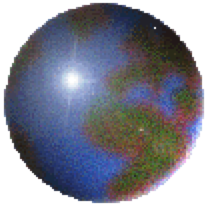
STAR TV

Culturecasting across nations

www.startv.com

- STAR (Satellite Television for Asian Region) is a global satellite TV service that began broadcasting in 1991
- Originally owned by Hongkong multimillionare Richard Li then later acquired by Rupert Murdoch’s News Corporation in 1993.
- Began with modest number of 5 channels in English Language. But received poor response-→cultural imperialism

- CEO Gary Davey realized the need for localisation---the Asian willing to pay for locally produced tv programs
- 7 years later, increased by 27 channels (in English, Hindi, Mandarin, Cantonese, Korean, Thai anda Tagalog)
- Later added 26 tv brands



Chapter 3

Trade and Investment Policies

Learning Objectives

- To see how trade and investment policies have historically been a subset of domestic policies.
- To examine how traditional attitudes toward trade and investment policies are changing.
- To see the effects of global links in trade and investment on policymakers.
- To understand that nations must cooperate closely in the future to maintain a viable global trade and investment environment.

Rationale and Goals of Trade and Investment Policies

- Government policies are designed to regulate, direct, and protect national activities. The exercise of these policies is the result of national sovereignty, which provides a government with the right to shape the environment of the country and its citizens.
- The domestic policy actions of most governments aim to increase the standard of living of citizens and to improve the quality of life, and to achieve full employment.
- These policies affect international trade and investment indirectly.

Rationale and Goals of Trade and Investment Policies (cont.)

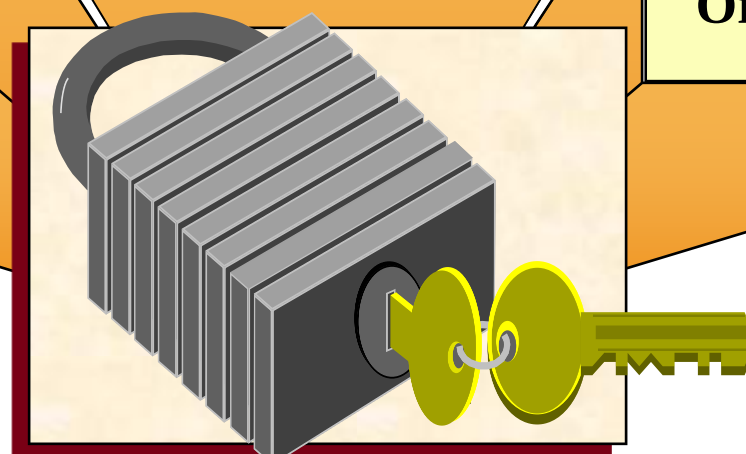
- In more direct ways, a country may also pursue technology transfer from abroad or the exclusion of foreign industries to the benefit of domestic infant firms.
- Government officials can also develop regulations on imports to protect citizens.
- Nations institute **foreign policy** measures designed with domestic concerns in mind but explicitly aimed to exercise influence abroad.
- A major foreign policy goal is national security.

International Organizations

General Agreement on Tariffs and Trade (GATT)

International Trade Organization (ITO)

World Trade Organization (WTO)



The International Trade Organization

- **In 1948, the ITO represented an agreement among 53 countries to:**
  - Aid in international commercial policies, restrictive business practices, commodity agreements, employment and reconstruction, and economic development and international investment.
  - It developed a constitution for a new United Nations agency.
  - The ITO was never implemented.

The General Agreement on Tariffs and Trade

- **GATT started in 1947 as a set of rules to ensure nondiscrimination, transparent procedures, the settlement of disputes, and the participation of the lesser-developed countries in international trade.**
  - GATT used tariff concessions to limit the level of tariffs that would be imposed on other GATT members.
  - The **Most Favored Nation** clause calls for each member country to grant every other member country the same treatment that it accords with any other country with respect to imports and exports.

The World Trade Organization

- **The WTO was introduced in 1995 and administers international trade and investment accords.**
  - In 2002, the Dola Round ended the first stage of implementation. The aim is to further hasten implementation of liberalization to help the impoverished and developing nations.

Changes in the Global Policy Environment

- **Three major changes have occurred over time in the global policy environment:**
  - a reduction of domestic policy influence;
  - a weakening of traditional international institutions;
  - and a sharpening of the conflict between industrialized and developing nations.

Reduction of Domestic Policy Influences

- **Currency flows** have increased from an average daily trade volume of $18 billion in 1980 to $1.2 trillion in 2001.
- As a result, currency flows have begun to set the value of exchange rates independent of trade, which in turn have now begun to determine the level of trade.
- The interactions between global and domestic financial flows have severely limited the influence of governments.
- To regain influence, some governments have tried to restrict world trade by erecting barriers, charging tariffs, and implementing import regulations.

Weakening of International Institutions

- The intense links among nations and the new economic environment resulting from new market entrants and the encounter of different economic systems are weakening the WTO.
- The **International Monetary Fund** does not have the funds available to satisfy the needs of all struggling nations.
- The **World Bank** has been unsuccessful in furthering the economic goals of the developing world and newly emerging market economies. Some claim that its bank policies have created more poverty.

Conflict Between Industrialized and Developing Nations

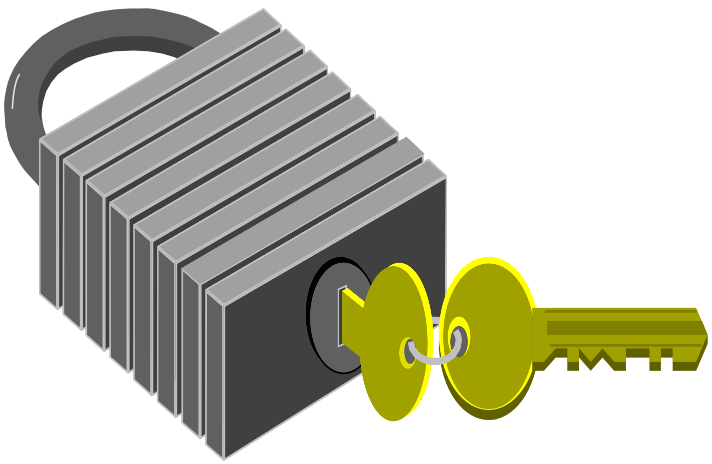
- **In the past, it was hoped that the gap between industrialized and developing nations would gradually be closed.**
- **Although several less-developed nations have emerged as newly industrialized countries, even more nations are facing grim economic futures.**
- **An increase in environmental awareness has led to a further sharpening of the conflict.**

Restrictions of Imports

- Many countries including the United States have passed **antidumping** laws which help domestic industries by restricting foreign products being sold below the cost of production, or at prices lower than those in the home market.
- Imports are also restricted by nontariff barriers, such as buy-domestic campaigns. It is difficult to remove these barriers.
- Imports can also be reduced by tightening market access and entry of foreign products through involved procedures and inspections.

Effects of Import Restriction

- Import control may mean that the most efficient sources of supply are not available, resulting in second-best products or higher costs for restricted supplies.
- Import control may result in the downstream change in the composition of imports.
- Due to inefficiency, import controls may cause a lag in technological advancements.



Restrictions of Exports

- Nations control their exports for reasons of short supply, national security and foreign policy purposes, or the desire to retain capital.
- **National security** controls are placed on weapons and high-technology exports.
- Although restriction of exports is a valuable international relations tool, it may give a country's firms the reputation of being unreliable suppliers and may divert orders to firms of other nations.

Export Promotion

- Export promotion is designed to help firms enter and maintain their position in international markets and to match or counteract similar efforts by other nations.
- Various approaches toward export promotion include:
  - knowledge transfer
  - direct or indirect subsidization of export activities
  - reducing governmental red tape for exporters
  - export financing and **mixed aid credits** to exporters
  - altered tax legislation for nationals living abroad

Import Promotion

- **Countries that maintain large balance-of-trade surpluses use import promotion measures.**
  - The Japan External Trade Organization (JETRO) has begun to focus on the promotion of imports to Japan.

The Impacts of Foreign Direct Investment on Host Countries

Positive Impact

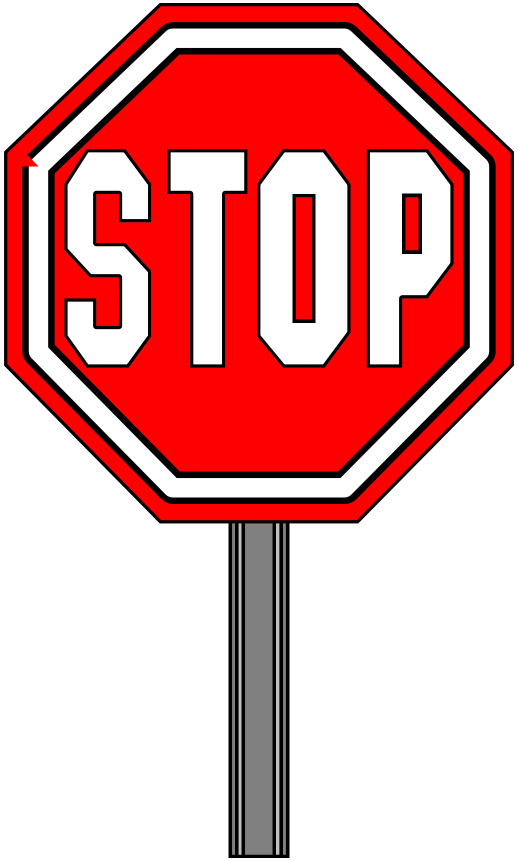
- capital information
- technology and management skills transfer
- regional and sectoral development
- internal competition and entrepreneurship
- favorable effect on balance of payments
- increased employment

Negative Impact

- industrial dominance
- technological dependence
- disturbance of economic plans
- cultural change
- interference by home government of multinational corporation

Restrictions on Investment

- Many nations that lack necessary foreign exchange reserves restrict exports of capital, because **capital flight** can be a major problem.
- Once governments impose restrictions on the export of funds, the desire to transfer capital abroad increases. This creates problems for gaining new outside investors.

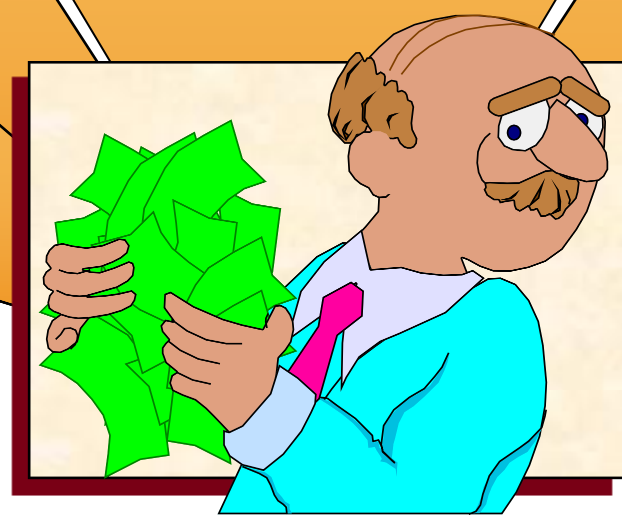


Investment Promotion

Financial Incentives

Fiscal Incentives

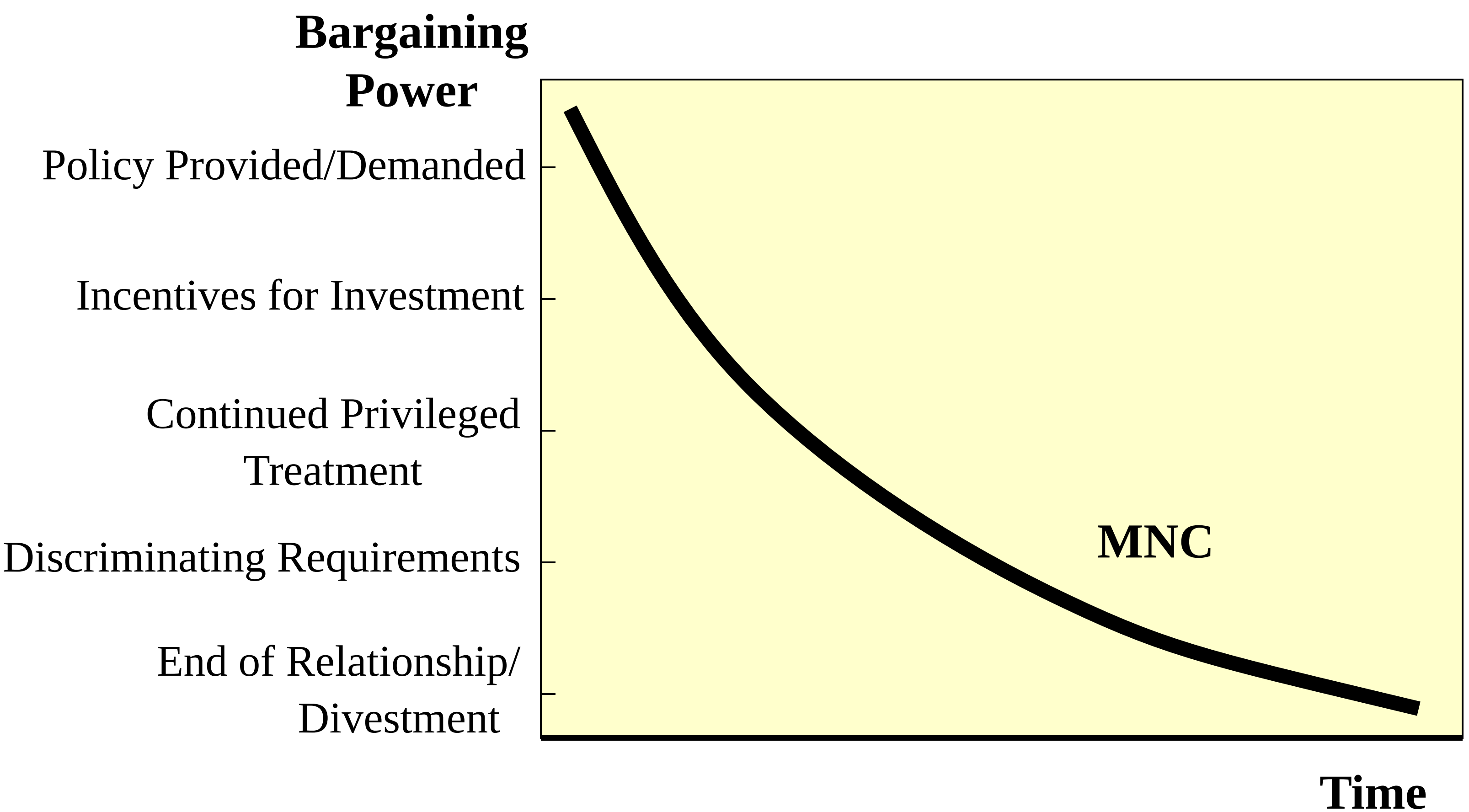
Nonfinancial Incentives



Investment Promotion (cont.)

- **Fiscal incentives** are specific tax measures designed to attract the foreign investor, including special depreciation allowances, tax credits or rebates, special deductions for capital expenditures, tax holidays, and reduction of tax burdens.
- **Financial incentives** offer special funding for the investor by providing land or building, loans, and loan guarantees.
- **Nonfinancial incentives** can consist of guaranteed government purchases, special protection from competition, and investments in infrastructure facilities.

Bargaining Power of Multinational Corporation and Host Country



U.S. Perspective on Trade and Investment Policies

- The U.S. seeks a positive trade policy rather than reactive, ad hoc responses to specific situations.
- **Protectionist legislation** can be helpful, provided it is not enacted into law.
- **Trade promotion authority** gives Congress the right to accept or reject treaties and agreements, but reduces the amendment procedures

International Perspective on Trade and Investment Policies

- **From an international perspective, trade and investment negotiations must continue.**
- **In doing so, trade and investment policy can take either a multilateral or bilateral approach:**
  - bilateral negotiations are carried out mainly between two nations.
  - multilateral negotiations are carried out among a number of nations.