

Our previous lecture :



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International migration

- The movement of a person or a group of persons, either across an international border
- a population movement, encompassing any kind of movement of people, whatever its length, composition and causes;
- includes migration of refugees, displaced persons, economic migrants, and persons moving for other purposes, including family reunification

"International migrant" as any person who has changed his or her country of usual residence

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

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Types of migration

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1 Types of Migration

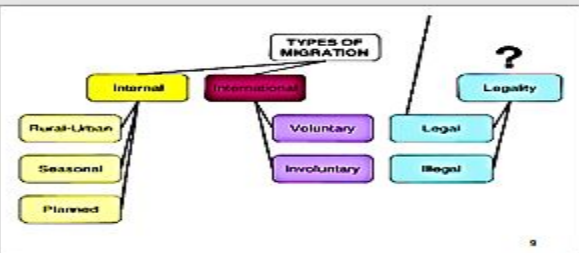
Gross migration

- Total number of people coming in and out of an area.
- Level of population turnover.

Net migration

- Difference between immigration (in-migration) and emigration (out-migration)
- Positive value:
 - More people coming in.
 - Population growth.
- Negative value:
 - More people coming out.
 - Population decline.

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Internal Migration – Rural-Urban Migration

- Movement of people away from the rural region (countryside, farms) to an urban (town, city) area.
- Which age group is most prone to move?
- Which group of country experiences large volumes of rural-urban migrants?
- Why?

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Internal Migration – Rural-Urban Migration

- Which age group is most prone to move?
 - Male
 - Age group – 20s and 30s
 - Able bodied – economically-active
- Which group of country experiences large volumes of rural-urban migrants?
 - Developing countries, eg. India, Brazil

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Internal Migration – Rural-Urban Migration

- Main and most important reason for this movement – rural area **cannot support the large and rapid population increase**
- Symptoms of rural overpopulation –
- Worsened by farm mechanisation. Why?

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International Migration – Voluntary Migration

- Voluntary migration – movement of people by **choice** or one's own **free will**
- Reasons given for such movement is quite similar to reasons for rural-urban migration

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International Migration – Voluntary Migration

Impact:

- Ethnic congregation, eg. Little Chinatowns and Little Indias in foreign land
- Poor quality housing
- Language difficulty
- Racial tensions
- Brain Drain

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Migration in numbers

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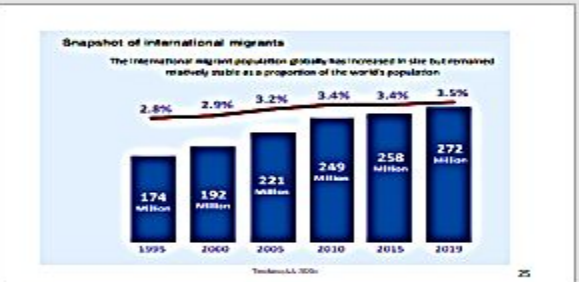
170 million international migrants in the world in 2019, which equates to 3.0 per cent of the global population

140 million international migrants in 2009

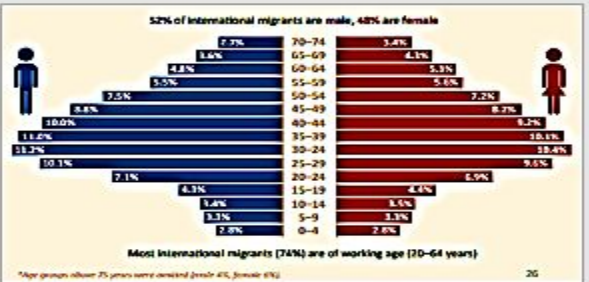
Table 1. International migrants, 1970-2019

Year	Number of migrants	Migrants as a % of the world's population
1970	84,610,125	2.0%
1975	90,364,010	2.1%
1980	106,563,240	2.3%
1985	113,264,000	2.5%
1990	155,013,470	2.9%
1995	164,118,891	3.0%
2000	178,588,040	3.0%
2005	191,615,574	3.0%
2010	220,768,900	3.2%
2015	248,863,190	3.4%
2019	271,642,101	3.5%

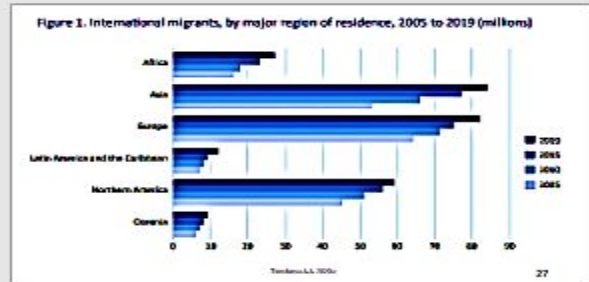
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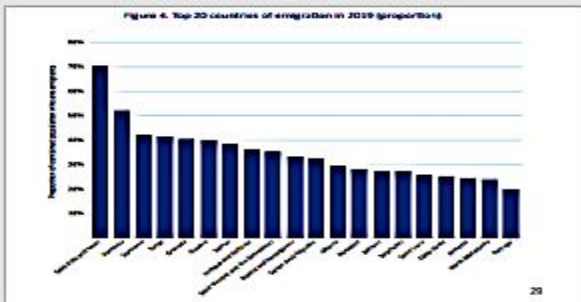
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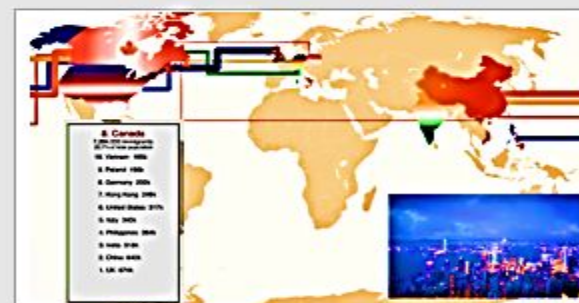
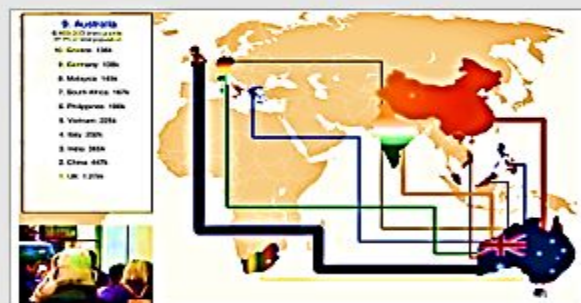
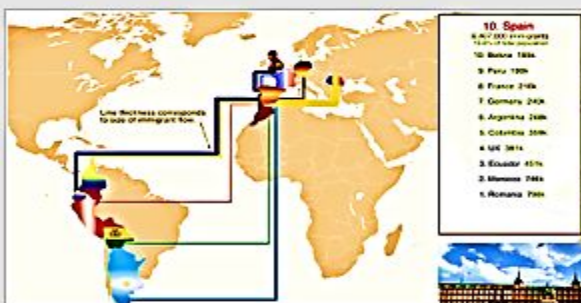


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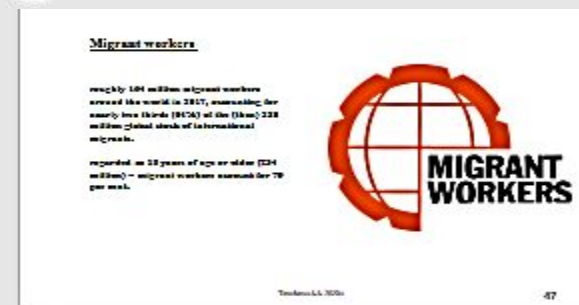
Migration corridors

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International remittances

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Top countries receiving remittances							
2005		2010		2015		2018	
China	23.63	India	53.48	India	68.91	India	79.61
Mexico	22.24	China	52.45	China	63.94	China	67.41
India	22.13	Mexico	22.08	Philippines	29.80	Mexico	35.66
Nigeria	14.64	Philippines	21.54	Mexico	26.23	Philippines	31.83
France	14.21	France	19.90	Egypt	28.92	France	28.92
Philippines	13.75	Nigeria	19.75	Nigeria	23.36	France	26.43
Belgium	6.89	Germany	12.79	Pakistan	18.31	Nigeria	24.11
Germany	6.87	Egypt	12.45	Egypt	18.33	Pakistan	21.06
Spain	6.66	Bangladesh	10.81	Germany	15.81	Germany	17.36
Poland	6.67	Belgium	10.31	Bangladesh	15.30	Viet Nam	15.93

Source: World Bank, Migration and Remittances Factbook 2019, Table 1.1.1. Data for 2018 is preliminary.

Top countries sending remittances							
2005		2010		2015		2017*	
United States	47.25	United States	50.79	United States	51.85	United States	67.95
South Africa	14.30	South Africa	27.07	United Arab Emirates	40.31	United Arab Emirates	44.17
Germany	12.71	Russian Federation	21.45	South Africa	38.79	South Africa	36.12
Switzerland	10.12	Switzerland	17.76	Switzerland	25.40	Switzerland	24.60
United Kingdom	9.64	Germany	14.68	China	20.42	Germany	22.09
France	9.48	Italy	12.89	Russian Federation	39.69	Russian Federation	20.41
Republic of Korea	8.9	France	12.05	Germany	18.01	China	16.18
Russian Federation	6.81	Switzerland	11.86	Russia	15.20	Russia	11.76
South Korea	6.70	South Korea	10.65	France	12.79	France	11.53
Mexico	5.68	United Arab Emirates	10.17	Dominican Republic	12.19	Republic of Korea	12.89

Migration effects

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Our todays lecture :

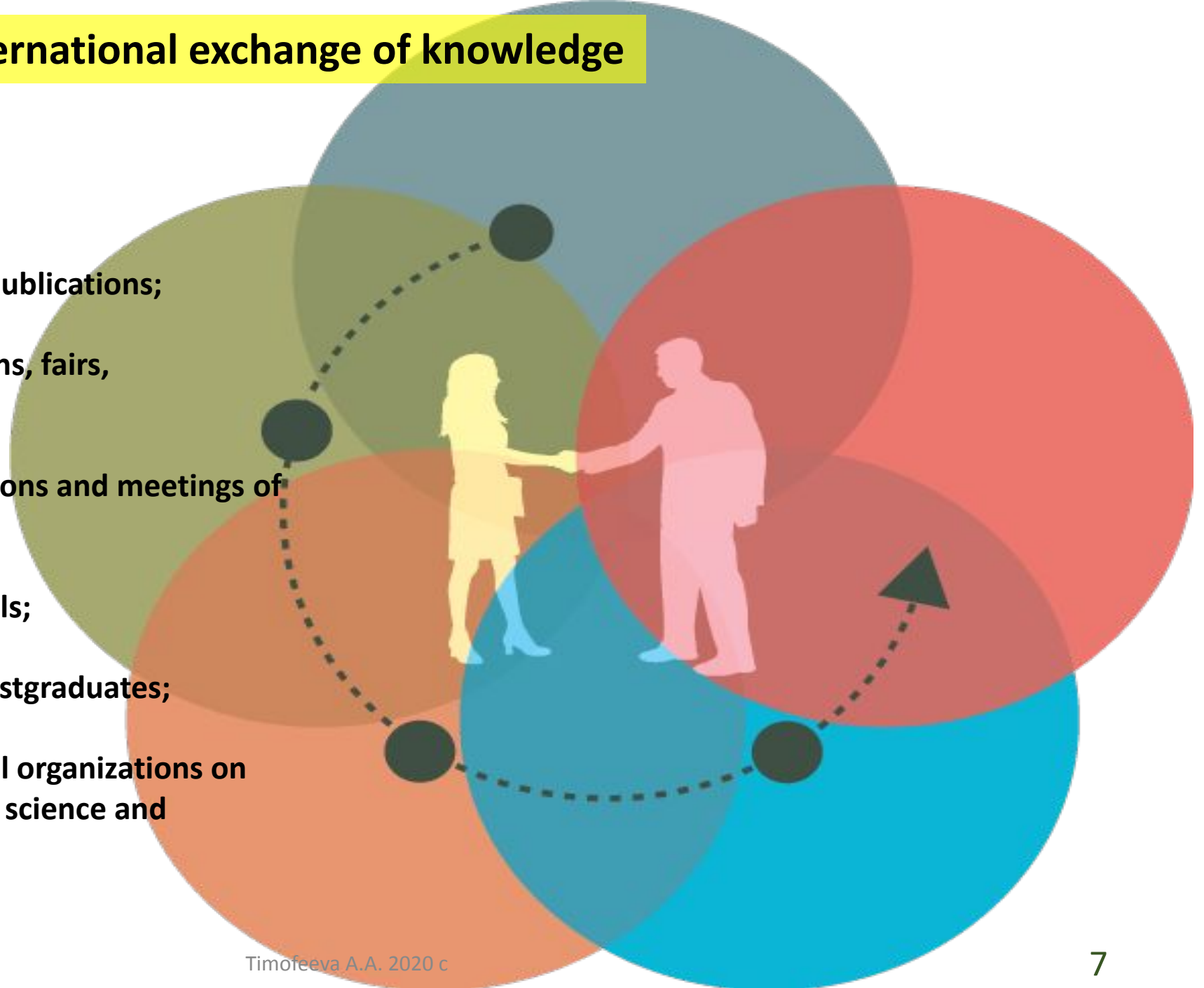
International Exchange of knowledge

The forms of international economic relations

- ✓ International trade in goods and services;
- ✓ The international movement of capital;
- ✓ Labour migration;
- ✓ International exchange of knowledge;
- ✓ The international currency and settlement relations.




- **scientific and technical publications;**
- **carrying out of exhibitions, fairs, symposiums;**
- **the exchange of delegations and meetings of scientists and engineers;**
- **migration of professionals;**
- **training students and postgraduates;**
- **activities of international organizations on cooperation in the field of science and technology, etc.**



On commercial bases

International exchange of knowledge

- transfer on the terms of license agreements (patents, know-how, registered trademarks, industrial designs);
- supply of machines and different Industrial equipment;
- rendering of technical assistance;
- export of equipment;
- preparation and training of specialists;
- management contracts;
- scientific-technical and production cooperation, etc.



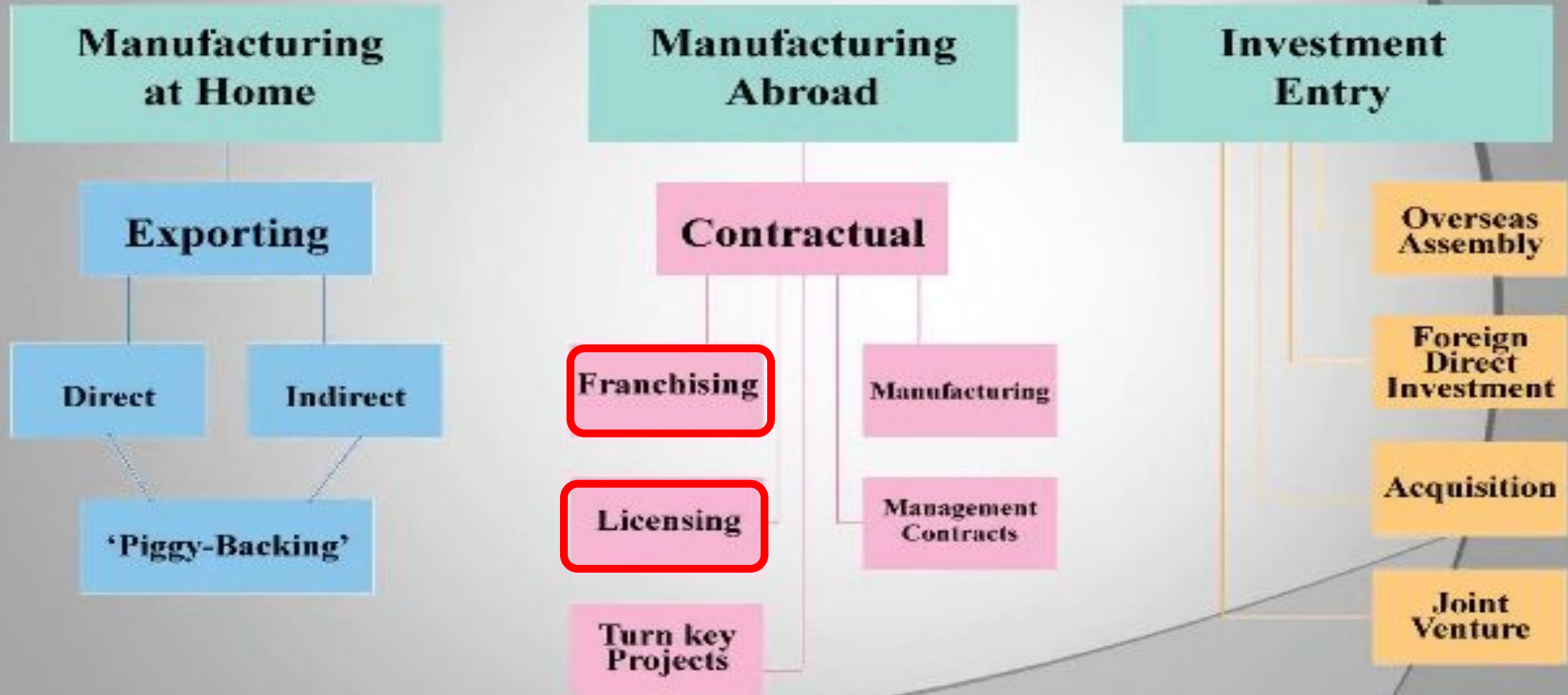
Contractual arrangement where one company (the licensor) makes an asset available to another company (the licensee) in exchange for compensation

Licensing gives a licensee certain rights or resources to manufacture and/or market a certain product in a host country

•Licensing is a business agreement involving two companies: one gives the other special permissions, such as using patents or copyrights, in exchange for payment.

•An international business licensing agreement involves two firms from different countries, with the licensee receiving the rights or resources to manufacture in the foreign country.

Global Market Entry Strategies



Examples

- **Suppose Company A, a manufacturer and seller of Baubles, was based in the US and wanted to expand to the Chinese market with an international business agreement. They can enter the agreement with a Chinese firm, allowing them to use their product and other resources, in return for a payment. The Chinese firm can then manufacture and sell the baubles.**



The rights or resources may include

- ☐ patents,
- ☐ trademarks,
- ☐ managerial skills,
- ☐ technology,
- ☐ and others

=> make possible for the licensee to manufacture and sell in the host country a similar product to the one the licensor has already been producing and selling in the home country without requiring the licensor to open a new operation overseas



The licensor's earnings

- ☐ one-time payments
- ☐ royalty payments
usually calculated as a percentage of sales.



Batman

The Batman character has been licensed to many companies, such as Lego



*Licensing: flexible work agreement
can be customized to fit the needs and interests of both licensor and licensee*

Advantages and reasons to use an international licensing for expanding internationally:

- ***Obtain extra income for technical know-how and services.***
- ***Reach new markets not accessible by export from existing facilities.***
- ***Quickly expand without much risk and large capital investment.***
- ***Pave the way for future investments in the market.***
- ***Retain established markets closed by trade restrictions.***
- ***Political risk is minimized as the licensee is usually 100% locally owned.***



Advantages

Disadvantages and reasons:

- ***Lower income than in other entry modes***
- ***Loss of control of the licensee manufacture and marketing operations and practices leading to loss of quality***
- ***Risk of having the trademark and reputation ruined by a incompetent partner***
- ***The foreign partner also can become a competitor by selling its production in places where the parental company has a presence***



Licensing

Advantages

- Low financial risks
- Low-cost way to assess market potential
- Avoid tariffs, NTBs, restrictions on foreign investment
- Licensee provides knowledge of local markets

Disadvantages

- Limited market opportunities/profits
- Dependence on licensee
- Potential conflicts with licensee
- Possibility of creating future competitor



Licensing

&

Franchising

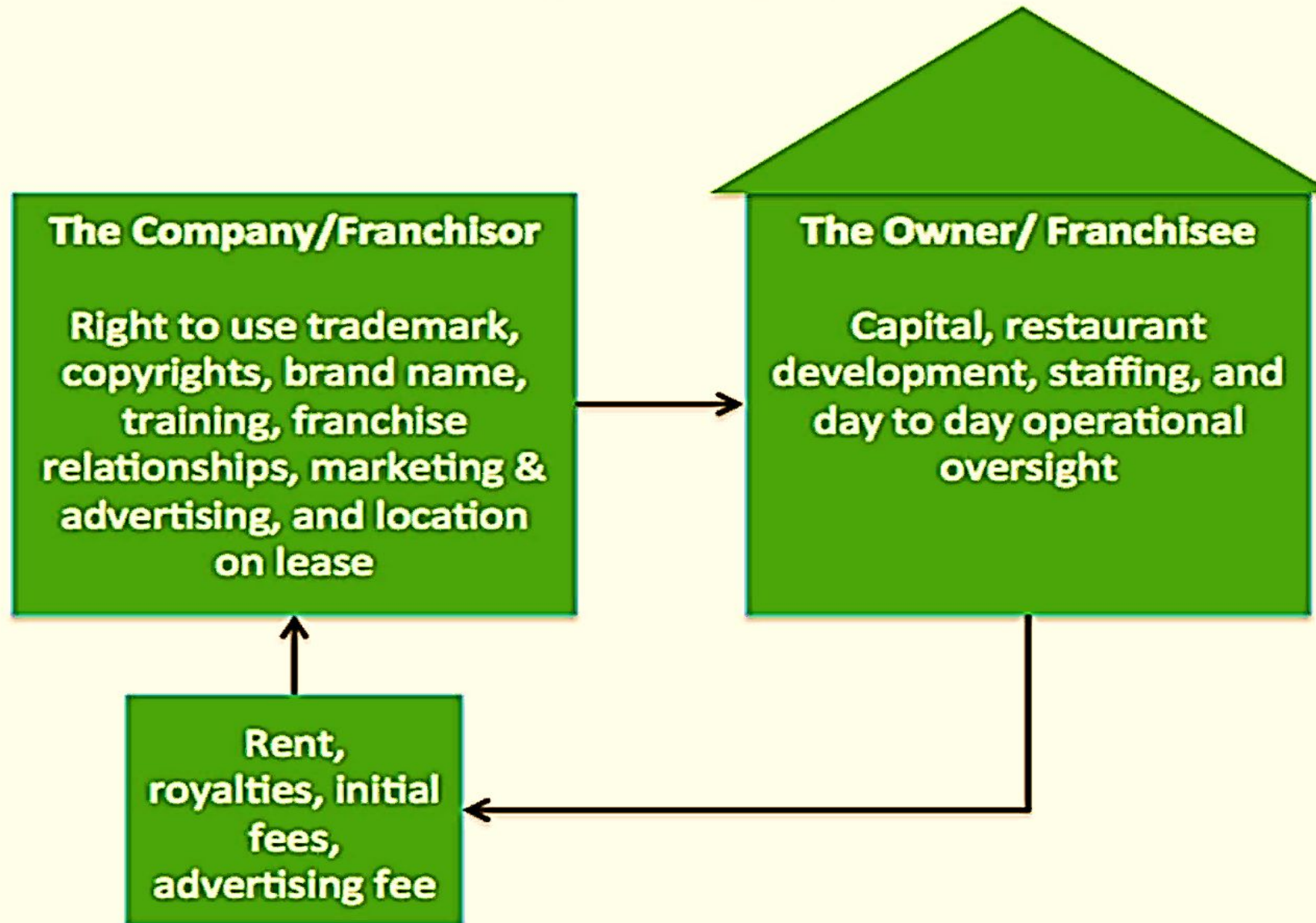
Franchising

- ✓ Similar to a licensing agreement
 - ✓ multinational firm grants rights on its intangible property, like technology or a brand name, to a foreign company for a specified period of time and receives a royalty in return.
- The difference is that the franchiser provides a bundle of services and products to the franchisee.

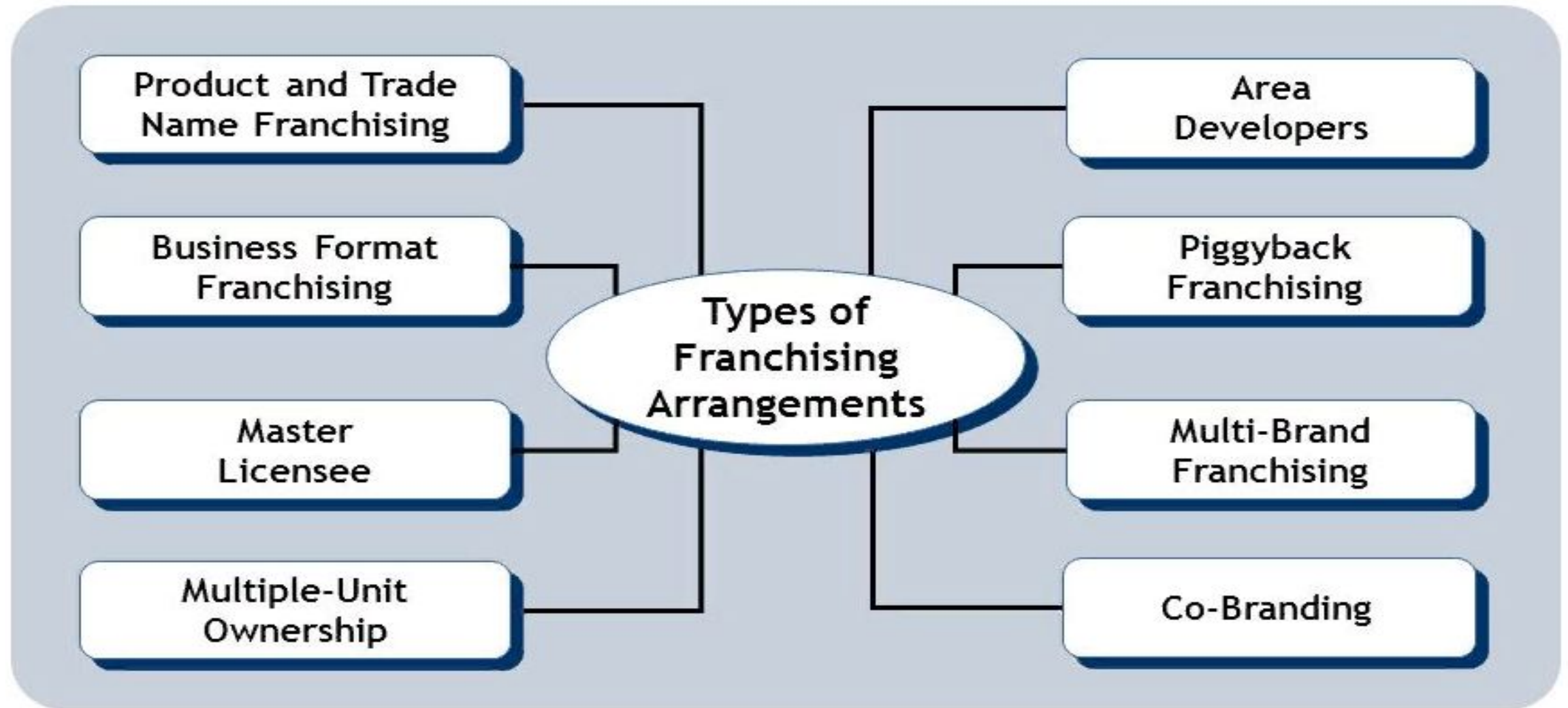


For example, McDonald's expands overseas through franchises. Each franchise pays McDonald's a franchisee fee and a percentage of its sales and is required to purchase certain products from the franchiser. In return, the franchisee gets access to all of McDonald's products, systems, services, and management expertise.

Franchise Business Model



Franchising Options



MASTER FRANCHISE

FRANCHISOR



MASTER FRANCHISEE



FRANCHISEE



MULTI UNIT
FRANCHISEE

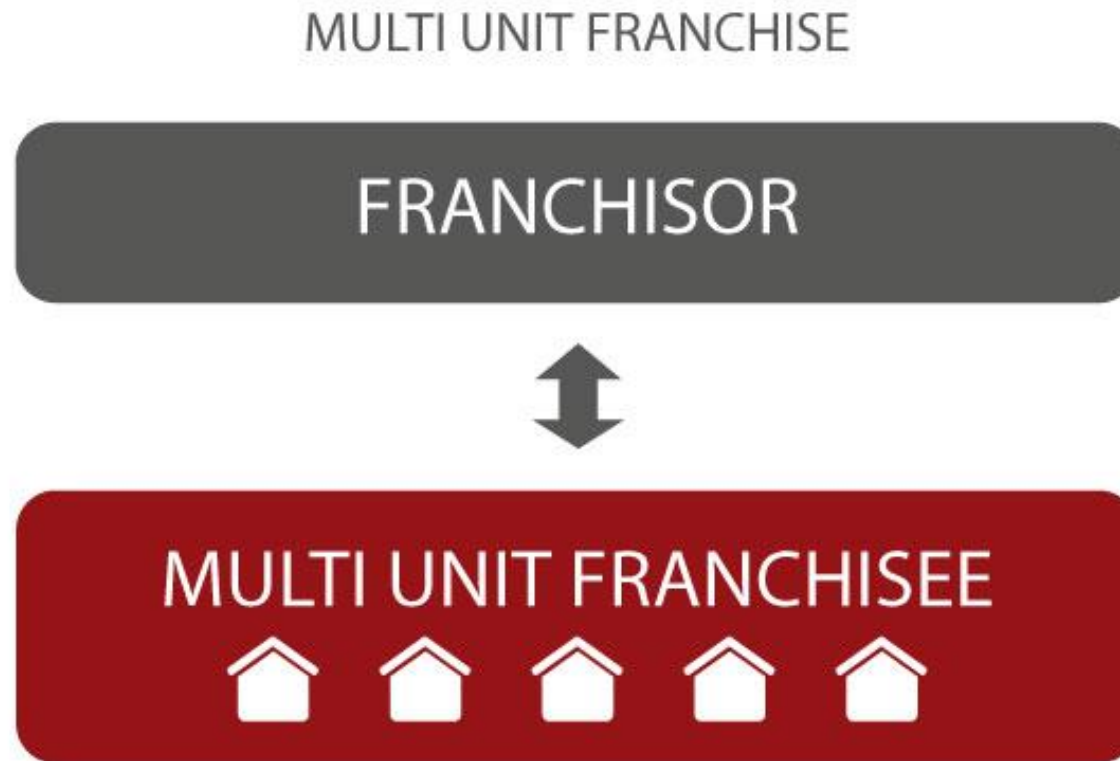


AREA
DEVELOPER



Multi-Unit Franchises

- ❑ the franchisee owns and runs several outlets in a large geographical area
- ❑ both the initial and ongoing costs will be much higher than for a single-unit franchise
- ❑ control of all the customers in the territory in the long run, maximising profit potential.



Key Terms for Multi-Unit Franchises

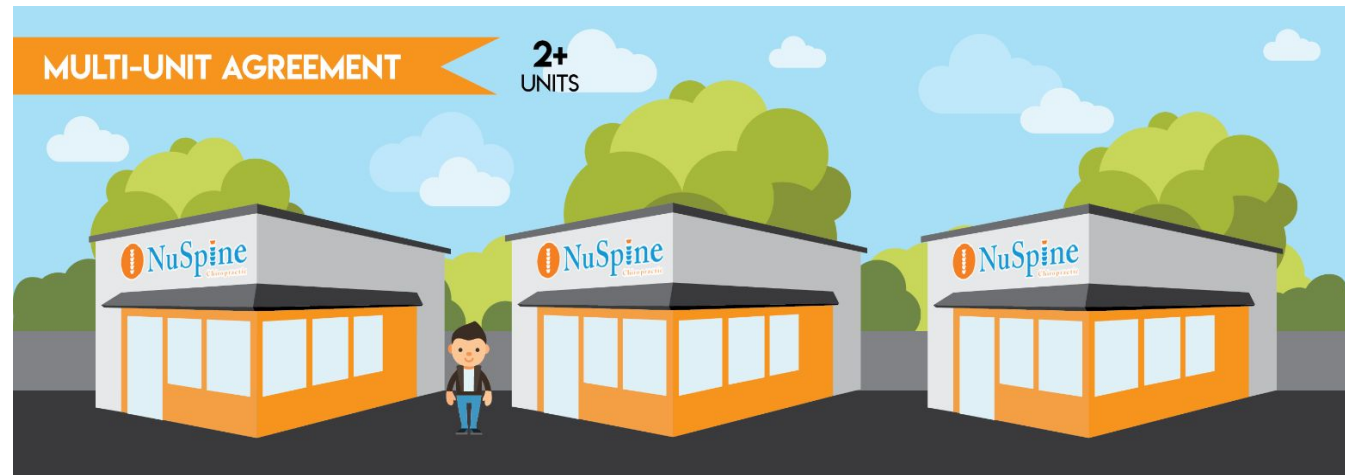
- ❑ **Area development agreement** – With this type of agreement, the franchisor asks the franchisee to set up a minimum number of units within a specified time period. This approach is favoured by franchisors who want to expand their business as rapidly and efficiently as possible.
- ❑ **Sequential agreement** – Here, the franchisee has more control over how many units they open because the franchisor agrees to let the franchisee open new units when they have the funds to do so. Franchisors can establish an opening timetable to suggest timings for new units, so franchisees should ensure that they speak up if they feel it is too demanding to achieve.
- ❑ **Cross-default clause** – This is a clause that is included in some franchise agreements. It states that if one of the franchisee's units fails, they have defaulted on their agreement obligations and so the franchisor can buy back all of the franchisee's units at a 'depreciated value' – even if they are still profitable. Franchisees should challenge this clause if they find it in their agreement; if they agree to it, their whole network of franchises could be destroyed by a single mistake outside of their control.

SINGLE UNIT AGREEMENT



MULTI-UNIT AGREEMENT

2+
UNITS



AREA DEVELOPER

20+
UNITS



A franchise area developer develop multiple locations in a specific region or market area. exclusive rights to the franchise in that market throughout the length of the contract.

More Are Better: Multi-Brand Franchising Continues To Grow

- ❑ *two brands, three brands, more. When it comes to growth and expansion, that's exactly what many multi-unit operators have in mind. While some are content--and quite successful--operating many units of a single brand, others like to play ball with many different brands, even different sectors.*
- ❑ *With the right people and infrastructure in place, multi-brand growth is a lucrative way to grow a franchise organization--providing power in numbers, the additional security of spreading risk across several concepts, and cross-pollination of best practices from each system.*



Franchising- Adv. & Disadvantages

Advantages

- Low financial risks
- Low-cost way to assess market potential
- Avoid tariffs, NTBs, restrictions on foreign investment
- Maintain more control than with licensing
- Franchisee provides knowledge of local market

Disadvantages

- Limited market opportunities/profits
- Dependence on franchisee
- Potential conflicts with franchisee
- Possibility of creating future competitor



The Advantages and Disadvantages of Franchising

FRANCHISEE'S PERSPECTIVE

Advantages

1. proven product or service
2. marketing expertise
3. technical and managerial assistance
4. opportunity to learn business
5. quality control standards
6. ease of entry
7. opportunity for growth

Disadvantages

1. fees and profit sharing
2. restrictions of freedom
3. overdependence
4. unsatisfied expectations
5. termination of the agreement
6. performance of other franchisees

FRANCHISOR'S PERSPECTIVE

Advantages

1. expansion with limited capital
2. multiple sources of capital
3. controlled expansion
4. motivated franchisees

Disadvantages

1. maintaining control
2. sharing profit with franchisees
3. potential for disputes with franchisees

	Franchising	Licensing
Governed by	Securities law	Contract law
Registration	Required	Not required
Territorial rights	Offered to franchisee	Not offered; licensee can sell similar licenses and products in same area
Support and training	Provided by franchiser	Not provided
Royalty payments	Yes	Yes
Use of trademark/logo	Logo and trademark retained by franchiser and used by franchisee	Can be licensed
Examples	McDonalds, Subway, 7-11, Dunkin Donuts	Microsoft Office
control	Franchiser exercise control over franchisee.	licensor does not have control over licensee

Difference between licensing and franchising

Licensing	Franchising
The term royalties is normally used	Management fees is regarded as the appropriate term
Products or even the single product are the common element	Covers the total business including know-how, goodwill, trademarks and business contracts
Usually taken by well established business	Tends to be start up situation
Terms of 16–20– years are common	Agreement is normally for 5 years sometime extending to 11 years.
Licensee are in strong position to operate the licence	Franchisee is very definitely selected by franchisor
Very little benefit from ongoing research is passed on to the licensee	The franchisor is expected to pass on to its franchisee the benefits of ongoing research programme

Mode of Entry in international Business

Advantages and Disadvantages of Different Modes of Entry

Mode	Primary Advantage	Primary Disadvantage
Exporting	Relative low financial exposure	Vulnerability to tariffs and NTBs
	Permit gradual market entry	Logistical complexities
	Acquire knowledge about local market	Potential conflicts with distributors
	Avoid restrictions on foreign investment	
Licensing	Low financial risk	Limited market opportunity/profits
	Low-cost way to assess market potential	Dependence on licensee
	Avoid tariffs NTBs restrictions on foreign investment	Potential conflicts with licensee
	Licensee provides knowledge of local market	Possibility of creating future competitors
Franchising	Low financial risk	Limited market opportunity/profits
	Maintain more control than with licensing	Dependence on franchisee
	Franchisee provides knowledge of local market	May be creating future competitors
	Low-cost way to assess market potential	Potential conflicts with franchisee
	Avoid tariffs, NTBs, restrictions on foreign investment	

The forms of international economic relations

- ✓ International trade in goods and services;
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- ✓ The international currency and settlement relations.

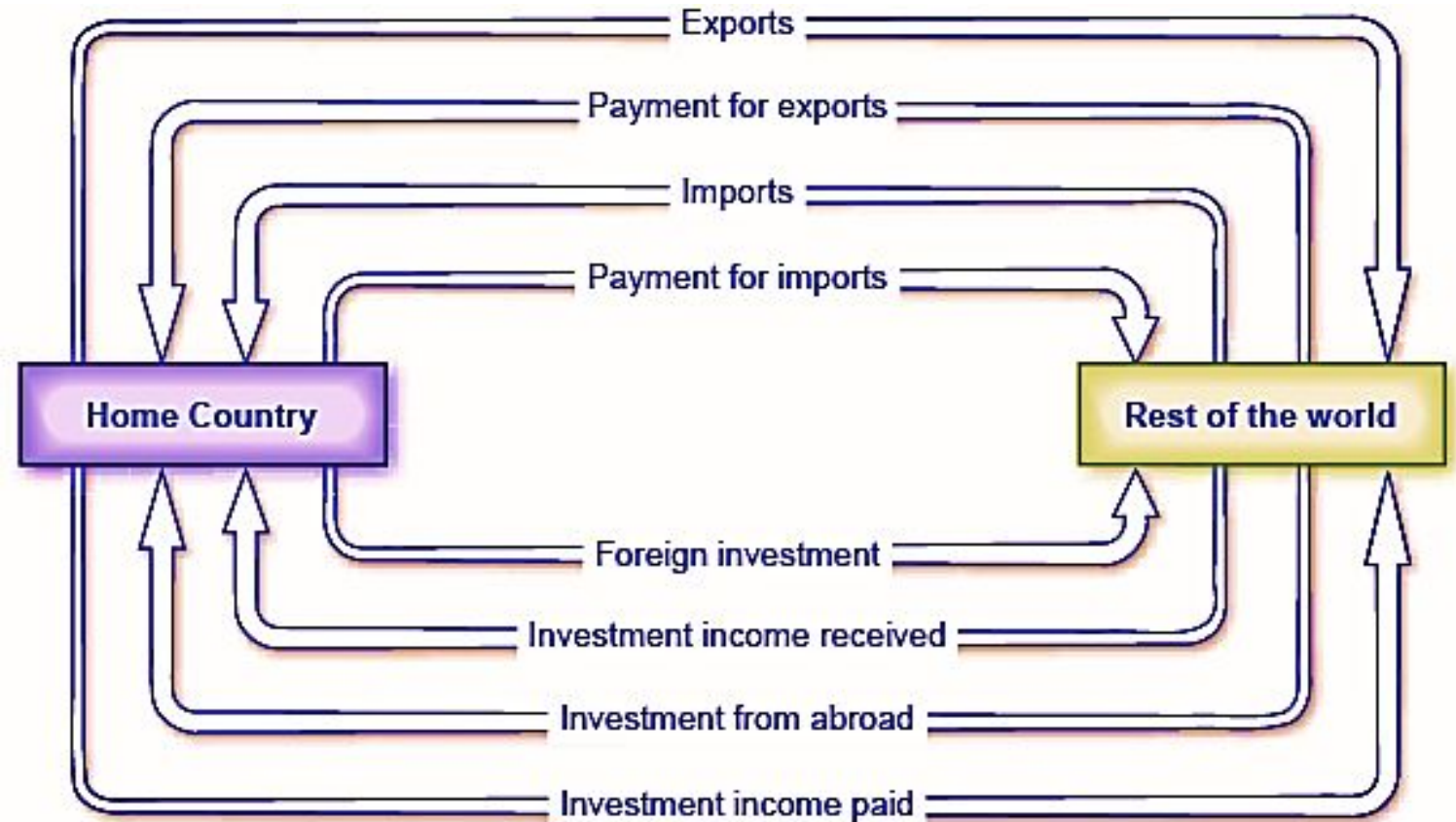
International Currency Relations

The international currency and settlement relations

is a set of economic relations arising at functioning of money in international circulation.

Components:

- 1) *means of payment (national currency, gold, international payment unit SDR and the Euro;*
- 2) *the mechanism of establishment and maintenance of exchange rates;*
- 3) *the procedure for balancing international payments.*
- 4) *international organizations and complex international Treaty and state law.*



International monetary relations:

- ✓ transactions of two or more countries
- ✓ the main element - currency

The government of any country independently decides what form of interaction with foreign states to choose

most important element - currency

- ❖ partially convertible;
- ❖ freely convertible;
- ❖ inconvertible.

there are about 160 currencies, 25 - convertible





What is Forex (FX)?

Forex (FX) is the marketplace where various national currencies are traded

The forex market is the largest, most liquid market in the world, with trillions of dollars changing hands every day. There is no centralized location, rather the forex market is an electronic network of banks, brokers, institutions, and individual traders (mostly trading through brokers or banks).

CHARACTERISTICS OF FOREX MARKET

- ✓ **World's largest trading market**
- ✓ **Works 24*5 starts on Monday in Sydney and ends on Friday in New York**
- ✓ **Daily turnover amounts to \$6 trillion approximately**
- ✓ **Almost 9/10th part of trades taking place are in speculation market**
- ✓ **Most effective and liquid market** ☐ is a network of institutions
- ✓ **Participants – financial firms (Banks, Hedge funds, Mutual Funds) Investors**
- ✓ **Major markets – US, UK, Europe, Australia, Japan, Hong Kong, Singapore**

☐ Retail traders can open a forex account and then buy and sell currencies. A profit or loss results from the difference in price the currency pair was bought and sold at.

☐ Retail traders typically don't want to have to deliver the full amount of currency they are trading. Instead, they want to profit on price differences in currencies over time. Because of this, brokers rollover positions each day.

How Large Is the Forex?

As an example, trading in foreign exchange markets averaged \$6.6 trillion per day in April 2019

The largest foreign exchange markets are located in major global financial centers like London, New York, Singapore, Tokyo, Frankfurt, Hong Kong, and Sydney.



