



Center for International Business Advancement



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Lecture Note

“101 International Influences on US Economy, Business, Society & Public Policy”

Professor Dharma deSilva, Lecture Note #1 Introduction to Study of International Business Center for International Business Advancement [CIBA] Barton School of Business, Wichita State University

[This study was initially inspired by CIBA-USDE/BIE [1992] Grant Survey of AACSB Schools, 2006 CIBA-USDE/BIE & CIBER sponsored “Internationalization & B-School Curricula Symposium/Workshops” held at WSU, Council country/company trade seminars conducted by USED/BIE (2010-14) outreach on International Business Strategy & Competitiveness, review of IB Texts & Fulbright Senior Specialist Awards/AACSB Mentor]

Highlights of the Reality of Influences impacting on unstoppable globalization, as USA competes anew in 2nd decade of the 21st Century in Lecture Note #1 will be expanded in Lecture Note #2 focusing on GLOBALIZATION - the most significant force of change for business-management education and its graduates to conduct business in a globally competitive workplace and marketplace.

- ❖ USA's reign for a century as the 'Largest Global Economy' is changing/challenged - China's size when measured in GNP PPP equals the U.S. in 2014-15, which would be years earlier than McKenzy/Goldman Sachs forecasts had previously estimated. IMF/Worldbank predicts China's rising economic power and its influences on the global arena are likely to c.
- ❖ The **financial crisis of 2007–2008**, also known as the **Global Financial Crisis (affecting EU todate)**, is considered by many economists the worst financial crisis since the Great Depression of the 1930s; causing the 2011-2014 Eurozone debt and currency crisis has affected U.S. economic and political interests in the following important ways:
 1. *Due to their connection with European banks, U.S. banks, multinational companies, and major exporters have been affected,*
 2. *Europe is the U.S.'s largest trading partner, with more than 20% of all exports going to Europe. The debt crisis has the potential to negatively affect U.S. exports.*
 3. *U.S. investments tied up in Europe are threatened.*
 4. *There is potential for a negative impact on individual investors from the U.S*
- ❖ For half a century, the U.S. dollar has been the hegemonic currency, with a large slice of world trade counted in
- ❖ U.S. dollars. Central banks hold most of the foreign exchange in dollars, which allows the U.S. to issue debt more cheaply. A weaker dollar helps exports reduce current accounts, while imports keep inflation and prices down for consumers. However, this comes at a cost of job loss for non-competing industries. According to deSilva, “by 2020, eight emerging economies will account for more than half of all global growth, and the international monetary system will likely no longer be dominated by a single currency.”
 - These 10 economies can be remembered as BRICKS + MINT: **Brazil, Russia, India China, Korea, S. Africa, (BRICKS) and Mexico, Indonesia, Nigeria and Turkey (MINT)**
 - Most importantly, the global currency in 2020 will be centered on the **Dollar, the Euro, and the Yuan.**

- ❖ China Overtook Japan as world's second largest economy in 2010, capping the nation's three-decade rise from Communist isolation to emerging superpower status. Japan's nominal GNP in 2010 of \$5.4742 trillion (tn), is less than China's \$5.8786 tn. China's GNP [PPP] is \$10.5 tn, Japan and India's GNP [PPP] is about \$5.5 tn, followed by Germany, Russia, Brazil, UK, France and Italy which is around \$2 tn.
 - ❖ China's FX reserves of 3.9 trillion USD (China Foreign Exchange Reserves, 2014) PLKUS Hong Kong's \$341 & Japan's FX reserves of over \$1.28 trillion USD (2014) these powers are sitting on a pile of money.
 - ❖ China overtook the USA as the biggest automobile market in 2010. India is the second fastest growing major economy in the world. **EMCs of G20. account for \$2.5 trillion of global FOREX reserves of about \$12.03 tn[w1].[2014]** Collectively, the G-20 economies account for around **85%** of the **gross world product (GWP)**, **80%** of **world trade** (or, if excluding EU intra-trade, 75%), and two-thirds of the **world population**.
 - ❖ US Public debt as a % of GDP is 75% and US Gross Government Debt of 106% compared to China's 32% and 23% and India's 50% and 67% respectively.
- China is the World's #1 Exporter overtaking Germany which overtook USA during 2005-2007 to become the world's largest exporter W/ \$2.252 Trillion to US's \$ 1.610 (2014). Germany's per capita exports of \$13,479 is 4 times that of the USA's \$3,400.013 Exports Update: China #1 (2.252 trn); USA #2 (1.610 trn); Germany #3 (1.547 trn)
- ❖ Japan, USA and Germany [JUG deSilva] directed 60-65%-of the flow of trade, investments and M&A's for three decades in a TRIAD POWER{Ohmae}; in the 1990's China & India [CHINDIA] joined JUG to form the QUINTET[deSilva] Power to share 70% - 75%of the above flows/resources, in the 2010's followed by G20 **G20 Nations have 3,3 bn** share of world population of 6.8.bn **AND \$59 tn output of a World GNP of \$79tn[2011]** [See Exhibits I & II in the Globalization Lecture Notes]
 - ❖ **Sign of the Times:** The 15 years gone in the 21st Century is a prelude to QUINTET's ability to redefine comparative and competitive advantage that enables a finale by 2016 in GDP[PPP terms] to record USA, China, Japan, Germany & India, in that order, as the top global economies. In 2020, forecasts are China, India, USA, Japan & Germany followed by Russia, Brazil. Korea and S.Africa will combine power as TRIAD's JUG and BRICKS to share resources and reshape global competition & the New World Economic Order along with the BEM's of G-20. By 2020, Globalization drivers backed by trade, FDI, M&As, & technology in the e-Global Age will contribute to sustainable GNP growth & poverty reduction of CHINDIA's 40% world population thus creating a new middle-class of about 50%.
 - ❖ **While WTO 'Doha sleeps'**, rapid growth of Special Economic Zones [SEZs] & Regional/Free Trade Agreements [FTAs] (more than doubling within the 1st decade of the 21st C) in emerging markets are providing incentives, leading to preferential arrangements to attract investors and expand trade that gives them a competitive edge vs. US firms. The surge in RTAs has continued unabated since the early 1990s. As of 31 January 2014, some 583 RTAs, counting goods and services (notifications separately), have been notified to the GATT/WTO. Of these, 377 RTAs in force (World Trade Organization)

The Reality of Globalization: 101 International Influences on the USA are currently identified below, tell the rest of the story with examples/facts as to how these factors affect mega- competitiveness in the global marketplace, and implications to American economy, business, customers, society and public policy

GLOBALIZATION

1. The new global economy of mega-competition has evolved; competitors are expanding market entry modes beyond exporting to contract manufacturing, licensing, franchising, turnkey, strategic alliances, joint-ventures, wholly owned subsidiaries, offset, and countertrade and in 2000's to off-shore and outsourcing for manufacturing.
2. After 200 years, US changed from Europe for markets & sources of supply to ASIA. Asia has 60% of world population – China and India have increasing/expanding links to Asian supply chains and markets.

3. Cost of International Communication have plummeted over time resulting in the number of internet users growing dramatically in the past 10 years, enabling a large number of SME's and entrepreneurs to go global.
4. The U.S. has "globalized" faster than policy makers have been able to adjust. The U.S. economy has never been so dependent on foreign money and companies. Investment has flooded the country since 1990 more than \$2.1 trillion, and foreign-owned assets have increased 10-fold in that time from \$2.1tn to \$21.1tn.
5. The total FDI stock now constitutes 34.1% of global GDP. Historically, most of the FDI was invested by Western Europe, United States and Japan; recently, MNC are starting investing heavily in emerging markets [China, India, Mexico, Brazil]. Developing economies constitute about 28% of global GDP, whereas Transition economies constitute 27 % and Developed economies constitute 31% of the global GDP.

GLOBALIZATION DRIVERS

6. Pricing setting of Oil is outside USA after a century: Influence of OPEC & impact of oil price changes in 1974/75
 - [Oil Shock #1], 1978/79 – In the 1970s, companies were unable to produce as much oil as they had predicted, and production went down instead of up.
 - [Oil Shock #2] Mid 1990's. Between 2004-08 oil prices have risen to record high (\$147.27/barrel)
 - [Oil Shock #3]– Persian gulf retains a dominant position in global oil reserves.

The U.S Energy Information Administration 2014 estimates (thousand barrels) total oil supply per day: World 93097.2; Venezuela 2689.2; Saudi Arabia 1623.7; Iran 3374.7; Iraq 3391.2; UAE 3471; Libya 516.2; 2427.3.
7. Trends over time in average tariff rates show developing economies have reduced tariffs significantly to average 10% while advanced economies in 2013 is around 2% due to GATT sponsored tariff reduction 8 rounds. Multilateral/International trade policy, and related issues with the entry of many nations to world trade system, has brought about a dramatic reduction of tariffs/customs duties and barriers, increasing trade – but economic perils off.
8. Economic integration & RTA/FTA growth: EU-27, NAFTA, MERCOSUR, ASEAN, APEC, Asia/Pacific region [incl. Japan, China, India, S. Korea, Malaysia, Singapore, Brazil, Russia S. Africa] joined the world trading & investment system creating emerging markets/new consumers with propensity to consume the 'latest' technologically-advanced products.
9. In 2013 US owned assets abroad increased to \$21,963bn. Foreign owned assets in the U.S. increased to \$26,541bn. FDI in US not only provides jobs, but relatively high-paying jobs – indeed, up to 30% higher paying.
10. The largest enrollment increase was attributed to international students. The number of international graduate students jumped 32.3 percent compared to fall 2012. There are 668 international graduate students attending Wichita State this fall compared to 505 international graduate students a year ago. Foreign student enrollment was up 7.2% to a record of 819,644 in the 2012/13 academic year. China was 1st with 235,597 a 21.4% rise, enrollment of Indian students decreased by 3.5% in 2012-13. It also appears as many Chinese and Asian students head to Japan, Australia and Europe as to the United States.
11. China's growing oil consumption is contributing to fluctuating prices for many US manufacturers – what used to be the oil supply shock in mid 1970s oil crisis when OPEC was formed, is now an oil demand shock due to rising China & India. China's annual growth in oil consumption has eased after a recent high of 11% in 2010, reflecting the effects of the most recent global financial and economic downturn as well as China's policies to reduce excessive investment and capacity overbuilding. Despite the slower growth, the country still accounted for more than one-third of global oil demand growth in 2014, according to EIA estimates. China consumed an estimated 10.7 million bbl/d of oil in 2014, up 370,000 bbl/d, or almost 4%, from 2013.
12. Innovation is as American as apple pie. For the first time in history, China is on track to outpace USA in patent filings. Since mid-1980s nearly half of all USA patents have been granted to foreign inventions. The top three patent offices in 2013 were China, with 825,136 filings, followed by the US (571,612) and Japan (328,436). The gap between China and the other offices has widened considerably since 2011, when China's State Intellectual Property Office (SIPO) became the world's top office in terms of patent filings received.

13. In Non-US firms Leadership training and management development processes and systems place managers around the world through global job rotation that train managers on world standards and best practices by competing companies.
14. Non-US MNC's transfer global standards best practices/ techniques adopting them where necessary to the local context. Team – based problem solving has become a cornerstone of lean manufacturing in many countries abroad.
15. While America was once topped in 1st place in overall education rankings now is ranked 20th America's ranking for 2014.
16. Management education goes global and Europe's competitiveness - China started MBA's only 2 decades ago and government's goal is to boost MBA student output annually. In a Business Week China survey, 38% of corporate recruiters named the China Europe Int'l Business School (CEIBS) as the best Business School in China, Beijing Int'l MBA at Peking University came in second at 31%, Tsinghua University came third at 9%. Likewise India explosive growth of MBA programs making India and China as the two largest management education growth markets. In 2010 Asian focus established the AACSB Asia Hqrs., and in 2014 AACSB records over 50% of accredited Business Schools are outside the USA.
17. Events following 9/11, acts of terrorism, kidnappings & political risk affect peace and flow of trade & investment. Public policy issues demand peace to advance trade, economic growth and higher standards of living, eliminating poverty and environmental concerns. U.S. military superiority doesn't seem to produce proportional results with USA's annual military spending is greater than that of the 25 countries of the EU, China & Russia put together.
18. According to The Economist, China has the highest number of entrepreneurs per head at 17 per 1000, Russia start-ups create more jobs. Yet China and India are churning out an army of well-educated scientists & engineers, and both countries are showing remarkable technological and entrepreneurial creativity.
19. The oil price hit over \$109.71 (Brent crude) a barrel in 2012, the 2nd highest since October 2008 (in June 2008, jogging around \$147 a barrel). In June, 2011 fell to \$90 a barrel amid fears of supply disruption due to Middle East political unrest. Q1 2014 has the price sitting at 106.2 with projections for 101.92 in 2015.
20. Japan has in prime positions 6 banks among the top 10 global banks during 1985-1995. However, after 'the lost decade' by 2007 recovering Japan had only 1(Mitsubishi-UFJ), USA had 4 (Bank of America, Citigroup, Wells-Fargo, JP Morgan Chase), China had 3. However, in 2008 Japan's real banking system adds the 'semi-privatized' Postal Savings Bank with \$3 trillion in deposits - cumulative personal savings are estimated at \$13 trillion in Japan. 2014; China has 4 banks, France has 2, and Japan has 2, along with Germany, and UK each sharing a bank. United States sits in 11th with JPMorgan Chase Bank.
21. A U.N. report ranked countries by how advanced their information and communications technology (ICT) is. The order went as follows:
 - 1) Denmark
 - 2) South Korea
 - 3) Sweden
 - 4) Iceland
 - 5) United Kingdom
 - 6) Norway
 - 7) Netherlands
 - 8) Finland
 - 9) Hong Kong, China
 - 10) Luxembourg

China and India both have a high technology base but their ranking was affected by their large populations and poor, rural areas. According to ICT Development Index (IDI), in the year 2014, there are an estimated 6.9 billion mobile subscriptions and 1.147 billion fixed line subscribers in the world compared to 4.6 billion & 1.2 billion respectively in 2008.

22. Global sourcing, global procurement, global purchasing and importing, attributing to loss in manufacturing in USA has expanded. Global sourcing has created 1 and 3 million jobs respectively in India and China alone in the past decade. In the past 5 years United States outsourced 1 million service jobs respectively in India and China alone in the past decade. In the past 5 years United States outsourced 1 million service jobs.
23. Deutsche Post AG and Japan Postal Bank are historically 2 state owned postal saving institutions now being privatized are spending billions to acquire firms' worldwide. Deutsche Post is the world's leading Logistics and Express provider. In 2002, it paid \$2.7 billion for DHL and in 2003 paid \$1 billion for US-based Airborne in order

to compete with FedEx and UPS. However, the economic recession has forced DHL to fire 14,900 workers and close 75% of its outlets.

24. Division of global power from G7 to the G20 includes the world's biggest industrial and developing countries, making up 85% of the world economy. The heads of nations are now regularly meeting to discuss global economic perils, recession, stimulus packages and policies of common interest.
25. Six Sigma quality control standards are applied with great effect/successes in China, India, Japan, Korea.
26. Where drug testing was once conducted in USA & developed economies, pharmaceutical companies are increasingly preferring emerging markets because they offer clear advantages: [1] Lower costs of recruiting physicians and patients [2] Large potential patient population.[3]Diversity of patient population and medical conditions.[4]Less likelihood of patients taking other medicines.[5]Less bureaucratic and regulatory restriction on drug testing.
27. Forbes Global 2000 companies in 2013 account for \$36 trillion in revenues, \$2.6 trillion in profits, \$149 trillion in assets and \$37 trillion in market value. All metrics are up from last year with profits growing the most, rising 67%. These firms also employ 80 million people worldwide. The preferred locations for foreign affiliates of the top 100 TNCs, measured in terms of location intensity, which takes into account the home country of the TNCs, are the United Kingdom and the United States. China ranks sixth, ahead of France and Canada. Brazil, Mexico, Singapore, India rank among the top 20 preferred locations.
28. Uruguay Round and trade liberalization, tariffs are down to <3% in developed nations, and reduced to about 15% in "developing nations". Increasing roles by UNTACD, ITC, IMF, World Bank, Asian Development Bank, expand trade and economic growth. World Trade Organization est'd 1995 after GATT's successful [1947-1994] Rounds, facilitate trade, amidst recent protests and ongoing disputes.
29. US-EU Relations, US-Mideast Relations, US – Japan relations, US-China relations, US-Russia relations have significant impact on trade investment, intellectual property rights issues and foreign-policy implications. Ease of MFA Agreement (2004) for textiles and China's dominance as a textile giant has major ramifications to US textile/garment industry.
30. Cost of Intellectual Property Right violations/cases have grown in magnitude, industry and trade agencies estimate counterfeiting/piracy costs US economy about \$250 billion per year and a total of 750,000 American jobs.
31. World's largest trading companies are all non-US dominated - Japan's SogoShosha followed by Korea and China with significant roles in domestic & world trade while US trading companies have hardly an impact on export activity although US Congress passed the Export Trading Company Act in 1992 providing firms with incentives from Anti-Trust legislation and bank cooperation. The trading companies are a major factor on growth of barter-trade with developing countries.
32. Investment flows in 2013 -. USA's FDI abroad was \$368bn, FDI in USA, \$166 bn. [World FDI inflows rose 9% to 1.45tn (after a 37% fall to \$1.114tn in 2012) while outflows increased 4.8% to 1.41tn (after a 40% fall to \$1.346tn from a high of \$4.4tn). The United States is the largest FDI recipient followed by China and Russia. Global FDI stock witnessed a modest recovery of 9% in 2013. Developing and transition economies attracted half of global FDI inflows and invested 32% of global FDI outflows. 53% of FDI went to Developing countries. They are leading the FDI recovery and will remain favorable destinations for FDI.
33. One out of every 3 cars since voluntary export controls, 9 out of 10 television sets, 2 of every 3 dress-suits and every video recorder sold in the US are imported. China label dominate the toys, clothing and electronics that get sold in stores like Wal-Mart and Target and Toys-R-Us.
34. One-third of workers in US chemical industry work for foreign owned companies. NY Times Oct 17, 2009 reported: "Foreign-owned companies in the United States have a work force of more than 5.3 million, or some 3.5 percent of all workers, and are spread across the 50 states in sectors from manufacturing to retail and publishing. If these jobs did not exist, the nation's unemployment rate would be above 13 percent".
35. Exports share of GDP in 2013: US 13.5%, Japan 15%, Germany 50%, China 27%, India 25%. S.Korea 50% South Africa 32%. The share of industrialized countries in world exports fell from 70.3 per cent in 1988 to 53.3 per cent in 2007. In the same period the share of developing countries rose from 27.9 per cent to 45.2 per cent.
36. Exports as a % of GDP in 2012: Russia 29%, U.S. 14%, China 27%, Germany 52%, Japan 15%.

37. Judged by productivity level increases of various countries [2013] Slovak Republic [2.8%] and Spain lead [1.9%] followed by Switzerland [1.8%] and Australia [1.7%]. USA stands at 0.8% decreasing from 2.8% in 2010.
38. The U.S. and Eurozone economies play major roles in the world economy and are crucially important for each other's prosperity. The two sides combined account for around 40% of world GDP, over 25% of world trade, 60% of world foreign direct investment flows, and 60%-70% of world banking assets and financial services. Thus they remain each other's most important market for exports of goods and services, and are each other's primary source for foreign direct investment. U.S. companies operating in Europe and European companies operating in the United States employ up to 15 million workers on both sides of the Atlantic. A stronger dollar/weaker euro would also likely have some effects on U.S.-Eurozone foreign direct investment flows.
39. Globalization and burgeoning technology/innovation that shrink product-life-cycles, coupled with global competitors' quality and price, brings goods to the USA adding to 80-90% mega-competition for most consumer goods sold in USA, compared to <25% in 1950's. Equally, global companies compete severely and challenge US firms abroad.
40. In 2014 US owned assets abroad increased to \$226.22 bn. FDI in US not only provides jobs, but relatively high-paying jobs – indeed, up to 30% higher paying. In fact, 84% of FDI in the U.S. in 2012 came from or through eight countries: Switzerland, UK, Japan, France, Germany, Luxembourg, The Netherlands, and Canada.
41. One-third of auto industry employees' work for foreign owners. Adverse impact of globalization on auto-industry has affected the Big Three. In 1970s GM, Ford & Chrysler held 84% of total auto sales and only 5 manufacturers w/ market shares <2%. In 2012, market share by vehicle production Toyota 12%; G.M. 11%; Volkswagen 11%; Hyundai 8.5%; Ford 6.6%; Nissan 5.8%; Honda 4.9%

GLOBAL TRADE & INVESTMENT

42. One out of every 5 US manufacturing jobs is linked to export. [\$1 billion Exports create 11,500 jobs].WSJ (2011 reported: In all, U.S. multinationals employed 22.9 million people at home and 11.7 million elsewhere, including increasing numbers of higher-skilled foreign workers.
43. One out of every 7 dollars of US sales is to customers abroad.
44. Dependency on foreign oil, sourcing for raw materials, global supply-chains, and export-of-jobs to offshore/offset production and services are increasingly a matter of concern to US public policy-makers. Outsourcing accounted approximately for \$517 billion of global industry in 2013. Last decade, about 2.7 million job loss in manufacturing, and 1.5 million for outsourcing, U.S. exports of legal work, computer programming, telecommunications, banking, engineering, management consulting, and other private services - a category that encompasses U.S. outsourcing of call centers and data entry - hit \$77.38 billion for 2008, up \$7.94 billion from 2002. By 2015, Forrester Research estimates that as many as 3.3 million U.S. jobs and \$136 billion in wages could be moved to such countries as India, China, and Russia.
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46. One out of every 7 dollars of US sales is to customers abroad.
47. In 2014 travel and tourism as a major source of foreign exchange is expected to bring \$165bn by 72.2 million travelers to USA. In 2000, 17% of the U.S travel market and after the lost-decade by 2010 that number dropped to 12.4%, resulting in an estimated loss 79 million tourist arrivals, \$606 billion spending, \$37 billion tax revenue and 467,000 jobs during 2000-2010. United States rank dropped to #6 (WEF) among most competitive countries in Travel & Tourism Sector.
48. One out of every three dollars of US securities bonds & notes are now issued to foreign investors. Foreign landlords own prime real estate, golf courses, grain elevators, hotels & companies in USA.
49. The word economy is changing at an unprecedented rate demanding re – examination of goals and resetting global strategies is a must for US companies. Pressure on US companies to import world-class global processes and standards to upgrade manufacturing quality and productivity. – The Toyota Way, Japan's R&D spending is highest among competitors. Competitors R & D centers abroad in emerging markets enable developing new

products to world-wide markets. Global standardization- specifications and methods of technology and systems for de facto standards are vital tools.

50. Judged by productivity level increases of various countries [2013] Slovak Republic [2.8%] and Spain lead [1.9%] followed by Switzerland [1.8%] and Australia [1.7%]. USA stands at 0.8% decreasing from 2.8% in 2010.
51. Eroding competitive edge in Auto, TV/VCR, Camera, textile/garments, and Aerospace, [e.g. affecting Wichita air-capital firms, Cessna, Hawker Beechcraft, Bombardier/Learjet, Spirit AeroSystems and Boeing – challenging global demands and competitiveness]. New competitors, Brazil [Embraer] and Japan [Honda, Toyota, Mitsubishi HI etc] and China.
52. Michael Porter's Competitive Study on key industry sector competitiveness position: US has 6 sectors, Germany has 13 sectors, and Japan has 8 sectors. Porter refers to the Air-Capital city – Wichita's world-class manufacturing cluster needs research on competitiveness. Airbus NA has a Wichita office, Spirit AeroSystems Wichita is a supplier to both for Boeing & Airbus. Airbus is the biggest competitor to Boeing, each sharing about half of the world market in 2000s.
53. Intensified price competition lowers profitability for US Auto firms while Japan is amassing record profits. In 2007, Toyota has become #1 automaker in the world in terms of sales passing GM. Korea, China and India enter the global auto industry. India's Tata Motors produces the \$2200 car and buys from Ford the British Jaguar and Land Rover for \$ 2.35bn. In Feb 2009 China acquired Volvo from Ford by Geely Automobile.
54. Global sourcing by firms as a competitive strategy has resulted job loss in manufacturing and service sectors. US Manufacturing sector has faced job losses ranging from 300,000 to 995,000 from 2000 to 2005 and 400,000 service jobs, averaging 200,000 jobs/year, and expected to hit 3.3 million by 2015. Jobs at risk account for 14.1 million by UC Berkeley. Over 900 firms are today outsourcing. McKinsey Global institute reports that global outsourcing returns 45-55% in net savings to corporations, with added profits from the sale of American products to run the offshore operations. Outsourcing has resulted in cheaper imports, and for firms to remain competitive, concentrate on core business and HR skills.
55. Cost to hire engineers in India is ½ the cost in USA [\$40K vs. 80K], and engineers in China earn 40% of what engineers in India earn, which facilitates outsourcing and R&D centers for MNCs, e.g. Recently LSI Logic (now NetApp) Wichita established R&D centers in Bangalore and Hyderabad. However, in 10 years, hiring costs for engineers in India and US is expected to be very close.
56. Chronic merchandise trade, balance of payments and current account deficits in USA have continued from mid 1970s into the New Millennium (2000s) due to loss of competitiveness – however, imports are keeping inflation/prices down for consumers. Top 10 Countries with which the U.S. has a Trade Deficit (2014) are: China: \$ 342,632 bn.; Japan: \$66,974bn. Germany: \$73,738.5; Mexico: \$4,432.91; Saudi Arabia: \$28,358.9; Canada: \$34,030.6; India: \$23,600.6; Ireland: \$26,209; South Korea: \$25,061.7; Italy: \$25,093.2 (Figures are in millions of U.S. dollars).
57. China and India are emerging towards a 'super-power' status. In 2013 nominal GDP of China [\$8.38 bn]; Japan [\$5.96 bn], and Germany [\$3.42bn] while USA \$16.24bn and EU \$16.67bn. In per capita terms China's \$ 9,055 compared to US [\$51,704], HK [\$50,936], Japan [\$35,855], Germany [\$38,665], UK [36,298]. and India [\$3,843] However, in PPP terms per capita income: US [\$51,704], Japan [\$35,855], Germany [\$38,665], China [\$7,518], India [\$3,290].
58. International production is expanding with foreign sales, employment and assets of transnational corporations (TNCs) all increasing. TNCs' production worldwide generated value added of approximately \$16 trillion in 2010 – about a quarter of global GDP. Foreign affiliates of TNCs accounted for more than one-tenth of global GDP and one-third of world exports. State-owned TNCs are FDI heavyweights. UNCTAD estimates there are at least 550 State-owned TNCs – from both developed and developing countries – with more than 15,000 foreign affiliates and foreign assets of over \$2 trillion. FDI by these TNCs was more than \$160 billion in 2013. At that level, although their number constitutes less than 1 per cent of the universe of TNCs, they account for over 11 per cent of global FDI flows. GDP per capita in 2013 US [US \$53,041.98] ranks 10th behind Luxembourg [\$110,664.84], Norway [\$100,898.36], Qatar [\$93,714.06], China [\$91,376.02], Switzerland [\$84,748.37]
59. Thomson Reuters and Freeman Consulting predicted that mergers and acquisitions would surge 27 percent in 2015 to over US \$3.4 trillion globally. Indeed we have seen many high profile mergers and acquisitions over the past few years. Their previous predictions in 2011 saw 2.15bn in global M&A while 2012 saw 2.06bn.
60. As of 2014 net market share, Airbus 50.5% and Boeing 49.5% out of 2,888 units of industry orders. Airbus \$174.6.

61. April 2014, US goods trade deficit \$472bn; negative current account [CA] balance of \$81 billion - compared to trade and current account surpluses in Germany \$194bn [CA]; Japan 116bn (¥) [CA] and China's \$7.2bn. However US Exports show a strong trend from 2011 – 2014 from 1.7 tn to 1.9 tn. Imports from 2.15 tn in 2011 to 2.4 in 2014. Top Trading Partners for the U.S. [Imports & (exports)] were Canada 127.0 (141.0), China 49.3 (174.5), Mexico 216.3 98.3 (119.0), Japan 27.2 (50.2), Germany 21.1 (50.2).
62. China's purchase of US Treasury holdings, totaling of \$1.27 tn [March 2014] make China the world's largest holder of US government debt, followed by Japan \$1.2tn, and other foreign countries by \$4,8 tn.
63. After a dip of 37% in 2009, FDI is expected to recover to \$1.4 tn.in 2014. Developing countries take the lead in FDI inflows. In 2012 – for the first time ever – developing economies absorbed more FDI than developed countries, accounting for 52 per cent of global FDI flows.

GLOBAL FINANCE

64. Globalization of financial & capital markets following currency adjustments – Plaza Accord 1985, Louvre Accord 1987, Jamaica 1996 – an decline of the US dollar resulted in increases in US exports – however, imports increased faster, leading to a loss of manufacturing jobs, increase in offset/offshore/outsourcing and aggravating BoP and trade deficits.
65. China's purchase of US Treasury holdings, totaling of \$1.27 tn [March 2014] make China the world's largest holder of US government debt, followed by Japan \$1.2tn, and other foreign countries by \$4,8 tn.
66. The pattern of US trade deficits with most individual ASEAN members has remained steady. For each year from 2001 to 2010, The United States had trade deficits with at least seven of the ten ASEAN countries. In 2010, its largest trade deficits were with Thailand (\$14 billion), Vietnam (\$11 billion) and Indonesia (\$10 billion). This steadiness continued into 2013 after which a dramatic decrease in trade occurred resulting in the following 2014 trade deficit updates: Thailand (\$6 bn), Vietnam (\$8.8 bn), Indonesia (\$4.3bn)ASEAN Market Growth. Singapore (\$26 billion), Malaysia (\$12 billion), Thailand (\$8 billion), and the Philippines (\$7 billion) were the top 4 US export growth markets in ASEAN 2010.
67. In 2013, 60% of Foreign Exchange Reserves are held by BRICKS economies; China #1 with \$3,197 bn, Japan #2 with \$1.275 bn, Russia \$515bn, India with \$295.71 bn, South Korea \$307bn. In 2012 (vs2000) industrial nations had 22% (41%), developing nations 78 % (59%) of FX reserves.
68. According to IMF (2011) Saudi Arabia's GDP growth by 7.5% [4.7% Q1 2014] dependent on oil - with 24.9 percent of the 1,000 billion barrels proven oil reserves of OPEC, the country has the largest oil reserves in the world and is also one of the largest producers of oil, next only to Russia. IEA holds that Saudi Arabia is capable of producing up to 12 million barrels of oil a day, compared to nine million barrels a day in May 2011 – cuts to maintain price.
69. Growing US Federal Deficit of \$162bn (2007), \$410bn (2008) reached \$680bn in 2013. Federal debt \$17.07 tn and Public debt \$11.901tn resulted in debt financing/interest payments of \$459 billion (2008). In 2013, US Corporate debt reached \$4.9 tn, more than Japan [\$2.5tn] and Europe [\$2.1tn]. US corporate debt ratios adversely affect its competitive position.
70. The US having been a net creditor to the world for over 50 years, has now become a world debtor since 1990's. In 2013 Foreign financing of US Debt accounts for \$5tn, i.e. 1/3 of the Federal Debt of \$17tn.
71. China's purchase of US Treasury holdings, totaling of \$1.27 tn [March 2014] make China the world's largest holder of US government debt, followed by Japan \$1.2tn, and other foreign countries by \$4,8 tn.
72. In 2014, household savings: USA is 4% compared to China's 50%, India's 34.9% [30.1% going into 2014 to Germany's 10.6%. [9.9% Jan2014] Japan's 11% [dramatic increase late 2013 to 45.5% followed by extreme crash Apr2014 to 3.8%]
73. Over the past 15 years, 25 % of venture-backed U.S. public companies were founded by immigrants (40 % in high tech manufacturing industry). These firms have a market capitalization of over \$500 billion, and employ over 220,000 U.S employees and 400,000 people globally. The number of immigrants in the United States is now enormous, minus the change in legal immigration policy, the immigrant population will continue to increase. According to the Census Bureau data, from2014 to 2015 there is a 44% increase in immigrant population.

74. 2014[W3] Total R&D [PPP] expenditures by country records United States #1[465bn], China #2[291bn], Japan #3[165bn] and Germany at #4 [96bn], South Korea #5 [63bn]: coupled with advancing technology, this provides an abundant array of goods that meets needs of a new class of educated/sophisticated well-informed consumers worldwide – 95% of customers are outside the USA. Top 10 Patent Giants that invented the most products in 2014 were: IBM, Samsung, Canon, Sony, LG Electronics, Microsoft, Toshiba, Panasonic, Hitachi, and Google. – 3 USA companies & 5 Japanese.
75. United Germany, [The EU after 1992] - An Enlarged EU-27 in 2008, EURO currency strength, coupled with China & India's entry into world trading system demand new strategies for doing business among major competitors and the rest of the world. In 2010s[W4] China and India's miracle economic growth rates [GDP] as high as 10 % and 9% compared to USA's 1.5%.changed the global marketplace.

GLOBAL OPERATIONS

76. Market research reveals that global demand for household appliance industry is as follows: Asia Pacific [36.2%] North America [23.2%] Western Europe [20.5%] Other regions [20.2%].
77. Top Trading Partners for the U.S. [Imports & (exports)] were Canada 127.0 (141.0), China 49.3 (174.5), Mexico 216.3 98.3 (119.0), Japan 27.2 (50.2), Germany 21.1 (50.2).
78. UNCTAD reports output of goods and services by 82,000 transnational corporations (TNCs) and 810,000 of their foreign affiliates had FDI stock of \$20tr in 2013, total sales of \$31tn and employed 82 million. Exports by foreign affiliates of TNC's are estimated to account for about a third of total world exports of goods and services.
79. Technological, communication and transportation advances coupled with educational skills achievement have made significant productivity improvements by foreign companies to become competitive. America's labor productivity growth rate in 2013 4.7% [down to 3.2% Q1 2014]; Japan is 3.6%, and Germany 1.6%. (a) E-Commerce growth - Use of Internet and World Wide Web – in 1990 fewer than 1 million users were connected, by mid1995 the internet had 16 million users, exceeding 1 billion in 2006. In 2013, 2.1 bn users worldwide-[China 24.2%; US 12.43%; Japan 5.03%; India 5.07%; Asia 44.0%. (b) Real costs of information processing & communication have fallen dramatically. A large number of other MNCs [see a list of some 1000 companies have located their operations in India, China & other emerging country-markets.
80. Broadband penetration statistics (in 2013, % of 100 populations): United States [48.0] Japan [26.9] Germany [31.6] France 33.9, Netherlands [38.0] Korea [36.6] China [7.5] India [1.9]. Distribution of Worldwide Broadband Subscribers 2013 by region: Asia [22.4%] compare with 57% worldwide internet subscribers] North America [17.01%] Europe [45.14%] Middle East and Africa [1.8%].
81. Forester Inc. estimates Global e-Commerce Sales to reach \$6.9 tn. Number of Internet user in globe increased from 719mn (2003) to 1,093mn (2006), 1,574mn (2008) to 2,267 mn (2011) to 2.93bn (March 2014 estimated). With Asia, controlling the internet users and china averaging 600mn after 2013.
82. Companies from developing economies are investing heavily in developed country markets for example India's giant Mittal's steel company acquired Arcelor in 2006 creating the world's largest steel company. Tata Motors acquires UK Jaguar and Rover companies, Russian Oil & Gas firm Lukoil acquired Getty Petroleum Marketing (1,300 gas stations) for \$71 million. Currently they have 6,090 filling stations in 24 countries including USA.
83. According to the Journal of Commerce (NY), and U.S Foreign Trade Ocean Container Transport and Highlights of the top10 U.S. exporters via ocean container transport (2013), measured in TEU (20-foot-equivalent container units) - #1 American Chung Nam (waste materials/paper/) 374,200 - #2. Koch Industries (Resin, fiber, pulp, paper, consumer products) 213,600 - #3. International Paper 172,600; #4 Denison International (paper/recyclables) #5 DuPont Dow Chemical (diversified) 115,500 - #6, Sims Metal Management 112,700 (metals/electronics/recyclables); #7 Weyerhaeuser (paper products) 106,600; Cargill sits at #15 with 79,100.. Importers via ocean container transport #1. Wal-Mart Stores/retail/720,000 - #2.Target Corp/retail/441,800 - #3.Home Depot/retail/278,900 - #4. Dole Food 222,500 - #5 Lowes/retail/195,000.
84. Striking example of global supply chain management, contributing to a firm's competitiveness is evident in the Boeing 787 Dream Liner as in B777. The most remarkable aspect of the Dream Liner is the extent of outsourcing. Boeing itself is responsible for only 10% of the value added to this new Aircraft –Tail, fin and final assembly. 40

- Suppliers worldwide account for the remaining 90% and Japan's share is 35%. Dell's global manufacturing network assembles component parts from suppliers in 10 countries incl. America.
85. In 2014, US share of world output GDP [PPP] is 16.14% down from 19.3% in 1990; China's (16.32%) share will surpass Europe's in five years and approach U.S.'s in a decade, based on China's projected 7-9 percent annual growth.
 86. International trade is no longer the domain of big business. SMEs accounts for a great proportion of all US exports swelling from 108,000 firms to over 2,695,000 firms in 2011 and account for 33 percent goods exports. Most were service sector - wholesalers, distributors and non-manufacturing firms. Italy, Japan, South Korea and China's SME's contribute more than 50% of national exports. SMEs also accounted for 97 percent of identified importers in 2011, with 178,820 SME companies reporting imports. The known export revenue of SMEs totaled \$440.1 billion in 2011 up 42% from 2009. However, SME and Entrepreneurial firms have increased dramatically in China and India and involved more heavily in international trade.
 87. Statistics on income disparity: 10% of adults own 85% of global wealth, while bottom 50% owns barely 1%; richest 2% of adults in the world hold > 50% of global wealth; top 10% owns 3,000 times more than average person in bottom 10%.
 88. "As countries grow, markets grow" e.g., Asia's NICs, Brazil, Russia, India, China (BRIC) with Korea & S. Africa [BRICKS] and other newly emerging markets. Over half of the world population is in Asia. The fastest economic growth is in Asia – the New Global Economy "Pacific Century" where China and India are dominant players set to be economic powers by 2020 with profound implications for global governance, global balance of power, employment generation, with wage differential stability, alleviation of poverty and responsible for peaceful co-existence amidst structural changes to the competitive global market place.
 89. World's busiest container seaports: Shanghai (China), Singapore, Hong Kong (China), Shenzhen, Busan (South Korea), Ningbo-Zhoushan (China), Guangzhou (China), Qingdao (China), Dubai, and Los Angeles (USA) sits at 16th place.
 90. In 2012, China has overtaken Korea & Japan to be the largest shipbuilder. And as of 2014, South Korea is no.1, and China, Japan, Philippines, Vietnam are ranked as followed.
 91. TRIAD(Ohame) anchor-powers; Japan, USA and Germany (JUG, deSilva) dominate trade [60%] & investment flows [65%] cross-border Mergers & Acquisitions [68%] have increased to 70%-75% and focus in a QUINTET(deSilva) formed with China and India, and now BRICKS with BEMs of G-20 likely taking 80%-85%– and mega competition in the 1st quarter of 21st Century.
 92. The level of global investment is at an unprecedented high – In 3 decades, FDI stock has mushroomed from \$0.5 tn in 1980 to 22.8tn (inward) & 23.5tn (outward) in 2012, allowing many nations to join world trading system. According to UNCTAD Survey 2013: the top 5 attractive locations for FDI in the next three years are China, USA, India, Brazil, Germany. Rated by transnational corporations.
 93. Increasing number of US origin companies are owned, managed and headquartered abroad. As of Jan. 2009, 16,613 companies were sold since 1978, valued at \$2.1 trillion, e.g. Hawker Beechcraft, AMOCO, Atlantic Richfield Co, Best foods, Lucent, PacifiCorp, Kroger (Dillons), major shares in CitiGroup, Boeing –Spirit, Bombardier/Learjet etc.
 94. State -of-the-art infrastructure and Information Communication Technology (ICT), has propelled Dubai [one of the 7 UAE Emirates] to create an ICT industrial cluster thus developing a monopoly advantage with no income tax, no currency restriction to attract companies to locate in Dubai. For example all of Wichita's Aircraft industries have representatives/offices established in Dubai.
 95. The progressive globalization of trade, investment, trade liberalization and deregulation in various areas is expected to expand the free movement of goods, capital and labor through an explosion of RTA/FTA agreements world over is increasing intra-country and regional trade. FTA has expanded exponentially in a decade to 585 as of June 2014 reported to WTO.
 96. As a home for jobs and business investment, the United States is affected by and competing with virtually the entire world due to comparative advantage in research & development, engineering and technological skills According to HBR Survey of US Competitiveness.

97. US business and other TRIAD {Ohmae} nations equally face mega-competition in the global marketplace due to impressive economic growth in emerging countries brought about by positive globalization drivers – trade liberalization/open markets; capital/finance & investment flows; production/transaction cost and scale economies; and industry/service sector skills in tune with advancing technologies – shifting a larger share of trade and FDI to EMCs.
98. US share of world trade slipped from 40% in 1920s to 25% in 1950s, to 12% in 1990s, and in 2010 to 8.5%. US share of manufacturing in GDP is 12% and Exports share in manufacturing is 88% in 2014. According to the U.S. Chamber of Commerce, more than 230,000 SMEs now account for nearly 30 percent of U.S. merchandises exports. The number of such companies exporting has more than doubled since 1992.

THE FUTURE

99. As a home for jobs and business investment, the United States is affected by and competing with virtually the entire world due to comparative advantage in research & development, engineering and technological skills According to HBR Survey of US Competitiveness. The Great Recession – the cyclical contraction that began in December 2007 and bottomed out in June 2009 – continues to weigh on the United States and not keeping pace with other economies, especially emerging economies and threaten to undermine the long-term competitiveness of the U.S. The threat to U.S. competitiveness we face today is far more complex than the one America confronted in the 1980s when competition from Japan revealed quality problems and inefficiency. IMD World Competiveness Center 2014 Annual World Competitive rankings The US retains the No. 1 spot in 2014, reflecting the resilience of its economy, better employment numbers, and its dominance in technology and infrastructure.
100. The volume of world Merchandise Trade has grown faster than the World Output. Since 1950 from \$250 billion world trade has expanded over 50 fold to \$14 trillion by 2007 and to \$18.8 tn in 2013. World trade (i.e. the sum of imports and exports) in real terms is set to jump from \$37 trillion in 2010 to \$287 trillion in 2050. China is projected to overtake the U.S. as the world's leader in trade as early as 2015.
101. Emerging markets, with populations that are young and growing, will increasingly become not only the focus of rising consumption and production but also major providers of capital, talent, and innovation. The overall rankings in competitiveness for 2013-2014 are: (1)Switzerland, (2)Singapore, (3)Finland, (4)Germany, (5)USA.

*"The "Red Queen principle" applies to an evolutionary system where continuing development is needed just in order to maintain fitness relative to others. It arises from what the Red Queen told Alice in Wonderland in Lewis Carroll's "Through the Looking Glass": "In this place it takes all the running you can do to keep in the same place". Burgeoning technology and mega-competition proves the point! – "Earth is Flat" and an even playing field makes it flatter with rapid explosion of technology, communications and logistics forcing a new wave of industrialization beyond JUG, by QUINTET, BRICKS with China's explosive growth miracle, and redirection of the flow of goods and services in the world trading system to challenge traditional theories, **again to conclude: "you ain't seen nothing yet!"***

Note: *The above 101 international influences on USA forms a list more comprehensive than those mentioned in the texts and needs to be updated with unstoppable 'globalization' factors: advancing technology, communications, economic growth, trade, investment and financial flows world-wide that highlight global influences impact on today's globally competitive workplace and marketplace.*

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