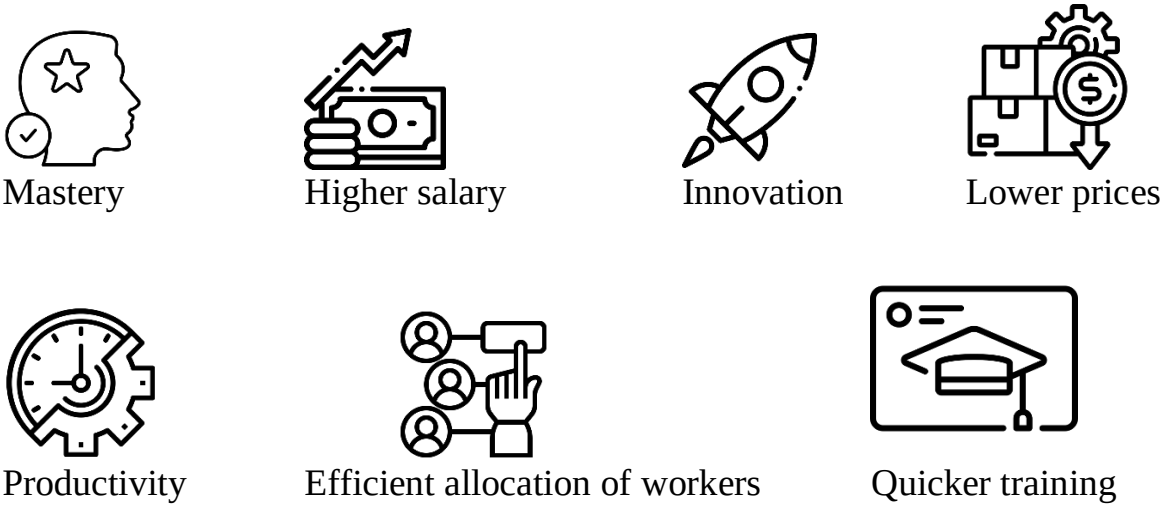
The scientific and technological revolution and the related changes in the world economy as well as the crash of colonial system belong to the major factors which have led to the basic changes in the forms and directions of the international division of labor *in the second half of the 20th century*.

Three types of the IDL were historically and logically allocated:

- **general IDL** — specialization on the spheres of production and branches of the national economy: division of the export countries on industrial, raw, agrarian, etc.;
- **particular IDL** — specialization on the types of finished goods and services (subject specialization);
- **singular IDL** — specialization on the production of separate details, knots, their components, at stages of technological process (technological specialization); the most difficult, but also perspective type of specialization.

➢ *Territorial, temporal and occupational IDL could also be mentioned.*

It is possible to consider some of the main advantages (see Picture 5) and disadvantages of the division of labour.



Picture 5 – Some advantages of the division of labor

Disadvantages of the division of labor:

- boredom from repetition;
- lack of responsibility;
- monotony in work;
- greater interdependence;
- loss of job pride;
- reduced mobility of labour;
- retarded personality;
- decline in craftsmanship;
- pollution of environment.

Some examples of division of labor can be found everywhere

1. The assembly line – the product gets transferred down an automated line where people add components to assist with making the final product.

2. Apple has a different manufacturer for almost all of its different parts, from the ID sensor to the camera.

3. House Building – a separate worker is required for the plumbing, landscaping, construction, electric work, and plastering.

1.1.3. Globalisation: Main Issues

Globalisation is about growing economic interdependence of countries as well as the rapid diffusion of technology & information.

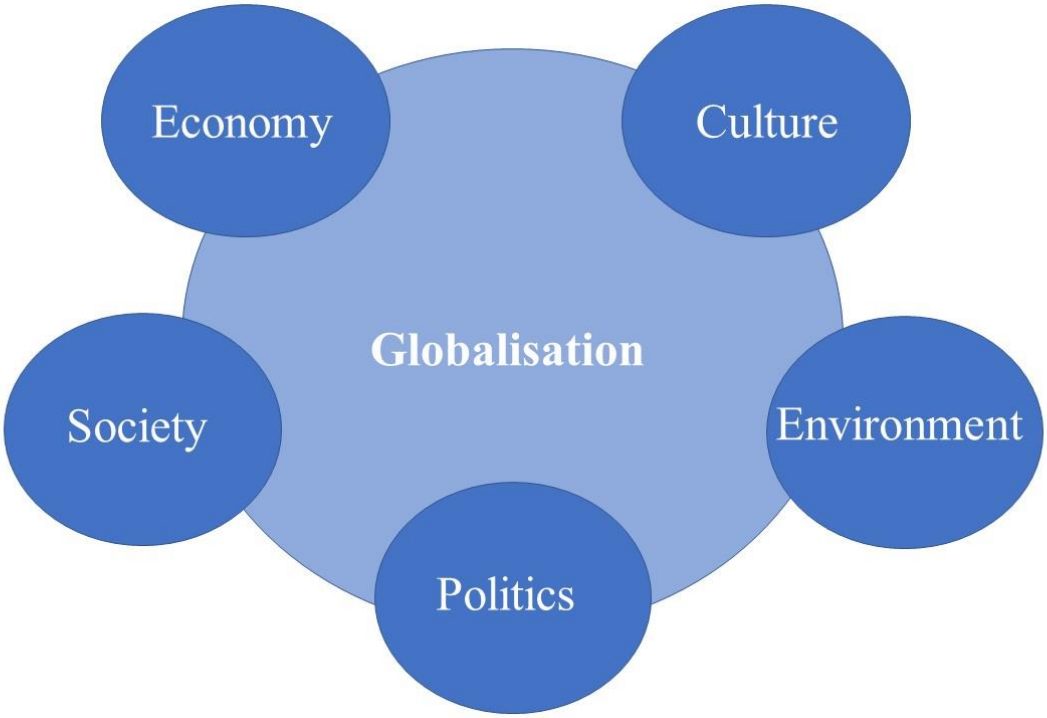
Globalisation:

- interdependence of business, politics, trade, social and financial links around the world;
- global competition characterised by networks of international linkages comprising economic, financial, political, and social markets that in turn bind countries, institutions, people in an interdependent global economy; these linkages have resulted in free movement of goods, people, money, and information across borders.

The dimensions of globalisation

It is possible to analyze globalisation in three dimensions, namely **economic, political and cultural**, in terms of the areas that it affects.

Overall, there are five main dimensions of globalization (see Picture 6).



Picture 6 – The dimensions of globalisation

Economic dimension

Economic globalisation is considered as integration of national economies with world markets and determination of all economic decision processes in accordance with the capital accumulation dynamics.

Political dimension

Globalisation from the political point of view requires re-shaping relations and roles among state, society, and individual, and creates an increase in democratization axis together with supranational mechanisms in face of nation state in use of initiative for civil society.

Cultural dimension

- In cultural globalisation, there is an emphasis on co-existence of different cultures.
- Rapid developments in transportation and communication networks create multi-culturalism and a cultural variety in nation states.
- Differences among cultures decrease and common reactions against many issues democratization, human rights, rule of law, environment, war and natural disasters occur.

The three dimensions of the KOF index [2] are defined as:

– **economic globalisation**, characterised as long distance flows of goods, capital and services as well as information and perceptions that accompany market exchanges;

– **political globalisation**, characterized by a diffusion of government policies;

– **social globalisation**, expressed as the spread of ideas, information, images and people.

The KOF Index of Globalisation, provided by the Swiss Federal Institute of Technology Zurich, measures globalisation on economic, social, and political dimensions by looking at economic flows, restrictions, information flows, personal contact, and cultural proximity. Data from 1970 to the present is available for over 200 countries. The current KOF Index of Globalization reflects the extent of economic, social and political globalization. The KOF Index of Globalization was introduced in 2002. The largest increase was measured in the economic globalization dimension. Political globalization also progressed, while social globalization, the third dimension of the Index, stagnated.

In constructing the indices of globalization, each of the variables introduced above is transformed to an index on a scale of one to hundred, where hundred is the maximum value for a specific variable over the period and one is the minimum value. *Higher values denote greater globalization.*

Table 3 – Selected countries in 2021 KOF Index of Globalisation

Rank	Country	Globalisation Index, overall
1	Netherlands	90.91
2	Switzerland	90.45
3	Belgium	90.33
4	Sweden	89.44
5	United Kingdom	89.31
6	Germany	88.73
7	Austria	88.61
8	Denmark	87.80
9	Finland	87.68
10	France	87.63
11	Spain	85.87
12	Ireland	85.75
13	Norway	85.40
14	Portugal	85.22
15	Czech Republic	84.85
51	Russian Federation	72.03
74	Belarus	67.25

[2] KOF is an acronym for the German word “Konjunkturforschungsstelle”, which means business cycle research institute.

Therefore, Table 3 shows the results for top 15 countries in 2021 KOF Index of Globalisation [3] as well as the Republic of Belarus and Russian Federation. The average value for Belarus is 52.97 points with a minimum of 34.78 points in 1991.

Globalization is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology.

This process has effects on the environment, on culture, on political systems, on economic development and prosperity, and on human physical well-being in societies around the world.

Globalisation: historic issues

Globalisation is not new, though. For thousands of years, people – and, later, corporations – have been buying from and selling to each other in lands at great distances, such as through the famed Silk Road across Central Asia that connected China and Europe during the Middle Ages.

Likewise, for centuries, people and corporations have invested in enterprises in other countries. In fact, many of the features of the current wave of globalization are similar to those prevailing before the outbreak of the First World War in 1914.

Globalisation, as historians of the subject like to point out, has been around for a long time.

Industrialisation and technological changes – such as the invention of the steam ship, which produced cheaper means of migrating and trading between continents – spurred one period of globalisation in the 19th century.

In similar fashion **new inventions** – jet aircraft, the internet – helped to encourage later periods of it.

In a World Trade Report, the WTO compared three broad periods, looking at global growth in GDP, in population and in the trade of goods (see Table 4). Migration rates are shown only for four countries of the "New" world [4].

[3] KOF Globalisation Index [Electronic resource] // KOF Swiss Economic Institute. – Mode of access: https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html. – Date of access: 27.09.2021.

[4] Three waves of change: comparing three periods of globalization [Electronic resource] // The Economist. – Mode of access: http://www.economist.com/node/11751235. – Date of access: 27.09.2021.

Table 4 – Globalisation waves: three waves of change

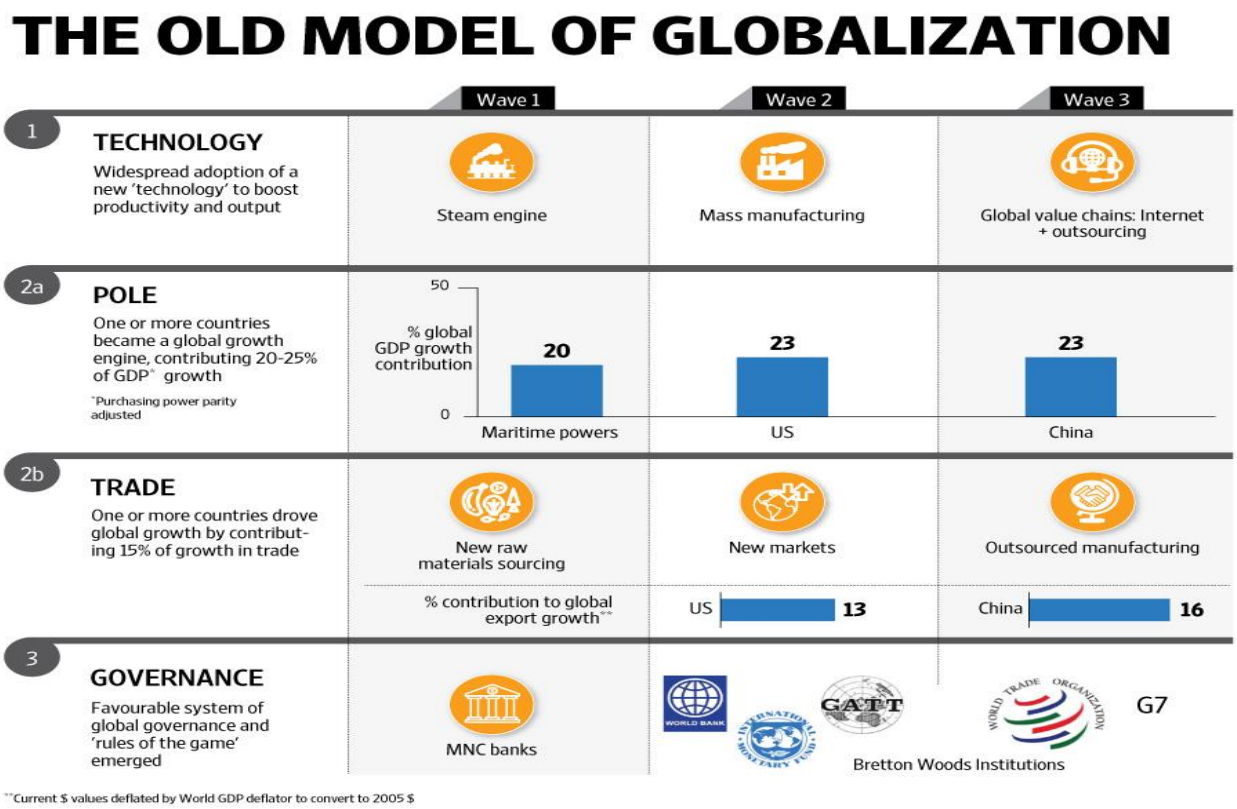
Globalisation waves					
	Average annual increase, %				Total net migration to US, Canada, Australia and New Zealand, mln
	Population	GDP	GDP per person	Trade	
1870 – 1913	0.8	2.1	1.3	3.8 *	17.9
1950 – 1973	1.9	5.1	3.1	8.2	12.7
1974 – 2007	1.6	2.9	1.2	5.0	37.04

*1850 – 1913

The analysis of the above-mentioned waves of globalization is presented in Table 5 and Picture 7

Table 5 – The waves of globalisation: analysis

	The first wave	The second wave	The third wave
Time period	1860 – 1914	1944 – 1971	1989 –
Technology	Steam engine Telegraph Electricity Internal combustion engine	Jet planes Television Communication satellites Container traffic	Microprocessor PC Internet Mobile telephones
Political leadership	Great Britain economic leader Colonialism	USA economic leader Cold War	Multi-polar (USA, EU, China) Global democratic processes
Commerce	Initially free trade, but increasing protectionism	Gradually reduced industrial tariffs	More and more countries adopt free trade
Trade in services	Limited scale Shipping industry most important	Limited scale Shipping industry most important	Increased scale in more and more branches
Capital movement	Free	Regulated	Free
Migration	Free movement Emigration	Regulated (excluding Nordic states) Labour migration	Regulated (excluding EU) Political migration



Picture 7 – Main features of globalisation waves

Globalisation is deeply controversial

Proponents of globalisation argue that it allows poor countries and their citizens to develop economically and raise their standards of living, while **opponents** of globalization claim that the creation of an unfettered international free market has benefited multinational corporations in the Western world at the expense of local enterprises, local cultures, and common people.

Resistance to globalisation has therefore taken shape both at a popular and at a governmental level as people and governments try to manage the flow of capital, labour, goods, and ideas that constitute the current wave of globalisation.

Deglobalisation

Opposite of globalisation. The process of reversing or decreasing interdependence and integration among the countries.

"Deglobalisation" was ironically the title of a 2002 book by Walden Bello, a Princeton sociologist and Filipino politician who spoke for globalization's Marxist discontents.

However, the actual deglobalisation will be driven by the reverse, the Western bourgeoisie that feels invaded by the poor world.

Regionalisation

The process of dividing an area into smaller segments called regions. One of the more obvious examples of regionalization is the division of a nation into states or provinces. Businesses also use regionalization as a management tool and a way to make certain that needs unique to particular areas are met.

Glocalization

Glocalization is the adaptation of global and international products, into the local contexts they're used and sold in.

In regards to a particular product or service, this means the adaptation of globally marketed products and services into local markets.

Glocalization is a big investment but it will pay great dividends. It will give companies wider access to a bigger target market in different cultures.

The motto is "Think globally – act locally".

The term, a linguistic hybrid of globalization and localization, was popularized by the sociologist Roland Robertson and coined, according to him, by Japanese economists to explain Japanese global marketing strategies.

Localization

Localization is ***the adaptation of a product or service to meet the needs of a particular language, culture or desired population's "look-and-feel".***

A successfully localized service or product is one that appears to have been developed within the local culture.

The anticipation of localization requirements is sometimes referred to as an internationalization.

Internationalization

1. Commerce: the growing tendency of corporations to operate across national boundaries.

2. Marketing and Computing: an approach to designing products and services that are easily adaptable to different cultures and languages.

Transnationalization

Transnationalism refers to *the diffusion and extension of social, political, economic processes in between and beyond the sovereign jurisdictional boundaries of nation-states*. International processes are increasingly governed by non-state actors and international organizations.

Globalization of human capital

Offshoring is the moving of various operations of a company to another country for reasons such as lower labor costs or more favorable economic conditions in other country.

Reshoring is the practice of bringing outsourced personnel and services back to the location from which they were originally offshored.

Insourcing vs outsourcing

Rightsourcing is selecting the best way to procure a service and deciding whether a company is best served by performing a business requirement in-house (insourcing) or contracting it out to a third-part service provider (outsourcing). Rightsourcing literally means "choosing the correct source".

1.1.4. Main Stages and Modern Features of World Economy and IER Development

Main stages in the development of the world economy and IER (origin)

The world economy began to develop long ago. Everything began with world trade which represents set of foreign trade of all countries of the world.

At the most ancient stages of human history the whole people could adjoin directly with each other. Such contacts arose at migrations, mass escape from natural disasters, at power sections of territories, exchanges.

The big contribution to formation of world trade by goods and services was brought by active distribution of the market relations, great geographical discoveries of the XV – XVII centuries, emergence in the XIX century of the machine industry and modern automobiles and communication.

Columbus, Vasco da Gama and Magellan expeditions moved apart limits of the world market many times over, having attached to it new regions.

Economic communications with these regions were strengthened after the beginning of mass manufacturing of finished products in the XIX century in Western Europe in the beginning, and then in North America, Russia and Japan. It were simple and cheap consumer goods. Their sale was promoted by steamships, the railroads, telegraph. As a result, by the end of the XIX century there was a world market of goods and services.

At the same time in the world the movement of factors of production amplified (the capital, labor, enterprise abilities, technology, etc.). Streams of economic resources went in one direction – from the most developed countries in less developed.

Then process of movement of economic resources became more complex: the capital, enterprise abilities and technology began not only to be imported, but also to be exported by the moderately developed countries, and underdeveloped countries actively participated in export of labor also. As a result, the international movement of factors of production becomes mutual.

Main stages in the development of the world economy and IER (modern period)

1. The period from the end of the 19th century to the beginning of World War I is considered by many to be the time of the first wave of globalisation, because the world economy resembled the modern one, with a high degree of participation of national economies.

The transition of capitalism to the monopoly stage.

It is a stage of strengthening of openness of world economy. The raw orientation of world trade prevailed. However, the export share constantly grew.

2. The period from the outbreak of World War I to the early 1950s was characterised by the winding down of world economic relations (during two world wars, revolutions and civil wars, the economic crisis of the 1930s).

As a result the volume of world trade only recovered in the early 1950s. The contradictions of the world capitalist and world socialist economies took place.

It was characterized by the instability and crises accompanying development of world economy. The tendency to an autarchy (autarky) of national firms and protectionism amplified, and also the role of export decreased.

3. The period from the early 1950s to the beginning of the 21st century was a time of **globalisation (formation of the global world economy), intensive development of IER, active transnationalisation, integration and liberalisation of the world economy**. For developed countries it is the time of transition to the stage of post-industrialisation, for developing countries it is the time of their increasing differentiation (some of them are catching up with developed countries, while others are falling further behind); for the countries with economies in transition - the period of development and then collapse of their socialist economy as well as the subsequent return to the principles of market economy.

4. The period from the early 1950s to the beginning of the 21st century was a time of **globalisation (formation of the global world economy), intensive development of IER, active transnationalisation, integration and liberalisation of the world economy**. For developed countries it is the time of transition to the stage of post-industrialisation, for developing countries it is the time of their increasing differentiation (some of them are catching up with developed countries, while others are falling further behind); for the countries with economies in transition - the period of development and then collapse of their socialist economy as well as the subsequent return to the principles of market economy.

5. The 1950-70s of the XX century.

The stage is characterized by emergence of integration groups (the EU, etc.), a transnationalization process, active movement of technologies, enterprise abilities and the capital, the world market of the loan capital was restored. The socialist and developing states began to apply for a special role in the world economy.

6. The period of the 1980-90th.

The developed countries pass into the era of post-industrialization, many developing countries overcome economic lag (like China), former communist countries pass to market economy.

7. The end of XX – the beginning of the XXI century – the present stage of formation of the world economy and IER.

It is distinguished by the increased extent of development of geographical space, formation of the international productive forces, strengthening of economic interaction and interdependence. The introduction of the world economy in a new stage of development is followed by enhancing cooperation between the countries in the economic sphere.

Globalization and internationalization

At the beginning of the XXI century the world economy finds new quality, globalization becomes the major form and at the same time new stage of which internationalization of economic life.

The main driving forces of process of globalization are deepening of the international division of labor and information revolution. Sharply degree of openness and interdependence of national firms increases.

Global economic processes

Global economic processes become dominating, and the center of gravity of enterprise strategy moves with national on supranational level.

The national state gradually loses opportunity effectively to use traditional measures of macroeconomic regulation (import barriers, export subsidies, rate of national currency, a rate of refinancing of the central bank) and is compelled to be guided in the economic policy by world tendencies.

Internationalization, international specialization and international cooperation

Now the logic of evolution led the world economy from internationalization of an exchange to internationalization of the capital and production.

During competitive fight between the countries there was the system of the international division of labor which assumes the steady production of goods and services in the certain countries over internal requirements counting on the international market, and is based on the international specialization and the international cooperation.

Economic integration

Economic interaction of the countries at the regional level became other important tendency in development of the modern world economy.

The international economic integration represents process of economic and political association of the countries on the basis of development of deep steady interrelations and division of labor between separate national firms.

The highest form of interstate economic integration is the economic and currency union. Integration processes gained the greatest development **in Western Europe (EU) and North America (North American association of free trade).**

Organisational and economic features of internationalization

Besides integration associations quite noticeable place in processes of interaction in the economic sphere of the certain states is taken by associations of the manufacturing countries and exporters of raw materials as well as free economic zones.

Thus, the world economic relationships which are shown in internationalization of production and integration led to strengthening of interrelation of separate national economies, formation of integrity of the world economy.

1.2. International Trade and its Regulation

1.2.1. The Essence of Foreign Trade Transactions and Their Classification

International trade transaction is a contract (agreement) between two or more parties located in different countries for the delivery of a fixed quantity of goods and/or services under agreed terms and conditions. An international trade transaction is the legal form that mediates international commercial transactions.

Recognition of the sale agreement as international

A contract of sale shall not be considered as international if it is signed between parties of different nationalities whose places of business are in the territory of **one state**.

A contract is considered to be international if it is between parties of the same nationality whose places of business are **in different states**.

In other words, for a contract to be international, the fact of **crossing the border** is necessary, regardless of the fact that the goods transported essentially belong to the same firm or company.

International trade transaction: features

Execution is accompanied by **a payment in the foreign currency** to one or both of the parties.

The term **"commercial transaction" includes all transactions** involving the exchange of goods in tangible form and the provision of services, both basic and those supporting the international flow of goods.

Once a transaction is concluded, specific rights and obligations of a civil law nature arise for the subjects of the transaction.

The special nature of the transaction makes it subject not only to the general rules of civil law, but also to the special rules of commercial law that define the rules for their conclusion and execution.

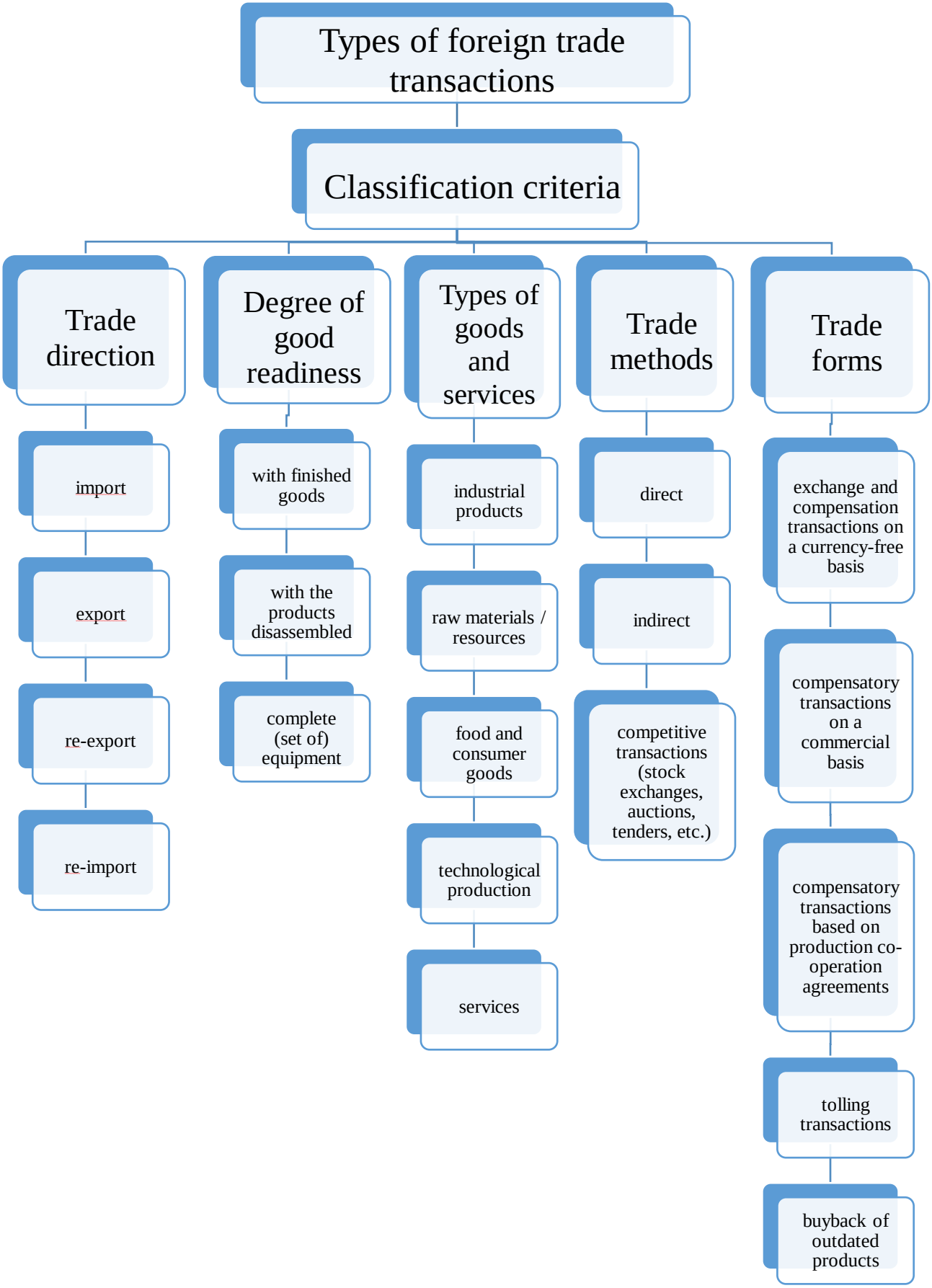
Main and collateral transactions

The **main transactions** in international trade include sales, leasing, contracting, renting and hiring.

The **collateral or ancillary transactions** include agency agreements with intermediaries, agreements with advertising agencies and market research organisations, customs and other transactions.

The **collateral or ancillary transactions** are carried out either **directly by sellers (exporters) and buyers (importers), or by other firms and organisations** on the basis of separate agreements and contracts for appropriate remuneration. There are usually up to 10 ancillary transactions per main transaction.

The principal types of foreign trade transactions are presented in Picture 8.



Picture 8 – Types of foreign trade transactions

1.2.2. The United Nations Convention on Contracts for the International Sale of Goods (The Vienna Convention)

This Convention applies to contracts of sale of goods between parties whose places of business are in different States.

It is an international tool of practical relevance to the conclusion and implementation of foreign trade contracts.

Developed by the United Nations Commission on International Trade Law (UNCITRAL) to define uniform rules governing international commercial contracts and adopted in Vienna on 11.04.1980.

Preparation of a uniform law for the international sale of goods began in 1930 at the International Institute for the Unification of Private Law (UNIDROIT) in Rome.

94 states, including Belarus, have ratified, acceded to, approved, accepted, or succeeded to the convention.

The UN Convention entered into force in Belarus on 1 November 1990.

This Convention does not apply to sales (Article 2):

(a) of goods bought for personal, family or household use, unless the seller, at any time before or at the conclusion of the contract, neither knew nor ought to have known that the goods were bought for any such use;

(b) by auction;

(c) on execution or otherwise by authority of law;

(d) of stocks, shares, investment securities, negotiable instruments or money;

(e) of ships, vessels, hovercraft or aircraft;

(f) of electricity.

The UN Convention provides that parties to a transaction have the right to derogate from or modify the application of any of its provisions by stating this in the contract.

!!! The exception is the requirement that the parties of the transaction must amend or terminate the contract ***in the written form***.

The Vienna Convention does not purport to be applicable as a matter of priority to other international agreements.

An essential place in the UN Convention is reserved for the consideration of the trade customs to which the parties have agreed and the practice established in their mutual relations.

Trade customs is **a business practice is a well-established and widely used rule of conduct in any field of business activities** (e.g. a tradition of fulfilling certain obligations) that is **not prescribed by law, regardless of whether it has been recorded in a document.**

Amongst business practices, an international trade usages and customs stand out.

Examples: Principles of International Commercial Contracts (UNIDROIT); International Rules for the Interpretation of Commercial Terms (Incoterms).

Article 9

(1) The parties are bound by any usage to which they have agreed and by any practices which they have established between themselves.

(2) The parties are considered, unless otherwise agreed, to have impliedly made applicable to their contract or its formation a usage of which the parties knew or ought to have known and which in international trade is widely known to, and regularly observed by, parties to contracts of the type involved in the particular trade concerned.

Commercial / trade customs

An international trade custom is a uniform rule of conduct established in the practice of international trade.

A rule of conduct may qualify as an international trade custom if:

- it is **a stable, regular, mastered, and unified practice** of international trade;
- it is **recognised as a legal norm**, i.e. it is legally binding.

The *resolution of a dispute from international commercial contracts on the basis of trade customs is provided for in many national and international legal acts.*

Trade usages and customs

The term custom and usage is commonly used in commercial law, but **"custom"** and **"usage"** can be distinguished.

A usage is a repetition of acts whereas custom is the law or general rule that arises from such repetition.

A usage may exist without a custom, but a custom cannot arise without a usage accompanying it or preceding it.

A usage is a uniform, stable rule, a general practice without legal force.

Usually, the formation of a usage is the first stage of establishing a customary rule of law.

Custom is also a general practice, but recognised as a legal rule (Article 38 of the Statute of the International Court of the UN).

United Nations Convention on Contracts for the International Sale of Goods applies to:

- the conclusion of international sale and purchase agreements,
- the rights and obligations of the parties arising from the contract,
- the liability of the parties to the transaction for non-performance or improper performance of obligations.

!!! Doesn't address the content of the contract and the issue of the ownership of the goods sold.

The Vienna Convention is structured into 4 parts, comprising 101 articles:

Part I. Sphere of application and general provisions.
Part II. Formation of the contract.
Part III. Sale of goods.
Part IV. Final provisions.

Structure: main issues

Part II (Formation of the contract) regulates the formation of a contract and defines the concepts of offer and acceptance.

Part III (Sale of goods) is divided into the following chapters.

✓ General provisions.
✓ Obligations of the seller.
✓ Obligations of the buyer.
✓ Passing of risk.
✓ Provisions common to the obligations of the seller and of the buyer.

The Vienna Convention: resolving the outstanding issues

The issues not directly resolved by the Convention shall be resolved in accordance with the general principles on which it is based and, in the absence of such principles, in accordance with the law applicable by virtue of the conflict of laws.

(A conflict of laws is a rule that contains a rule to determine the law applicable to the regulation of relations complicated by a foreign element).

Conflict of laws principles is a set of rules for determining which **law** to apply in a case over which two or more contradictory **laws** seem to have jurisdiction.

The significance of the United Nations Convention on Contracts for the International Sale of Goods:

- elimination of major differences in national legislation governing the international sale of goods;
- the definition of the features of the international nature of the contract;
- defining the list of objects of sale to which this convention does not apply;
- the list of the types of contracts and services to which the convention does not apply;
- defining the basic rights and obligations of the parties;
- the form of the sale-purchase contract;
- regulation of the procedure for concluding contracts by means of commercial offers;
- determining the remedies in case of the breach of contract by the seller or the buyer and the procedure for the calculation of damages;
- regulation of the contractual relationships of the parties in the event of a dispute between the seller and the buyer, where at least one of the parties is from a State which is not a party to the Convention.

1.2.3. Incoterms: Content, Objectives and Structure

Incoterms are *international rules recognised by governments, businesses and traders around the world as an interpretation of the most applicable terms in international trade.*

Incoterms: editions

The *International Chamber of Commerce* first published a set of international rules for the precise definition of trade terms in 1936. These rules are known as Incoterms 1936.

Amendments and additions *were later made in 1953, 1967, 1976, 1980, 1990, 2000, 2010 and 2020 to bring the rules in line with current international trade practices.*

The current rules of interpretation of Incoterms 2020 are the most recent edition of the rules.

Incoterms apply to the rights and obligations of the parties to the contract of sale in relation to the supply of goods *(terms and conditions for the supply of goods).*

Main features

- Incoterms regulate transportation rather than the sale and purchase.
- However, Incoterms is used in both international and domestic sales contracts.
- The provisions of Incoterms should cover all duties that the parties wish to include in the contract.

Structure

Incoterms 2020 practical chart outlines the obligations, costs and risks of the buyer and seller under each of the **11 Incoterms rules.**

Incoterms 2020 are divided **into four groups (C, D, E, F).** The rules are classified according to the fees, risk, responsibility for formalities, as well as issues related to import and export.

Incoterms structure:

group E – the seller's obligations are minimal and limited to placing the goods at the disposal of the buyer;

group F – the seller's obligations are limited to dispatching the goods and he does not pay for the underlying carriage;

group C – the seller arranges and pays for the transport without assuming any risk;

group D – the seller's costs and risks are greatest because the seller must place the goods at the disposal of the buyer at the agreed place of destination (ensure arrival).

Group E (Departure)

In group E*, the seller makes the goods available to the buyer at the delivery point indicated by the seller.*

The seller is not obliged either to customs or export clearance and does not bear the risk and costs of loading.

In group E, there is only one Incoterms term – EXW.

- ❑ **EXW** – Ex Works (Place of Delivery, Usually Seller's Premises)

Group F (Main Carriage Unpaid)

Group F obliges *the seller to perform export customs clearance*.

The seller does not pay transport and insurance costs.

FCA, FAS, and FOB belong to this group.

- ❑ **FCA** – Free Carrier (Place of Delivery)
- ❑ **FAS** – Free Alongside Ship (Port of Shipment)
- ❑ **FOB** – Free on Board (Port of Shipment)

Free (franco) is a trade term referring to a specific place designated in the contract of sale; all responsibility and costs for the delivery of the goods to that place are on the seller.

Once the seller has delivered the goods to the named place, the buyer is responsible for all costs and responsibility for the goods.

Group C (Main Carriage Paid)

In Group C, *the seller concludes a transport contract with the forwarder and takes the costs*. In this case, *the seller is responsible for conducting export clearance*.

The risk is transferred at the time of posting the goods to the buyer.

All matters arising after loading costs related to transporting, and other events, are the buyer's responsibility.

Group C includes the following Incoterms rules: CFR, CIF, CPT, and CIP.

- ❑ **CFR** – Cost and Freight (Port of Destination)
- ❑ **CIF** – Cost, Insurance and Freight (Port of Destination)
- ❑ **CPT** – Carriage Paid to (Place of Destination)
- ❑ **CIP** – Carriage and Insurance Paid to (Place of Destination)

Freight:

- payment to the owner of the vehicle for the carriage of goods or passengers and for loading and unloading;
- cargo carried on a freight basis;
- the process of freighting cargo.

Group D (Arrival)

The rules in Group D apply to any mode of transport. For each rule, *the seller is responsible for all costs and the risks of loss or damage to the goods until they've been delivered to the buyer*. The *main differences between the rules in this group relate to the payment of import duties and unloading costs.*

DAP, DPU, and DDP belong to this group.

The three rules that make up Group D are as follows.

- **DAP** – Delivered at Place (Named Place of Destination)
- **DPU** – Delivered at Place Unloaded (Named Place of Destination)
- **DDP** – Delivered Duty Paid (Named Place of Destination)

4 terms for ocean and inland waterway transport

Free Alongside Ship (FAS): seller delivers by placing goods alongside a vessel nominated by buyer.

Free on Board (FOB): seller delivers when goods are on board a vessel nominated by buyer.

Cost & Freight (CFR): seller pays for costs and freight to named destination and delivers when goods are on board a vessel nominated by buyer.

Cost, Insurance & Freight (CIF): seller pays for costs, freight, and insurance to named destination and delivers when goods are on board a vessel nominated by buyer.

Explanations

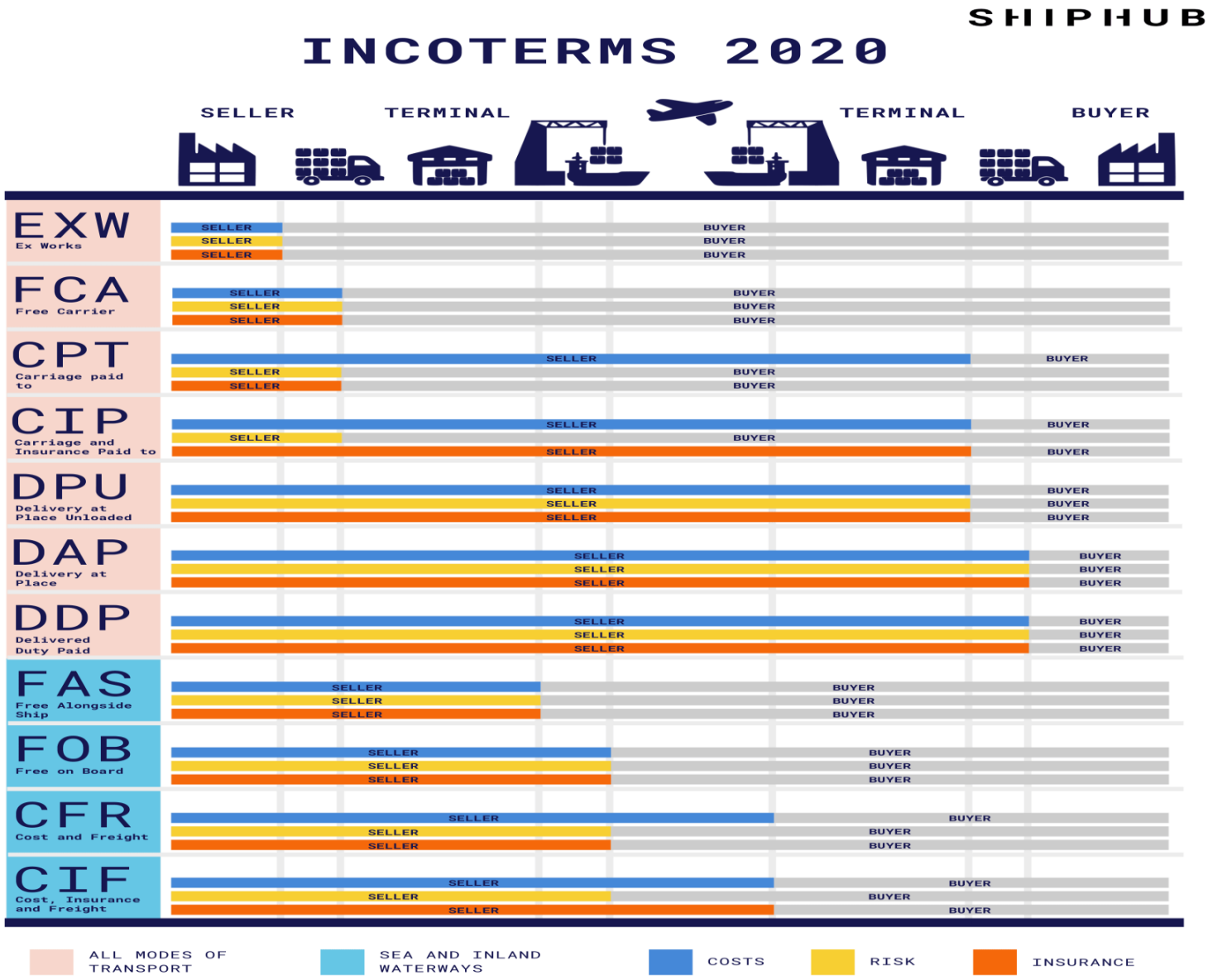
The explanations before the terms are used to facilitate the correct choice of term and are not part of Incoterms.

Paper documents in a contract of sale may be replaced by electronic documents.

The security of the goods at different stages is controlled by both the seller and the buyer.

When the freight is paid by the seller it is essentially paid by the buyer (as the costs are included in the price of the goods).

The overview of Incoterms 2020 is presented in Picture 9.



Picture 9 – The overview of Incoterms 2020

Application

In order to correctly use the terms of the Incoterms basic terms of delivery, the entrepreneur shall simply include the appropriate delivery basis in the text of the contract.

Although Incoterms are globally recognised, when making deliveries, it should be taken into account that each country and each port have their own customary business customs that may affect the interpretation of specific nuances of the delivery.

When introducing Incoterms 2020 in the text of the contract, it is necessary **to strive for the most precise definition of the destination or port at which the transfer of responsibility should take place.**

If there is **any discrepancy between the text of the foreign trade contract and the official edition of Incoterms 2020 – the contract will be preferred!**

Any edition of Incoterms may be used by the parties.

The rules of Incoterms 2020 may not fully take into account the interests of the parties, when introducing terms in the provisions of foreign trade contracts the key concepts may not be clearly understood by the parties.

Incoterms 2020 may lack the precision required by the contracting parties.

The negligent choice of the term Incoterms 2020 by the parties, which does not fully meet the wishes of the parties, may also cause problems.

Basic principles for selecting a term

The seller, whenever possible, should be guided by the following principles:

- refuse to impose additional duties;
- however, the seller's increased duties may enable him to set competitive prices for the goods.

The buyer, on the other hand, should bear in mind that, if the goods can be sold on the move, **terms for ocean and inland waterway transport** should be used.

Transfer of risk of loss or damage of goods and transfer of ownership

The international rules of Incoterms 2020 do not regulate the transfer of ownership of the goods in transit.

The scope of Incoterms 2020 is limited to describing the moment of transfer of the risk of loss or damage to the goods.

!!! The moment of the transfer of risk under the rules of Incoterms 2020 may not always coincide with the moment of transfer of ownership of the same goods.

When carrying out foreign trade delivery there may be a situation where the buyer of the goods will not yet be the owner, but nevertheless will be liable for accidental loss or destruction of goods.

1.2.4. Current Trends in the Development of International Trade

Important trends in the current development of international trade are as follows.

1. *Trade in goods and services is growing faster than the growth of the material production sectors and the GDP* of individual countries and the world economy as a whole.

2. *Increase in exports of manufactured goods to a greater extent than exports of raw materials* (impact of the division of labour and scientific and technological progress). Thus, the share of production of the primary sector of the economy (fuel, raw materials, and food) is decreasing and the share of production of skilled branches of the processing industry, including high technologies, i.e. especially knowledge-intensive productions, is increasing.

3. *Growth of global trade in services, licences, shares, intellectual property objects, etc.* It is important to note that trade in services takes place predominantly between Western countries (about 70%).

4. *World exports are shifting significantly towards European countries and countries in Asia and the Middle East.* The main importers of products remain the industrialised countries of Europe, North America and the dynamically developing countries of East Asia. At present 3⁄4 of world merchandise exports and imports account for the mutual trade of three powerful world economic centres: Western Europe, North America and East and South-East Asia.

5. *The largest commodity markets determining the nature of world trade are the market for machinery and transport equipment, the market for mineral fuels, and the market for chemical industry products.*

6. *The content of the international trade process is serving the needs of global production within TNCs and MNCs.* More than half of trade in finished products is now conducted through long-term agreements and contracts for science, technology, production and marketing cooperation.

7. *Regional integration associations, connecting flows of goods, services, capital, labour, into a single economic space, have an increasing influence on the development of world trade.* Currently, about 2⁄3 of international trade is conducted on a preferential basis within the framework of regional trade agreements.

8. *Increase in competition; new methods of competition appear; improvement of product quality; improvement of the sales system; increase in the role of advertising and the media, etc.*

9. *The development of the service sector and the need to attract foreign capital has been a decisive factor in the creation of offshore zones (most of them in Latin America, Asia and Oceania) and FEZs (free economic zones).*

10. *International and global marketing.*

11. *The formation and development of the international trade system is highly dependent on the world economic leader, the USA.* The US market is one of the largest segments of the world market. More than 1/4 of the consumption of finished goods is imported. Some 80 countries have seen their exports grow as a result of increased shipments to the USA. For example, the United States is the world's largest trading nation, with over $5.6 trillion in exports and imports of goods and services in 2019.

12. *International trade remains the most reliable source of external income for developing countries, particularly the poorest.* However, with the declining material and energy intensity of industrialised countries' growth, the role of natural raw materials in international trade is clearly on a downward trend.

13. *The dependence of industrialised Western countries on imports of raw materials from developing countries has weakened considerably*. Therefore, industrialised countries take the leading position in international trade, specialising mainly in the supply of high-tech products – machinery, electronic equipment, pharmaceuticals and chemicals.

14. *The place and role of different countries are highly differentiated.*

1.3. International Economic Integration

1.3.1. International Economic Integration: Essence, Prerequisites and Goals

International economic integration (IEI) is a process of economic interaction between countries, leading to the convergence of economic mechanisms, taking the form of cross-border agreements and coherently regulated by intergovernmental bodies.

Regional economic integration leads to closer economic, political, scientific and cultural relations between participating countries, eliminates, or significantly weakens, barriers to the movement of goods, services, capital and labour.

The role of integration

International integration implies sustainable and continuous international cooperation. It creates additional prerequisites for the strength of state borders and the formation of a common (economic, legal and information) space.

International economic integration modifies certain areas of international relations: the practice of *international (multilateral and bilateral) agreements evolves, supranational structures and bodies of a coherent international regulatory system are created, and special mechanisms and tools are applied.*

Economic integration is characterised by:

- ✓ the interpenetration and intertwining of national production processes,
- ✓ the broad development of international specialisation and cooperation in production, science and technology on the basis of their most progressive and profound forms,
- ✓ profound structural changes in the economies of the participating countries,
- ✓ purposeful regulation of the integration process, development of a coordinated economic strategy and policy.

The following prerequisites contribute to the creation of integration groupings:

- *the proximity of the level of economic development and the degree of market maturity of the economies of the integrating countries;*
- *geographical proximity, shared borders and historical economic ties;*
- *common economic and other challenges;*
- **the demonstration effect** arising from the fact that positive shifts are taking place within the integration entity, which cause neighbouring countries to seek accession; an example is Central and Eastern European countries wanting to join the EU;
- **the "domino effect",** which is related to the fact that countries remaining outside the integration grouping begin to experience difficulties due to the re-orientation of the integrating countries' economic ties to each other.

All integration entities, despite their differences and multiplicity, have similar strategic objectives:

- exploiting **economies of scale** (eliminating duplication, expanding market size, reducing transport and transaction costs, etc.)
- creating **a favourable foreign policy environment**;
- expansion of **mutual trade**;
- promotion of **the structural transformation of the economy**;
- support for local **producers and young industries**;
- **inflow of foreign investments**.

As a result of integration, individual groups of countries create among themselves the most favourable conditions for trade and inter-regional movement of the factors of production.

Regional formations / associations are evaluated positively, provided that the group of integrating countries does not establish less favourable conditions for interaction with third countries.

Economic integration brings with it a number of favourable conditions for the parties involved:

- integration cooperation provides economic actors (producers) with better access to resources: financial, labour, material, as well as the latest technologies, and allows for the production of products in the anticipation of a larger market;
- economic convergence of countries in a regional framework creates preferential conditions for firms in the member states of economic integration, protecting them to a certain extent from competition from firms in third countries;
- integration interaction makes it possible to tackle the most urgent problems of a social nature.

The short-term effects of integration are expressed in terms of:

✓ benefits of *highly specialised export-oriented production through "economies of scale"*;
✓ increased price competition by *eliminating tariff and non-tariff barriers*;
✓ promotion of *intra-regional trade*;
✓ *"cross-investment", which is intra-industry, meaning that states are both countries of capital origin and countries of destination*.

The long-term effects of integration are determined by:

✓ the emergence of *a larger market*;
✓ the growth of *foreign direct investments*;
✓ the creation of *favourable conditions for the further growth of concentration and centralisation of production and capital*.

1.3.2. The Stages of International Economic Integration

Seven stages of economic integration are defined as follows:

1. a preferential trading area,
2. a free trade area,
3. a customs union,
4. a common market,
5. an **economic** union,
6. an **economic** and monetary union, and
7. complete **economic integration (political union)**.

Preferential trade area / agreement (PTA)

Countries give each other more *favourable regime* than to third countries; more often this is implemented by lower customs duties on goods in international trade between these countries.

Countries that sign this type of trade pact enjoy lower tariffs for certain products than the countries that don't. Some types of PTAs can lead to trade creation, which occurs when high-cost domestic production is replaced by low-cost imports from other members; this is beneficial for the living standards of all countries involved. Other types of PTAs can lead to trade diversion as trade moves from a more efficient supplier outside of the PTA towards a less efficient one within the PTA. Ideally, a PTA would result in more trade creation than diversion.

- ❑ *Example: Trans-Pacific Partnership (TPP)*

Free-trade area (FTA)

Total elimination of customs tariffs in mutual trade in goods and services, while maintaining national customs tariffs with third countries; in most cases, the free trade area applies to all goods except agricultural products; can be coordinated by a small interstate secretariat located in the territory of a member state, but often works without it.

Because there are many kinds of external tariffs, FTAs generally develop elaborate *"rules of origin". These rules are designed to prevent goods from being imported into the FTA member country with the lowest tariff and then trans-shipped to the country with higher tariffs.*

- ❑ *Example: North American Free Trade Agreement (NAFTA) / The U.S.-Mexico-Canada Agreement (USMCA)*

Customs union (CU)

When a group of countries agrees to form a customs union – eliminating tariffs between themselves and setting a common external tariff on imports from the rest of the world – their standard of living increases. A customs union provides for a duty-free intra-regional trade in goods and services and full freedom of movement within the region. Usually a customs union requires the creation of an already more developed system of inter-state bodies that coordinate the implementation of a coherent foreign trade policy.

Yet while a customs union avoids the problem of developing complicated rules of origin, it introduces the new problem of policy coordination: tariff rates across a range of import industries must be agreed upon by all members.

- *Examples: Caribbean Community (CARICOM) and Central American Common Market (CACM)*

Common (or single) market (CM)

A common market agreement establishes free trade in goods and services, sets common external tariffs among members and allows for the means / factors of production to be easily moved between countries.

A common market increases competition and specialization as well as makes the allocation of resources more efficient within its member states.

Coordination takes place at periodic meetings (usually once or twice a year) of the Heads of State or Government of the participating countries as well as at much more frequent ministerial meetings, supported by a permanent interstate secretariat.

- *Example: Mercosur (Southern Common Market)*

Economic union (EU)

This is a type of common market that adds some fiscal-spending responsibilities:

- *the abolition of customs duties* in trade between the countries of the union, a form of collective protectionism from third countries,
- availability of *agreements on the freedom of movement of other factors of production*, i.e. financial and human capital,
- availability of *agreements on harmonisation of social, fiscal and monetary policies.*

- *Example: Eurasian Economic Union (EEU)*

Economic and monetary union

- members *use a common currency and a central monetary authority to determine monetary policy*;
- *goods, capital, services and labour can move freely across borders;*
- *the harmonization of the economic policies of the member states;*
- *the abolition of customs duties in trade between the countries of the union,* the form of collective protectionism from third countries;

- the existence of *agreements on fiscal and monetary policy harmonization*;
- the existence of *supranational governing bodies and the conduct of uniform macroeconomic policies.*

❑ *Example: The European Monetary Union (the "euro zone")*

Complete economic integration (political union)

Complete integration, which implies a unified economic, monetary, fiscal and fiscal policy, the introduction of a single currency, and the establishment of supranational regulatory bodies within the integration grouping.

Governments agree *to relinquish some of their functions in favour of supranational bodies, which are empowered to make decisions on issues related to the organisation without consulting member governments.* There is a complete harmonisation of their economic policies.

While there is some loss of independence with this arrangement, the primary economic benefit is that the free movement of goods, services, labour and capital is guaranteed.

❑ *Example: The European Union*

To conclude, it is possible to summarise the features of the main stages of economic integration (see Table 5).

Table 5 – The overview of the main stages of economic integration

Basic Elements of the Stages of Economic Integration	
Free Trade Agreement (FTA)	Zero tariffs between member countries and reduced non-tariff barriers
Customs Union (CU)	FTA + common external tariff
Common Market (CM)	CU + free movement of capital and labour, some policy harmonization
Economic Union (EU)	CM + common economic policies and institutions

It is necessary to underline and analyse some aspects of monetary and fiscal unions.

Monetary Union

Monetary union is the *first major step towards macro-economic integration*, and enables economies to converge even more closely. *Monetary union involves scrapping individual currencies, and adopting a single, shared currency.*

Fiscal Union

It is *an agreement to harmonise tax rates, to establish common levels of public sector spending and borrowing, and jointly agree national budget deficits or surpluses.*

The process depicting the increase in integration is represented and summarised in Picture 10.

Picture 10 – The increase in integration

1.3.3. The Effects of Customs Unions

Viner's theory of a customs union

Before Jacob Viner developed the theory of customs union, there was a general belief that customs union raises the level of welfare as customs union is a movement towards freer trade at least within a specific area.

Viner pointed out that the conclusion concerning increase in welfare due to customs union is not necessarily true.

He analysed the production effects of customs union through the concepts of *trade creation and trade diversion.*

According to Viner's theory of a customs union, two types of effects arise in the economy as a result of its creation:

- **static effects** are economic effects that appear *immediately after the customs union is established as an immediate result of the customs union*;
- **dynamic effects** are economic effects that *appear at later stages of the customs union operation*.

Among the static effects, the "trade creation effect" and the "trade diversion effect" are the most important

"Trade creation effect" arises from the elimination of import duties within a customs union and the reorientation of local consumers from a less efficient domestic source of supply to a more efficient external source. As a result, *the scale of trade and the welfare increase*.

"Trade diversion effect" is essentially the opposite of the "trade creation effect" and consists in a reorientation of local consumers from purchasing goods from a more efficient non-integration source of supply to a less efficient intra-integration source.

Existing calculations show that the "trade diversion effect" overlaps with the trade creation effect, which generally leads to welfare gains.

Reducing the administrative costs associated with trade transactions and improving the terms of trade with third countries.

By removing trade barriers in an integration association and simplifying customs clearance procedures, the need for complex controls over the movement of goods and services across member countries' mutual borders is reduced or eliminated, thereby reducing the administrative costs of customs and border authorities. In addition, each member of an integration entity can strengthen its market position in the international economy through its membership, resulting in improved terms of trade with third countries.

The positive dynamic effects of international economic integration:

- the expansion of the market for producers in participating countries as a result of the removal of market access restrictions in partner countries;

- increased opportunities to take advantage of economies of scale that could not be achieved within national economies;
- increased competition, thus stimulating the introduction of new technologies, improvement in the quality of products, development of new types of products, reduction of production costs and prices;
- broadening of mutual access to technologies and resources, increasing investment in promising sectors determining scientific and technological progress, as well as research and development
- increasing the inflow of foreign investments;
- development of infrastructure (transport, telecommunications, energy supply, etc.)
- reduction of business risks;
- expansion of opportunities for joint solution of social and economic problems.

The negative dynamic effects of integration

The one-sided benefits to more developed partner countries as well as price increases due to oligopolistic conspiracies of MNCs of participating countries and manifestations of negative economies of scale (losses in scale).

Overall, however, *the positive effects of integration, both static and dynamic, outweigh the negative ones.*

The benefits of a customs union occur under the following conditions:

✓ if the *demand for imports in the country is highly elastic*;

✓ if *joining a customs union leads to a significant reduction of domestic prices in the country*;

✓ if there is *less difference in price levels between the customs union partners and third countries*.

The trade effect depends on whether trade expansion (creation) or diversion will take place.

1.4. International Resource Movements

The movement of the factors of production / resources

Sometimes we have to deal with commodity trade and assume no international resource movement.

However, capital, labor, and technology do move across national boundaries.

In some ways, *international trade and movements of productive resources can be regarded as substitutes for one another*.

Multinational corporations are an important vehicle for the international flows of capital, labor, and technology

For example, a relatively capital-abundant and labor-scarce country, such as the United States, could either export capital-intensive commodities or export capital itself, and either import labor-intensive products or allow the immigration of workers from countries with plentiful labor supplies.

As in the case of international trade, the movement of productive resources from nations with relative abundance and low remuneration to nations with relative scarcity and high remuneration has a tendency to equalize factor returns internationally and generally increases welfare.

1.4.1. International Movement of Capital and Foreign Investments. Horizontal and Vertical Integration. MNCs. M&A

Export of capital

Export of capital is the process of removing part of the capital from the national turnover in a country and moving it in the commodity or monetary form into the production process and circulation of another country.

Capital is the stock of durable material goods necessary for the production of other goods.

The export of capital takes the form of

- direct investments in industrial, commercial and other businesses;
- portfolio investments in foreign bonds, shares, and securities;
- medium-term and long-term international loans to industrial and commercial corporations, banks and other financial institutions;
- economic aid (free of charge and in the form of soft loans).

There are two main types of foreign investments: portfolio investments and direct investments

Portfolio investments are *purely financial assets, such as bonds, denominated in a national currency.* With bonds, the investor simply lends capital to get fixed payouts

or a return at regular intervals and then receives the face value of the bond at a prespecified date.

Direct investments (FDI) are *real investments in factories, capital goods, land, and inventories where both capital and management are involved and the investor retains control over use of the invested capital*. Direct investment usually takes the form of a firm starting a subsidiary or taking control of another firm (for example, by purchasing a majority of the stock).

Portfolio investments

Most foreign investments prior to World War I were of this type and flowed primarily from the United Kingdom to the "regions of recent settlement" for railroad construction and the opening up of new lands and sources of raw materials.

The U.S. government defines as a portfolio investment stock purchases that involve less than 10 percent of the voting stock of a corporation. (A purchase of 10 percent or more of the voting stock of a corporation is regarded as a direct investment.)

With stocks the investor purchases equity, or a claim on the net worth of the firm. *Portfolio or financial investments take place primarily through financial institutions such as banks and investment funds.*

International portfolio investments collapsed after World War I and have only revived since the 1960s.

Direct investments

Any purchase of 10 percent or more of the stock of a firm, however, is defined as direct investment by the U.S. government.

In the international context, direct investments are usually undertaken by multinational corporations engaged in manufacturing, resource extraction, or services.

Direct investments are now as important as portfolio investments as forms or channels of international private capital flows.

Motives for international capital flows

The basic motive for international portfolio investments is to earn higher returns abroad.

Thus, residents of one country purchase bonds of another country if the returns on bonds are higher in the other country. This is the simple and straight forward outcome of yield maximization and tends to equalize returns internationally.

According to the basic (two-nation) Heckscher–Ohlin model, returns on capital are originally higher in the nation having the lower overall capital–labor ratio.

Residents of one country may also purchase stock in a corporation in another country if they expect the future profitability of the foreign corporation to be greater than that of domestic corporations.

The motives for direct investments abroad are generally the same as for portfolio investments, that is, to earn higher returns (possibly resulting from higher growth rates

abroad, more favorable tax treatment, or greater availability of infrastructures) and to diversify risks.

Indeed, it has been found that firms with a strong international orientation, either through exports or through foreign production and/or sales facilities, are more profitable and have a much smaller variability in profits than purely domestic firms.

Reasons for investments

Although these reasons are sufficient to explain international portfolio investments, they leave one basic question unanswered with regard to direct foreign investments.

That is, they cannot explain why the residents of a nation do not borrow from other nations and themselves make real investments in their own nation rather than accept *direct* abroad. After all, *the residents of a nation can be expected to be more familiar with local conditions and thus to be at a competitive advantage with respect to foreign investors.*

There are several possible explanations for this. The most important is that many large corporations (usually in monopolistic and oligopolistic markets) often have some unique production knowledge or managerial skill that could easily and profitably be utilized abroad and over which the corporation wants to retain direct control. In such a situation, the firm will make direct investments abroad. This involves horizontal integration, or the production abroad of a differentiated product that is also produced at home.

Still other reasons *for direct foreign investments are to avoid tariffs and other restrictions that nations impose on imports or to take advantage of various government subsidies to encourage direct foreign investments.*

Examples of the former are the large-scale direct investments made by U.S. firms in the EU countries and some direct foreign investments in manufacturing in developing nations. Examples of the latter are the direct foreign investments made in developing nations and in depressed regions of some developed nations.

Other possible reasons for direct foreign investments are to enter a foreign oligopolistic market so as to share in the profits, to purchase a promising foreign firm to avoid its future competition and the possible loss of export markets, or because only a large foreign multinational corporation can obtain the necessary financing to enter the market.

Two-way direct foreign investments can then be explained by some industries being more advanced in one nation (such as the computer industry in the United States), while other industries are more efficient in other nations (such as the automobile industry in Japan).

Direct foreign investments have been greatly facilitated (in a sense made possible) by the very rapid advances in transportation (i.e., jet travel) and communications (i.e., international telephone lines and international data transmission and processing) that have occurred since the end of World War II. These advances permit the headquarters of multinational corporations to exert immediate and direct control over the operations

of their subsidiaries around the world, thus facilitating and encouraging direct investments abroad.

Example

For example, IBM has a particular computer technology over which it wants to retain direct control but which it can easily duplicate abroad so as to serve the foreign market better (by adapting to local conditions) than through exports.

IBM does not want to license foreign producers because it wants to retain complete control over its trade secrets and patents and to ensure consistent quality and service.

Even if IBM *were willing to negotiate licensing agreements with foreign producers, this would not be feasible in view of the very rapid rate of technological innovations in the field.*

The situation is basically the same for General Electric, Nokia, Toyota, and many other multinational corporations, and it is the motive behind most direct foreign investments in manufacturing in developed nations.

Vertical integration: backward and forward

Another important reason for direct foreign investments is to obtain control of a needed raw material and thus ensure an uninterrupted supply at the lowest possible cost.

This is referred to as vertical integration and is the form of most direct foreign investments in developing countries and in some mineral-rich developed countries.

Thus, American and foreign corporations own mines in Canada, Jamaica, Venezuela, Australia, and other nations, and foreigners own some coal mines in the United States.

Vertical integration involving multinational corporations can also go *forward* into the ownership of sales or distribution networks abroad, as is the case with most of the world's major automobile producers.

Geography and FDI

The regional distribution of foreign direct investments around the world also seems to depend on geographical proximity or established trade relations.

For example,

- the United States is the main supplier of foreign direct investments to Latin America, Bangladesh, Pakistan, the Philippines, and Saudi Arabia;
- foreign direct investments from the European Union flow mostly to Ghana and Morocco in Africa, Brazil in Latin America, India, Sri Lanka, and Vietnam in Asia, and to the former communist countries in Eastern Europe;
- and Japan is the main supplier of foreign direct investments to South Korea, Singapore, Taiwan, and Thailand.

Horizontal and vertical integration

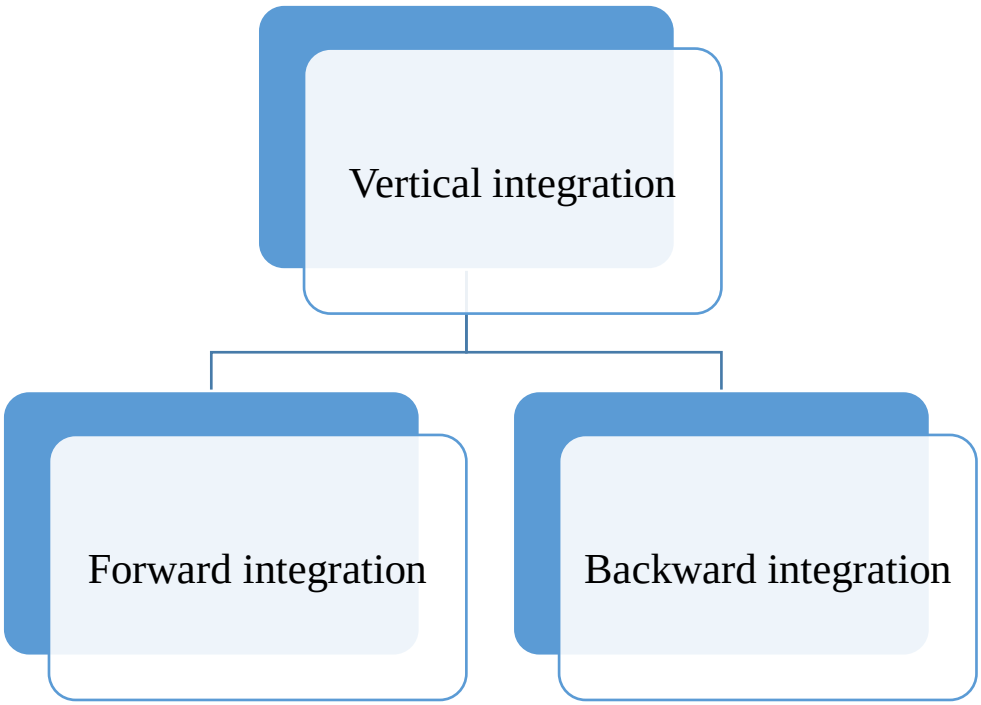
Horizontal integration is when a business grows by acquiring a similar company in their industry at the same point of the supply chain.

Vertical integration is when a business expands by acquiring another company that operates before or after them in the supply chain.

Forward integration is a strategy adopted by business to reduce production costs and to improve the efficiency of the firm by acquiring supplier companies and therefore, replaces the third party channels and consolidates its operations.

Backward integration is a form of vertical integration by which the Company integrates its operations with the suppliers or the supply side of the business. The Company gains control over the raw material suppliers by integrating them with their ongoing business.

It is possible to consider forward and backward vertical integration (see Picture 11).



Picture 11 – Forward and backward vertical integration

Overall, the comparison between horizontal and vertical integration is prsented in Picture 12.

#1. Merger Direction

Horizontal Integration

Vertical Integration

#2. Design

Horizontal Integration

The merging firms have same or similar operational activities in terms of product.

Vertical Integration

The merging firms operates at different levels of value chain.

#3. Objective

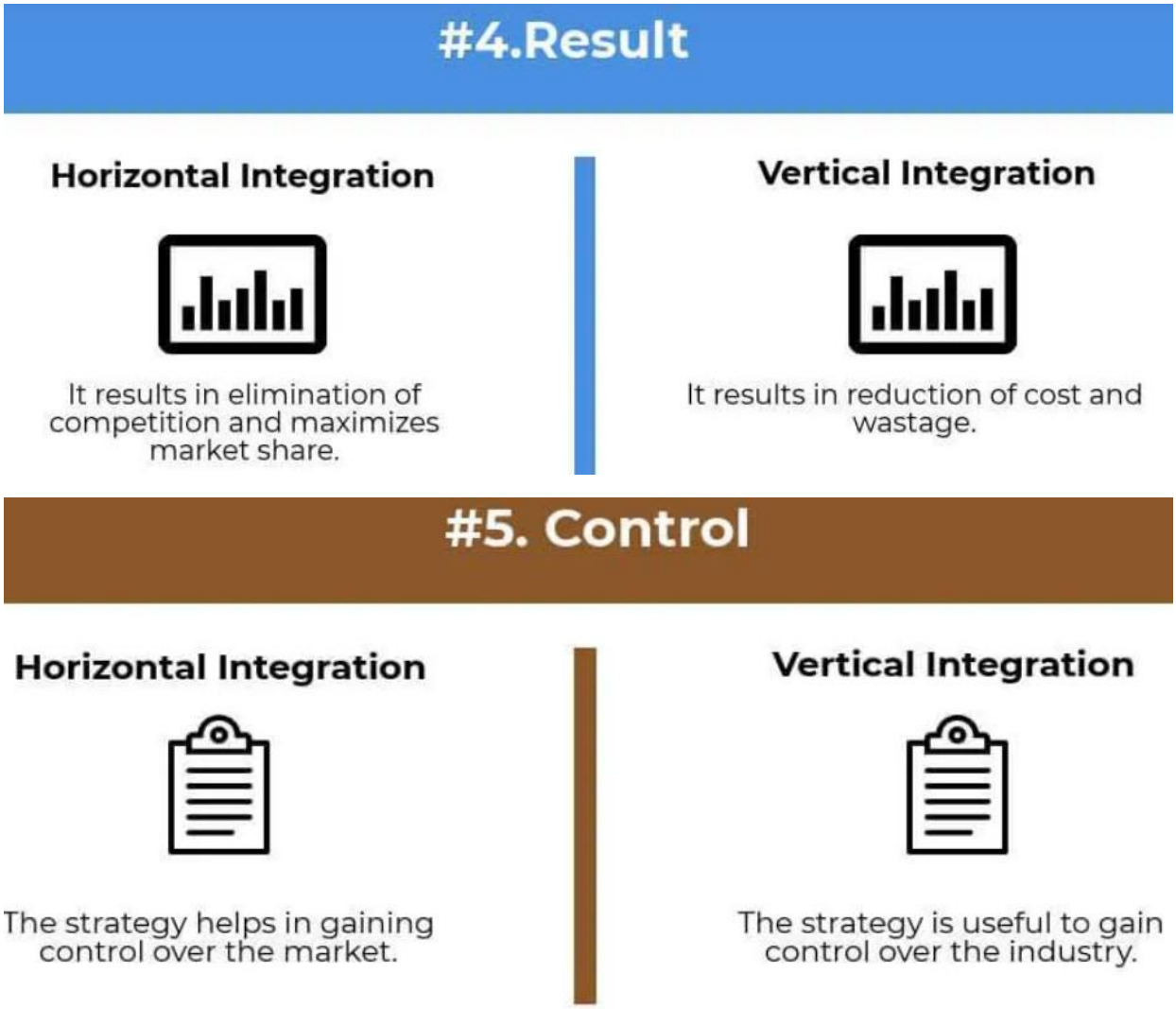
Horizontal Integration

It aims to increase the size of the business.

Vertical Integration

It aims to strengthen the supply chain.

The continuation of Picture 12



Picture 12 – The comparison between horizontal and vertical integration

Welfare effects of international capital flows

Assuming two factors of production, capital and labor, both fully employed before and after the capital transfer, *the total and average return on capital increases, whereas the total and average return to labor decreases in the investing country.* Thus, *while the investing country as a whole gains from investing abroad, there is a redistribution of domestic income from labor to capital.*

On the other hand, while *the host country also gains from receiving foreign investments, these investments lead to a redistribution of domestic income from capital to labor.* If we allow for less than full employment, foreign investments tend to depress the level of employment in the investing country and increase it in the host country and, once again, can be expected to be opposed by labor in the former and to benefit labor in the latter.

International capital transfers and the balance of payments

International capital transfers also affect the balance of payments of the investing and host countries. A nation's *balance of payments measures its total receipts from and total expenditures in the rest of the world*.

In the year in which the foreign investment takes place, the foreign expenditures of the investing country increase and cause a balance-of-payments deficit (an excess of expenditures abroad over foreign receipts).

This was certainly a major contributor to the huge balance-of-payments deficits of the United States during the 1960s and led to restrictions on U.S. foreign investments from 1965 to 1974.

Of course, the counterpart to the worsening in the investing nation's balance of payments is the improvement in the host nation's balance of payments in the year in which it receives the foreign investment.

The short-term and long-run BOP effects

The initial capital transfer and increased expenditures abroad of the investing country are likely to be mitigated by increased exports of capital goods, spare parts, and other products of the investing country, and by the subsequent flow of profits to the investing country. It has been estimated that *the "payback" period for the initial capital transfer is between five and ten years on average*.

Another effect to consider in the long run is whether foreign investments will lead to the replacement of the investing country's exports and even to imports of commodities previously exported.

Thus, while **the immediate effect on the balance of payments is negative in the investing country and positive in the host country, the long-run effects are less certain.**

Since foreign investments for most developed countries are two-way, these short-run and long-run balance-of-payments effects are mostly neutralized, except for the United Kingdom, the United States, Germany, and Japan, with investments abroad greatly exceeding foreign investments received, and for most developing countries that are primarily recipients of foreign investments and chronically face serious balance-of-payments difficulties.

The statistics on the foreign investment to the Republic of Belarus is presented in Table 5.

Table 6 – Foreign investment to the Republic of Belarus [5]

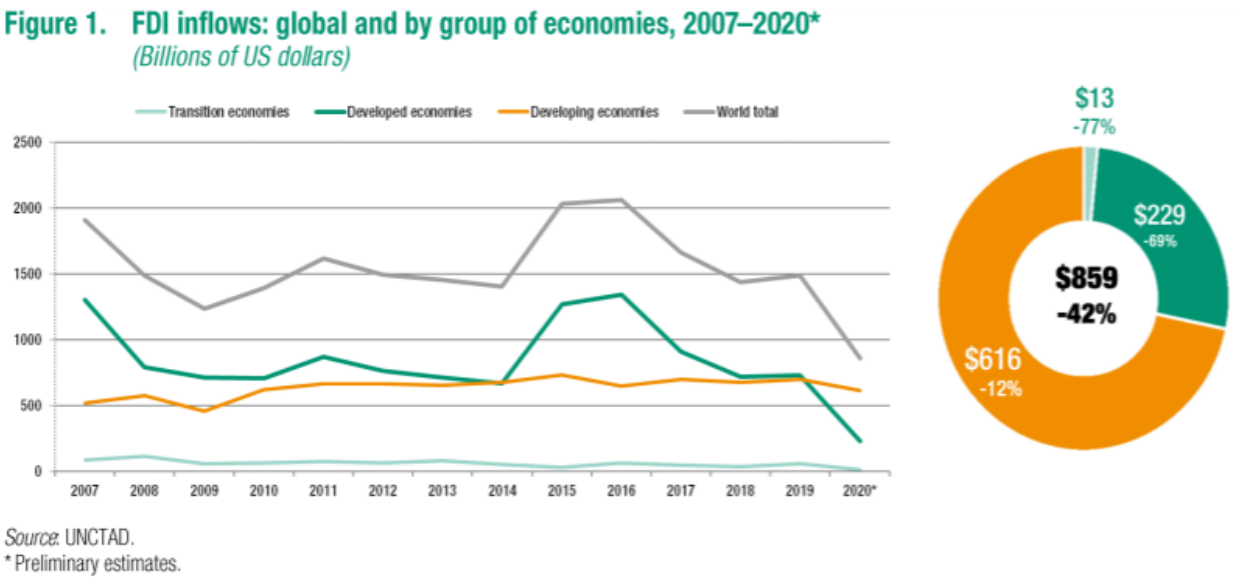
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Inflow of foreign investment in the real sector of the economy of Belarus, US$ million	722.2	1 306.5	1 517.4	1 816.2	4 036.1	5 421.9	6 525.9	9 303.7	9 085.5	18 878.6	14 329.8
of which:											
direct	298.9	674.5	859.2	451.3	748.6	1 313.5	2 279.8	4 821.1	5 569.4	13 248.0	10 358.4
portfolio	0.6	0.6	0.4	0.2	3.2	2.2	1.7	1.9	1.8	2.3	23.4
other	422.7	631.3	657.8	1 364.6	3 284.2	4 106.2	4 244.3	4 480.8	3 514.2	5 628.3	3 948.0
Net inflow of foreign direct investment (excluding liabilities to direct investors for goods, works and services), US$ million	…	…	…	64.4	112.2	565.1	682.7	1 766.6	1 198.4	3 973.6	1 376.5

[5] Foreign investment to the Republic of Belarus [Electronic resource] // National Statistical Committee of the Republic of Belarus. – Mode of access: https://www.belstat.gov.by/en/ofitsialnaya-statistika/real-sector-of-the-economy/foreign-investment/annual-data/foreign-investment-to-the-republic-of-belarus/. – Date of access: 29.09.2021.

The continuation of Table 6

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Inflow of foreign investment in the real sector of the economy of Belarus, US$ million	14 329.8	14 974.3	15 084.4	11 344.2	8 559.8	9 728.5	10 842.0	10 006.8	8 680.2
of which:									
direct	10 358.4	11 083.4	10 168.9	7 241.4	6 928.6	7 634.2	8 537.1	7 233.2	6 006.0
portfolio	23.4	12.2	10.6	5.1	2.8	8.4	3.9	6.7	4.8
other	3 948.0	3 878.7	4 904.9	4 097.7	1 628.5	2 085.9	2 301.0	2 766.9	2 669.4
Net inflow of foreign direct investment (excluding liabilities to direct investors for goods, works and services), US$ million	1 376.5	2 136.2	1 811.7	1 611.8	1 307.2	1 246. 8	1 634.9	1 327.2	1 414.8

Global Investment Trends Monitor [6]: key findings (see Picture 13)



Picture 13 – Overview of global FDI

Trends in selected economies under the conditions of COVID-19:

✓ FDI in China, where the early phase of the pandemic caused steep drops in capital expenditures, ended the year with a small increase (+ 4%).

✓ FDI in India rose by 13% boosted by investments in the digital sector.

✓ FDI in ASEAN – an engine of FDI growth throughout the last decade – was down 31%.

✓ The halving of FDI inflows to the United States was due to sharp drops in both greenfield investment and cross-border mergers and acquisitions (M&As).

✓ FDI in the EU fell by two thirds, with major declines in all the largest recipients; flows to the United Kingdom fell to zero.

China was the largest recipient of foreign direct investment in 2020 as the coronavirus outbreak spread across the world during the course of the year, with the Chinese economy having brought in $163 billion in inflows.

The above-mention trends are confirmed by the general overview of FDI inflows [7] (see Picture 14) and outflows [8] (see Picture 15).

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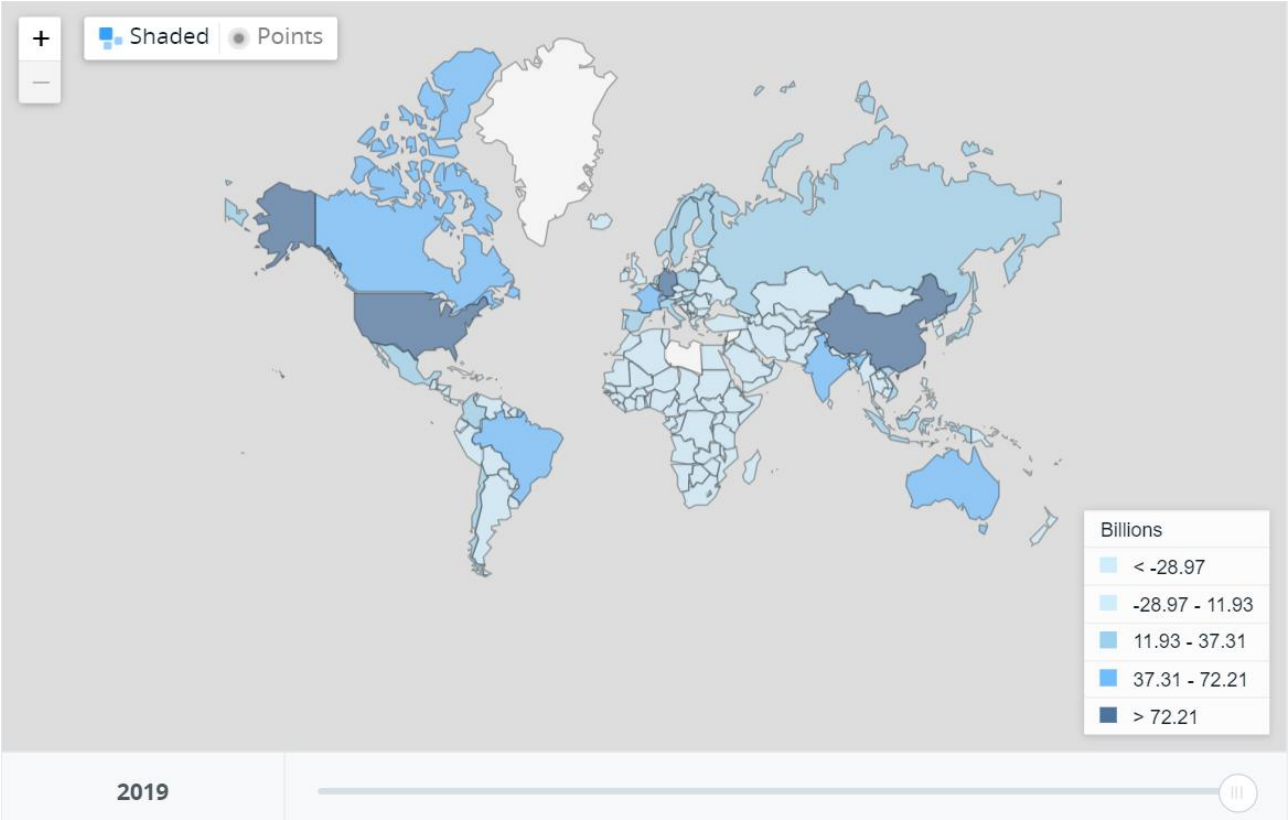
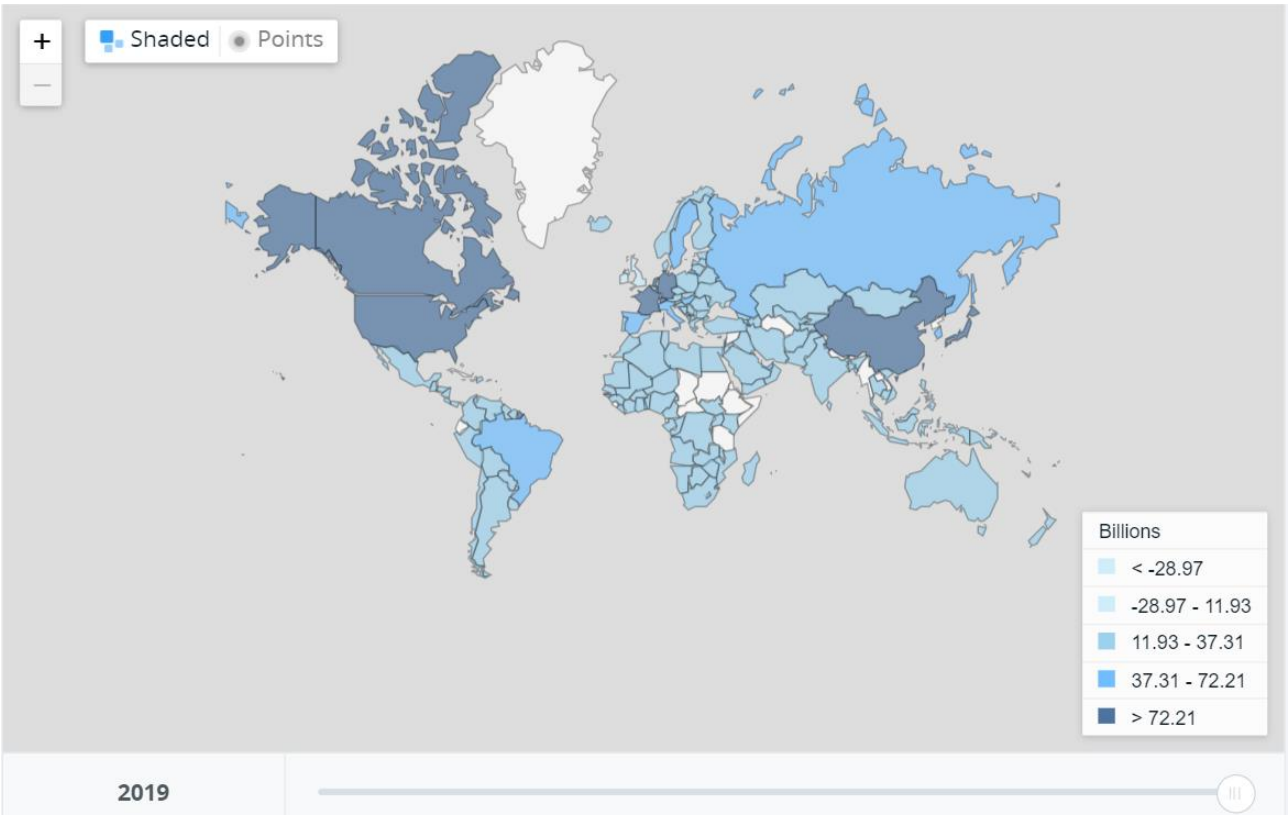
[6] Global Investment Trend Monitor [Electronic resource] : issue 38, 2020 // United Nations Conference on Trade and Development. – Mode of access: https://unctad.org/es/node/31916. – Date of access: 29.09.2021.

[7] Foreign direct investment, net inflows 2020 [Electronic resource] // The World Bank. – Mode of access: https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?end=2019&start=2019&view=map&year=2020. – Date of access: 30.09.2021.

[8] Foreign direct investment, net outflows 2020 [Electronic resource] // The World Bank. – Mode of access: https://data.worldbank.org/indicator/BM.KLT.DINV.CD.WD?end=2019&start=2019&view=map&year=2020. – Date of access: 30.09.2021.



Picture 14 – Overview of global FDI inflows



Picture 15 – Overview of global FDI outflows

Terms of trade and technological lead

Another important welfare effect of foreign investments on both the investing and host countries results from different rates of taxation. Foreign investments, by affecting output and the volume of trade of both investing and host countries, are also likely to affect the terms of trade. However, the way the terms of trade will change depends on conditions in both nations.

Foreign investments may also affect the investing nation's technological lead and the host country's control over its economy and ability to conduct its own independent economic policy. Since these and other effects of international capital transfers usually result from the operations of multinational corporations (MNCs).

Reasons for the existence of MNCs

The basic reason for the existence of MNCs is the competitive advantage of a global network of production and distribution.

This competitive advantage arises in part from vertical and horizontal integration with foreign affiliates. By vertical integration, most MNCs can ensure their supply of foreign raw materials and intermediate products and circumvent (with more efficient intrafirm trade) the imperfections often found in foreign markets. They can also provide better distribution and service networks. By horizontal integration through foreign affiliates, MNCs can better protect and exploit their monopoly power, adapt their products to local conditions and tastes, and ensure consistent product quality.

The competitive advantage of MNCs is also based on economies of scale in production, financing, research and development (R&D), and the gathering of market information. The large output of MNCs allows them to carry division of labor and specialization in production much further than smaller national firms.

The large corporation invests abroad when **expected profits on additional investments in its industry are higher abroad.**

Since the corporation usually has a competitive advantage in and knows its industry best, it does not usually consider the possibility of higher returns in every other domestic industry before it decides to invest abroad.

That is, differences in expected rates of profits domestically and abroad in the particular industry are of crucial importance in a large corporation's decision to invest abroad.

MNCs as oligopolists

MNCs are oligopolists selling for the most part differentiated products, often developed as described by the technological gap and product cycle models, and produced under strong economies of scale.

Examples of the products sold by MNCs are motor vehicles, petroleum products, electronics, metals, office equipment, chemicals, and food.

Multinational corporations are also in a much better position to control or change to their advantage the environment in which they operate than are purely national firms.

MNCs and transfer pricing

MNCs can buy up promising local firms to avoid future competition and are in a much better position than purely domestic firms to engage in other practices that restrict local trade and increase their profits.

MNCs, through greater diversification, also face lower risks and generally earn higher profits than purely national firms.

By artificially overpricing components shipped to an affiliate in a higher-tax nation and underpricing products shipped from the affiliate in the high-tax nation, an MNC can minimize its tax bill. This is called transfer pricing and can arise in intrafirm trade as opposed to trade among independent firms or conducted at "arm's length."

MNCs and job creation (home country)

While MNCs, by efficiently organizing production and distribution on a worldwide basis, can increase world output and welfare, they can also create serious problems in both the home and host countries.

The most controversial of the alleged harmful effects of MNCs on the home nation is the loss of domestic jobs resulting from foreign direct investments.

However, some clerical, managerial, and technical jobs are also likely to be created in the headquarters of the MNC in the home nation as a result of direct foreign investments.

MNCs and technology export (home country)

A related problem is the export of advanced technology to be combined with other cheaper foreign factors to maximize corporate profits.

It is claimed that this may undermine the technological superiority and future of the home nation.

However, against this possible harmful effect is the tendency of MNCs to concentrate their R&D in the home nation, thus allowing it to maintain its technological lead.

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MNCs and tax evasion (home country)

Another possible harmful effect of MNCs on the home country can result from transfer pricing and similar practices, and from shifting their operations to lower-tax nations, which reduces tax revenues and erodes the tax base of the home country. This results from common international taxing practice.

Because of their access to international capital markets, MNCs can circumvent domestic monetary policies and make government control over the economy in the home nation more difficult.

MNCs and domination (host country)

Host countries have even more serious complaints against MNCs. First and foremost is the allegation that MNCs dominate their economies.

Foreign domination is felt in many different ways in host countries, including (1) the unwillingness of a local affiliate of an MNC to export to a nation deemed unfriendly to the home nation or the requirement to comply with a home-nation law prohibiting such exports; (2) the borrowing of funds abroad to circumvent tight domestic credit conditions and the lending of funds abroad when interest rates are low at home; and (3) the effect on national tastes of large-scale advertising for such products as Coca-Cola, jeans, and so on.

Another alleged harmful effect of MNCs on the host country is the siphoning off of R&D funds to the home nation. While this may be more efficient for the MNC and the world as a whole, it also keeps the host country technologically dependent. This is especially true and serious for developing nations.

MNCs and resource exploitation (host country)

Also, MNCs may absorb local savings and entrepreneurial talent, thus preventing them from being used to establish domestic enterprises that might be more important for national growth and development.

In developing nations, foreign direct investments by MNCs in mineral and raw material production have often given rise to complaints of foreign exploitation in the form of low prices paid to host nations, the use of highly capital-intensive production techniques inappropriate for labor-abundant developing nations, lack of training of local labor, overexploitation of natural resources, and creating highly dualistic "enclave" economies [9].

[9] An enclave economy is defined as an economic system in which an export based industry dominated by international or non-local capital extracts resources or products from another country. It was widely employed as a term to describe post-colonial dependency relations in the developing world, especially in Latin America.

MNCs and their regulation in a host country

Most of these complaints are to some extent true, particularly in the case of developing host countries, and they have led many host nations to regulate foreign investments in order to mitigate the harmful effects and increase the possible benefits.

Some developing nations allow only joint ventures (i.e., local equity participation) and set rules for the transfer of technology and the training of domestic labor, impose limits on the use of imported inputs and the remission of profits, set environmental regulations, and so on.

In the extreme, the host nation can nationalize foreign production facilities. However, this is likely to seriously reduce the future flow of direct foreign investments to the nation.

Efforts to harmonize the interests

Efforts are currently in progress within the EU, OECD, the UN, and UNCTAD to devise an international code of conduct for MNCs.

However, since the interests of home and host countries are generally in conflict, it is virtually impossible for such an international code to be very specific.

As a result, it is unlikely to succeed in severely restricting most of the abuses of and problems created by MNCs in home and host countries.

Mergers and acquisitions (M&A)

M&A are tools of a long-term business strategy.

Mergers and acquisitions (M&A) is a general term that refers to the consolidation of companies or assets.

We will refer to mergers and acquisitions (M & A) as a business transaction where one company acquires another company.

The comparison between an acquisition and a merger are presented in Table 7.

Table 7 – Merger and acquisition: differences

Acquisition	Merger
When one company takes over another and clearly established itself as the new owner, the purchase is called an acquisition. From a legal point of view, the target company (the acquired company) ceases to exist, the buyer (the acquiring company) "swallows" the business and the buyer's stock continues to be traded.	A merger happens when firms agree to go forward as a single new company rather than remain separately owned and operated. Both companies' stocks are surrendered and new company stock is issued in its place.

Horizontal mergers

- when a company merges or takes over another company that **offers the same or similar product lines and services to the final consumers;**
- **eliminates competition**, which helps the company to increase its market share, revenues and profits, it also offers **economies of scale.**

A merger between Coca-Cola and the Pepsi beverage division, for example, would be horizontal in nature

Vertical mergers

- combine two companies that are in the same value chain of producing the same good and service, but the only difference is the stage of production at which they are operating;
- **to secure supply of essential goods**, and **avoid disruption in supply.**

For example, if a clothing store takes over a textile factory, this would be termed as vertical merger, since the industry is same, i.e. clothing, but the stage of production is different.

Concentric mergers

- take place between firms that serve the same customers in a particular industry, but they don't offer the same products and services;
- **to facilitate consumers**, since it would **be easier to sell these products together**; this would help the company **diversify**, hence higher profit; selling one of the products will also **encourage the sale of the other**, hence more revenues for the company if it manages to increase the sale of one of its product; to offer one-stop shopping, and therefore, **convenience for consumers.**

For example, if a company that produces DVDs mergers with a company that produces DVD players, this would be termed as concentric merger, since DVD players and DVDs are complement products, which are usually purchased together.

Conglomerate mergers

When two companies that operates in completely different industry, regardless of the stage of production, a merger between both companies is known as conglomerate merger.

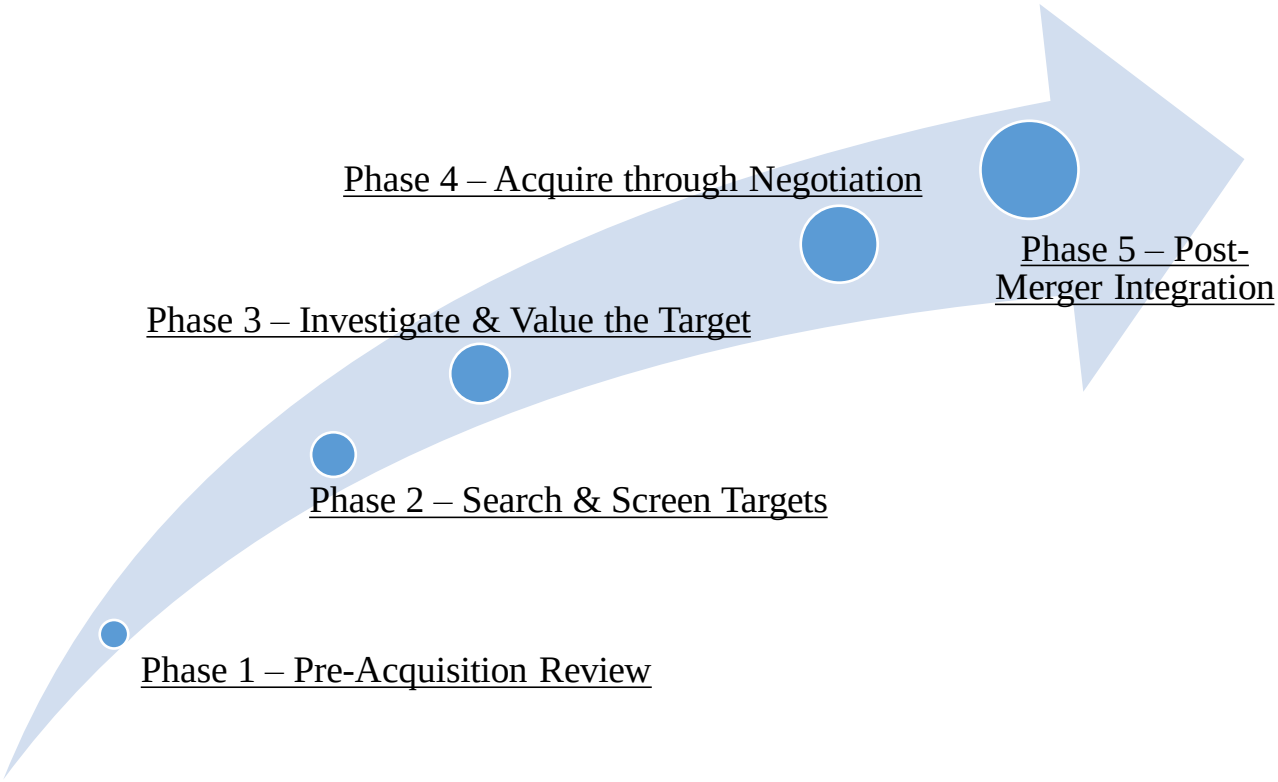
This is usually **done to diversify into other industries, which helps reduce risks.**

Example of a conglomerate merger was the merger between the Walt Disney Company and the American Broadcasting Company.

Asset acquisitions: individually identified assets and liabilities of the seller are sold to the acquirer. The acquirer can choose which specific assets and liabilities it wants to purchase, avoiding unwanted assets and liabilities for which it does not want to assume responsibility.

Stock acquisitions: all of the assets and liabilities of the seller are sold upon transfer of the seller's stock to the acquirer. As such, no tedious valuation of the seller's individual assets and liabilities is required and the transaction is mechanically simple

The M&A Process can be broken down into five phases (see Picture 16):



Picture 16 – The process of M&A

Pre-acquisition review

✓ *to assess your own situation and determine if a merger and acquisition strategy should be implemented.*

Pre-merger integration activities (timing, communications and shared vision) are most critical, but often ignored.

In general, companies focus purely on the financial side of the transaction. It is precisely because of this that 60 to 80 percent of mergers fail.

Search & screen targets

✓ *is to search for possible takeover candidates.*

Target companies must fulfill a set of criteria so that the target company is a good strategic fit with the acquiring company.

Compatibility and fit should be assessed across a **range of criteria** – relative size, type of business, capital structure, organizational strengths, core competencies, market channels, etc.

The search and screening process is performed in-house by the acquiring company.

Investigate & value the target

✓ *a more detail analysis of the target company.*

One wants to confirm that the target company is truly a good fit with the acquiring company. This will require **a more thorough review of operations, strategies, financials, and other aspects of the target company.** This detail review is called "due diligence". Phase "due diligence" is initiated once a target company has been selected.

A key part of due diligence **is the valuation of the target company**. In the preliminary phases of M & A, one will calculate a total value for the combined company. One has already calculated a value for our company (acquiring company) and now wants to calculate a value for the target as well as all other costs associated with the M & A.

Acquire through negotiation

✓ *Now that one has selected our target company, it's time to start the process of negotiating a M & A. One needs to develop a negotiation plan*.

The most common approach to acquiring another company is for both companies to reach agreement concerning the M & A; i.e. a negotiated merger will take place. This negotiated arrangement is sometimes called a "bear hug".

Post-merger integration

✓ *If all goes well, the two companies will announce an agreement to merge the two companies. The deal is finalized in a formal merger and acquisition agreement.*

Every company is different – differences in culture, differences in information systems, differences in strategies, etc. As a result, the Post Merger Integration Phase is the most difficult phase within the M & A Process.

This requires **extensive planning and design throughout the entire organization.**

Risks

"Even in situations where the acquired company is in the same line of business as the acquirer and is small enough to allow for easy post-merger integration, the likelihood of success is only about 50%".

– Poor or inadequate communications.

– A lack of transparency and inadequately preparing for the inclusion and retention of core competencies and staffing.

– Not incorporating and building upon the branding, marketing and sales efforts.

– Having two distinct cultures and service standards and not taking time to balance and merge the two (keep the best of both and lose the worst of both).

1.4.2. International Labour Migration

Trends in world demographic development in the second half of the 20th and early 21st centuries:

- *rapid population growth;*
- *uneven rates of population growth in major economic groups:* the populations of North America, Europe, former socialist countries and developed countries grew at a slower rate than the world average, while developing countries, including Africa, Latin America and Asia, grew at a high rate of over 2% a year (a population explosion or demographic revolution);
- *a steady upward trend in the world population average age:* in 1900 it was 15, in 1995 it was 25 years, in 2000 – 27.5 years;
- *increasing global life expectancy:* in the last 50 years it has increased more than in the previous 5,000 years;
- *the decline in annual population growth rates* in developing countries (since the 1970s) and in developed countries since the 1960s; some countries have developed the depopulation type of population reproduction, i.e. a *natural decline in population, where mortality exceeds fertility* (negative population growth).

Motives for international labor migration

✓ Labor is generally less mobile internationally than capital.

✓ International labor migration can take place for economic as well as non-economic reasons.

✓ Some of the international migrations that occurred in the nineteenth century and earlier were certainly motivated by the desire to escape political and religious oppression in Europe.

✓ However, most international labor migration, particularly since the end of World War II, has been motivated by the prospect of earning higher real wages and income abroad.

✓ From the excess of returns over costs, an internal rate of return for the migration decision can be estimated, just as for any other type of investment. If this rate of return is sufficiently high to also overcome the non-economic costs associated with migration, then the worker will migrate.

✓ Of course, in the real world workers seldom, if ever, have the information to carry out this type of cost-benefit analysis explicitly. Nevertheless, they behave as if they did.

✓ This is confirmed by the fact that migrants invariably move from low-wage to high-wage nations. Furthermore, younger workers migrate more readily than older workers because, among other things, they have a longer remaining working life over which to benefit from the higher wages abroad.

The costs and benefits of migration

The decision to migrate for economic reasons can be **analyzed in the same manner and with the same tools as any other investment decision.** Specifically, migration, just like any other type of investment, **involves both costs and benefits.**

The costs include **the expenditures for transportation and the loss of wages during time spent relocating and searching for a job in the new nation.** In addition, there are many other less quantifiable costs, such as the separation from relatives, friends, and familiar surroundings; the need to learn new customs and often a new language; and the risks involved in finding a job, housing, and so on in a new land.

The economic benefits of international migration can be measured by **the higher real wages and income** that the migrant worker can earn abroad during his or her remaining working life, over and above what he or she could have earned at home. Other benefits may be **greater educational and job opportunities for the migrants' children.**

Economically active population (labour force)

The workforce *is defined as that part of the population of working age that has the ability to work and the knowledge necessary to carry out useful activities.*

Economically active population (labour force). *The part of the population that has a job and is actively engaged in seeking it.* Current trends in the world's demographic development account for the concentration of most of the labour force in East, South and South-East Asia – 55%. Developing market economies account for 16% of the economically active population.

The economically active population has **not only quantitative estimations, but also qualitative characteristics:** educational level, sectoral structure of employment, professional and qualification structure of the labour force, etc.

In the developed countries in the XXst century the labour force with its highly developed **creative abilities and innovative potential became one of the decisive factors of competitiveness of the modern economy.**

The quality of labour force directly **affects the companies' profit, which is why the state policy on labour force development is being implemented in the developed countries.** One of its directions is mass intellectualisation of labour (increasing the share of intellectual labour in society).

Improving the labour force quality

There is a direct correlation between the level of education of workers and the level of GDP. *An increase in education spending accounts for more than half of the increase in GDP.*

This is why firms in developed countries spend a lot of money on training and retraining the workforce. The leading position in the implementation of corporate employee retraining systems is occupied by the USA.

International labour migration: main terms

❑ The United Nations Recommendations on Statistics of International Migration defines an **"international migrant"** as any person who has changed his or her country of usual residence, distinguishing between

- **"short-term migrants"** (those who have changed their countries of usual residence for at least three months, but less than one year) and
- **"long-term migrants"** (those who have done so for at least one year).

However, not all countries use this definition in practice. Some countries use different criteria to identify international migrants by, for example, applying different minimum durations of residence. *Differences in concepts and definitions, as well as data collection methodologies between countries, hinder full comparability of national statistics on international migrants*.

The educational level of the world's population characterizes the accumulated educational, intellectual and creative potential. The high-skilled labour force in the group of developing countries is generally lower than in developed countries.

- **International labour migration** is the movement of people across the borders of certain territories with a change of permanent residence or a return to it in order to look for work. All population movements in relation to each territory are composed of emigration and immigration flows.
- **Emigration** is out-migration (and immigration is arrival from abroad). There is also a more specific form of international migration – **re-emigration**, i.e. the return to one's home country of a previously emigrated population.
- **Immigration** – the entry of the working-age population into a given country from outside its borders
- **Migration balance** – the difference between immigration into a country and emigration out of a country.
- The international labour market brings together national and regional labour markets.
- The international labour market exists in the form of labour migration.

❑ According to the International Labour Organization (ILO) classification of the types of modern international migration, it is divided into five main types:

❖ *contract workers* with a clearly defined duration of stay in the host country: these are mainly seasonal workers who come for harvesting and unskilled or low-skilled workers engaged in casual work, such as in tourism;

❖ *professionals* with a high level of training, relevant education and practical work experience; professors, teachers and students are also included in this group;

❖ *illegal immigrants*, which include foreigners with overstayed or tourist visas who are engaged in labour activities;

❖ *migrants* – i.e. those who move permanently: this group of migrants aims mainly to move to industrialised countries;

❖ *refugees* – persons forced to emigrate from their countries because of some threat to their livelihood.

Data analysis: international migration

The scale of international migration increase in line with recent trends. The number of international migrants is estimated to be almost 272 million globally, with nearly two-thirds being labour migrants.

This figure remains a very small percentage of the world's population (at 3.5%), meaning that the vast majority of people globally (96.5%) are estimated to be residing in the country in which they were born.

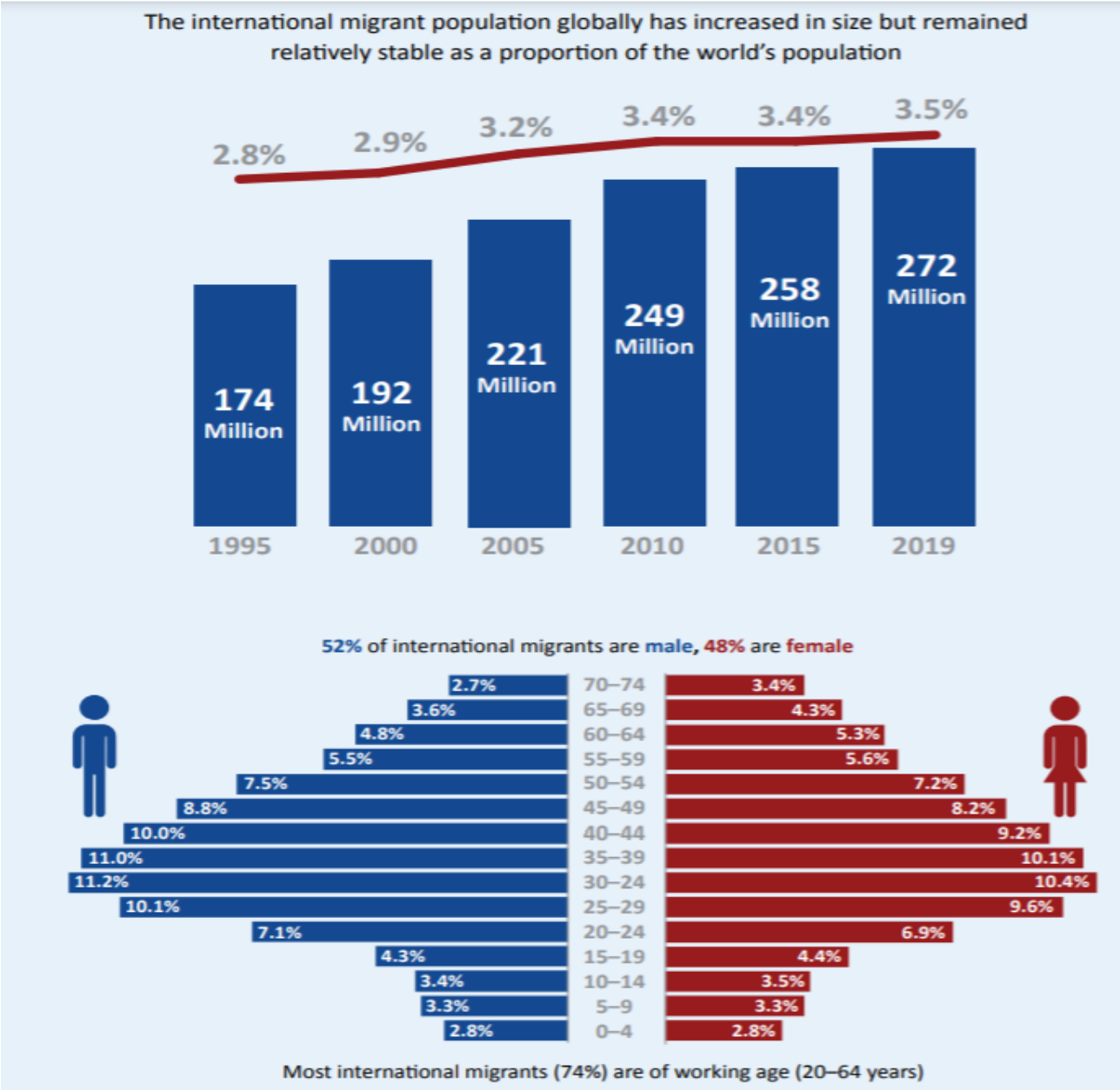
However, the estimated number and proportion of international migrants already surpasses some projections made for the year 2050, which were in the order of 2.6 per cent or 230 million.

It is widely recognized that the scale and pace of international migration is notoriously difficult to predict with precision because it is closely connected to acute events (such as severe instability, economic crisis or conflict) as well as long-term trends (such as demographic change, economic development, communications technology advances and transportation access).

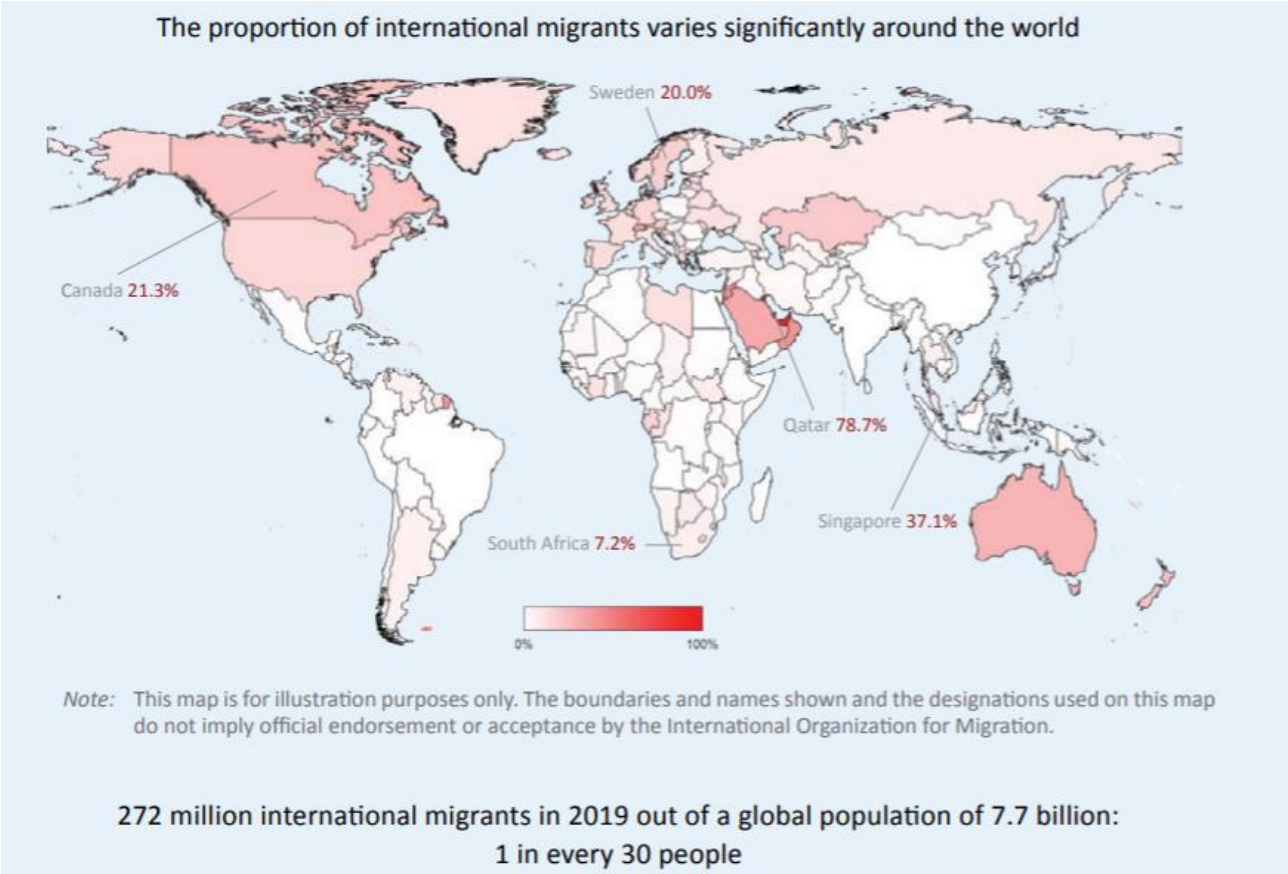
We also know from long-term data that international migration is not uniform across the world but is shaped by economic, geographic, demographic and other factors resulting in distinct migration patterns, such as migration "corridors" developed over many years.

The largest corridors tend to be from developing countries to larger economies such as those of the United States, France, the Russian Federation, the United Arab Emirates and Saudi Arabia. This pattern is likely to remain the same for many years into the future, especially as populations in some developing subregions and countries are projected to increase in coming decades, placing migration pressure on future generations.

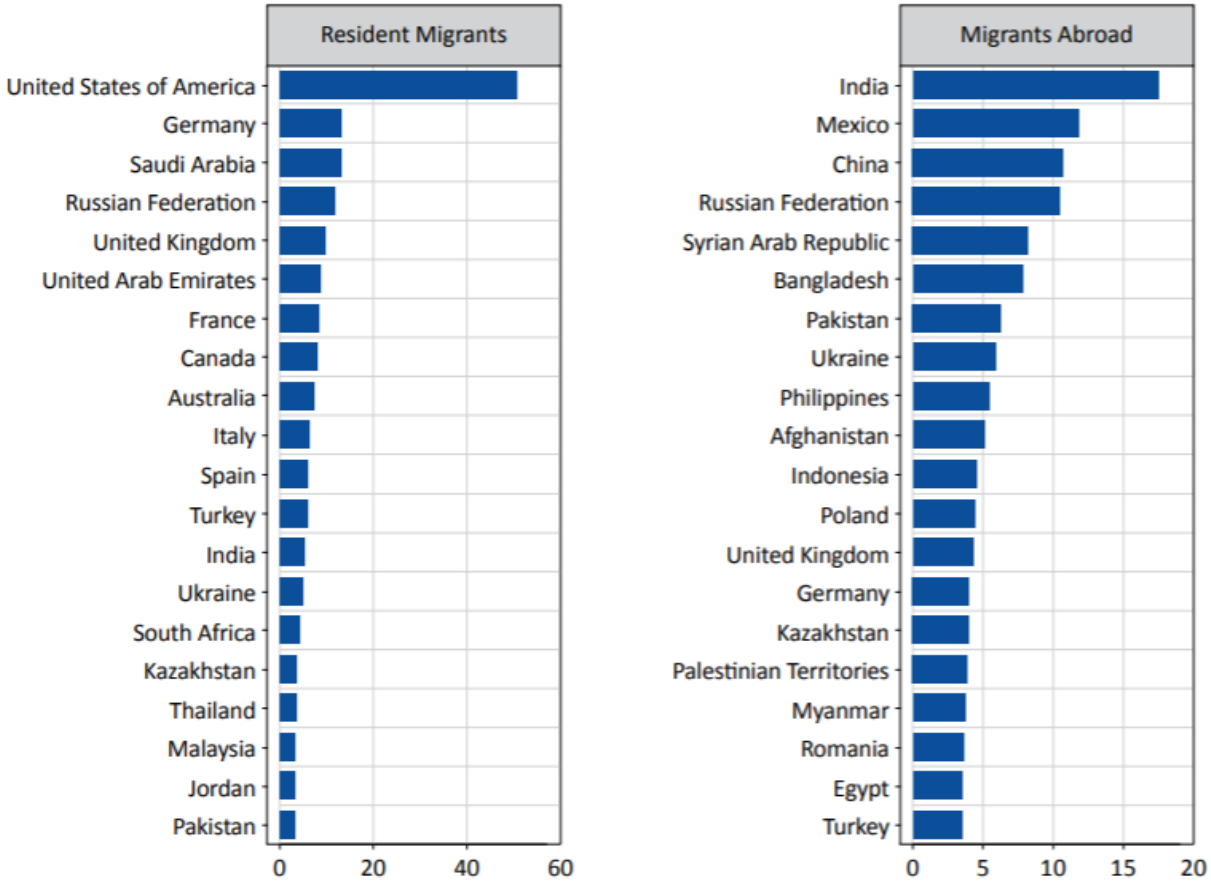
The overview of the current international migration processes is presented in Pictures 17 – 19.



Picture 17 – The recent trends in international migration: gender aspect



Picture 18 – The recent trends in international migration: attractive countries



Picture 19 – The recent trends in international migration: destinations and origins

Recent trends

COVID-19 has disrupted all forms of human mobility through the closing of national borders and halting of travel worldwide. Preliminary estimates suggest that the pandemic may have slowed the growth in the stock of international migrants by around two million by mid-2020, 27 per cent less than the growth expected since mid-2019, according to a report by the United Nations.

Growth in the number of international migrants has been robust over the last two decades, reaching 281 million people living outside their country of origin in 2020, up from 173 million in 2000 and 221 million in 2010. Currently, international migrants represent about 3.6 per cent of the world's population.

Labour migration is driven by two groups of factors:

1. **non-economic,** e.g. political and legal, religious, ethnic, family; in recent decades, environmental, educational and cultural, psychological factors have become a major influence;

2. **economic:**

- differences in the level of economic development of countries, which also entails different labour costs
- state of the national labour market
- economic restructuring
- advanced technological processes, the development of which is accompanied by a growing need for a qualified labour force

Export of capital, functioning of TNCs: corporations promote the linking of labour and capital, either by moving labour to capital or by moving their capital to labour-abundant regions.

Labour force competitiveness is considered as a set of employee properties manifested in the process of work activity and includes professionalism and personal characteristics, reflecting his/her physiological characteristics, mobility, adaptability, etc.

The effects of labour migration: host countries

Positive effects of labour migration on the economies of countries of immigration (host countries):

✓ structural, sectoral and other changes in the economy are facilitated;

✓ immigrants contribute to the rejuvenation of the nation, as they usually emigrate the most mobile part of the population at the most employable age;

✓ significant savings are made in the training costs of the labour force.

Immigrants expand the capacity of the domestic market, and the money collected in their accounts is used for the economy.

Positive for an individual firm:

✓ foreign labour is paid less than national labour, hence the firm reduces wage costs.

Negative effects of labour migration on the economies of countries of immigration (host countries):

– the situation on the labour market is deteriorating due to the increase in the supply of labour and the limitation of jobs;

– the price of national labour decreases as the supply of labour on the labour market increases;

– conflicts between the native population and immigrants are provoked.

The effects of labour migration: home countries

Positive effects of labour migration on the economies of countries of immigration (home countries):

✓ emigration improves the situation on the national labour market;

✓ workers from abroad return more trained and qualified;

✓ remittances from abroad are an important source of income for the country;

✓ when returning home, migrants bring with them valuables and savings amounting to approximately the same amount as their remittances; there is a recent tendency to purchase equipment abroad, which is brought into the country and used to set up entrepreneurial teams.

Negative effects of labour migration on the economies of countries of immigration (home countries):

– the country loses part of its labour force at its most employable age, resulting in an ageing workforce;

– expenditure on general education and vocational training is lost;

– a brain drain is taking place.

The impact on states' revenue-expenditure also needs to be taken into account

Migrants change the taxation of countries, the level of consumption of public goods and the size of transfer payments.

For public finances, the tax base, social payments and transfer expenditures change. The life stage of the migrant has to be taken into account: old people, children, adults of working age.

Even illegal immigration is a benefit, as migrants pay indirect taxes.

The transfer of knowledge and professional experience should be considered as a non-economic consequence of migration.

The costs of migration include risks, material and psychological losses, as there is a separation from the national culture, etc. The benefits can also vary, as the reasons for migration are not only economic and are difficult to quantify.

The main factor influencing migration is differences in real wages. It follows from the Heckscher-Ohlin-Samuelson theorem that "if a number of preconditions are met, foreign trade leads to price equalisation not only for goods, but also for factors of production". In reality, this theoretical possibility is not fully implemented and factor prices vary considerably from country to country.

State migration policy

State migration policy is a targeted state activity to regulate labour import and export processes; the aim is to protect the interests of both migrants and countries of migration.

Emigration policy includes direct migration measures such as restrictions on the issuance of foreign passports, direct or indirect travel bans on certain categories of workers, and the introduction of emigration quotas by imposing certain requirements on labour migration entities. ***Indirect emigration policy measures*** imply currency and banking policies to encourage currency transfers from abroad. ***Customs policy*** provides for incentives for returnees, and special emigration programmes are implemented for the return of migrants to their home country.

There are three types of public immigration policy:

1. policies based on limiting immigrants' stay in the country;
2. policies allowing stays for a set period of time with the right of entry for family members;
3. policies allowing permanent residence and implying the right to citizenship.

The tools of immigration policy are:

- ✓ qualitative requirements for the workforce health status;
- ✓ personal restrictions (criminal record, affiliation to a particular party, etc.);
- ✓ direct quotas on the import of labour force in relation to the natives;
- ✓ limitations of a financial nature (recruitment fees);
- ✓ time limits (time of employment in the country);
- ✓ explicit bans on certain professions that migrants cannot occupy;
- ✓ national and geographical priorities;
- ✓ a system of sanctions against irregular migrants;
- ✓ repatriation programmes providing financial compensation for premature termination of employment in the country, vocational training for the migrant's employment in his/her home country, economic assistance to regions of mass migration.

Traditional state measures of re-emigration:

1. Programmes to encourage re-emigration: a wide range of measures ranging from forced repatriation measures for illegal immigrants to financial assistance for immigrants wishing to return to their home country.
2. Vocational training programmes for immigrants.
3. Economic assistance programmes for countries of mass emigration.

The main reason for the low efficiency of re-emigration programmes is that governments of labour-exporting countries are not interested in re-exporting labour and do not make due efforts to reduce emigration.

International regulation of migration processes is carried out by:

1) International Labour Organisation (ILO);
2) International Organisation for Migration (IOM) at the United Nations;
3) Office of the United Nations High Commissioner for Refugees (UNHCR);
4) OECD Permanent Migration Surveillance System.

Table 8 – Labour migration in the Republic of Belarus [10]

	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Arrivals - total	206 839	209 767	216 803	217 331	225 946	231 178	238 317	239 815	238 505	236 553	264 849	228 429	213 386	212 304	225 446	247 816	274 020	252 435	257 360	261 422	275 240
International migration	34 866	25 943	23 355	18 939	18 146	14 642	13 031	14 124	14 155	17 413	19 892	17 169	17 510	18 040	19 435	24 941	28 349	21 038	18 961	24 601	34 846
with CIS countries[1)]	31 185	23 492	20 971	16 797	15 928	12 530	11 426	12 390	11 938	14 239	15 582	14 303	14 690	13 455	14 689	19 855	22 505	15 615	13 305	17 008	22 533
with non-CIS countries[2)]	3 681	2 451	2 384	2 142	2 218	2 112	1 605	1 734	2 217	3 174	4 310	2 866	2 820	4 585	4 746	5 086	5 844	5 423	5 656	7 593	12 313
Internal migration	171 973	183 824	193 448	198 392	207 800	216 536	225 286	225 691	224 350	219 140	244 957	211 260	195 876	194 264	206 011	222 875	245 671	231 397	238 399	236 821	240 394
Interregional	69 598	75 559	80 916	83 370	88 549	92 944	97 221	97 942	100 228	101 620	115 049	94 507	86 620	88 692	97 057	102 498	115 646	114 126	120 454	121 560	127 436
Intraregional	102 375	108 265	112 532	115 022	119 251	123 592	128 065	127 749	124 122	117 520	129 908	116 753	109 256	105 572	108 954	120 377	130 025	117 271	117 945	115 261	112 958
interdistrict	89 753	93 788	98 606	97 681	100 374	104 923	106 165	103 087	100 148	94 829	105 756	90 469	81 296	80 492	81 222	86 513	90 846	86 166	88 355	85 684	83 154
intradiscrit	12 622	14 477	13 926	17 341	18 877	18 669	21 900	24 662	23 974	22 691	24 152	26 284	27 960	25 080	27 732	33 864	39 179	31 105	29 590	29 577	29 804
Depatures - total	207 044	197 636	207 718	211 770	220 786	229 046	236 368	234 189	233 829	228 408	252 600	218 126	203 486	202 976	213 803	232 094	255 526	244 495	253 486	252 060	261 370
International migration	35 071	13 812	14 270	13 378	12 986	12 510	11 082	8 498	9 479	9 268	7 643	6 866	7 610	8 712	7 792	9 219	9 855	13 098	15 087	15 239	20 976
with CIS countries[1)]	25 607	7 249	8 149	8 451	8 177	8 217	7 520	6 165	7 142	6 856	5 313	5 040	5 799	6 509	5 374	5 912	6 679	8 997	9 558	9 829	12 941
with non-CIS countries[2)]	9 464	6 563	6 121	4 927	4 809	4 293	3 562	2 333	2 337	2 412	2 330	1 826	1 811	2 203	2 418	3 307	3 176	4 101	5 529	5 410	8 035
Internal migration	171 973	183 824	193 448	198 392	207 800	216 536	225 286	225 691	224 350	219 140	244 957	211 260	195 876	194 264	206 011	222 875	245 671	231 397	238 399	236 821	240 394
Interregional	69 598	75 559	80 916	83 370	88 549	92 944	97 221	97 942	100 228	101 620	115 049	94 507	86 620	88 692	97 057	102 498	115 646	114 126	120 454	121 560	127 436
Intraregional	102 375	108 265	112 532	115 022	119 251	123 592	128 065	127 749	124 122	117 520	129 908	116 753	109 256	105 572	108 954	120 377	130 025	117 271	117 945	115 261	112 958
interdistrict	89 753	93 788	98 606	97 681	100 374	104 923	106 165	103 087	100 148	94 829	105 756	90 469	81 296	80 492	81 222	86 513	90 846	86 166	88 355	85 684	83 154
intradiscrit	12 622	14 477	13 926	17 341	18 877	18 669	21 900	24 662	23 974	22 691	24 152	26 284	27 960	25 080	27 732	33 864	39 179	31 105	29 590	29 577	29 804
Net migration	-205	12 131	9 085	5 561	5 160	2 132	1 949	5 626	4 676	8 145	12 249	10 303	9 900	9 328	11 643	15 722	18 494	7 940	3 874	9 362	13 870
International migration	-205	12 131	9 085	5 561	5 160	2 132	1 949	5 626	4 676	8 145	12 249	10 303	9 900	9 328	11 643	15 722	18 494	7 940	3 874	9 362	13 870
with CIS countries[1)]	5 578	16 243	12 822	8 346	7 751	4 313	3 906	6 225	4 796	7 383	10 269	9 263	8 891	6 946	9 315	13 943	15 826	6 618	3 747	7 179	9 592
with non-CIS countries[2)]	-5 783	-4 112	-3 737	-2 785	-2 591	-2 181	-1 957	-599	-120	762	1 980	1 040	1 009	2 382	2 328	1 779	2 668	1 322	127	2 183	4 278

[10] Total migration results in Belarus [Electronic resource] // National Statistical Committee of the Republic of Belarus. – Mode of access: https://www.belstat.gov.by/en/ofitsialnaya-statistika/Demographic-and-social-statistics/population-and-migration/migration/annual-data/. – Date of access: 29.09.2021.

Table 8 shows that in the Republic of Belarus the labour migration balance is positive in relation to all CIS and Baltic States. The main migration exchange of Belarus takes place with Russia, Kazakhstan and Ukraine. Out of the total number of migrant workers, the overwhelming part of them are contracted for work involving predominantly manual labour. The main types of work for Belarusians abroad are construction, agricultural work, industry. Young people under 24 years prevail among emigrants. More than 90% of those going abroad for permanent residence have higher or secondary vocational education.

The leaders in receiving highly qualified migrants from the Republic of Belarus are Russia, Germany, the USA, Poland and Israel.

Under current social and economic conditions the Republic will act as a potential exporter of labour force.

Table 9 represents the measures and areas of migration policy.

Table 9 – Migration policy: key directions, problem areas and conclusions

Areas of convergence	***Minimizing the negative aspects of migration***	• Tackling the drivers of forced and irregular migration: poverty, human rights violations and armed conflicts • Addressing irregular migration through effective border control policies • Cooperating in preventing and combatting human trafficking and smuggling • Ratifying and implementing the Human Trafficking and Migrant Smuggling Protocols	
	Strengthening the positive aspects of migration	*For countries of origin*	• Improving money transfers and lowering remittances fees • Ensuring fair recruitment practices, including reducing recruitment agencies' fees • Facilitating voluntary return and reintegration of migrants • Improving transfers of knowledge and skills of highly skilled and other migrants • Encouraging and creating opportunities for diaspora engagement in development
		For host countries	• Capitalising on (temporary) labour migration to meet labour market's needs • Attracting skilled migrant workers • Capitalising on the skills and entrepreneurship of the diaspora • Interrelationship between migration and trade (Mode 4 of the General Agreement on Trade in Services (GATS))

The continuation of Table 9

Areas of convergence	***Strengthening the positive aspects of migration***	*In general*	• Integrating migration issues into development planning • Need for more evidence-based research on the interrelationship between migration and development • Improving partnerships for managing labour migration, including with the private sector
	Protecting migrants' rights and ensuring their well-being	• Combatting discrimination, racism and xenophobia • Securing migrants workers' rights and labour standards • Protecting migrants from abuses, exploitation and human trafficking • Ratifying and implementing core international human rights treaties, ILO conventions and instruments on human trafficking • Treating women and girls, children and victims of human trafficking as migrants in vulnerable situations requiring special protection • Integrating (long-term) migrants in society	
Thematic trends	• Environmental driver of migration (for example, natural disasters, man-made catastrophes and environmental degradation) • From development to sustainable development and the role of migration • From brain drain to temporary and / or circular migration • Stranded migrants as migration in a vulnerable situation		
Key tension points	• Recommendation for opening up more legal avenues for migration • Consideration of low-skilled labour migration outside temporary migration policies • Ratification and implementation of the 1990 International Convention on the Protection of the Rights of All Migrant Workers and Member of Their Families		

1.4.3. International Technology Transfer

Technology is the scientific means of achieving practical goals. Three groups of technologies are usually included in the concept of technology: *product technology, process technology, and management technology*.

The *uneven development of scientific and technological progress in different countries* creates significant technological differences between countries.

In other words, there is *an international division of technology* – a historically established or acquired concentration of technology in individual countries.

This is the material basis of the **global technology market**, which was established in the second half of the twentieth century.

Technology transfer

International technology transfer is the *movement of scientific and technological achievements* between countries, either on a *commercial or non-commercial basis*.

The legal protection of technology is an essential prerequisite for the functioning of the technology market.

Non-commercial forms of technology transfer:

- conferences, exhibitions, seminars;
- training, internships, internships of students, scientists and specialists;
- information literature, computer data banks, etc.

Commercial forms of technology transfer, both domestic and international, are arranged in the form of a contract.

In terms of the direction of technology transfer, it is distinguished between vertical and horizontal.

Vertical is an inter-organisational (research-production) process.

Horizontal is an intra-organisational process (from one research area to another).

Technology transfer could also be **internal, domestic and international**

The object of the technology transfer is:

- embodied technology (technology carriers);
- disembodied (pure) technology.

Embodied and disembodied technologies

Goods act as **carriers of technology (embodied technology)** in the case of trade in high technology goods.

Capital is a carrier of technology in the case of trade in high-tech capital-intensive investment goods.

Labour is a carrier of technology in the case of international migration of highly skilled scientific and technological personnel, carriers of ideas, knowledge, experience, innovative abilities.

Land is a carrier of technology in the case of trade in natural resources for the exploitation of which the latest scientific and technological advances have been used.

Pure technology (disembodied technology) refers to ideas, knowledge, skills, patents, licences, know-how, engineering, etc.

Based on the above, we can conclude that, with the exception of trade in raw materials and foodstuffs, *the rest of international exchange is a sphere of technology transfer in pure form and through its carriers.*

Disembodied technology: examples

Patent agreements is an international commercial transaction in which the owner of a patent assigns his rights to use the invention to the purchaser of the patent.

Licensing agreement is an international commercial transaction in which the owner of an invention or technical knowledge grants another party permission to use his rights to the technology to a certain extent.

Know-how – the supply of technical expertise and know-how, including technological, environmental and financial information, which when applied provides advantages.

Engineering – the supply of the technological knowledge required to acquire, install and use machinery and equipment whether purchased or leased. They include a wide range of activities such as feasibility studies, consultancy, supervision, design, testing, warranty and post-warranty service.

In most countries, a new technology is protected by one or more legal tools such as: **patents, licences, copyrights and trademarks**.

A patent is a certificate that is given to an inventor by a competent government agency and certifies the inventor's monopoly on the use of the invention.

The patent provides the owner of the invention with a property right that is usually substantiated by a trademark and design registration. Periodic payment of very high patent fees is required by law to keep a patent in force. For this reason, the patent owner often prefers to assign the rights to use the invention to a party that can commercially exploit it.

A licence granted by the owner of technology (licensor), whether or not protected by a patent, to an interested party (licensee) to use that technology for a specified period of time and for a specified fee.

A copyright is the exclusive right of the author of a literary, audio or video work to display and reproduce his work.

A trademark is the symbol of a particular organisation that is used to identify the producer of a product and that cannot be used by other organisations without the formal authorisation of the owner.

International technology transfer takes the following main forms:

- **patent agreements** are international trade transactions in which the owner of a patent assigns his rights to use the invention to the buyer of the patent;
- **licensing agreements** are international trade transactions in which the owner of an invention or technical knowledge grants another party permission to use his rights to the technology to a certain extent;

- **know-how** is the provision of technical expertise and trade secrets, including technological, environmental and financial information, the use of which confers certain advantages;
- **engineering** is the provision of the technological knowledge necessary to acquire, install and use machinery and equipment purchased or leased.

The main form of international technology transfer is the licensing trade

Licences are sold on the basis of a licensing agreement that establishes

- *the type of licence* (patent, non-patent),
- *the nature and scope of the rights to use the technology* (simple, exclusive and full),
- *the scope of production and the territorial limits of the use of the licence*.

Licence fees are the *remuneration paid to the licensor by the licensee* for the use of the subject matter of the agreement.

There are several main types of licence fees

Royalty is a periodic deduction from the buyer's income during the term of the agreement, depending on the amount of profit generated from the commercial use of the licence.

Lump-sum payment is fixed in the agreement, the lump-sum payment which is not connected in time with actual use of the license, and established beforehand on the basis of expert estimations.

Combined payment = royalty + lump-sum

Profit-sharing is the allocation to the licensor of a portion of the profits made by the licensee from the commercial use of the subject matter of the licence. Typically, the licensor's share of the licensee's profits is fixed at up to 30% on granting an exclusive license and 10% on granting a non-exclusive license.

Ownership participation is the transfer by the licensee to the licensor of shares in its undertakings as payment for the licence granted.

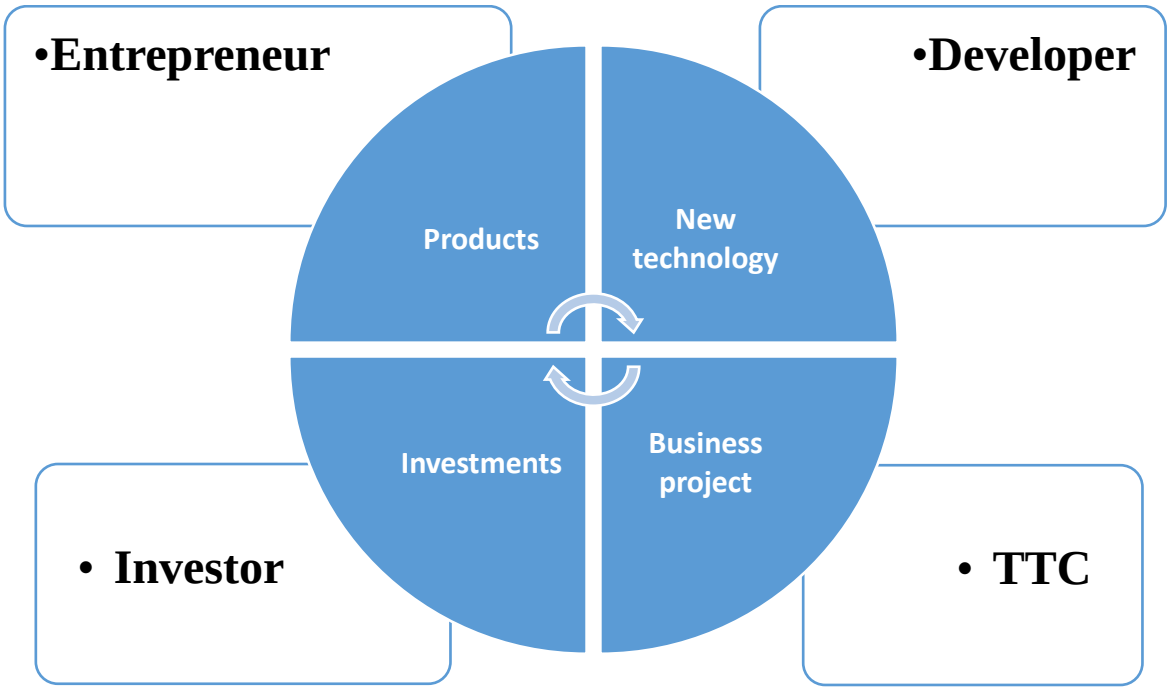
Technology as assets

Technology is *the tangible assets* of the firm, represented by machinery and equipment, as they carry information about the technology with which they were produced, and *intangible assets*, represented by the intellectual property objects – patents, know-how that the firm possesses.

In general, for an organisation, **technology can be represented as assets of the firm.**

Transfer square

The developer, TTC (technology transfer centre), investor and entrepreneur form a kind of "transfer square", the parties (participants) of which are equal, indispensable and important for the development and promotion of the innovative technology (see Picture 20).



Picture 20 – Transfer square

The entrepreneur organises the development and production of a new type of innovative product and its delivery to the consumer. The investor and the entrepreneur may be the same person.

The developer turns ideas into innovative technology.

The goal of *the TTC* is to help the developer give a "marketable look" to his or her developments so that they can be of interest to entrepreneurs and investors.

The investor carries out technical and financial due diligence on the basis of which he or she concludes whether or not to invest in a particular project; bears the greatest risks in technology commercialisation projects.

TTCs (Belarus)

A TTC is an innovation infrastructure entity with an average number of employees of up to 100, the purpose of which is to ensure technology transfer, or which has a separate subdivision with at least 7 employees, the purpose of which is to ensure technology transfer.

The main activities of the TTC are:

– bringing innovations to the end consumer, including by accelerating the process of their absorption in production;

– information support of innovation activities using information technologies;

– provision of engineering and consulting services, performance of works of calculated and analytical nature, preparation of feasibility studies of innovation projects.

Republican Centre for Technology Transfer was established in May 2003 with the assistance of the State Committee on Science and Technology of the Republic of

Belarus (SCST), the National Academy of Sciences of Belarus, the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organisation (UNIDO).

The main *objective* of the Republican Centre for Technology Transfer is to promote cooperation between developers, entrepreneurs and investors.

The following elements or factors of production may form the components of technology transfer:

- technical knowledge (patents, licences, know-how, etc.);
- technological assistance in the commissioning of the facility (in the form of special machines, equipment, up to turnkey commissioning, etc.);
- training of personnel;
- providing capital.

Modes of technology transfer

- With **delayed introduction**, the new technology is first used in the country where it was created. In the course of its operation, any necessary improvements are made, experience in its use is accumulated, and only then is it transferred to another country. In this case, the technology may be transferred through the establishment of a joint venture to develop and sell the products made using the technology abroad. A distinctive feature of this type of technology introduction is the minimisation of the degree of risk of capital loss.
- While **parallel introduction** MNCs simultaneously introduce new technology in the host country and in the foreign partner country.
- **Consecutive technology transfer** to a foreign country is observed when the technology has exhausted its lifecycle in the home country. Only then can the technology be transferred to the target host country for further use.

Technological trade capacity (TTC)

❑ UNCTAD's classification of technological trade capacity is used to estimate the amount of technology that is transferred through trade in high-tech goods.

❑ **Technological trade capacity (TTC)** is the share of R&D expenditure in total expenditure on the production and trade of goods in selected industries.

- **High-tech** is trade in aerospace equipment (TTC = 22.7%), office equipment and computers (TTC = 17.5%), and electronics and components (TTC = 10.4%).
- **Medium-tech** is trade in cars (2.7%), chemicals (2.3%), rubber and plastics (1.2%).
- **Low-tech** trade is bricks, clay, glass (0.9%), food, beverages and tobacco (0.8%), textiles, clothes and shoes (0.2%), etc.

Technology balance of payments

The **technology balance of payments** represents the cash flows associated with international technology transfers. It records licence fees, royalties, fees for the use of

know-how, and R&D and technical assistance. In contrast to R&D expenditure, the technology balance records only technologies that are ready for productive use.

Although the technology balance reflects a country's ability to sell technology abroad and buy foreign technology, a shortage does not necessarily mean that domestic technology is not competitive.

In some cases, it is the result of increased imports of foreign technology; in other cases, it is the result of reduced revenues from the sale of domestic technologies.

A positive technology surplus may mean a high level of technological monopoly, low level of technological import or lack of absorption of new technologies. Most transactions also involve transactions between maternal and affiliated companies.

Consequently, additional quantitative and qualitative information is needed to analyse the country's technological balance over time.

The effectiveness of technology transfer

All institutions that are involved in the introduction of innovative technologies can be referred to as "technology sources". A **"personal technology transfer"** is particularly successful. Hiring qualified personnel can stimulate the adoption of know-how in an industrial enterprise.

Technological transfer between industrial enterprises is particularly effective if the parties represent complementary branches of industrial production and are able to expand the product range without competing with each other.

Supporting technology transfer

In order to stimulate technology transfer, state support is needed to create favourable conditions in the country, which include

- ✓ formation of **a national infrastructure** that ensures technology transfer;
- ✓ improvement of its **legal and informational support;**
- ✓ **professional training of specialists** in the field of innovation activities (managers in the field of technology transfer).

International experience of technology transfer

Trade in high-tech products and the technology balance are important indicators of a country's ability to develop and commercialise new technologies, which **determines its competitiveness in the global economy**.

European countries have lower export shares than Korea and the USA. But they are several times higher than the transition countries.

The developed world takes an active part in technology transfer, using mainly the first stage of its life cycle. In this case, the high-tech product is almost unique and highly competitive, as other countries acquire it because they do not themselves possess the technology to produce it.

Belarusian high-technology exports

The analysis of the current state of Belarusian technology exports shows that the main flow from Belarus is directed to the CIS countries (over 60%). Exporters for Belarus are the USA, the UK, Germany, France and Russia.

Belarus has been increasingly active in international technology transfer. **Engineering services and construction maintenance as well as operation of various facilities** account for the major share of technology exports and imports.

Overall, the value of high-technology exports in the Republic of Belarus is increasing from 2008 to 2020 (see Table 10).

Table 10 – High-technology exports in the Republic of Belarus [11]

Year	High-technology exports (current US$)
2008	417 137 400
2009	318 947 500
2010	407 448 900
2011	514 192 800
2012	635 599 600
2013	795 012 500
2014	693 012 600
2015	577 131 800
2016	625 544 800
2017	687 597 700
2018	716 800 300
2019	756 847 200
2020	801 645 500

[11] High-technology exports [Electronic resource] // The World Bank. – Mode of access: https://data.worldbank.org/indicator/TX.VAL.TECH.CD?end=2020&start=2007&view=chart. – Date of access: 30.09.2021.

2. PRACTICAL SECTION

<u>Practical classes № 1 – 3.</u> The Essence and Development of the Modern System of International Economic Relations

1. *The concept and essence of international economic relations (IER) and the structure of the world economy.*
2. *The objects and subjects of international economic relations at various levels of the economy, and their interaction.*
3. *The system of modern international economic relations.*
4. *The forms of international economic relations.*
5. *International division of labour as IER basis.*
6. *Globalisation of human capital. Globalisation and deglobalisation.*

Consider the information in the Picture and the articles. Please be ready for the discussions.

GLOBALIZATION GOOD

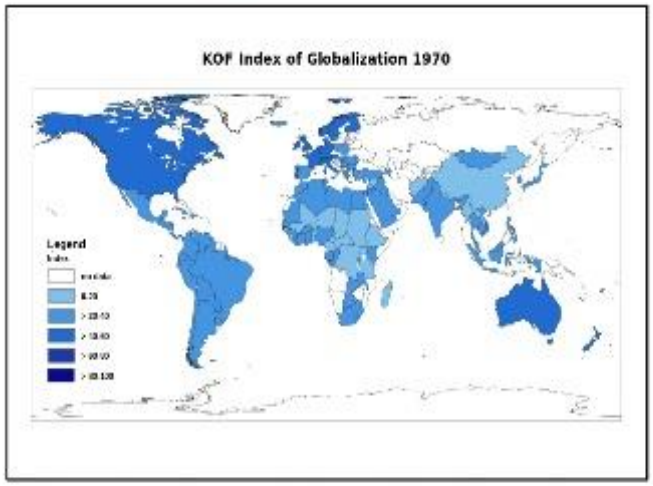
- *Increased opportunities*
- *Increased competition*
- *Mutual benefit*
- *Spread of technology*
- *Spread of knowledge, culture & education*
- **World trade organization(144 members), World economic forum**

GLOBALIZATION BAD

- *Inequality*
- *Spread of diseases*
- *Environmental degradation*
- *Outsourcing & child labour*
- **Greenpeace, Friends of the Earth, international aid organizations like Oxfam; third world government organizations like the G-77**

- *Jet airplanes, cheap telephone service, email, computers, huge oceangoing vessels, instant capital flows, all these have made the world more interdependent than ever brought the world closer than ever*
- *But this is not a new concept. Eg. overland Silk Road that connected Asia, Africa and Europe is a good example of the transformative power of international exchange that existed in the "Old World"*

HOW TO MEASURE GLOBALIZATION ?



The KOF Index of Globalization measures the three main dimensions of globalization:

- *Economic*
- *Social*
- *Political*

In addition to three indices measuring these dimensions, we calculate an overall index of globalization and sub-indices referring to :

- *actual economic flows*
- *economic restrictions*
- *data on information flows*
- *data on personal contact*
- *data on cultural proximity*

Articles for consideration

❖ *Brexit May Be Part of the First Wave of Deglobalization* [12]

❖ *Deglobalization, Global Value Chains, and International Cooperation in a Time of Defragmentation* [13]

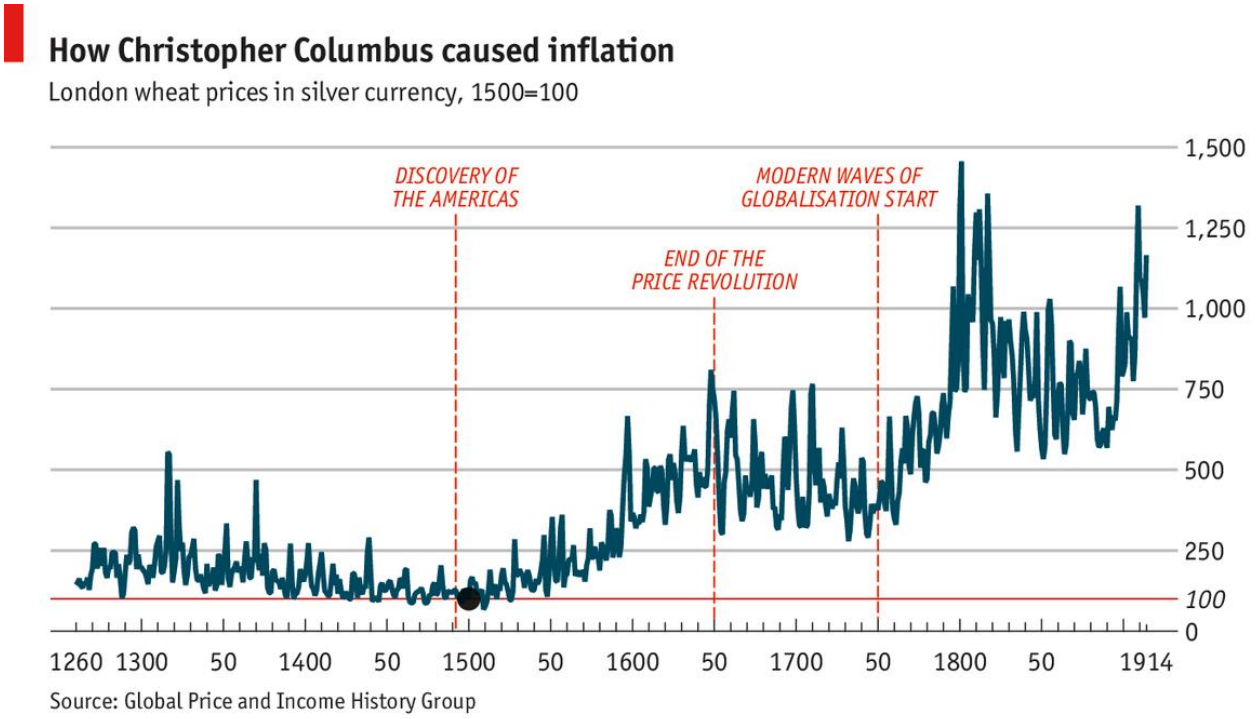
❖ *If You Thought Globalization Was Bad, Just Wait for Deglobalization* [14]

❖ *Globalization of Human Capital (Apple's iPhones – Not „Made in America")*

What is meant by the globalization of human capital?

❖ *When did globalisation start? Global market integration is almost as old as humanity* [15]

https://www.economist.com/blogs/freeexchange/2013/09/economic-history-1



[12] Brexit may be part of the first wave of deglobalization [Electronic resource] // Huffpost. – Mode of access: https://www.huffpost.com/entry/brexit-deglobalization_b_10755862. – Date of access: 29.09.2021.

[13] Deglobalization, global value chains, and international cooperation in a time of defragmentation [Electronic resource] // Valdai. – Mode of access: https://valdaiclub.com/a/highlights/deglobalization-global-value-chains/. – Date of access: 05.09.2021.

[14] If you thought globalization was bad, just wait for deglobalization [Electronic resource] // The globe and mail. – Mode of access: https://www.theglobeandmail.com/opinion/if-you-thought-globalization-was-bad-just-wait-for-deglobalization/article32879115/. – Date of access: 05.09.2021.

[15] When did globalisation start? Global market integration is almost as old as humanity // The Economist. – Mode of access: https://www.economist.com/blogs/freeexchange/2013/09/economic-history-1. – Date of access: 29.09.2020.

Be ready to present the information on the following points:

1) definition of the concept of globalization;
2) history of globalization;
3) advantages;
4) disadvantages;
5) your personal attitude;
6) examples / trends / current situation;
7) deglobalisation: the reasons and examples.

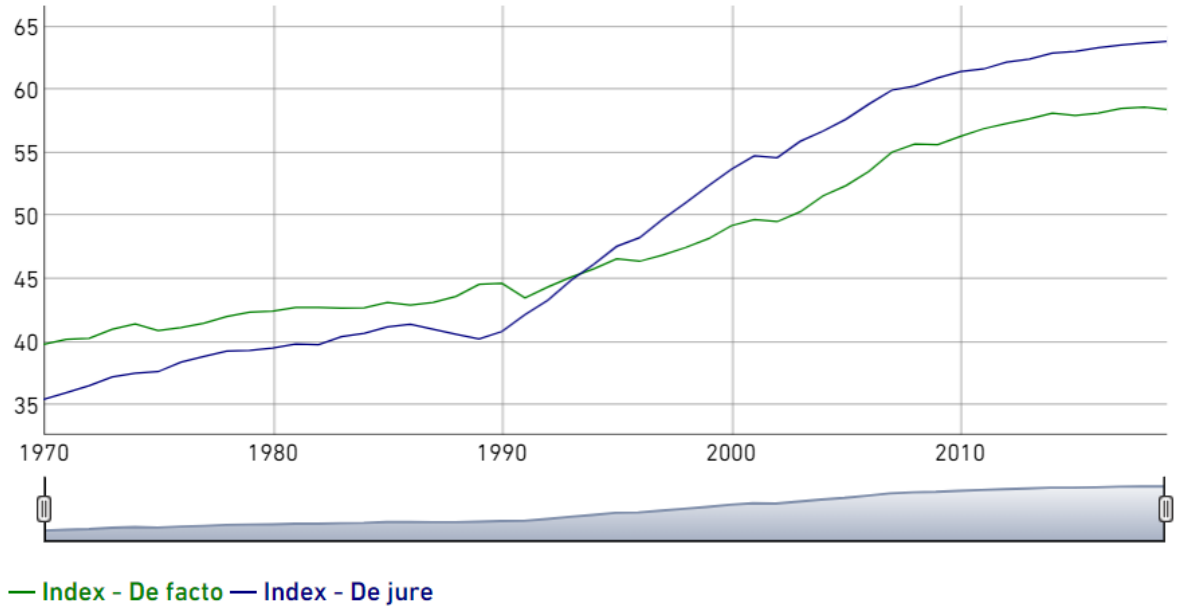
Discussion 1: „Globalization: Advantages and Disadvantages“

Discussion 2: „Globalization of Human Capital“

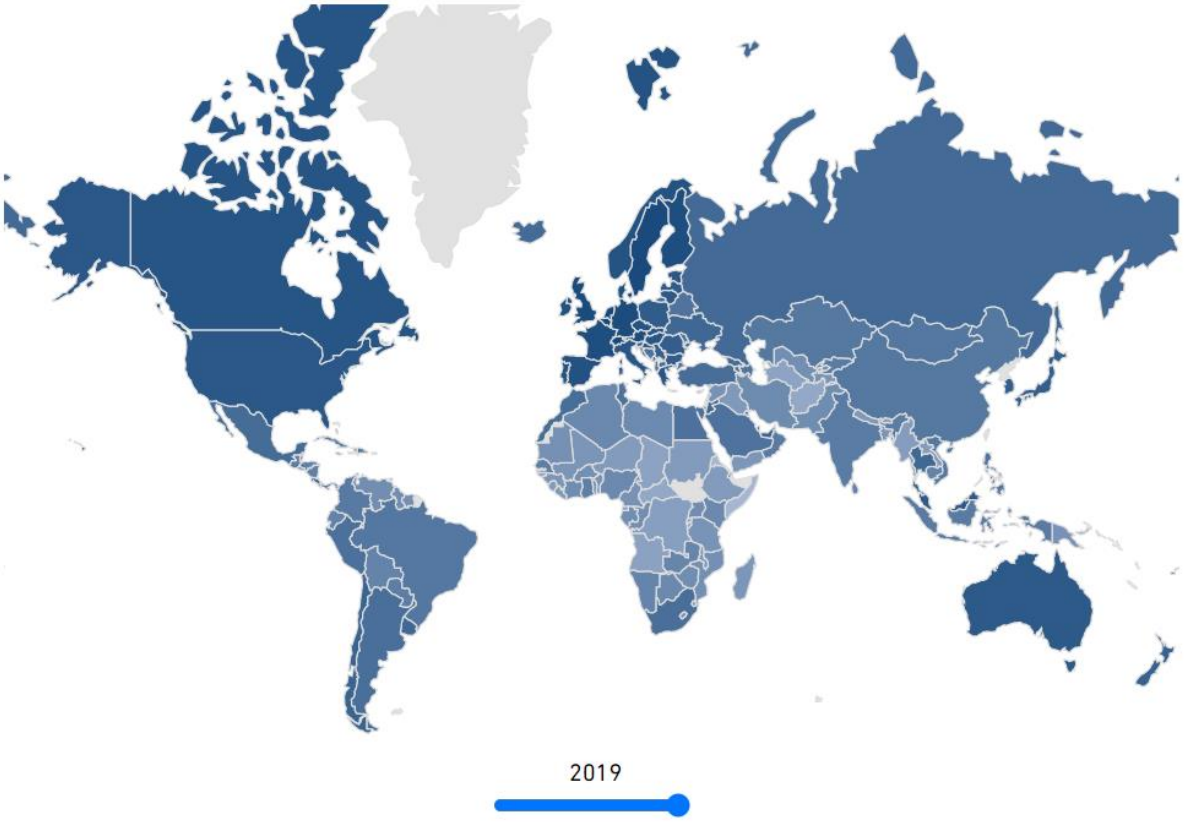
Discussion 3: “Contreversy in Globalisation. Globalisation and Deglobalisation. Regionalisation. Internationalisation. Transnationalisation. Localisation. Glocalisation”

Analytical task

Consider KOF Globalisation Index [16] in dynamics and analyse the results as well as the positions of the Republic of Belarus.



[16] KOF Globalisation Index [Electronic resource] // KOF Swiss Economic Institute. – Mode of access: https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html. – Date of access: 27.09.2021.


2019

Practical classes № 4 – 5. International Trade and its Regulation

1. The essence of foreign trade transactions and their classification

2. Types of foreign trade transactions (select classification criteria and present the definitions and explanations for each type)

3. International trade intermediation, commodity exchanges, auctions and bidding

4. The United Nations Convention on Contracts for the International Sale of Goods

5. Incoterms: content, objectives and structure

6. WTO: formation, role, main objectives, etc.

7. GATT and GATS: formation, role, main objectives, etc.

8. Current trends in the development of international trade

9. Current trends in the development of IER

10. Global challenges of our time and their impact on IER

Discussion 1: "Current trends in the development of international trade"

Discussion 2: "Current trends in the development of IER"

Discussion 3: "Global challenges of our time and their impact on IER"

Creative task

Creating a mind map: "Incoterms 2020: main features and examples of implementation"

Use the materials: [17]

Analytical task

Consider the statistics regarding international trade [18] and analyse the situation in the Republic of Belarus [19].

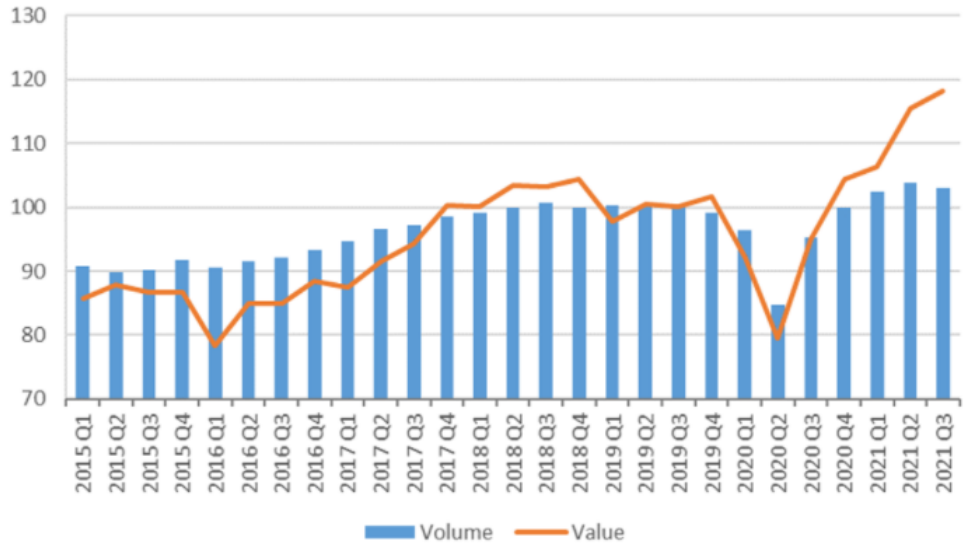
[17] Incoterms 2020 [Electronic resource] // International Chamber of Commerce. – Mode of access: https://iccwbo.org/resources-for-business/incoterms-rules/incoterms-2020/. – Date of access: 27.09.2021.

[18] Trade and tariff data [Electronic resource] // World Trade Organisation. – Mode of access: https://www.wto.org/english/res_e/statis_e/statis_e.htm. – Date of access: 27.09.2021.

[19] External trade of the Republic of Belarus, 2021 [Electronic resource] // National Statistical Committee of the Republic of Belarus. – Mode of access: https://www.belstat.gov.by/ofitsialnaya-statistika/realny-sector-ekonomiki/vneshnyaya-torgovlya/vneshnyaya-torgovlya-tovarami/statisticheskie-izdaniya/index_40484/. – Date of access: 29.09.2021.

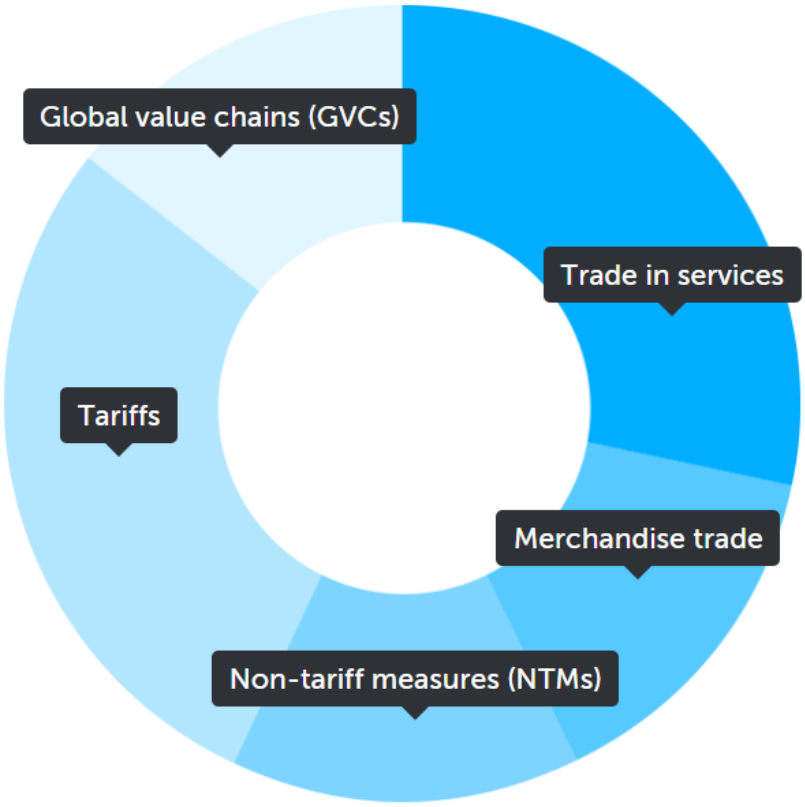
Chart 1: World merchandise trade volume and value, 2015Q1 - 2021Q3

(Index, 2019 = 100)



Source: WTO and UNCTAD.

Note: World trade refers to average of world exports and imports.



Practical classes № 6 – 7. International Economic Integration

1. International economic integration: essence, prerequisites and goals

2. Stages of international economic integration

3. The customs union theory

4. The effects of customs unions

5. The European Union (EU): stages of evolution, mechanism of functioning, etc. Conditions for joining the EU. European monetary system. Euro: criteria (conditions) and consequences of its introduction for the economies of the European Union

6. The North American Free Trade Agreement (NAFTA) / United States-Mexico-Canada Agreement (USMCA)

7. Integration processes in Latin America, Africa and Asia: main trends and examples

8. The development of integration processes in the post-Soviet space (the Commonwealth of Independent States (CIS), the Eurasian Economic Union (EEU) and the Union State of Russia and Belarus)

Discussion: "Importance, Factors, Problems, Advantages and Disadvantages of International Economic Integration"

Creative task

Analytical essay: "The Republic of Belarus in the international economic integration processes"

<u>Practical class № 8.</u> International Movement of Capital and Foreign Investments. Horizontal and Vertical Integration. MNCs. M&A

1. International movement of capital and foreign investments: essence, forms and trends

2. Motives, reasons and effects of international capital movements

3. Horizontal and vertical integration. MNCs (essence, role and reasons for existence). M&A

<u>Creative task</u>

Analytical essay: "MNCs and TNCs in the system of IER"

Analytical task: consider the investment statistics and analyse the situation in the Republic of Belarus (see Table 6). Make conclusions and suggest some directions for improvement.

<u>Discussion 1: "Direct investments. Portfolio investments. Investment climate of the country and its factors. Free economic zones (FEZ). The main models of free zones: types and structure of benefits"</u>

<u>Discussion 2: "The economic effects of international capital movement"</u>

<u>Creative task</u>

Creating a mind map: "Current trends in international capital migration"

To analyse the current trends in 2020 – 2021 use the materials in Investment Trends Monitor, Issues 38 [20] and 39 [21].

- *Global foreign direct investment (FDI) collapsed in 2020, falling by 42% to an estimated $859 billion, from $1.5 trillion in 2019 (figure 1).* FDI finished 2020 more than 30% below the trough after the global financial crisis in 2009.
- *The decline was concentrated in developed countries, where FDI flows fell by 69% to an estimated $229 billion.* Flows to Europe dried up completely to -4 billion (including large negative flows in several countries). A sharp decrease was also recorded in the United States (-49%) to $134 billion.
- *The decline in developing economies was relatively measured at -12% to an estimated $616 billion.* The share of developing economies in global FDI reached 72% – the highest share on record. China topped the ranking of the largest FDI recipients.
- *The fall in FDI flows across developing regions was uneven,* with -37% in Latin America and the Caribbean, -18% in Africa and -4% in developing Asia. East Asia was the largest host region, accounting for one-third of global FDI in 2020. FDI to the transition economies declined by 77% to $13 billion.

[20] Glolobal Investment Trend Monitor [Electronic resource] : issue 38, 2020 // United Nations Conference on Trade and Development. – Mode of access: https://unctad.org/es/node/31916. – Date of access: 29.09.2021.

[21] Glolobal Investment Trend Monitor [Electronic resource] : issue 39, 2021 // United Nations Conference on Trade and Development. – Mode of access: https://unctad.org/webflyer/global-investment-trend-monitor-no-39. – Date of access: 29.09.2021.

- *Global foreign direct investment (FDI) flows in the first half of 2021 reached an estimated $852 billion[1], showing stronger than expected rebound momentum.* The increase in the first two quarters recovered more than 70% of the Covid-19 pandemic induced loss in 2020.
- *Developed economies saw the biggest rise, with FDI reaching an estimated $424 billion in 2021 H1 – more than three times the exceptionally low level in 2020.* In Europe, although the bulk of growth was due to reversals in countries with significant conduit movements, several large economies saw sizeable increases, on average remaining only 5% below pre-pandemic quarterly levels. Inflows in the United States were up by 90%, driven entirely by a surge in cross-border mergers and acquisitions (M&As).
- *FDI flows in developing economies also increased significantly, totaling $427 billion in 2021 H1,* with a growth acceleration in East and South-East Asia (+25%), a recovery to near pre-pandemic levels in Central and South America, and upticks in several other economies across Africa and West and Central Asia.
- *Of the total 'recovery increase' in global FDI flows in the first half of 2021 of $373 billion, 75% was recorded in developed economies.* High-income countries more than doubled quarterly FDI inflows from rock bottom 2020 levels, middle-income economies saw a 30% increase, and low-income economies a further 9% decline (figure 1).

Figure 1. Uneven rebound/recovery growth

(Quarterly growth rates 2021 H1 vs 2020 for FDI, first three quarters for projects)

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics) for FDI, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals.

Practical class № 9. International Labour Migration

1. International labour migration: essence, main trends, motives, costs, benefits and role

2. International labour migration: main terms, factors, effects, etc.

3. State migration policy. International regulation of migration processes

4. Migration in the Republic of Belarus: current trends and prospects

Creative task

Creating a mind map: "Impact of labour migration on labour-exporting and labour-importing countries. The positive and negative effects of labour migration"

Analytical task

Consider the statistics regarding international labour migration [22] and analyse the situation in the Republic of Belarus (see Table 8).

Discussion: "Modern trends in the development of international labor migration"

The number of international migrants globally in 2019: 272 million (3.5% of the world's population)

- 52 per cent of international migrants were male; 48 per cent were female.
- 74 per cent of all international migrants were of working age (20–64 years).

India continued to be the largest country of origin of international migrants

- India had the largest number of migrants living abroad (17.5 million), followed by Mexico and China (11.8 million and 10.7 million respectively).
- The top destination country remained the United States (50.7 million international migrants).

The number of migrant workers declined slightly in high income countries while increasing elsewhere

- Between 2013 and 2017, high-income countries experienced a slight drop in migrant workers (from 112.3 million to 111.2 million). Upper middle-income countries observed the biggest increase (from 17.5 million to 30.5 million).
- Globally, male migrant workers outnumbered female migrant workers by 28 million in 2017. There were 96 million male migrant workers (58%) and 68 million female migrant workers (42%).

Migration patterns vary from region to region

- While most international migrants born in Africa, Asia and Europe reside within their regions of birth, the majority of migrants from Latin America and the Caribbean and Northern America reside outside their regions of birth. In Oceania, the number of intraregional migrants and those residing outside the region remained about the same in 2019.
- More than half of all international migrants (141 million) lived in Europe and Northern America.

Migration has been a key determinant of population change in several countries

- Intraregional migration has been an important contributor to population change in some African countries such as Equatorial Guinea.
- Labour migration has contributed to significant population changes especially in Gulf Cooperation Council (GCC) States. With the exceptions of Oman and Saudi Arabia, migrants made up the majority of the populations in GCC countries.

Displacement remained a major feature in some regions

- The Syrian Arab Republic and Turkey were the origin and host of the largest number of refugees globally, 6.7 million and 3.7 million, respectively. Canada became the largest refugee resettlement country, resettling more refugees than the United States in 2018.
- The Philippines had the largest number of new disaster displacements in 2018 (3.8 million).
- Around 4 million Venezuelans had left their country by mid-2019. The Bolivarian Republic of Venezuela was the largest source country of asylum seekers in 2018 (over 340,000).

[22] IOM World Migration Report [Electronic resource] // United Nations iLibrary. – Mode of access: https://www.un-ilibrary.org/content/periodicals/24142603. – Date of access: 30.09.2021.

International remittances increased to USD 689 billion in 2018

- The top 3 remittance recipients were India (USD 78.6 billion), China (USD 67.4 billion) and Mexico (USD 35.7 billion).
- The United States remained the top remittance-sending country (USD 68.0 billion) followed by the United Arab Emirates (USD 44.4 billion) and Saudi Arabia (USD 36.1 billion).

The global refugee population was 25.9 million in 2018

- 20.4 million refugees were under the mandate of the United Nations High Commissioner for Refugees (UNHCR) and 5.5 million were refugees under the mandate of the United Nations Relief and Works Agency for Palestine Refugees (UNRWA) in the Near East.
- 52 per cent of the global refugee population was under 18 years of age.

The number of internally displaced persons due to violence and conflict reached 41.3 million

- This was the highest number on record since the Internal Displacement Monitoring Centre began monitoring in 1998.
- The Syrian Arab Republic had the highest number of people displaced (6.1 million) followed by Colombia (5.8 million) and the Democratic Republic of the Congo (3.1 million).

The number of stateless persons globally in 2018 was 3.9 million

- Bangladesh had the largest number of stateless persons (around 906,000). It was followed by Côte d'Ivoire (692,000) and Myanmar (620,000).

Practical class № 10. International Technology Transfer

1. International technology transfer: concept, forms and objects. Global technology market

2. International technology transfer: legal protection. Technology as assets

3. Transfer square. Technology Transfer Centres. The components and modes of technology transfer

4. Technological trade capacity. Technology balance of payments. The effectiveness of technology transfer

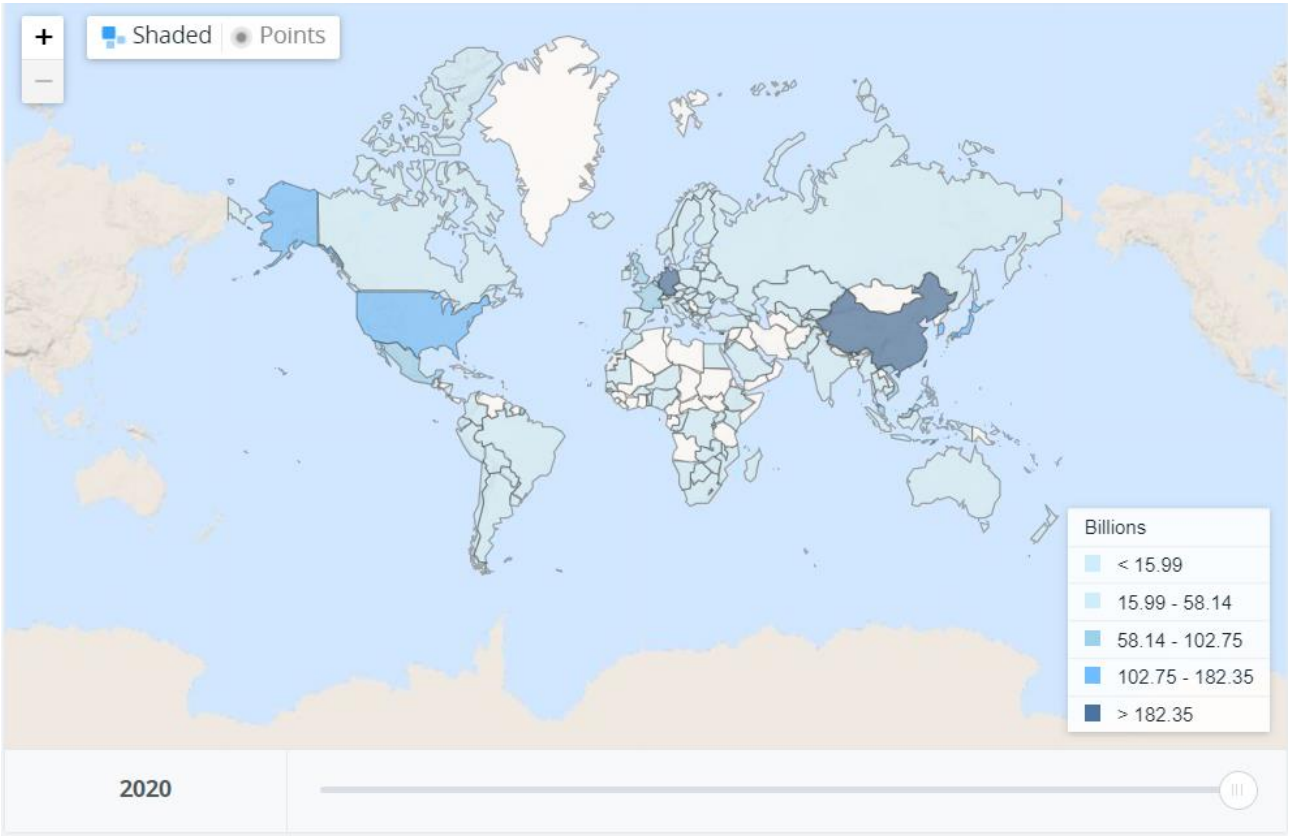
5. International and Belarusian experience of technology transfer

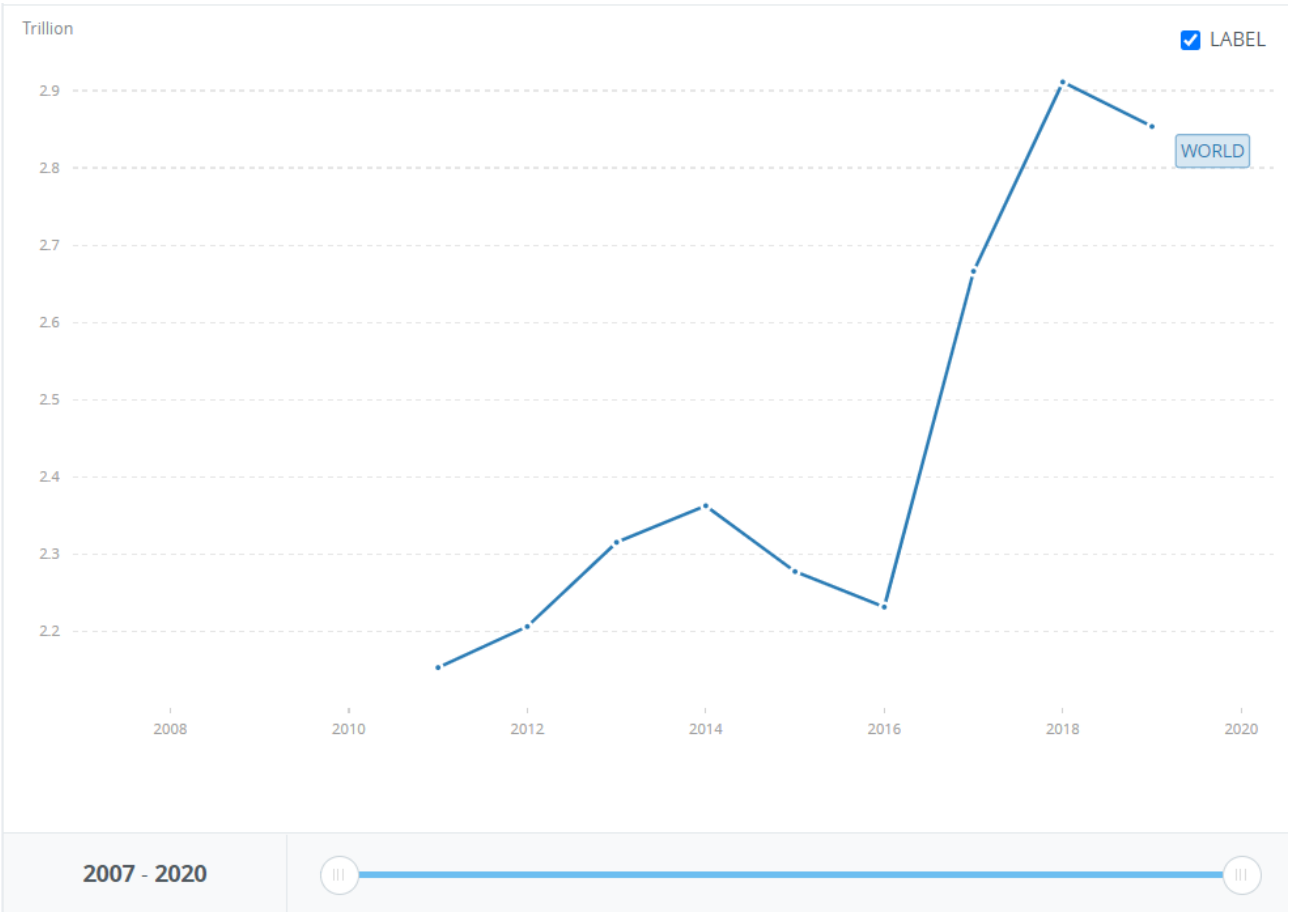
Analytical task

Consider the statistics regarding international technology transfers as well as high-tech exports [23] and analyse the situation in the Republic of Belarus (see Table 10). Make conclusions.

Discussion: "The features and prospects of modern international technology transfer"

[23] High-technology exports [Electronic resource] // The World Bank. – Mode of access: https://data.worldbank.org/indicator/TX.VAL.TECH.CD?end=2020&start=2007&view=chart. – Date of access: 30.09.2021.


Shaded
Points
Billions
< 15.99
15.99 - 58.14
58.14 - 102.75
102.75 - 182.35
> 182.35
2020


Trillion
LABEL
2.9
2.8
2.7
2.6
2.5
2.4
2.3
2.2
WORLD
2008
2010
2012
2014
2016
2018
2020
2007 - 2020

Practical class № 11. The Republic of Belarus in the System of International Economic Relations

1. The prerequisites for and the necessity of participation of the Republic of Belarus in the system of IER. The country's integration into the global world economy.

2. The development of foreign economic relations of the Republic of Belarus. The foreign trade policy of the Republic of Belarus and its primary objectives.

3. The volume, commodity and regional structure, dynamics of foreign trade of the Republic of Belarus. The main trade partners. The trends and development of foreign trade. Trends in development of export potential of the Republic of Belarus.

4. Foreign investments in the economy of the Republic of Belarus.

5. The Republic of Belarus in international scientific and industrial-technical cooperation.

6. The Republic of Belarus and international labor market. State regulation of labor migration in the Republic of Belarus.

7. The cooperation of the Republic of Belarus with international organizations.

Creative task

Analytical essay: "The Republic of Belarus in the system of international economic relations: main trends and directions for improvement"

The tasks and materials are available at: http://sbcde.by/course/view.php?id=851

3. KNOWLEDGE CONTROL SECTION

3.1. The list of recommended tools of diagnostics and formation of the final mark for the course

1. Oral form:
1.1 Interviews.
1.2 Discussions.
1.3 Seminar (practical) presentations.
1.4 Situation tasks.
1.5 Q&A.
2. Written form:
2.1. Control polls.
2.2. Tasks.
2.3. Abstracts.
2.4. Case-method assessment.
2.5. Current and final control tests.
2.6. Mind maps.
2.7. Essays.
3. Oral and written form:
3.1. Projects with their oral defence.
3.2 Assessment based on the module-rating system.
3.3. Assessment by credit.
4. Technical form:
4.1 Technical means of simulating real-life situations

When forming the final mark for the course rating system is used. The mark for the course is based on several elements:

- reports, tasks and presentations – 40 %;
- participation in the discussions during practical classes – 40%;
- test – 20 %.

3.2. Preliminary list of questions for the credit

1. The concept and essence of international economic relations (IER) and the structure of the world economy.
2. The objects and subjects of international economic relations at various levels of the economy, and their interaction. The mechanism of IER.
3. The system of modern international economic relations. The forms of international economic relations.
4. International trade in goods and its importance. Current trends in the development of international trade in goods.
5. The indicators of the current state and development of international trade. The structure and dynamics of international trade in goods. Commodity structure of world trade.
6. The geographical structure of world trade in goods. Pricing in international trade.
7. Tradable and non-tradable goods and services.
8. International division of labour as IER basis: definition, forms, historic issues and dimensions.
9. Globalization: advantages and disadvantages, current trends and features. Deglobalisation. Regionalisation. Glocalisation. Localisation. Internationalsation. Transnationalization. Globalization of Human Capital. Insourcing vs Outsourcing.
10. International trade transaction. Recognition of the sale agreement as international. Main and collateral transactions.
11. Types of foreign trade transactions based on trade direction.
12. Types of foreign trade transactions based on the degree of good readiness.
13. Types of foreign trade transactions based on the types of goods and services.
14. Types of foreign trade transactions based on trade methods.
15. Types of foreign trade transactions based on trade forms.
16. The United Nations Convention on Contracts for the International Sale of Goods: main provisions and role.
17. International commercial / trade customs.
18. Incoterms: content, objectives and structure.
19. Incoterms: basic principles and features of application.
20. Current trends in the development of international trade.
21. WTO: formation, role, main objectives, etc.
22. GATT and GATS: formation, role, main objectives, etc.
23. Global challenges of our time and their impact on IER.
24. International economic integration: essence, prerequisites and goals.
25. Stages of international economic integration.
26. The customs union theory.
27. The effects of customs unions.

28. The European Union (EU): stages of evolution, mechanism of functioning, etc. Conditions for joining the EU. European monetary system. Euro: criteria (conditions) and consequences of its introduction for the economies of the European Union.

29. The North American Free Trade Agreement (NAFTA): current state (the USMCA).

30. Integration processes in Latin America, Africa and Asia: main trends and examples.

31. The development of integration processes in the post-Soviet space (the Commonwealth of Independent States (CIS), the Eurasian Economic Union (EEU) and the Union State of Russia and Belarus).

32. Importance, factors, problems, advantages and disadvantages of international economic integration.

33. International movement of capital and foreign investments: essence, forms and trends.

34. Motives, reasons and effects of international capital transfers.

35. Horizontal and vertical integration.

36. MNCs (essence, role and reasons for existence).

37. M&A: essence, stages, role, etc.

38. International labour migration: essence, main trends, motives, costs, benefits and role.

39. Labour force: international differences, main groups, features and evaluation.

40. International labour market: recent trends.

41. Factors influencing international labour migration.

42. Positive and negative effects of labour migration on the economies of countries of immigration (host countries).

43. Positive and negative effects of labour migration on the economies of countries of emigration (home countries).

44. Factors and consequences of international labour migration.

45. State migration policy: types, tools and problems.

46. Migration in the Republic of Belarus.

47. Technology. Global technology market.

48. Technology transfer: definition, types, types and role.

49. The object of the technology transfer. Technology as assets.

50. The licensing trade. License payments.

51. Transfer square.

52. Modes and components of technology transfer.

53. Technology Transfer Centres: definition, objectives and role. Republican Centre for Technology Transfer of the Republic of Belarus.

54. Technological trade capacity (TTC).

55. Technology balance of payments.

56. The Republic of Belarus in the system of IER: main trends and directions for improvement.

4. SUPPORTING SECTION

4.1. List of basic coursebooks

1. Krugman, P. International Economics: Theory and Policy / P. R. Krugman, Maurice Obstfeld ; 11th Edition. – New York : Pearson Publishing. – 2017.
2. Law, J. A dictionary of business and management / J. Law ; 6th edition. – Oxford : Oxford University Press, 2016. – 656 p.
3. Salvatore, D. International Economics / D. Salvatore ; 13th edition. – New York : Wiley, 2019. – 720 p.
4. Shengelia, T. World Economy and International Economic Relations: Training manual / Y. Kozak, T. Shengelia. – Edited by Y. Kozak, T. Shengelia. – Tbilisi : PH «UNIVERSAL», 2016. – 223 p.

4.2. Supplementary coursebooks

5. Feenstra, R. C. International Macroeconomics / R. C. Feenstra, A. M. Taylor ; 2nd edition. – N.Y. : Worth Publishers, 2011. – 1056 p.
6. Shengelia, T. An Introduction to International Economic Relations / Y. Kozak, T. Shengelia. – Edited by Yuriy Kozak, Temur Shengelia. – Tbilisi : Publishing House „ Universal“, 2014. – 224 p.

Websites and links (legislative acts, articles for consideration, information and statistics)

7. Incoterms 2020 [Electronic resource] // International Chamber of Commerce. – Mode of access: https://iccwbo.org/resources-for-business/incoterms-rules/incoterms-2020/. – Date of access: 27.09.2021.
8. KOF Globalisation Index [Electronic resource] // KOF Swiss Economic Institute. – Mode of access: https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html. – Date of access: 27.09.2021.
9. Three waves of change: comparing three periods of globalization [Electronic resource] // The Economist. – Mode of access: http://www.economist.com/node/11751235. – Date of access: 27.09.2021.
10. Brexit may be part of the first wave of deglobalization [Electronic resource] // Huffpost. – Mode of access: https://www.huffpost.com/entry/brexit-deglobalization_b_10755862. – Date of access: 29.09.2021.
11. Deglobalization, global value chains, and international cooperation in a time of defragmentation [Electronic resource] // Valdai. – Mode of access:

https://valdaiclub.com/a/highlights/deglobalization-global-value-chains/. – Date of access: 05.09.2021.

12. If you thought globalization was bad, just wait for deglobalization [Electronic resource] // The globe and mail. – Mode of access: https://www.theglobeandmail.com/opinion/if-you-thought-globalization-was-bad-just-wait-for-deglobalization/article32879115/. – Date of access: 05.09.2021.

13. When did globalisation start? Global market integration is almost as old as humanity // The Economist. – Mode of access: https://www.economist.com/blogs/freeexchange/2013/09/economic-history-1. – Date of access: 29.09.2020.

14. Foreign investment to the Republic of Belarus [Electronic resource] // National Statistical Committee of the Republic of Belarus. – Mode of access: https://www.belstat.gov.by/en/ofitsialnaya-statistika/real-sector-of-the-economy/foreign-investment/annual-data/foreign-investment-to-the-republic-of-belarus/. – Date of access: 29.09.2021.

15. International migration 2020 highlights [Electronic resource] // United Nations: Department of Economic and Social Affairs. – Mode of access: https://www.un.org/en/desa/international-migration-2020-highlights. – Date of access: 29.09.2021.

16. Foreign direct investment, net outflows 2020 [Electronic resource] // The World Bank. – Mode of access: https://data.worldbank.org/indicator/BM.KLT.DINV.CD.WD?end=2019&start=2019&view=map&year=2020. – Date of access: 30.09.2021.

17. Foreign direct investment, net inflows 2020 [Electronic resource] // The World Bank. – Mode of access: https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?end=2019&start=2019&view=map&year=2020. – Date of access: 30.09.2021.

18. Total migration results in Belarus [Electronic resource] // National Statistical Committee of the Republic of Belarus. – Mode of access: https://www.belstat.gov.by/en/ofitsialnaya-statistika/Demographic-and-social-statistics/population-and-migration/migration/annual-data/. – Date of access: 29.09.2021.

19. High-technology exports [Electronic resource] // The World Bank. – Mode of access: https://data.worldbank.org/indicator/TX.VAL.TECH.CD?end=2020&start=2007&view=chart. – Date of access: 30.09.2021.

20. Trade and tariff data [Electronic resource] // World Trade Organisation. – Mode of access: https://www.wto.org/english/res_e/statis_e/statis_e.htm. – Date of access: 27.09.2021.

21. External trade of the Republic of Belarus, 2021 [Electronic resource] // National Statistical Committee of the Republic of Belarus. – Mode of access: https://www.belstat.gov.by/ofitsialnaya-statistika/realny-sector-ekonomiki/vneshnyaya-torgovlya/vneshnyaya-torgovlya-tovarami/statisticheskie-izdaniya/index_40484/. – Date of access: 29.09.2021.

22. Global Investment Trend Monitor [Electronic resource] : issue 38, 2020 // United Nations Conference on Trade and Development. – Mode of access: https://unctad.org/es/node/31916. – Date of access: 29.09.2021.

23. Global Investment Trend Monitor [Electronic resource] : issue 39, 2021 // United Nations Conference on Trade and Development. – Mode of access: https://unctad.org/webflyer/global-investment-trend-monitor-no-39. – Date of access: 29.09.2021.

24. IOM World Migration Report [Electronic resource] // United Nations iLibrary. – Mode of access: https://www.un-ilibrary.org/content/periodicals/24142603. – Date of access: 30.09.2021.

Websites of international organisations

25. World Bank [Electronic resource] – Mode of access: https://www.worldbank.org/en/home. – Date of access: 15.09.2021.

26. World Trade Organization [Electronic resource]. – Mode of access: https://www.wto.org/. – Date of access: 15.09.2021.

27. International Monetary Fund [Electronic resource]. – Mode of access: https://www.imf.org/en/Home. – Date of access: 15.09.2021.

28. United Nations Commission on International Trade Law [Electronic resource]. – Mode of access: https://uncitral.un.org/en. – Date of access: 15.09.2021.

29. International Chamber of Commerce [Electronic resource]. – Mode of access: https://iccwbo.org/. – Date of access: 15.09.2021.

30. International Labour Organisation [Electronic resource]. – Mode of access: https://www.ilo.org/global/lang--en/index.htm. – Date of access: 15.09.2021.

31. European Commission [Electronic resource]. – Mode of access: https://ec.europa.eu/info/index_en. – Date of access: 15.09.2021.

32. Eurasian Economic Commission [Electronic resource]. – Mode of access: http://www.eurasiancommission.org/en/Pages/default.aspx. – Date of access: 15.09.2021.

33. Eurasian Economic Union [Electronic resource]. – Mode of access: http://www.eaeunion.org/?lang=en. – Date of access: 15.09.2021.

34. National Statistical Committee of the Republic of Belarus [Electronic resource]. – Mode of access: https://www.belstat.gov.by/en/. – Date of access: 15.09.2021.

35. KOF Swiss Economic Institute [Electronic resource]. – Mode of access: https://kof.ethz.ch/en/. – Date of access: 15.09.2021.

36. United Nations Conference on Trade and Development [Electronic resource]. – Mode of access: https://unctad.org/. – Date of access: 15.09.2021.

37. International Organization for Migration [Electronic resource]. – Mode of access: https://www.iom.int/. – Date of access: 15.09.2021.

38. United Nations [Electronic resource]. – Mode of access: https://www.un.org/en/.– Date of access: 15.09.2021.