

SECOND EDITION

**A VERY SHORT,
FAIRLY INTERESTING AND
REASONABLY CHEAP BOOK ABOUT**

**INTERNATIONAL
BUSINESS**



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MARTYNA ŚLIWA**

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The Dynamic Landscape of International Business

Introduction

To this point, we have looked at how the field of IB developed historically and how we have ended up in the position we find ourselves in now. While much of this trajectory has been gradual and substantive change has been spread over decades and even centuries, we are currently witnessing an age of rapidly accelerating technological change and socio-political and economic disruption. In the past decade, we have seen the emergence of new economic powers at the nation state level along with novel business models that are totally reliant on new Internet technologies. However, we also find challenges to the strength and longevity of some changes, indicating that what were considered long-term trends may be less significant when assessed retrospectively.

Discussing these ideas in terms of the new dynamic landscape of IB, we must consider changes in the relative economic standing of countries and how these are represented and driven by analysts' interpretations. In addition, we need to address the impact of the major event of the twenty-first century to date for business – the global financial crisis (GFC). The GFC has been presented as an event that was set in 2008. However, its origins lie in the years before then and its impacts continue to roll out in the second half of the 2010s. The GFC is thus an ongoing issue that has a major impact on global markets, economies and social and political structures to this day and beyond.

After addressing the GFC, we focus on the broad range of new organizational forms and business models that have emerged since 2000. Some of these are variations on extant, historical forms, while some are new and innovative. Some you will recognize as the new 'mainstream' of international business, while others may at first seem surprising examples for an IB book – being illegal, morally questionable and subject to attempts to eliminate them from our world.

We introduce a disparate set of concepts and examples to prompt your thinking on how non-mainstream organizations and informal groups sit alongside, interact with, challenge or rely upon mainstream

IB organizations and models for their existence and for achievement of their particular goals.

Shifts in global economic power

One way to understand how the international business environment is changing is through observing shifts in the global economy in recent years. This is a common practice amongst economists and advisors to potential investors who use information about past and current trends in making decisions about where to direct their interest and where to locate investments. You will remember from Chapter 2 that, following a long period of nation state-centric perspectives on international trade, more recent thinking placed the company at the centre of IB theory and practice. When considered from a firm's point of view, countries can be evaluated as more or less promising locations for different kinds of IB activity.

A widely applied approach to classifying economies and markets is one based on the similarities they display with regard to a set of specific indicators, rather than on the basis of geographical proximity, as in the case of regional groupings. This takes the form of bringing a few countries together under a convenient to remember acronym. The most well-known example of this is the term 'BRICs'. Coined by Goldman Sachs' chief economist Jim O'Neill (2001) and first published in a paper entitled 'Building better global economic BRICs', the acronym refers to Brazil, Russia, India and China. According to O'Neill's forecast at the time, these four countries would collectively become increasingly more economically powerful. In 2003, this prediction was articulated in more specific terms in another paper, 'Dreaming with BRICs: The path to 2050' (Wilson and Purushothaman, 2003), which claimed that by 2050 the BRIC countries would be among the six largest economies in the world. They were forecast to overtake all historically most highly developed countries, other than the USA and Japan, in terms of their economic power. In O'Neill's view, the BRICs, regardless of their geographical and cultural differences, shared a number of characteristics that indicated that they had high potential for economic growth. These included: large populations, less developed economies than those of leading countries and an increasing level of market openness.

Over the next decade, the term BRICs became a 'brand' in its own right; not simply a descriptor used by investors and policymakers, but a lens through which they came to perceive emerging markets. Despite being criticized by some as no more than 'marketing hype',

'spin' or even 'nonsense' (Tett, 2010), the acronym has played an important role in both describing and driving a move away from the dominance of the west within the global economic system. Through influencing investors' behaviour, it has also given rise to new correlations in asset pricing. To ensure the continued success of the idea of the BRICs, Goldman Sachs regularly produced new reports, forecasts, books, videos and web tours, amounting to 21 products between 2001–2012. As Sum and Jessop (2015: 444) explain:

The 'BRIC' imaginary continued to connect and circulate among economic strategists, investment consultants, sales teams etc. Its appeal derived not only from the projection of 'hope'/'strength' of the individual BRIC economies but also from their purported complementarity and profitability as an asset/investment group. Major international banks such as HSBC and other investment banks/hedge funds began bundling stocks/shares/bonds and investing funds marketed as new financial instruments under the BRIC brand, including 4-Year MYR HSBC BRIC Markets Structured Investment, Templeton BRIC Fund (Singapore), and the iShares MSCI BRIC Index Fund.

While the idea of BRICs as emerging future economic powers continued to prevail for over a decade, another umbrella term was introduced a few years after the notion of BRICs was first articulated. O'Neill along with Anna Stupnytska (2005) predicted that a group they labelled 'N-11', also referred to as 'Next Eleven' economies would become powerful in the future. The list of N-11 countries consisted of Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, the Philippines, Turkey and Vietnam. The similarities between countries in this group were derived from variables including education and taxation. A few years later, Robert Ward from the Economist Intelligence Unit (EIU) proposed the acronym CIVETS, encompassing Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa. According to *The Economist* (2009), CIVETS was surfaced as a 'watchword' for studying the global economy in 2010. The term drew attention to six countries that, again, despite geographical and cultural dispersion, were all characterized by certain similarities, specifically, young populations, relatively stable and sophisticated financial systems, and the lack of overreliance on one particular sector of the economy. These features were argued to be reasons for investment in the countries as production locations and demand markets to be tapped into. CIVETS were popularized by former HSBC chief executive Michael Geoghegan, who enthused about their

significance in early 2010 (Reuters, 2010). By 2012, the origins of CIVETS were being moved back in history to 2008 (Moore, 2012) and Standard & Poor's had a 'Civets 60' index, tracking the top 10 market performers in each country.

In 2013, as the BRIC economies appeared to exhibit less promising growth prospects, O'Neill yet again coined an acronym for the use of potential investors (Pan, 2013), this time by moving attention to four non-BRIC emerging economies with the highest population figures. The common features of the MINTs, i.e. Mexico, Indonesia, Nigeria and Turkey were big, growing and young populations. These were considered a particular 'asset' in terms of enabling future economic growth relative to developed countries, whose growth was seen as likely to be slowed down along with ageing and diminishing populations. Further, all MINT countries had the unique advantage of being located near other countries that offered large markets: the USA in the case of Mexico, China in proximity to Indonesia, the European Union close to Turkey, and potentially a range of African countries – provided their economies would experience strong development – in the case of Nigeria.

For a critical study of IB, the rise and fall of the acronyms discussed above, and their use by governments, banks, investors, MNCs, journalists and other interested parties, has a two-fold significance. On one hand, it helps us understand the recent and current dynamics within the global economy, especially in terms of the changing balance in economic power, and the possible direction in which this shift is likely to continue in years to come. In this sense, a basic familiarity with the economic and political situation in countries that have been included in the different groupings is useful for developing an understanding of important contemporary trends in IB, such as why – as discussed in Chapter 4 – the number of Chinese-based MNCs listed in the *Fortune* 500 top 20 ranking by turnover has increased significantly over the last decade. On the other hand, it also points to the ways in which IB activity, as exemplified by the marketing of products offered to clients by global investment banks, can be triggered and developed through imaginative grouping and labelling of countries to create categories such as BRICs or MINTs that, as Elliott (2014) warns us, in the end of the day 'are only grouped together because they make a neat acronym'.

The global financial crisis

As previously stated, the beginnings of the global financial crisis can be traced to years before its culmination in 2008, with the collapse of the

American housing market and several financial institutions. On 9 August 2007, the French bank BNP Paribas made an announcement stating that it was freezing the assets of three of its hedge funds, barring investors from withdrawing cash from them. The main area of specialism of these funds was US mortgage debt. Several weeks later, in early September, UK bank Northern Rock sought support from the Bank of England as a result of its financial exposure.

The reason behind BNP Paribas' decision was the situation in the US sub-prime mortgage market (Kar-Gupta and Guernigou, 2007) – a market segment that consisted of customers who did not meet the usual criteria for being able to afford a mortgage. From its beginnings in the 1990s, the sub-prime market expanded rapidly in the early 2000s. In its early years, the higher interest rates paid by borrowers made this market segment attractive. However, from 2005, the number of people defaulting on their mortgages increased to such an extent that a lot of properties became available for sale at devalued prices, leading to a collapse of the housing market.

The problems at BNP Paribas and other institutions sent signals across the financial system that considerable losses were being incurred. While at the time it was not known what the exact amounts were and to what extent individual banks would be affected by the losses, trust between banking institutions had been damaged, adversely impacting banks' willingness to engage in business with one another. This was because the initial lenders on these sub-prime mortgages had sold on the debt that was then 'repackaged' into complex financial investment bundles and again sold on. As a result, financial institutions across the world had bought into this market without being aware of the degree of their exposure.

Throughout 2008, problems in the American housing market exacerbated, resulting in the American government bailing out two of the major players in the sub-prime mortgage market, Fannie Mae and Freddie Mac in early September. Later the same month, the investment bank Lehman Brothers filed for bankruptcy – the largest in history. What was particularly significant about this bankruptcy, is that in order for it to happen, the American government had to take a decision *not* to bail out Lehman Brothers. In the context of recent history within the banking sector – exemplified by the cases of Northern Rock, Fannie Mae and Freddie Mac – demonstrating that government would 'rescue' developed country banks experiencing serious financial difficulties, this was an unprecedented decision.

The practice of government bailouts is underpinned by a theory developed in economics that suggests that, due to their important position within the economy and their interconnectedness with other

economic actors, certain organizations – especially within the financial sector – should be given financial protection by the government. This theory, whose major tenet is commonly referred to through the phrase ‘too big to fail’, contends that since the consequences of some corporations or banks going bankrupt would be detrimental to the whole economic system, the potential for this happening must be prevented through government intervention. To a critic, it might seem more logical that, rather than offering protection and allowing some firms to become so big and powerful that their failure would have far-reaching negative outcomes, government regulation should focus on making sure that no one company can become so big that its collapse threatens the whole economy. However, those who support the ‘too big to fail’ argument claim that size brings advantages in the form of economies of scale for businesses, leading to lower costs for them. These, in turn, can be passed onto their customers. As the ‘too big to fail’ theory was accepted and applied, business organizations and financial institutions in particular were allowed to grow in size and significance.

The specific reason given for the lack of government intervention in the case of Lehman Brothers was ‘moral hazard’. Coined in behavioural economics, the concept of moral hazard refers to a situation where one party engages in risky behaviour because it knows that its costs will be borne by another party. A typical example of this at the level of an individual is when a person behaves in a less careful way, say, when they park their car if they know that it is fully insured and that the costs of any repairs to the vehicle incurred through their carelessness will be covered by the insurer. In the case of Lehman Brothers, the bank was considered by Hank Paulson, then US Secretary of the Treasury, to have acted in an irresponsible way through granting mortgage loans to borrowers who did not have full documentation normally required for ensuring that they would be able to afford repaying the loans.

A common explanation of why institutions like Lehman Brothers acted in a ‘morally hazardous’ way that in the end led to the GFC is that bankers’ remunerations packages incentivized this kind of behaviour, and that they legitimized and fuelled executive greed. In particular, bankers’ bonuses were not explicitly tied to aspects of their professional performance such as prudence or diligence, but to short-term profit. The enormous amounts paid to banking executives in the lead up to the GFC are illustrated by Roeder (2010: 31) stating that: ‘By the time Lehman Brothers and Bear Stearns collapsed in 2008, the top five executives in both companies had collectively taken home \$2.4 billion in salary, bonuses and stock since 2000’. This kind of

explanation places the blame and responsibility for the crisis at the level of individuals employed by the banks. What also needs to be considered is the endemic culture and systemic weakness of the sector, specifically, the lack of adequate regulatory oversight.

Following the bankruptcy of Lehman Brothers, it became obvious that the banking sector was under threat. The crisis continued in the USA, and rapidly spread to other countries, including Iceland, Ireland and the UK. To ensure that financial systems in their countries would not collapse, in the final quarter of 2008 governments of European countries as well as the USA designated bailout packages: €480 billion in the case of Germany; €360 billion in the case of France; and £500 billion in the UK. Despite the bailouts of banks, the crisis – due to trade and financial interconnectedness – had begun to affect the global economy, driving it towards recession.

To prevent deepening of the recession, the G20 group – consisting of Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Republic of Korea, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, United States and the European Union as a separate member – held a Summit on Financial Markets and World Economy in November 2008 in Washington, DC. As a result of the summit, G20 leaders agreed an Action Plan incorporating three key objectives: (1) Restoring global growth; (2) Strengthening the international financial system; (3) Reforming international financial institutions. The focus of the Action Plan was on strengthening transparency and accountability, and enhancing sound regulation of financial institutions, promoting integrity in financial markets, reinforcing international cooperation and reforming international financial institutions. An outcome of the summit was also the G20 Leaders' Declaration, offering the following explanation of the root causes of the crisis (OECD, 2008):

During a period of strong global growth, growing capital flows, and prolonged stability earlier this decade, market participants sought higher yields without an adequate appreciation of the risks and failed to exercise proper due diligence. At the same time, weak underwriting standards, unsound risk management practices, increasingly complex and opaque financial products, and consequent excessive leverage combined to create vulnerabilities in the system. Policy-makers, regulators and supervisors, in some advanced countries, did not adequately appreciate and address the risks building up in financial markets, keep pace with financial innovation, or take into account the systemic ramifications of domestic regulatory actions. Major underlying factors to the

current situation were, among others, inconsistent and insufficiently coordinated macroeconomic policies, inadequate structural reforms, which led to unsustainable global macroeconomic outcomes. These developments, together, contributed to excesses and ultimately resulted in severe market disruption.

A period of reforms and actions followed, and slowly the economic situation began to improve. It is understood that the most difficult period of recession lasted in the USA from December 2007 to June 2009, and in the Eurozone from January 2008 to August 2009. However, in Europe in 2010 and 2011 a new stage of the crisis unfolded, marked by budgetary deficits, economic downturn, high unemployment and the Eurozone debt crisis – with Greece, as previously discussed, the most strongly affected European nation. At the beginning of 2012, economists expressed views that the Eurozone was undergoing a double-dip recession; Greece, Ireland and Portugal were considered to experience economic depression. The recession continued throughout 2012 and 2013. To bring governments' finances back on track, European societies were subjected to 'austerity' measures in line with IMF's recommendations for budget spending cuts affecting healthcare, pensions, disability payments, unemployment compensation and employment protections. In the circle of its proponents, referred to by the economist Rob Parenteau as 'austerians' (Krugman, 2012), these measures were believed to result in a return to economic stability and growth.

However, the 'austrian ideology' failed in practice and, as Paul Krugman (2015) noted, 'all of the economic research that allegedly supported the austerity push has been discredited. Widely touted statistical results were, it turned out, based on highly dubious assumptions and procedures – plus a few outright mistakes – and evaporated under closer scrutiny'. In 2016, economic commentators warned that, since the regulators have not reformed the banking system, another financial crisis and global economic crash were under way. In the words of the former Bank of England governor Sir Mervyn King, 'Another crisis is certain, and the failure ... to tackle the disequilibrium in the world economy makes it likely that it will come sooner rather than later' (Marlow, 2016).

Alternative perspectives on IB activity

The mainstream literature on IB is focused primarily on discussion of examples that are accepted as being legal and as ethically legitimate or

neutral. There has been some consideration in recent years of morally questionable activities, such as during the GFC as above, and case studies of illegal and unethical operations like the corporate collapses of WorldCom and Enron (cf. Healy and Palupu, 2008/2016). Here, we draw attention to a broad range of IB activities that fall outside of the mainstream. Some of these are entirely legal and place ethical considerations at the centre of their field, such as those of non-governmental organizations like Transparency International and War on Want. Others, as exemplified by Greenpeace and Sea Shepherd, are grounded in a proclaimed ethical stance, but have on occasion been deemed illegal in certain countries' courts of law. In addition, the nature of ethics is thrown open to question by those who argue for business activities based on alternative cultural perspectives on issues such as whaling. A third, more clearly defined category, is where international 'business' activities are generally accepted as both illegal and unethical across most if not all jurisdictions. These include drug trafficking and people smuggling.

Within the first type above, the activity of the organization is frequently targeted at identifying and exposing corrupt, unethical or illegal activities by other, often mainstream international businesses. Transparency International is a global coalition to fight corruption, 'shedding light on shady deals, weak enforcement of rules and other illicit practices that undermine good governments, ethical businesses and society at large' (Transparency International, 2015). The organization engages in collaboration with government, business and society representatives to bring about incremental change through a non-confrontational approach. Aiming specifically to change the values and practices of business, Transparency publishes a set of *Business Principles for Countering Bribery* (Transparency International, 2013).

War on Want is a UK-based international NGO aiming to 'achieve a vision of a just world ... [and] to fight against the root causes of poverty and human rights violation' (War on Want, 2016). While it is active across many fronts, its major impact on mainstream IB came when it motivated widespread critical response and action in the wake of the Rana Plaza tragedy in Bangladesh. As a result of public pressure, a number of retail MNCs committed to development of and became signatories to the *Bangladesh Accord on Fire and Building Safety* (the Bangladesh Accord) for better working conditions for garment workers in that country. By 2015, over 200 organizations had signed up to the Accord, including major MNCs such as Adidas, Benetton, Carrefour, and Marks and Spencer (bangladeshaccord.org, 2015). Oxfam International also gathered support for the Accord. Formed in 1995 from a coalition of NGOs, this organization describes itself as

‘part of a global movement, campaigning with others ... to end unfair trade rules, demand better health and education services for all, and to combat climate change’ (Oxfam International, 2016).

The second type of activity shares many similarities with the first, but is conducted by organizations that are willing to push up to, and sometimes beyond, the boundaries of legality in jurisdictions where they act. Greenpeace describes itself as ‘an independent global campaigning organization that acts to change attitudes and behaviour, to protect and conserve the environment’ (Greenpeace, 2015). While these aims will be seen as perfectly reasonable and justifiable, the means by which the organization promotes its message have been found to be in breach of standards and law on more than one occasion (cf. RNZ, 2012). In September 2015, Greenpeace celebrated victory over the Shell company when the latter abandoned its Arctic oil exploration drilling programme (Glaser, 2015). While Shell claimed that the discoveries of oil were not commercially viable and withdrawal was a purely commercial decision, Greenpeace’s intervention included disrupting Shell’s operations by direct actions, some of which had been deemed illegal in court and were decried by business commentators (e.g. Clemente, 2015). Similarly, the Sea Shepherd group acknowledges on its own website that its members were found guilty in a court of law, but then uses this guilt under one nation’s law to support its own ethical stance on the issue of whaling (Sea Shepherd, 2015).

The IB activities we outline above may be viewed as legal, or as pushing the boundaries of legality from a particular moral standpoint. However, there are others that clearly lie in the domain of illegality and are also judged by the vast majority as being unethical and immoral. At the same time, they are both international in nature and are frequently organized along business lines. These include trafficking in illegal drugs. A 2011 UN study found that revenues from transnational drug trafficking and organized crime in the first decade of the century constituted on average \$650 billion per year, equivalent to 1.5% of global GDP (UNODC, 2011). The report noted that as the trade was increasing, by 2009 these revenues were likely to have been around \$870 billion, of which some \$580 billion – 1% of global GDP – was likely laundered through the global financial system. In Australia, concerns have been expressed that this type of money has been invested into a booming housing market (Aston, 2016).

Similar to drug trafficking, human trafficking is an international activity that generates vast revenues, often laundered through legitimate financial institutions. In addition, this form of criminal activity frequently feeds directly into another business form that many find morally questionable – legal prostitution. A UN Factsheet (UNODC,

undated) estimated that in Europe alone criminals were generating around €2.5 billion per year from sexual exploitation and forced labour from this trafficking. In countries as far apart as Australia (Duff, 2015) and Germany (Spiegel Online International, 2013) there have been reports on how young women are trafficked and trapped into legal brothels, from which authorities often seem either unable or unwilling to extract them.

We have introduced you to this diverse and seemingly unrelated set of ‘international business’ activities to prompt your thinking beyond the mainstream and, with examples, to demonstrate that notions of mainstream/alternative, legal/illegal and moral/immoral are not always clear-cut and easily separated.

The Internet era of IB

All internationally focused organizations – and most domestic ones – now rely upon Internet technologies to conduct business. These include public, private and not-for-profit organizations, along with the criminal networks we discuss above. In addition, new types of ‘international business’ have emerged that have drawn on these technologies from the outset and are dependent upon them. As with the examples in the previous section, these range along continua of legal/illegal and ethical/unethical, where both categories may be debatable across different national contexts. They also sit in a variety of relations with mainstream IB actors and activities. There are many types of new organization with which you will be familiar that are built around Internet-based business models. These include Google – incorporated into the new parent company Alphabet in 2015 – Baidu, Facebook, Tencent and Twitter. New ideas and company names emerge regularly, so we cannot claim to be up to date as you read. However, we wish to raise and discuss issues that are transferable to other examples.

The first example is one where ‘traditional’ businesses have adopted the power of the Internet to improve their efficiency. ‘E-procurement’ has been adopted by different organizational types – from public sector authorities to MNCs. The aim of e-procurement is to open up new ways of purchasing products and services through seeking prices and tenders through the Internet. This allows for increasing the geographic spread of the procurement net whilst reducing dramatically the transaction time. For example, established in 2000 by 13 major global airlines, Aerexchange now boasts a global network of airlines and aerospace suppliers that use e-procurement to buy and sell all aircraft components, from the smallest of parts to jet engines, and both new

and refurbished (cf. Aeroxchange.com, 2015). One particular form of e-procurement that offers cost saving potential to buyers is the 'reverse auction'. Here, the purchaser publishes information on their needs and prospective suppliers bid against each other to put forward the lowest price to meet the specification. In contrast to submission of sealed bids by the suppliers, this is a dynamic process that places power firmly in the hands of the procuring organization. Since suppliers see their competitors' offers during the bidding, they must decide how low they are prepared to drive their own price. In the international arena, such an auction can only be conducted online.

As existing firms use the Internet for innovative ways of doing business, new types of organization emerge that employ and rely on Internet tools from the beginning. These businesses frequently mobilize and coordinate global bodies of largely self-employed individuals, seeking to supplant existing organizations in the same market. Examples here include Airbnb and Uber. The first is a web-based MNC that enables individuals to list, find and rent accommodation. The second is an American MNC that developed the idea of allowing prospective travellers to use their smartphones to submit details of a journey, to which Uber drivers can respond. Uber relies upon a body of self-employed drivers using their own vehicles, where the price of the service is determined by a complex algorithm that takes account of the demand for journeys and availability of drivers at a given time in a certain area. While the brand has spread to over 50 countries, the business model has been accepted as legal in some cities and illegal in others. The ethics of Uber is subject to considerable debate and controversy across the world, even where it is legal (cf. Segall, 2014). The organization promotes the notion of freedom of choice for both the customer and the driver (Uber.com, 2016a). However, there have been complaints from both sides, with drivers themselves raising concerns about too many and low-quality drivers and having to work 'silly hours' to earn a living (Knowles, 2015). In addition, Uber drivers have been subjected to fines, intimidation and, in some places, physical assault from 'legitimate' taxi drivers (cf. Malalo and Jorgic, 2016).

In addition to new Internet models of business organization, there is an entirely new class of 'anti-business' activism that is conducted seemingly without organization, that will often claim a moral standpoint, will on some occasions remain within the law but sometimes resorts to illegal actions. While these groups may claim to be standing against governments and MNCs in particular, they rely upon both the tools and resources of IB to promulgate their message. Here, we group those that are recognized by names like The Occupy Movement and Anonymous.

The Occupy Movement grew internationally from the Occupy Wall Street movement of 2011, itself inspired by earlier social uprisings against dominant power structures, notably the so-called Arab Spring that bloomed first in Tunisia in 2010. These movements have no identifiable ‘management’ team, no ‘head office’ and no formal structures, yet have succeeded in coordinating and mobilizing large groups of individuals, primarily in protest against prevailing social, economic and political conditions. While the Arab Spring was mostly a stance against political regimes, the Occupy Movement was targeted at the financial institutions that were considered to lie at the root of the GFC, and whose senior officials appeared to have remained relatively unscathed by it. Its message was one of critique of growing socio-economic fragmentation and wealth accumulation by the richest 1% of the population under the banner, ‘We are the 99%’. From its origins in New York, Occupy spread rapidly across the globe into every continent. Although the movement was intended to be non-violent, there were some incidences of violence both by and against members. One critical comment – that is worth considering also in relation to any business activity – came from nonviolent theorist, Dr Gene Sharp (2011). He noted that since the movement had no clear objective, something they could actually achieve by their actions, then simply occupying a space would be unlikely to bring about any change to prevailing socio-economic conditions. In the end, this appears to have been the case, as ‘occupy’ faded from memory as the most used word on the English-speaking Internet in 2011 (*The Telegraph*, 2011).

The Occupy Movement may have had little apparent impact, particularly on business practice. However, another form of web-based activism has had very clear repercussions for some MNCs: the Anonymous group, a loose international network where members appear in public wearing Guy Fawkes masks. Anonymous started out with some fairly innocuous stunts, but moved on to claim responsibility for ‘distributed denial-of-service’ (DDoS) attacks on the computer networks of government, religious and corporate organizations, including those of global financial institutions. While the group has been celebrated by some as ‘freedom fighters’ and ‘digital Robin Hoods’, others have described members as ‘cyber terrorists’ (cf. Rawlinson and Peachey, 2012). However you may view them, the Anonymous group earned the accolade of being listed among *Time* magazine’s most influential people of 2012 (Gellman, 2012).

The final type of international organization that we wish to highlight is one that engages in extremism for idealistic ends but that relies upon IB tools and transactions for disseminating its message and for its fundraising. Here, we point to ISIS and the so-called Islamic State.

These are not IB organizations, but are linked to the IB world in two very different ways. First, as with the examples above, they rely on the web-based communication media of business to spread their message and gain attention outside their immediate sphere of geographic control. Second, and of particular interest, they depend upon trade of commodities, including crude oil (Faulconbridge and Saul, 2015) and cultural antiquities (Shabi, 2015), in international markets to generate funds to again engage in IB markets – through black markets and corrupt officials (*The Economist*, 2015) – to purchase armaments.

Beyond international – the age of extra-territoriality

Some of the examples we discuss in this chapter raise questions about how international businesses and counter-organizations attempt to de-territorialize themselves, to be seen as everywhere, to base themselves in ‘the cloud’, or even to seek to be found nowhere. An example of being omnipresent is Uber. While the origins of the business can be traced to one city location, San Francisco, it has achieved a state of extra- or de-territoriality evidenced by its web presence. Searching for the highest-level website – www.uber.com – from our writing location, we find that the organization does not explicitly reveal its geographic placement. On the other hand, our location in Australia is immediately identified, and we are presented with the banner that reads, ‘Uber is in Brisbane and 405 other cities worldwide’. As prospective customers, we are tracked and pinned down, while the business remains in the cloud, or at least not tied to one place. At the time of writing, Uber’s careers page for ‘open roles’ (not drivers) advertised positions for: accounts executives in the USA and UK, accounting managers in India and the Philippines, business systems developers in the Netherlands, and marketing managers in Beijing (Uber.com, 2016b).

Such internationalization and resultant cross-cultural operations may be seen as a positive move in a globalized world. However, one way that many MNCs have exploited their extra- and de-territoriality is in facilitating tax avoidance, or in some cases tax evasion – the former being legal but morally questionable and the latter illegal. The issue of morality and tax avoidance has been raised as one that might be considered in, yet has been largely absent from, the academic literature on ‘corporate social responsibility’ (CSR) (cf. Dowling, 2014). In his book chapter on ‘Tax avoidance, tax evasion, money laundering and the problem of “offshore”’, Alldridge (2015) discusses the distinctions between the first two, but also the blurred line that

separates them. In a comprehensive analysis of the complexities of company tax, he highlights specific issues related to MNCs' multi-territoriality that enable them to avoid being pinned to a single location for tax purposes. He explains how firms use their multiple locations and the separateness of their subsidiaries in these to transfer profits between them to minimize their tax liabilities in high taxation nations and, hence, across the business. He also draws attention to the issue of 'transfer pricing' addressed in detail by Sikka and Willmott (2010). Here, subsidiaries buy and sell assets inside the MNC, not at market value but at whatever price – whether ultra-inflated or near-zero – that will again impact the balance sheet to minimize tax liabilities across the organization.

In addition to discussion of MNC activities, there is a critical debate of alleged government action by new global economic powers, particularly China, in extra-territorial land 'grabs' in Africa and other poorer parts of the world. A UN report (Cotula et al., 2009) refers to Chinese land deals as, first, an investment opportunity and, second and less so, as a contributor to food security. The UN acknowledges the lack of accurate information and data about African land deals and one source (Smith, 2009) speaks of how 'a million Chinese farmers have joined the rush to Africa'. At the same time, another commentator (Brautigam, 2015) argues that most of the claims of massive land acquisitions are over-inflated and not to be believed. Similarly, a Swedish NGO (Olsson, 2012) accuses western media sources of engaging in wilful accusations of extensive Chinese 'neo-colonialism' when the truth is one of small-scale agricultural collaboration. Whatever the reality of the current situation, we can be fairly certain that, as populations continue to grow and as climate change impacts water and food security, the international business of land will become of major significance for all nations.

Secrecy, information and misinformation

Many of the activities we have referred to above are kept secret and subject to non-disclosure by both businesses and governments, despite the efforts of organizations like Transparency International and calls for reform over decades. As individual governments and the G7/G8 have moved slowly towards incremental change, the level of protest and rate of change have been impacted in dramatic fashion in 2016 by release of the so-called Panama Papers (cf. Harding, 2016). Containing some 2.6 terabytes of information leaked from Panamanian law firm Mossack Fonseca, these papers represent the largest-ever illicit disclosure of

computerized data, far exceeding Wikileaks and all similar ‘whistle-blower’ releases. Both the content of these papers and the manner of their release are of interest in the field of IB. First, in terms of content, the papers revealed the alleged involvement of tens of thousands of businesses and individuals across the globe in complex arrangements for unethical tax avoidance and illegal tax evasion. Politicians from countries ranging from the UK to Russia were implicated in various ways, while those forced to resign almost immediately included the Icelandic Prime Minister and the President of Transparency International in Chile (Slattery, 2016).

While the papers themselves exposed dubious tax linkages across a broad range of individuals and organizations within a complex global web, the analysis of the leaked documents and the manner of their release provide evidence of another new transnational organizational form. In order to gain maximum exposure and impact from the documents, while acknowledging that they emerged as a result of a criminal act, their analysis and initial partial release was coordinated by a multinational grouping. This included the International Consortium of Investigative Journalists (ICIJ), *The Guardian*, BBC and other outlets with global reach. As we write, the initial public impact of the papers has receded behind issues including Brexit and the US Presidential election. However, the investigations, prosecutions and impacts on IB organizations and activities will roll on for years to come. Even though the documents emerged as a result of a criminal act, the Danish government decided in September 2016 to purchase information on implicated Danish citizens from an anonymous source. This decision was described as ‘deeply reprehensible’ by an opposition spokesperson (BBC, 2016).

Those individuals and organizations that have been exposed in the Panama Papers may have felt secure in hiding their unethical and, in many cases illegal, activities on what they considered secure servers, with legal protection. However, it has been shown that the actions of an individual with support from a network of equally secure, but more reliable, resources can break through the deceptions and layers of misinformation behind which major public figures hide their tax activities. The example of the Panama Papers indicates that, in the Internet era, everything is connected and anonymity is nowhere guaranteed anymore.

Tax, business and society

In this chapter, we have raised the topics of tax avoidance and tax evasion several times. We have highlighted that the first is legal, but

morally questionable, while the second is illegal. Questions regarding tax evasion should then become relatively simple to answer – it is against the law, so those that engage in it should be prosecuted. However, as the example of the Panama Papers shows, individuals and organizations will go to great lengths, operating across national boundaries and legal jurisdictions to conceal what is in effect criminal activity. In this, they are often assisted, whether knowingly or otherwise, by a range of actors and structures. There are lawyers and accountants that are implicated in enabling clients to engage in tax evasion. At the same time, contemporary Internet banking systems make it simpler for money to be transferred between multiple accounts and to become virtually untraceable.

While tax evasion can be prosecuted under law, when uncovered, tax avoidance is perfectly legal. Most individuals and organizations will happily look to ‘optimize’ their tax liabilities. Firms will do so using a range of mechanisms, including transfer pricing, as described earlier. However, critics of corporate tax avoidance argue that many MNCs – and wealthy individuals – pay little or no tax in any country through careful manipulation of legal processes. They point out that ordinary citizens of the countries where vast profits and earnings are generated do not have access to such opportunities. This means that the burden of taxation is increased for those that must pay, while those that can avoid doing so take advantage of the infrastructure, services and other social goods funded by those that pay.

In the following chapter, we develop discussion of individuals and IB, and outline an example of how the wealthy might use their position to benefit poorer members of society. Here, however, we put to you the question that critical commentators ask – should individuals be able to accumulate such wealth and choose where to spend on social good? Or, should they be taxed at a suitable rate that enables government and public sector bodies to decide and spend? In addition, we draw attention to the maxim employed by investigative individuals who seek to uncover and expose cases of both tax avoidance and evasion – ‘follow the money’.

Conclusions

In this chapter, we discussed how since 2000 there have been fundamental changes in the landscape of international business environment. We highlighted how shifts in relative economic significance between nation states, moving power away from western nations, were

identified. These were labelled using acronyms that, while making it easy to remember which countries were being considered, may be seen as choices of convenience for the sake of the name.

We then proceeded to discuss the major event of the twenty-first century to date, in terms of impact on the global economy, namely the GFC. In addressing the origins, immediate impacts, roll-on effects and the different interpretations of the crisis, we demonstrated that this was not a single event at a point in time. Neither is it open to clear analysis in order to attribute blame and show how such an event can be avoided in future. Rather, we see the GFC as a phenomenon that must be examined from multiple perspectives to gain insight into its possible causes and an understanding of its continuing impacts.

We outlined and discussed a broad range of business, organizational and informal groups whose activities are either designed around or are dependent upon new Internet technologies. Some of these are formal and legitimate organizations while others are not businesses and some undertake activities that are clearly anti-business, or anti-dominant political and ideological forms. Our purpose in doing this has been to challenge your thinking on what might be understood as ‘international business’, and to highlight how groups and practices that are not normally included in the IB literature both draw upon business practices for their own ends, and can impact mainstream IB activities by their actions.

Finally, we provided a brief expansion of discussion on the topics of tax avoidance and tax evasion. We clarified the legal difference between these, but pointed out that both are morally questionable. We offered some ideas on how to critically assess businesses and individuals in regard to the status of their tax payments and the impacts of this on broader society.

In the final two chapters of our book, we offer a number of ways to further understand the dynamics of international business, with the intention of enabling you to undertake critical analysis of IB practices and situations in which you are interested or directly involved.

Questions

1. Investigate and compare how executives in the banking sectors of the UK and Iceland at the time of the GFC in 2008 have been treated by their respective political and legal systems over the following decade. What are the implications of differences in terms of public confidence in the two banking sectors?

2. What has been the manner of market entry and growth of Uber in a country of your choice? How was this enabled or blocked at the outset by existing legal frameworks? What has been the subsequent impact on ‘traditional’ taxi service providers?
3. Select an aspect of the Panama Papers case that is of interest to you and that has been subject to investigation and reporting in the media, political and legal sectors of a country of your choice. What has been the impact of the investigation and reporting on the individuals and organizations that are their subjects?

Further reading

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