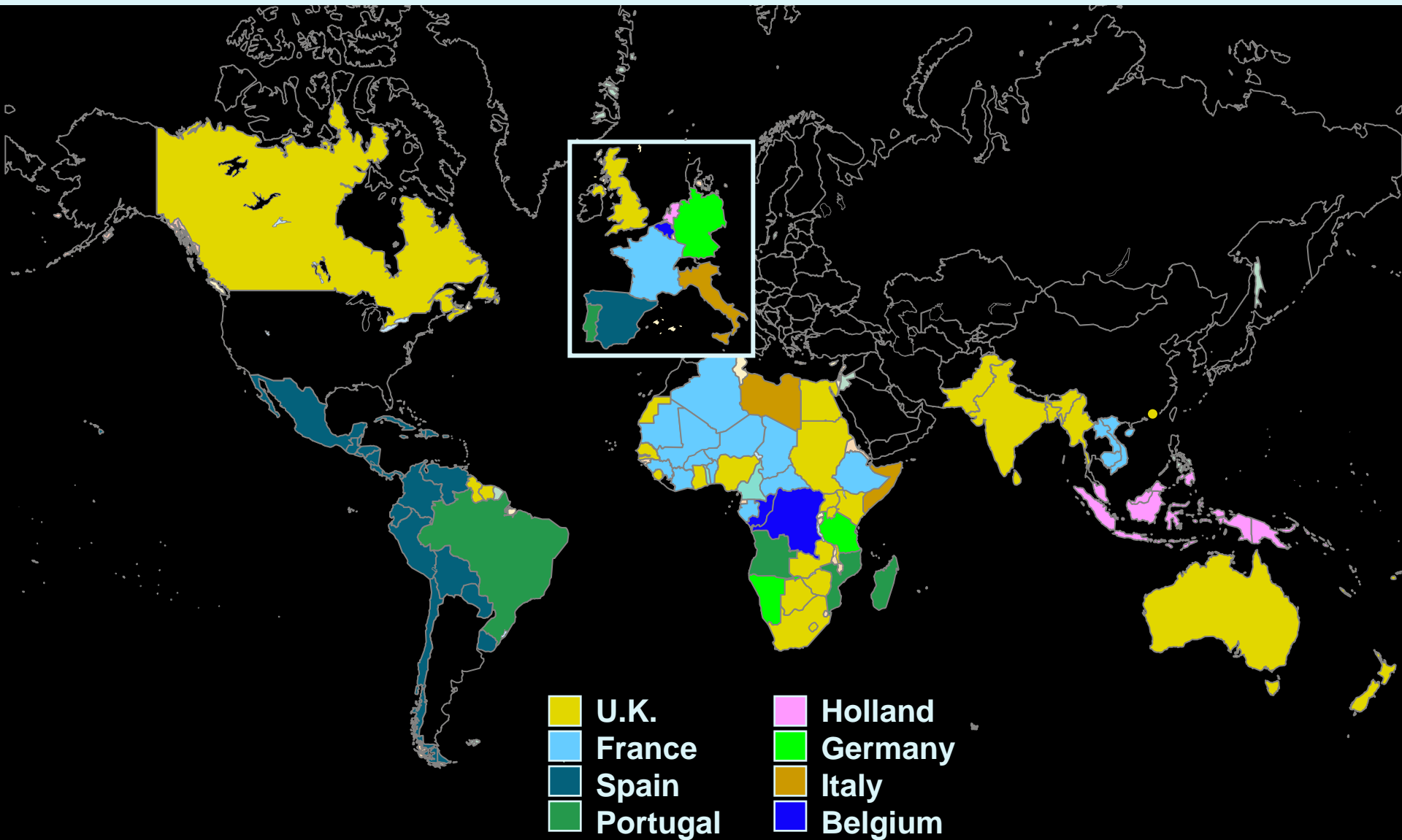


# Lingkungan Ekonomi Global

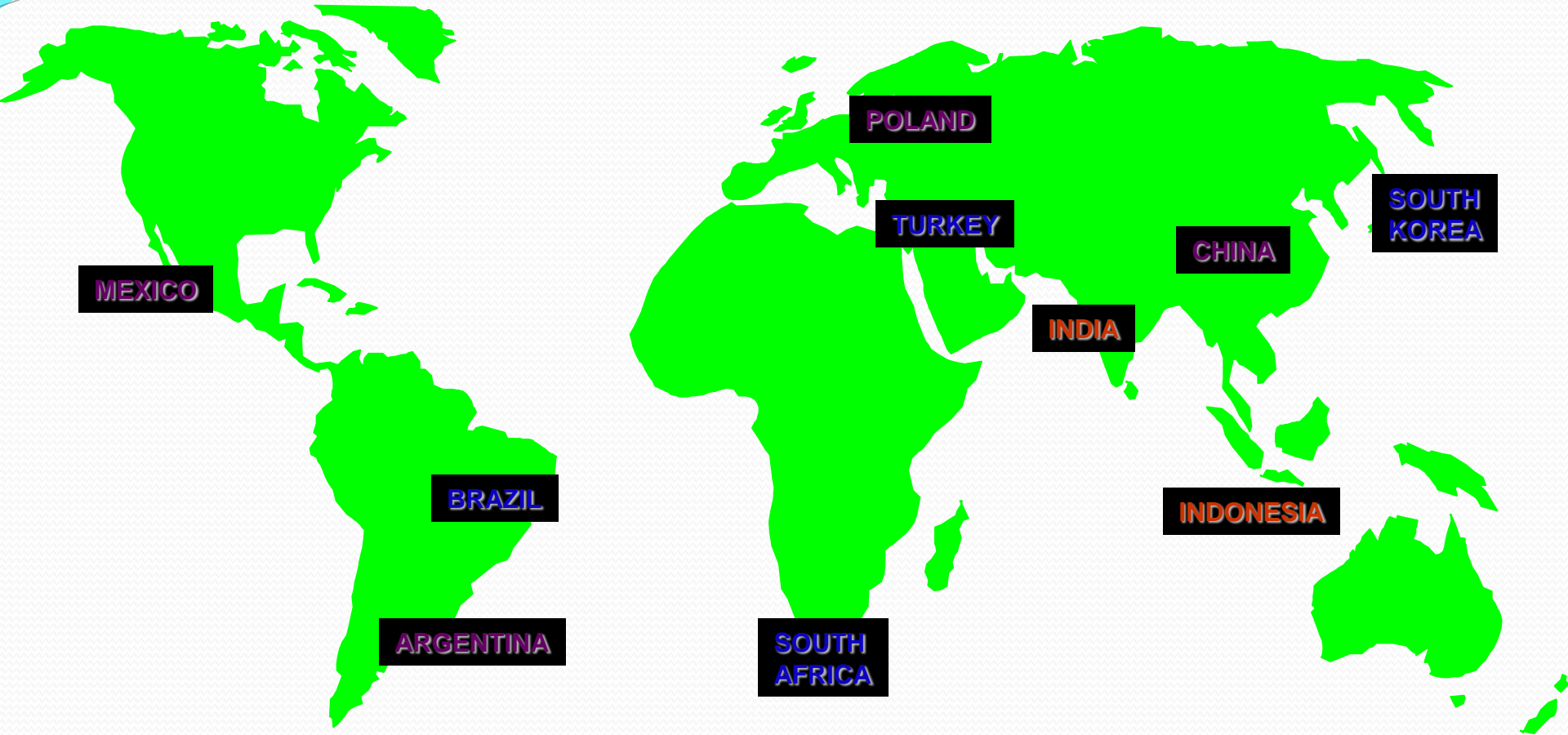
By: Ayu Krishna

# EUROPEAN COLONIAL INFLUENCE

1600 - 1947



# THE BIG TEN



**MEXICO**

**BRAZIL**

**ARGENTINA**

**POLAND**

**TURKEY**

**SOUTH AFRICA**

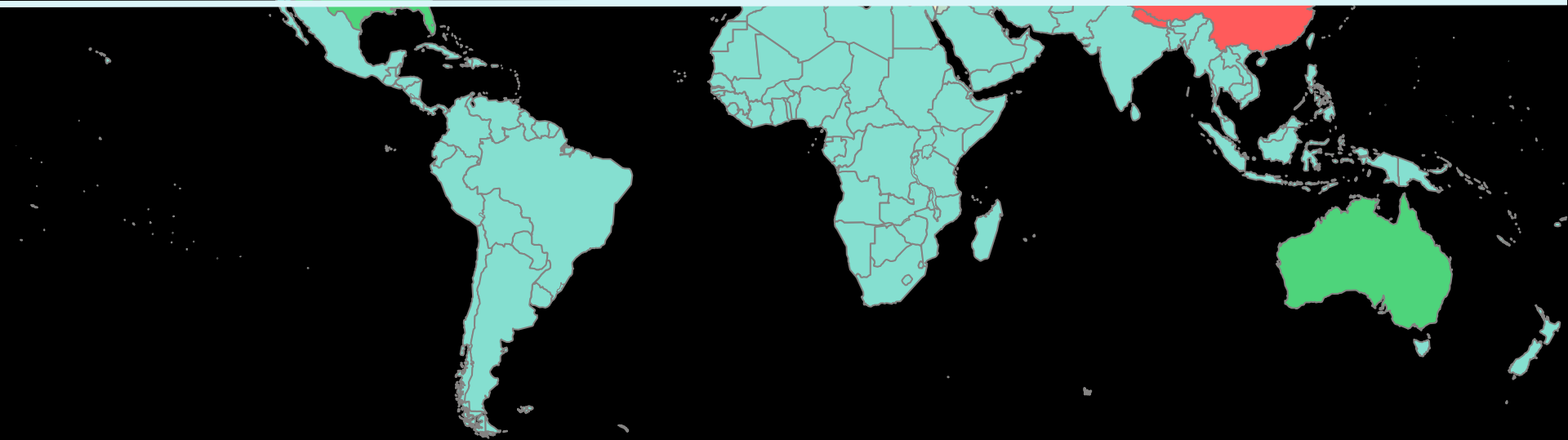
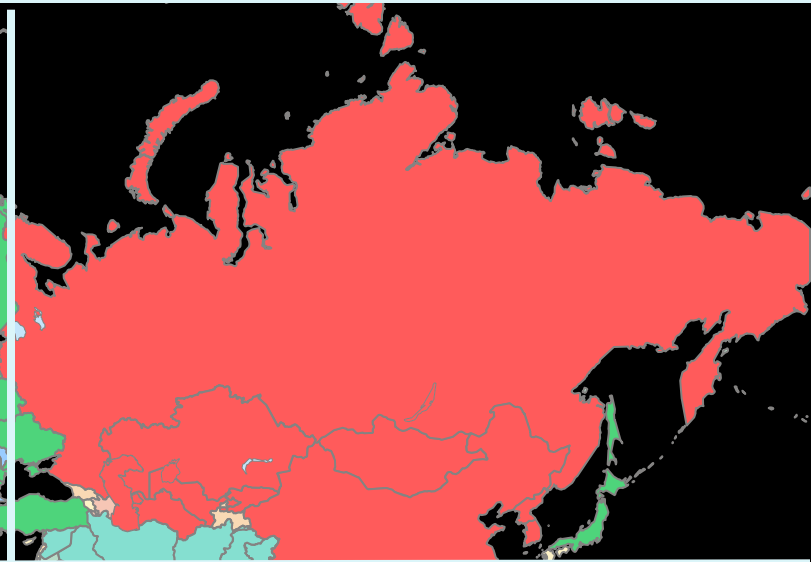
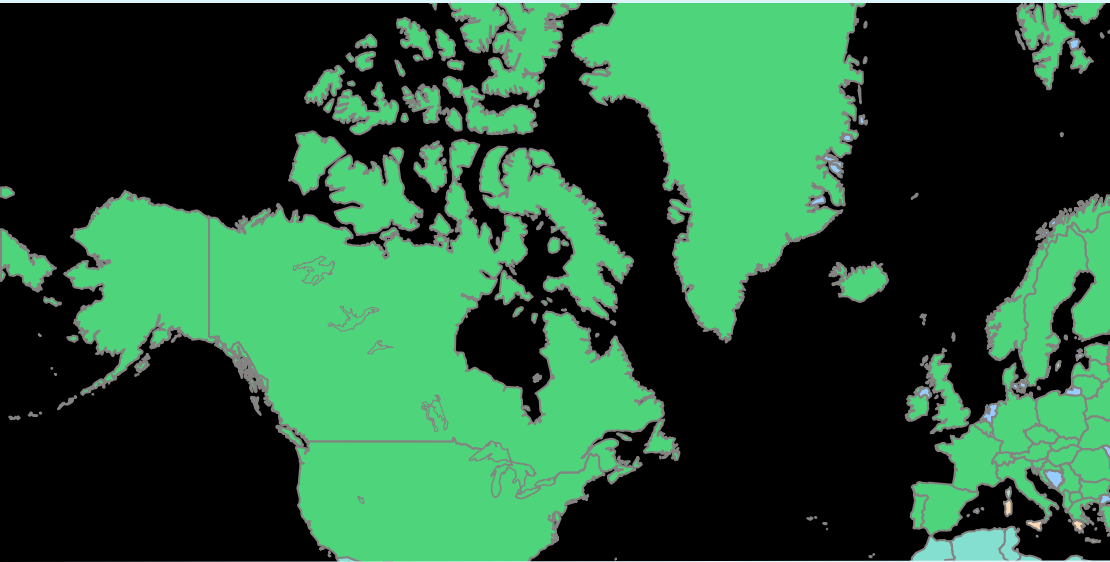
**INDIA**

**INDONESIA**

**CHINA**

**SOUTH KOREA**

# SOCIAL AND POLITICAL IDEOLOGY AND ECONOMIC GROWTH



# The World Economy – An Overview

- The new realities:
  - Capital movements have replaced trade as the driving force of the world economy
  - Production has become uncoupled from employment
  - The world economy, not individual countries, is the dominating factor

# Realitas Baru

- Pergerakan dana menggantikan perdagangan sebagai penggerak ekonomi dunia.
- Produksi terpisah dari ketenagakerjaan
- Ekonomi dunia mendominasi lingkungan; ekonomi negara individu memainkan peranan kedua.
- Pertarungan 75 thn antara kapitalis dan sosialis sudah berakhir
- Pertumbuhan e-commerce menghilangkan batasan negara dan memaksa perusahaan mengevaluasi ulang model bisnis mereka.

# Pergerakan Dana

- Transaksi forex terjadi sekita \$1.5 trillion per hari di seluruh dunia
- Pergerakan dana dan perdagangan menentukan tingkat nilai mata uang

# Hubungan Produktifitas dan Ketenagakerjaan (Employment)

- Ketenagakerjaan berkurang jumlahnya dalam industri manufaktur.
- Tahun 1995 dan 2002 lebih dari 22 juta pekerjaan pabrik telah dihilangkan
- Produktifitas kerja meningkat



# Economic Freedom

- Rankings of economic freedom among countries
  - Ranges from “free” to “repressed”
- Variables considered include such things as:
  - Trade policy
  - Taxation policy
  - Banking policy
  - Wage and price controls
  - Property rights

# Economic Freedom

- Free

- Hong Kong
- Singapore
- Ireland
- New Zealand
- United States
- United Kingdom
- Netherlands
- Australia
- Switzerland

- Repressed

- Bosnia
- Vietnam
- Laos
- Iran
- Cuba
- Iraq
- Libya
- North Korea
- Congo

# SISTEM EKONOMI DUNIA

- MARKET CAPITALISM
- CENTRALLY PLANNED SOCIALISM
- CENTRALLY PLANNED CAPITALISM
- MARKET SOCIALISM

# SISTEM EKONOMI DUNIA

## ***Resources Allocation***

Market

Command

Private

Market  
capitalism

Centrally  
Planned  
capitalism

## ***Resources Ownership***

State

Market  
socialism

Centrally  
planned  
socialism

	Market	Command
Private	Market capitalism	Centrally Planned capitalism
State	Market socialism	Centrally planned socialism

# Market Capitalism

- Individuals and firms allocate resources
- Production resources are privately owned
- Driven by consumers
- Government should promote competition among firms and ensure consumer protection

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# Centrally Planned Socialism

- Opposite of market capitalism
- State holds broad powers to serve the public interest; decides what goods and services are produced and in what quantities
- Consumers can spend on what is available
- Government owns entire industries
- Demand typically exceeds supply
- Little reliance on product differentiation, advertising, pricing strategy

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# Centrally-Planned Capitalism

- Economic system in which command resource allocation is used extensively in an environment of private resource ownership
- Examples:
  - Sweden
  - Japan

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# Market Socialism

- Economic system in which market allocation policies are permitted within an overall environment of state ownership
- Examples:
  - China
  - India

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# BIG EMERGING MARKET (BEMs)

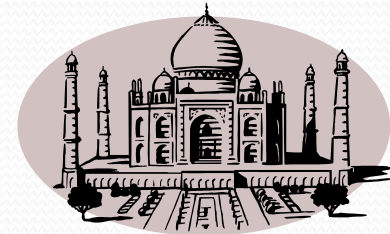
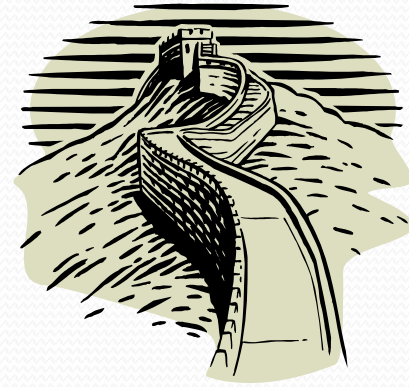
- Negara-negara di Eropa Tengah, Amerika Latin, dan Asia telah mengalami pertumbuhan ekonomi yang pesat selama dekade ini.
- Pertumbuhan yang cepat memberikan peluang pemasaran yang tinggi.
- Sepuluh negara yang termasuk kategori ini adalah: China, India, Indonesia, Korea Selatan, Brazil, Mexico, Argentina, Afrika Selatan, Poland, dan Turkey.

# INCOME GROUP COUNTRIES

- Low income Countries GNP kurang dari \$755
- Lower-middle-income countries
- Upper middle income countries
- High income countries

# Big Emerging Markets

- China
- India
- Indonesia
- South Korea
- Brazil
- Mexico
- Argentina
- South Africa
- Poland
- Turkey



# Grouping Countries Based on Economic Development

- World Bank uses **another classification** to group countries based on the stage the country is in terms of economic development. They are:
  - Least Developed Countries (low ranks of low income countries)
  - Developing Countries (upper ranks of low income, lower to middle income, and middle to upper income countries)
  - Developed Countries (high income countries)

# Grouping Countries Based on Economic Development

- World Bank now uses GNI per capita (Gross National Income per Capita) and the income groups are somewhat different from the old classification that simply used GNP or Gross National product.
- There is a strong relationship between economic development and market development of countries.
- Countries within a given stages of market or economic development share common characteristics.

# Stages of Market Development

- World Bank has defined four categories of development
  - High-income countries
  - Upper-middle income countries
  - Lower-middle income countries
  - Low-income countries
- Based upon Gross National Income (GNI)

# Question??

- The World Bank has economic information for 232 countries. Why is it that about 59 countries or about 41% of the world population is in the low income (GNI 825 or less) group at this time?
- Economic
- Social
- Political
- Debt

# Marketing Opportunities in LDCs

- Characterized by a shortage of goods and services
- Long-term opportunities must be nurtured in these countries
  - Look beyond per capita GNP
  - Consider the LDCs collectively rather than individually
  - Consider first mover advantage
  - Set realistic Deadlines



# Influencing the World Economy

- Group of Seven (G-7)
- Organization for Economic Cooperation and Development
- The Triad

# Balance of Payments

- Record of all economic transactions between the residents of a country and the rest of the world
  - Current account – record of all recurring trade in merchandise and services, private gifts, and public aid between countries
    - trade deficit
    - trade surplus
  - Capital account – record of all long-term direct investment, portfolio investment, and capital flows

# Balance of Payments

	1999	2000	2001	2002	2003
<b>A. Current Account</b>	<b>-290.84</b>	<b>-411.45</b>	<b>-393.74</b>	<b>-480.86</b>	<b>-541.83</b>
1. Goods Exports (BoP basis)	683.96	771.99	718.71	681.97	713.76
2. Goods Imports (BoP basis)	-1,029.98	-1,224.41	-1,145.92	-1,164.74	-1,263.17
3. <i>Balance on Goods</i>	<i>-346.0</i>	<i>-452.42</i>	<i>-427.21</i>	<i>-482.87</i>	<i>-549.40</i>
4. Services: Credit	281.5	298.0	288.86	292.23	304.93
5. Services: Debit	-196.68	-221.0	-219.47	-227.39	-245.68
6. <i>Balance on Services</i>	<i>84.82</i>	<i>77.03</i>	<i>69.39</i>	<i>64.83</i>	<i>59.24</i>
7. <i>Balance on Goods and Services</i>	<i>-261.2</i>	<i>-375.38</i>	<i>-357.8</i>	<i>-418.0</i>	<i>-490.16</i>
<b>B. Capital Account</b>	<b>-4,843</b>	<b>-799</b>	<b>-1,062</b>	<b>-1,285</b>	<b>-3,050</b>

- U.S. balance of payments statistics for the period 1999 to 2003
- In November of 2006, balance of trade for U.S. was 58.2 billion

# Overview of International Finance

- Foreign exchange makes it possible to do business across the boundary of a national currency
- Currency of various countries are traded for both immediate (spot) and future (forward) delivery
- Increases the risk to organizations that are involved in global marketing

# Foreign Exchange

- Who and what determines the value of a currency?
- Why is currency fluctuations important for businesses?
- Foreign exchange market (Central Banks, Brokers, Commercial banks) –
- Spot or forward (future) delivery?

# Foreign Exchange Market Dynamics

- Supply and Demand interaction
  - Country sells more goods/services than it buys
  - There is a greater demand for the currency

The currency will appreciate in value

# Factors Affecting the Supply and Demand of the U.S. Dollar

- Imports of merchandise
- Payment of foreign ships for freight and passenger ships
- American tourists abroad
- Interest and dividends due on American securities abroad
- Fighting a war abroad
- Export of merchandise
- Foreign payments to U.S. shippers
- Foreign tourist expenditures in the U.S.
- Interest and dividends due on foreign securities held here
- Banking and other financial charges receivable from foreigners

# Managed Dirty Float?

- Definitions
  - Float refers to the system of fluctuating exchange rates
  - Managed refers to the specific use of fiscal and monetary policy by governments to influence exchange rates
    - Devaluation is a reduction in the value of the local currency against other currencies



# Managed Dirty Float?

- Definitions
  - Dirty refers to the fact that central banks, as well as currency traders, buy and sell currency to influence exchange rates

# Managing Economic Exposure

- Economic exposure refers to the impact of currency fluctuations on the present value of the company's future cash flows
  - Transaction exposure is from sales/purchases
  - Real operating exposure arises when currency fluctuations, together with price changes, alter a company's future revenues and costs

# Currency Fluctuations

(also tie with module 11-pricing)

## When Domestic Currency is Weak

1. Stress price benefits.
2. Expand product line and add more costly features.
3. Shift sourcing to domestic market.
4. Exploit market opportunities in all markets.
5. Use full-costing approach, but employ marginal-cost pricing to penetrate new or competitive markets.
6. Speed repatriation of foreign-earned income and collections.
7. Minimize expenditures in local or host-country currency.
8. Buy advertising, insurance, transportation, and other services in domestic market
9. Bill foreign customers in their own currency.

## When Domestic Currency is Strong

1. Engage in nonprice competition by improving quality, delivery and after-sale service.
2. Improve productivity and engage in cost reduction.
3. Shift sourcing outside home country.
4. Give priority to exports to countries with stronger currencies.
5. Trim profit margins and use marginal-cost pricing.
6. Keep the foreign-earned income in host country; slow down collections.
7. Maximize expenditures in local or host-country currency.
8. Buy needed services abroad and pay for them in local currencies.
9. Bill foreign customers in the domestic currency.

# Managing Economic Exposure

- Numerous techniques and strategies have been developed to reduce exchange rate risk
  - Hedging involves balancing the risk of loss in one currency with a corresponding gain in another currency
  - Forward Contracts set the price of the exchange rate at some point in the future to eliminate some risk

# Low-Income Countries

- GNP per capita of \$825 or less
- Characteristics
  - Limited industrialization
  - High percentage of population involved in farming
  - High birth rates
  - Low literacy rates
  - Heavy reliance on foreign aid
  - Political instability and unrest
- Of these, only India is a BEM

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# Lower-Middle-Income Countries

- GNP per capita between \$826 and \$3,225
- Sometimes called less-developed countries (LDCs)
- Characteristics
  - Early stages of industrialization
  - Cheap labor markets
  - Factories supply items such as clothing, tires, building materials, and packaged foods
- 5 BEMs: Turkey, Brazil, South Africa, China, and Indonesia

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# Upper-Middle-Income Countries

- GNP per capita between \$3,256 to \$10,065
- Characteristics
  - Rapidly industrializing
  - Rising wages
  - High rates of literacy and advanced education
  - Lower wage costs than advanced countries
- Sometimes called newly industrializing economies (NICs)
- 3 BEMs: Argentina, Mexico, Poland

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# High-Income Countries

- GNI per capita above \$10,066
- Sometimes referred to as post-industrial countries
- Characteristics
  - Importance of service sector, information processing and exchange, and intellectual technology
  - Knowledge as key strategic resource
  - Orientation toward the future

**Only S. Korea is a BEM**

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# Group of Seven (G-7)

- Leaders from these high income countries work to establish prosperity and ensure monetary stability
    - United States
    - Japan
    - Germany
    - France
    - Britain
    - Canada
    - Italy
- (Russia is now included too)

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# Organization for Economic Cooperation and Development (OECD)

- 30 nations each with market-allocation economic systems
- Mission: to enable its members to achieve the highest sustainable economic growth and improve the economic and social well-being of their populations
- [www.oecd.org](http://www.oecd.org)

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# The Triad

- Dominant economic centers of the world
  - Japan
  - Western Europe
  - United States
- Expanded Triad
  - Pacific Region
  - North America
  - European Union

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