

PART 2

The Impact of Culture and Political Systems on International Marketing

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Chapter 3

Geography and History: The Foundations of Cultural Understanding

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Chapter Learning Objectives

What you should learn from Chapter 3

- How geography and history influence the understanding of international markets
- How effects of topography and climate impact on products, population centres, transportation and international trade
- How to evaluate the importance of non-renewable resources for international trade and marketing
- The effects on the world economy of population increases and shifts, and of the level of employment
- The importance and impact of the history of each culture in understanding its response to international marketing

Knowledge of a country's geography and history is essential if a marketer is to interpret a society's behaviour and fundamental attitudes. Culture can be defined as a society's programme for survival, the accepted basis for responding to external and internal events. Without understanding the geographical characteristics to which a culture has had to adapt and to which it must continuously respond, it cannot be completely understood. Nor can one fully appreciate the fundamental attitudes or behaviour of a society without knowledge of the historical events that have shaped its cultural evolution.¹

Geography and international markets

Geography

the study of the earth's surface, climate, continents, countries, peoples, industries and resources

Geography, the study of the earth's surface, climate, continents, countries, peoples, industries and resources, is an element of the uncontrollable environment that confronts every marketer but that receives inadequate attention. There is a tendency to study climate, topography and available resources as isolated entities rather than as important causal agents in the marketing environment. The physical character of a nation is perhaps the principal and broadest determinant of both the characteristics of a society and the means by which that society undertakes to supply its needs.

The purpose of this section is to provide a greater awareness of the world, its complexities and its diversities; an awareness that can mean the difference between success and failure in marketing ventures. Climate and topography are examined as facets of the broader and more important elements of geography. A brief look at the earth's resources and population – the building blocks of world markets – and world trade routes completes the presentation on geography and global markets.

Climate and topography

As elements of geography, the physical terrain and climate of a country are important environmental considerations when appraising a market. The effect of these geographical features on marketing ranges from the obvious influences on product adaptation to more profound influences on the development of marketing systems.

Altitude, humidity and temperature extremes are climatic features that affect the uses and functions of products and equipment. Products that perform well in temperate zones may deteriorate rapidly or require special cooling or lubrication to function adequately in tropical zones. Manufacturers have found that construction equipment used in northern Europe requires extensive modification to cope with the intense heat and dust of the Sahara Desert. Within even a single national market, climate can be sufficiently diverse to require major adjustments. In Ghana, a product adaptable to the entire market must operate effectively in extreme desert heat and low humidity and in tropical rainforests with consistently high humidity.

South America represents an extreme but well-defined example of the importance of geography in marketing considerations. The economic and social systems there can be explained, in part, in terms of the geographical characteristics of the area. It is a continent 7,242 km (4,500 miles) long and 4,800 km (3,000 miles) wide at its broadest point. Two-thirds of it is comparable to Africa in its climate, 48 per cent of its total area is made up of forest and jungle, and only 5 per cent is arable. Mountain ranges cover South America's west coast for 7,242 km (4,500 miles), with an average height of 4,000 m (13,000 ft) and a width of 480–650 km (300–400 miles). This is a natural, formidable barrier that has precluded the establishment of commercial routes between the Pacific and Atlantic coasts.

Once the Andes are surmounted, the Amazon basin of 2.5m square km (2m square miles) lies ahead. It is the world's greatest rainforest, almost uninhabitable and impenetrable. Through it runs the Amazon, the world's second-longest river, which, with its tributaries, has almost 65,000 km (40,000 miles) of navigable water. On the east coast is another mountain range covering almost the entire coast of Brazil, with an average height of 1,200 m (4,000 ft).

There are many other regions of the world that also have extreme topographic and climatic variations. China, the former Soviet Union, India, Pakistan and Canada each have formidable physical and/or climatic conditions within their trading regions.

Rolls-Royce found that fully armour-plated cars from England require extensive bodywork and renovations after a short time in Canada. It was not the cold that damaged the cars but the salted sand spread to keep the streets passable throughout the four or five months of virtually continuous snow. The bumpers and side panels corroded and rusted and the oil system leaked. This problem illustrates the harshness of a climate and why it needs to be considered in all facets of product development.

The effect of natural barriers on market development is also important. Because of the ease of distribution, coastal cities or cities situated on navigable waterways are more likely to be trading centres than are landlocked cities. Cities not near natural physical transportation routes are generally isolated from one another, even within the same country. Consequently, natural barriers rather than actual distance may dictate distribution points.

In discussing distribution in Africa, one marketer pointed out that a shipment from Mombassa on the Kenya east coast to Freetown on the bulge of West Africa could require more time than a shipment from New York or London to Kenya over established freight routes.

Road conditions in Ecuador are such that it is almost impossible to drive a car from the port of Guayaquil to the capital of Quito only 320 km (200 miles) away. Contrast this with more economically advanced countries where formidable mountain barriers have been overcome. A case in point is the 11.6 km (7.2-mile) tunnel that cuts through the base of Mont Blanc in the Alps. This highway tunnel brings Rome and Paris 200 km (125 miles) closer and provides a year-round route between Geneva and Turin of only 270 km (170 miles). Before the tunnel opened, it meant a trip of nearly 800 km (500 miles) when snow closed the highway over the Alps.

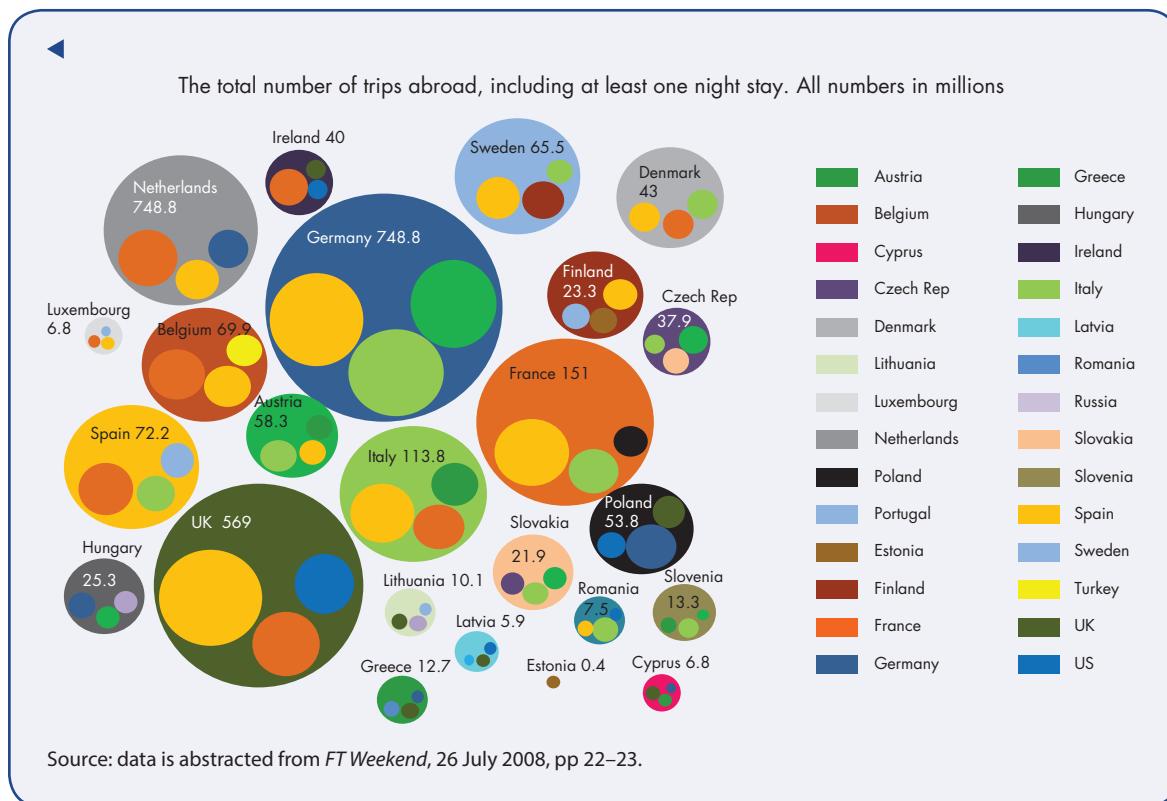
Some countries have preserved physical barriers as protection and have viewed them as political as well as economic statements. Increasing globalisation, however, has brought about changes in attitudes. The tunnel beneath the English Channel to connect England and France, and the bridge between Denmark and Sweden are good examples. The bridge to connect Denmark and Sweden over the Baltic strait has connected the Nordic countries with the rest of Europe. The project has made it possible to drive from Lapland in northernmost Scandinavia to Calabria in southern Italy. It has ended millennia of geographic isolation for these Nordic nations. Politically the bridge is seen as a powerful, tangible symbol that they are ending their political isolation from the rest of Europe and are linking themselves economically to the continent's future and to membership in the EU.

After more than 200 years of speculation, a tunnel under the English Channel between Britain and France was officially opened in 1994.² Historically, the British have resisted a tunnel; they did not trust the French or any other European country and saw the English Channel as protection. When they became members of the EC, economic reality meant that a tunnel had to be built. The Chunnel, as it is sometimes known, carried more than 17m tonnes of freight and over 30 million people during the first year it was open.³

Going International 3.1

WHERE DO EUROPEANS GO ON HOLIDAY?

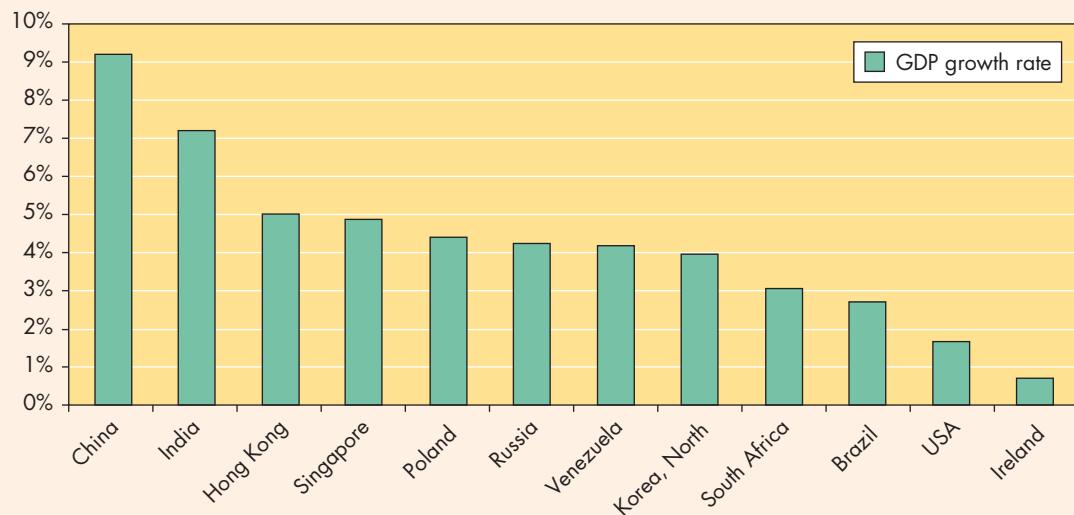
Each large circle represents a member of the EU and is sized according to the number of trips abroad its citizens made in 2006. The smaller, inner circles represent the top three destinations for citizens of that state. Within the EU, the most popular destination was Spain, which hosted more than 350 million European visitors. But for every five Europeans arriving for a holiday in Spain, only one Spaniard leaves. Germans, meanwhile, took 750 million trips abroad, but only played host to 72 million visits from fellow Europeans. The only non-EU country to make it into those top-three lists was the USA. Cost does not seem to dictate travel destination. France and Spain were popular among citizens of poorer EU countries. And Latvians, who took an average of three trips abroad, tended to head to Germany and Britain.



Geography, nature and international trade

As countries prosper and expand their economies, natural barriers are overcome. Tunnels are dug, bridges and dams built, and sound environmental practices implemented to control or adapt to climate, topography and the recurring extremes of nature. Man has been reasonably successful in overcoming or minimising the effects of geographical barriers and natural disasters except in the developing countries

EXHIBIT 3.1: GDP growth, % increase 2011



Source: Data is abstracted from CIA Factbook (2011) and <http://www.indexmundi.com/g/r.aspx?t=100&v=66&l=en>.

of the world. Most rich countries have constant economic growth (see Exhibit 3.1), while growth in emerging countries can be much higher.

Always on the slim margin between subsistence and disaster, some developing countries suffer disproportionately from natural and human-assisted catastrophes. Climate and topography coupled with civil wars, poor environmental policies and natural disasters push these countries further into economic ruin. Without irrigation and water management, they are afflicted by droughts, floods, soil erosion and creeping deserts, which reduce the long-term fertility of the land. Population increases, deforestation and overgrazing intensify the impact of drought and lead to malnutrition and ill-health, further undermining the countries' ability to solve their problems.

Experts expect mass famine to have killed between 20 million and 30 million Africans in the 1990s. Cyclones cannot be prevented nor inadequate rainfall, but there are means to control their effects. Unfortunately, each disaster seems to push these countries further away from effective solutions. Countries that suffer the most from major calamities are among the poorest in the world. Many have neither the capital nor the technical ability to minimise the effects of natural phenomena; they are at the mercy of nature.⁴

Social responsibility and environmental management

The twenty-first century has been called the **century of the environment**, in that nations, companies and people are reaching a consensus: environmental protection is not an optional extra, 'it is an essential part of the complex process of doing business'.⁵ The self-styled **Green activists**, and governments, media and businesses are focusing on ways to stem the tide of pollution and to clean up their decades of neglect. Many view the problem as a global issue rather than a national one, and one that poses common threats to humankind and thus cannot be addressed by nations in isolation.⁶

Companies looking to build manufacturing plants in countries with more liberal pollution regulations than they have at home are finding that regulations everywhere are becoming stricter. Many Asian governments are drafting new regulations and strictly enforcing existing ones. A strong motivator for Asia and the rest of the world is the realisation that pollution is on the verge of getting completely out of control. Russia, the EU and a number of other countries have now signed the **Kyoto agreement** to decrease pollution in the coming years. However, the USA has decided not to sign or comply with the Kyoto agreement.

Neither Western Europe nor the rest of the industrialised world are free of environmental damage. Rivers are polluted and the atmosphere in many major urban areas is far from clean (eg Athens, Los Angeles, Rome and Mexico City, to mention a few). The very process of controlling industrial waste leads to another and perhaps equally critical issue: the disposal of hazardous waste, a by-product of pollution control. Estimates of hazardous waste collected annually exceed 300m tonnes; the critical question concerns disposal that does not move the problem elsewhere.

The export of hazardous waste by developed countries to developing nations has ethical implications and environmental consequences. Countries finding it more difficult to dispose of such waste at home are seeking countries willing to assume the burden of disposal. Some waste disposal in developing countries is illegal and some is perfectly legal because of governments that are directly involved in the business of hazardous waste. Illegal dumping is the most reprehensible act since it is done clandestinely and often without proper protection for those who unknowingly come into contact with the poisons.

Governments, organisations and businesses are becoming increasingly concerned with the social responsibility and ethical issues surrounding the problem of generating and disposing of waste. The Organisation for Economic Co-operation and Development (OECD), the United Nations, the EU and international activist groups are undertaking programmes to strengthen environmental policies. Their influence and leadership are reflected in a broader awareness of pollution problems by businesses and people in general. Responsibility for cleaning up the environment does not rest solely with governments, businesses or **activist groups**; each citizen has a social

century of the environment

in the early 2000s the environment was considered the most important issue

Green activists

organisations or individuals who actively want to protect the environment

Kyoto agreement

agreement signed by the EU, Russia and a number of countries, determining the decrease required in pollution over the coming years

activist groups

people or organisations acting to bring about social, political, economic or environmental change, eg Greenpeace

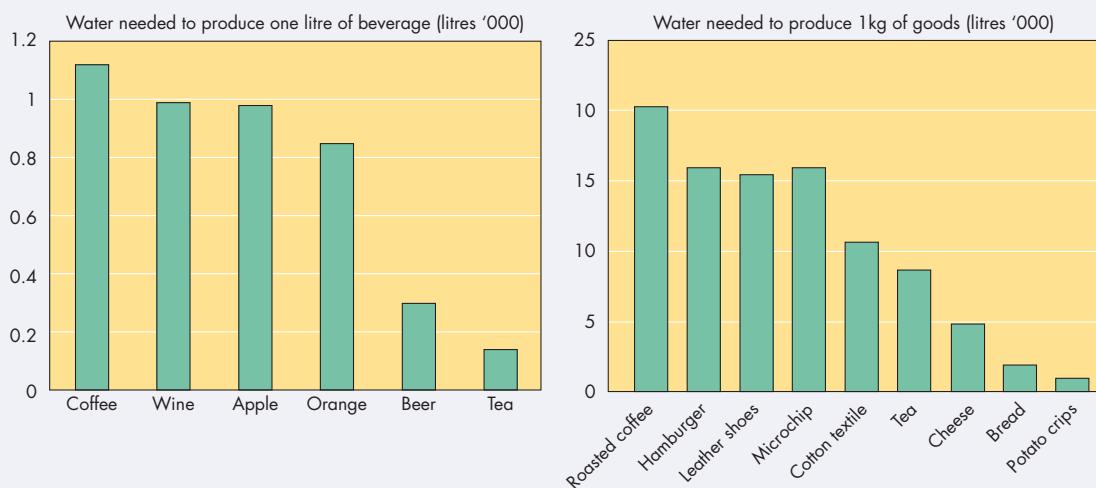
Going International 3.2

WATER IS NEEDED TO PRODUCE EVERYDAY BEVERAGES AND GOODS

We all know that water is a very valuable commodity, as any farmer in drought-besieged parts of China, America or Kenya knows only too well. Consumers may already be aware of the environmental impact of producing goods in terms of energy or pollution, but they might be surprised to learn how much water is needed to create some daily goods. For example, a single cup of coffee needs a great deal more water than that poured into the pot. According to a new book on the subject, 1,120 litres of water go into producing a single litre of the beverage, once growing the beans, packaging and so on are measured. Only 120 litres go into making the same amount of tea. As many as four litres of water are used to make a litre of the bottled stuff. Household items need even more water and thus we can say they are thirstier. Thousands of litres are needed to make shoes, hamburgers, microchips and litres cotton textiles.

- How can we save water? Discuss.

Source: abstracted from *The Economist*, 29 February 2009.



and moral responsibility to include environmental protection among his or her highest goals. The main issue is whether international trade and economic development can co-exist with protection of the environment. There is thus a lot of discussion on sustainable development; striking a long-lasting balance between trade, the environment, technological development and society is necessary. More and more companies are realising that sustainable development is of mutual importance to companies and societies.⁷

Resources

The availability of minerals and the ability to generate energy are the foundations of modern technology. The location of the earth's resources, as well as the available sources of energy, are geographical accidents, and the world's nations are not equally endowed; nor does a nation's demand for a particular mineral or energy source necessarily coincide with domestic supply (see Exhibit 3.2).

Energy is necessary to power the machinery of modern production, and to extract and process the resources necessary to produce the goods reflecting economic prosperity. In much of the underdeveloped world, human labour provides the preponderance of energy. The principal supplements to human energy

EXHIBIT 3.2: Energy consumption per capita versus GDP per capita, 2012

	Countries	GDP (per capita)	Kw/capita		Countries	Kw/h	GDP (per capita)	Kw/capita
1	Iceland	19,800	53	16	France	7,022.63	20,600	7
2	Norway	54,200	25	17	Japan	6,749.73	19,800	7
3	Kuwait	42,200	16	18	Netherlands	6,724.19	42,700	7
4	Canada	41,100	16	19	Germany	6,696.93	20,600	7
5	United Arab Emirates	48,800	13	20	Hong Kong	6,030.60	15,000	6
6	Luxembourg	81,100	13	21	Russia	6,017.50	17,000	6
7	USA	49,000	12	22	Spain	5,686.29	31,000	6
8	Australia	5,500	10	23	Greece	5,528.51	20,600	6
9	Qatar	104,300	10	24	Ireland	5,527.29	19,800	6
10	Korea, South	6,000	9	25	UK	5,467.34	36,600	5
11	New Zealand	28,000	9	26	Italy	5,058.66	19,800	5
12	Belgium	23,700	8	27	China	3,493.79	43,800	3
13	Austria	5,500	8	28	Malaysia	3,214.54	15,800	3
14	Singapore	60,500	8	29	Argentina	2,481.48	17,700	2
15	Switzerland	43,900	7					

Sources: Data abstracted from *CIA Factbook*, 1 January 2012, and <http://www.indexmundi.com/g/r.aspx?t=0&v=81000&l=en>.

are animals, wood, fossil fuel, nuclear power, and, to a lesser and more experimental extent, the ocean's tides, geothermal power and the sun. Of all the energy sources, petroleum usage is increasing most rapidly because of its versatility and the ease with which it can be stored and transported.

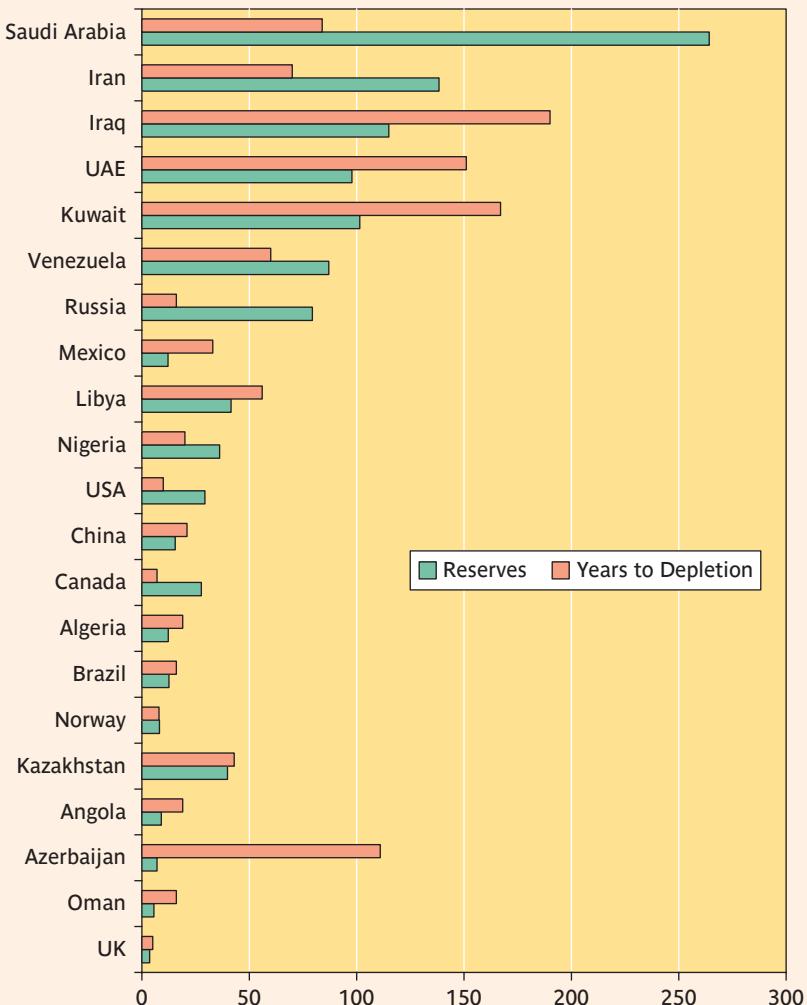
As an environmental consideration in world marketing, the location, quality and availability of resources will affect the pattern of world economic development and trade for at least the remainder of the century. This factor must be weighed carefully by astute international marketers in making worldwide international investment decisions. In addition to the raw materials of industrialisation, there must be an available and economically feasible energy supply to successfully transform resources into usable products.

Because of the great disparity in the location of the earth's resources, there is world trade between those who do not have all they need and those who have more than they need and are willing to sell. Importers of most of the resources are industrial nations with insufficient domestic supplies. Oil is a good example: the Middle East accounts for over 65 per cent of the world's reserves, while Western countries consume most of it. Exhibit 3.3 shows the oil reserves in the world.

Aside from the geographical unevenness in which most resources occur, there is no immediate cause for concern about the availability of supply of most resources. These estimates of reserves are based on current rates of consumption and will change as new reserves are discovered, as greater proportions are obtained by recycling, as substitutes are introduced, and as rates of consumption increase or abate. Substitutions are already being used to replace many of the minerals. The replacement of steel with fibreglass and plastic in automobile manufacturing is but one example.

World population trends

While not the only determinant, the existence of sheer numbers of people is significant in appraising potential consumer demand. Current population, rates of growth, age levels and rural–urban population distribution are closely related to today's demand for various categories of goods. Changes in the composition and distribution of population among the world's countries during the next 40 years will profoundly affect future demand.

EXHIBIT 3.3: World's oil reserves

Source: Data is abstracted from BP, *Statistical Review of World Energy*, 2012, p 6.

Recent estimates claim there are over 6.2 billion people in the world. Exhibit 3.4 presents the population by major areas and the change expected between 2020 and 2150.⁸ The majority of the people will reside in less-developed countries least able to support such population increases. By the year 2025, the World Bank predicts that over four-fifths of the world's population will be concentrated in developing countries. Most governments are trying to control the explosive birth rates by encouraging birth control. China has the strictest policy: only one child is allowed per couple except in rural areas where, if the first child is female, a second child is permitted.

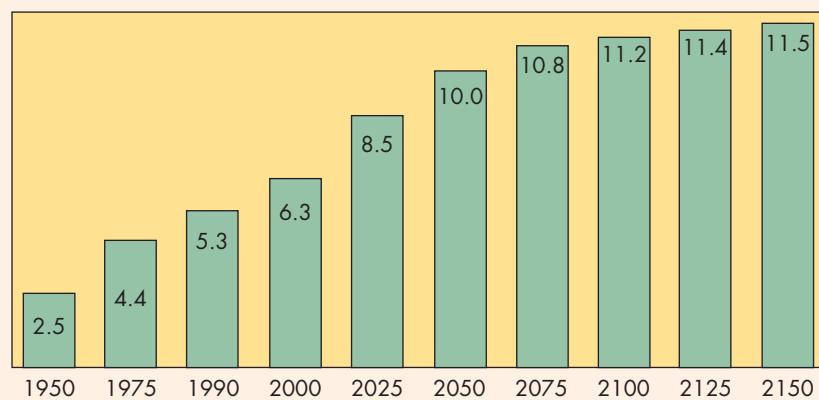
The United Nations projected that humankind will enter the twenty-first century with a global population of 6.2 billion people (see Exhibit 2.5). Its projections for world population for the next 150 years are shown in Exhibit 3.4. The rapid growth rate will continue for some time and by the year 2025, the world population is projected to be around 8.3–8.5 billion people. It is projected that the growth rate will slow down after 2025, and even more so after the year 2075, so that the global population in the year 2100 should be around 11.2 billion and in 2150 perhaps 11.5 billion people.⁹

EXHIBIT 3.4: World population projections by major areas, based on a medium-fertility scenario,* 1950–2150

	1950 (millions)	1995 (millions)	2050 (millions)	2100 (millions)	2150 (millions)
World	2,524	5,687	9,364	10,414	10,806
Africa	224	719	2,046	2,646	2,770
Asia (including China and India)	1,402	3,438	5,443	5,851	6,059
China	555	1,220	1,517	1,535	1,596
India	358	929	1,533	1,617	1,669
Europe	547	728	638	579	595
Latin America	166	477	810	889	916
North America	172	297	384	401	414
Oceania	13	28	46	49	51

*The medium-fertility scenario assumes that the total fertility rates will ultimately stabilise by the year 2055 at replacement levels, which are slightly above two children per woman. If fertility rates stay constant at 1990–1995 levels, the world population projection is 14,941 million in 2050, 57,182 million in 2100 and 296,333 million in 2150.

Source: based on *World Population Projections to 2150* (New York: United Nations, Department of Economic and Social Affairs, Population Division, 1998).

EXHIBIT 3.5: Estimates and projections of the world population between 1950 and 2150, based on medium-fertility projection


Source: data abstracted from <http://www.gfmer.ch/Books/bookmp/11.htm>.

Rural/urban shifts

A relatively recent phenomenon is a pronounced shift of the world's population from rural to urban areas. In the early 1800s, less than 3.5 per cent of the world's people were living in cities of 20,000 or more and less than 2 per cent in cities of 100,000 or more. Today, more than 40 per cent of the world's people are urbanites and this trend is accelerating (see Exhibit 3.6).

By 2020 it is estimated that more than 60 per cent of the world's population will live in urban areas, and at least 26 cities will have populations of 10 million or more; most of these will be in the developing world.¹⁰ Tokyo has already overtaken Mexico City as the largest city on earth, with a population of 35 million,¹¹ a jump of almost 9 million since 1975 (see Going International 3.5).¹² Migration from rural to urban areas is largely a result of a desire for greater access to sources of education, health care

EXHIBIT 3.6: Urban population

Source: data is abstracted from *United Nations, World Urbanization Prospects (2011)*.

and improved job opportunities. Once in the city, perhaps three out of four migrants make economic gains. The family income of a manual worker in urban Brazil is almost five times that of a farm labourer in a rural area.

urban growth

growth of urban areas or cities

At some point, the disadvantages of unregulated **urban growth** begin to outweigh the advantages for all concerned.

Although migrants experience some relative improvement in their living standards, intense urban growth without commensurate investment in services eventually leads to profound problems. Slums populated with unskilled workers living hand to mouth put excessive pressure on sanitation systems, water supplies and other social services.

Many fear that, as we approach the year 2020, the bulging cities will become hotbeds of social unrest unless conditions in urban areas are improved. Prospects for improvement are not encouraging because most of the growth will take place in developing countries already economically strained. Further, there is little progress in controlling birth rates in most populous countries.

Increasing unemployment

Rapid population increases without commensurate economic development create other difficulties. Among the most pressing are the number of new jobs needed to accommodate the flood of people

Going International 3.3

According to the United Nations the world will soon become predominantly urban. By 2020 at least 23 cities will have passed the 10 million mark. Many parts of the Asia-Pacific region are facing 'hyper-urbanisation'; while London took 130 years to grow from 1 million to 8 million, Bangkok took 45 years, Dhaka 37 years and Seoul only 25 years. The table below shows the Top 10 Largest Urban Agglomerations in 1975, 2000 and 2025.

As the population increases, more people will live in large cities. Many people will live in the growing number of cities with over 10 million inhabitants, known as megacities. In 1975, just three cities had populations of 10 million or more, only one of them in a less-developed country. Mega-cities numbered 16 in 2000. By 2025, 27 mega-cities will exist, 21 in less-developed countries.



London, Oxford Street's famously busy crossing.

© Pervez Ghauri

Population in millions					
1975		2000		2025	
1 Tokyo, Japan	26.6	1 Tokyo, Japan	34.5	1 Tokyo, Japan	36.4
2 New York, USA	15.9	2 Mexico City, Mexico	18	2 Bombay, India	26.4
3 Mexico City, Mexico	10.7	3 New York, USA	17.9	3 Delhi, India	22.5
4 Osaka, Japan	9.8	4 São Paulo, Brazil	17.1	4 Dhaka, Bangladesh	22
5 São Paulo, Brazil	9.6	5 Bombay, India	16.1	5 São Paulo, Brazil	21.4
6 Los Angeles, USA	8.9	6 Shanghai, China	13.2	6 Mexico City, Mexico	21
7 Buenos Aires, Argentina	8.8	7 Calcutta, India	13.1	7 New York, USA	20.6
8 Paris, France	8.6	8 Delhi, India	12.4	8 Calcutta, India	20.6
9 Calcutta, India	7.9	9 Buenos Aires, Argentina	11.9	9 Shanghai, China	19.4
10 Moscow, Russian Federation	7.6	10 Los Angeles, USA	11.8	10 Karachi, Pakistan	19.1

Although some people believe that this urbanisation will bring prosperity and will thus lift many out of poverty, the United Nations believes it will in fact cause growing poverty and deepening inequalities. As the table shows, most of the growth is taking place not in the Western world but in the Third World. It will be increasingly difficult to provide clean water, jobs and infrastructure. Take Lagos, for example, with ever-increasing fumes, smoke, unsanitary water and overcrowded communities. Battered yellow minibuses are the nearest the city has to public transport, with the biblical message of hope decorated all over them: 'No condition is permanent.'

- What can be done to stop these growing cities?

Sources: Venessa Houlder, '60 per cent of the World will Live in Cities by 2030', *Financial Times*, 10 September 2004, p 9; John Reader, 'No City Limits, Our World in 2020', *Guardian*, 11 September 2004, pp 2–9; and United Nations, *World Urbanization Prospects, The 2007 Revision*, <http://www.prb.org/Educators/TeachersGuides/HumanPopulation/Urbanization.aspx>.

entering the labour pool. During the period 1970 to 2000, one billion people entered the labour market in the Third World; by the year 2020, an additional 1.5 billion will be of working age. The International Labour Organization (ILO) estimates that 1 billion jobs must be created worldwide by the year 2015.¹³

The mismatch between population growth and economic growth is another major problem to be faced in the next century. While it is true that cheap labour costs, brought on in part by vast labour pools in less-developed countries, attract labour-intensive manufacturers from higher-cost industrialised countries, the number of new jobs created will not be sufficient to absorb the projected population growth. The ability to create enough jobs to keep pace with population growth is one problem of uncontrolled growth; another is providing enough to eat.

World food production

Having enough food to eat depends on a country's ability to produce sufficient quantities, the ability to buy food from other sources when not self-sufficient, and the physical ability to distribute food when the need arises. The world produces enough food to provide adequate diets for all its estimated 6.2 billion people, yet famine exists, most notably in Africa. Long-term drought, economic weakness, inefficient distribution and civil unrest have created conditions that have led to tens of thousands of people starving.

Going International 3.4

WHERE HAVE ALL THE WOMEN GONE?



© Istockphoto.com/bo1982.

Three converging issues in China have the potential to cause a serious gender imbalance: issue 1 – China, the world's most populous country, has a strict one-child policy to curb population growth; issue 2 – traditional values dictate male superiority and a definite parental preference for boys; and issue 3 – prenatal scanning allows women to discover the sex of their foetuses and thereby abort unwanted female children.

As a consequence, Chinese statisticians have begun to forecast a big marriage gap for the generation born in the late 1980s and early 1990s. In 1990 China recorded 113.8 male births for every 100 female births, far higher than the natural ratio of 106 to 100. In rural areas, where parental preference for boys is especially strong, newborn boys outnumber girls by an average of 144.6 to 100. In one rural township, the ratio was reported to be 163.8 to 100.

Not only is there a gender mismatch on the horizon, but there may also be a social mismatch because most of the men will be peasants with little education, while most of the women will live in cities and more likely have high-school qualifications or college degrees. In China, men who do physical labour are least attractive as mates, while women who labour with their minds are least popular.

Thanks to technological advancements (prenatal scanning), India is facing the same problem. Families that are able to pay Rs10,000 (\$217, €177, £121) can identify and abort female foetuses. Traditionally, boys are preferred in Indian culture. According to the latest census report, proportions of Indian girls to boys among children up to six years fell from 945 girls to 1,000 boys (1991) to 927 girls in 2001. The trend is most pronounced in richer states (as people can pay for the test). For example, Punjab has 798 girls and Gujarat 883 to every 1,000 boys. This disparity can have worrying implications especially when, unlike China, India has not been able to impose any family planning.

- Is a one-child policy a good one for China? Should other countries such as India also follow this policy?

Sources: adapted from 'Sex Determination before Birth', *Reuters News Service*, 3 May 1994; 'Seven Times as Many Men', *AP News Service*, 31 March 1994; and Edward Luc, 'Indian Fears Over Falling Female Birth Ratio', *Financial Times*, 15 September 2004, p 12.

Controlling population growth

Faced with the ominous consequences of the population explosion, it would seem logical for countries to take appropriate steps to reduce growth to manageable rates, but procreation is one of the most culturally sensitive uncontrollables.

The prerequisites for population control are adequate incomes, higher literacy levels, education for women, better hygiene, universal access to health care, improved nutrition and, perhaps most important, a change in basic cultural beliefs about the importance of large families. Unfortunately, progress in providing improved conditions and changing beliefs is hampered by the increasingly heavy demand placed on institutions responsible for change and improvement.

Developed world population decline

While the developing world faces a rapidly growing population, it is estimated that the industrialised world's population will decline. Birth rates in Western Europe and Japan have been decreasing since the early or mid-1960s; more women are choosing careers instead of children, and many working couples are electing to remain childless. As a result of these and other contemporary factors, population growth in many countries has dropped below the rate necessary to maintain present levels. The populations of France, Sweden, Italy, Switzerland and Belgium are all expected to drop within a few years. Austria, Denmark, Germany, Japan and several other nations are now at about zero population growth and will probably slip to the minus side in another decade. Exhibit 3.7 reveals the old-age dependency in the Europe of the future. All this will have a profound impact on companies, their segmentation and marketing strategies.

The economic fallout of a declining population has many ramifications. Businesses find their domestic market shrinking for items such as maternity and infant goods, school equipment and selected durables. This leads to reduced production and worker layoffs that affect living standards. Europe, Japan and the USA have special problems because of the increasing percentage of elderly people who must be supported by shrinking numbers of active workers. The elderly require higher government outlays for health care and hospitals, special housing and nursing homes, and pension and welfare assistance, but the workforce that supports these costs is dwindling. In addition, a shortage of skilled workers is anticipated in these countries because of the decreasing population.

The trends of increasing population in the developing world, with substantial shifts from rural to urban areas and declining birth rates in the industrialised world, will have profound effects on the state of world business and world economic conditions well beyond 2020.

EXHIBIT 3.7: Europe's old-age dependency

Country	Population		Dependency ratio [†]	
	2005	2050	2005	2050
	Millions		Millions	
Spain	41.2	37.3	28	72
Italy	57.5	48.1	31	66
Poland	38.5	33.0	20	55
EU	445.2*	431.2*	29**	52**
Germany	83.0	76.0	30	52
France	60.3	62.2	28	50
USA	295.5	419.9	21	39

Notes: [†] Age 65+ as % of those 20–65; * EU 25; ** EU 15.

Sources: Eurostat, UN population Division, US Census Bureau and *The Economist*, 2 October 2004, p 36.

World trade routes

Major world trade routes have developed among the most industrialised countries of the world: Europe, North America and Japan. It may be said that trade routes bind the world together, minimising distance, natural barriers, lack of resources, and the fundamental differences between peoples and economies. Early trade routes were, of course, overland; later came sea routes and, finally, air routes to connect countries. Trade routes represent the attempts of countries to overcome economic and social imbalances created in part by the influence of geography.

triad trade

the process of trade undertaken between the EU, North America and Canada, Japan and China

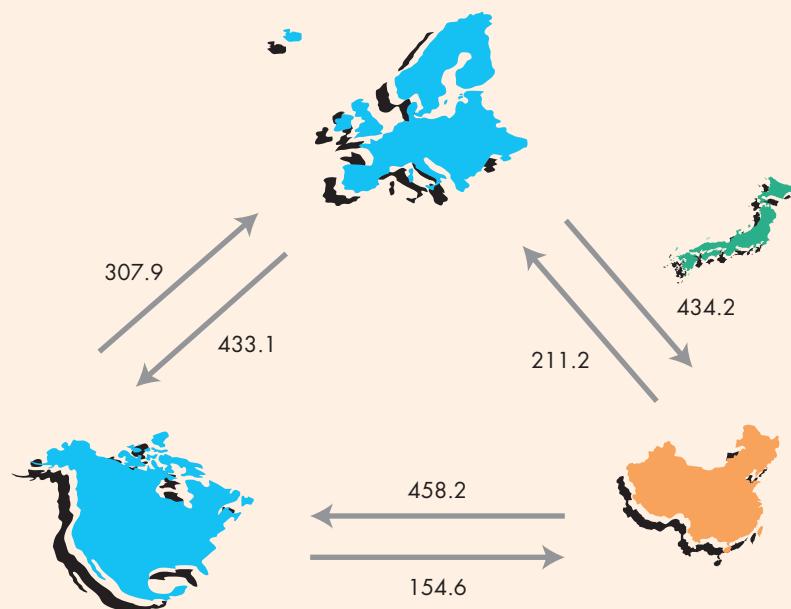
A careful comparison among the world population figures in Exhibit 3.4, the **triad trade** figures in Exhibit 3.8 and the world trade figures in Exhibit 3.9 illustrates how small a percentage of the world's land mass and population accounts for the majority of trade. It is no surprise that the major sea lanes and the most developed highway and rail systems link these major trade areas. The more economically developed a country, the better developed the surface transportation infrastructure is to support trade.

Although air routes are the heaviest between points in the major industrial centres, they are also heavy to points in less-developed countries. The obvious reason is that, for areas not located on navigable waters or where the investment in railways and effective roads is not yet feasible, air service is often the best answer.

Historical perspective in international trade

To understand, explain and appreciate a people's image of itself and the fundamental attitudes and unconscious fears that are often reflected in its view of foreign cultures, it is necessary to study the culture as it is now as well as to understand the culture as it was; that is, a country's history. An awareness of the history of a country is particularly effective for understanding attitudes about the role of government and business, the relations between managers and the managed, the sources of management authority, and attitudes towards foreign multinational corporations. History helps define a nation's 'mission', how it perceives its neighbours, and how it sees its place in the world.

EXHIBIT 3.8: The triad: merchandise trade between the USA and Canada, the EU, Japan and China, 2007 (\$b)



Source: WTO, *International Trade Statistics* (2011).

EXHIBIT 3.9: Leading exporters and importers in world merchandise trade, 2011 (\$bn)

Country	Exports	Imports
China	1,904	1,743
USA	1,497	2,236
Germany	1,408	1,198
Japan	788	808.4
France	587.1	688.5
Korea, South	556.5	524.4
Netherlands	551.8	493.1
Italy	523.9	556.4
Russia	520.9	322.5
UK	479.7	639.5
Canada	462.4	461
Hong Kong	427.9	482.6
Singapore	414.8	366.3
Saudi Arabia	359.9	117.4
Mexico	349.7	350.8

Source: CIA World Factbook (2011).

History and contemporary behaviour

Unless you have a historical sense of the many changes that have buffeted Japan, the isolation before the coming of Admiral Perry in 1853, the threat of domination by colonial powers, the rise of new social classes, Western influences, the humiliation of the Second World War and involvement in the international community, it is difficult to fully understand its contemporary behaviour. Why do the Japanese have such strong loyalty towards their companies? Why is the loyalty found among participants in the Japanese distribution systems so difficult for an outsider to develop? Why are decisions made by consensus? Answers to such questions can be explained in part by some sense of Japanese history.¹⁴

Going International 3.5

VICTORIAN VALUES

Christmas as a festival of consumerism? It all began in the shop-till-you-drop 1800s, says Judith Flanders.

What we are dreaming about is a traditional Victorian Christmas, as seen on Christmas cards. But the mythical Christmas turns out to be just that: a myth. The Victorians invented Christmas as we know it, and it was a consumer bonanza from the beginning. Materialism is nothing new, and the nineteenth-century merchants knew that bigger festivals meant bigger sales.

When Charles Dickens first described a typical Christmas – in 1837, the year Queen Victoria came



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to the throne – some of the trappings of the modern festival were in place: family parties, mistletoe and holly, church-going, charity, turkey, plum pudding and mince pies. But there were no trees, no carols, no cards, no Father Christmas and, perhaps most surprising of all, no presents.

The holiday had been in hibernation since the seventeenth century, when the Puritans condemned it as a 'pagan' festival. It swiftly died in popular memory, replaced by the riot of Twelfth Night, which was a continuation of the old, rowdy winter-solstice celebrations.

The railways also brought turkeys to the mass-market. Traditionally, families had eaten goose for the celebration meal, although in the early nineteenth century turkey was also gaining popularity as a larger alternative, better suited to the extended Victorian family.

The ritual of gift-giving to family and the needy started to be associated with Father Christmas towards the end of the century. After the Reformation, St Nicholas, whose Saint's Day was on 6 December, vanished, and was replaced by Sir Christmas, representing the spirit of the season. Illustrations in the late 1840s show a thin old man, bearded and a bit droopy, rather like Old Father Time. In the 1840s Christmas presents were still mainly given to children, not adults.

By the end of the century, shopping and Christmas were so firmly linked that companies that produced non-Christmas items refused to be left behind. Many ran seasonal advertisements for the most non-seasonal of goods: Pears' Soap advertisements showed a small child hiding under an overturned bathtub, with the caption, 'Oh! Here's a Merry Christmas'.

- Is the ritual of gift giving good? Is it important for creating harmony in society?

Source: *FT* magazine, 9 December 2006, pp 22–3.

History is subjective

History is important in understanding why people in a country behave as they do, but history from whose viewpoint? Historical events are always viewed from one's own perspective, and thus what is recorded by one historian may not be what another records, especially if the historians are from different cultures. Historians are traditionally objective, but few can help filtering events through their own self-reference criteria. Not only is history sometimes subjective, but there are other subtle influences on our perspective. Maps of the world sold in the USA generally show the USA as the centre, as maps in Britain show Britain at the centre, while maps in Australia look totally different, with Australia being the centre of the world and the rest lying east, west or north of the centre.

SUMMARY

One British authority admonishes foreign marketers to study the world until 'the mere mention of a town, country or river enables it to be picked out immediately on the map'. Although it may not be necessary for the student of international marketing to memorise the world map to that extent, a prospective international marketer should be reasonably familiar with the world, its climate and topographic differences. Otherwise, the important marketing characteristics of geography could be completely overlooked when marketing in another country. The need for geographical and historical knowledge goes deeper than being able to locate continents and their countries. For someone who has never been in a tropical rainforest with an annual rainfall of at least 1.5 m and sometimes more than 5 m, it is difficult to anticipate the need for protection against high humidity, or to anticipate the difficult problems caused by dehydration in constant 38°C or more heat in the Sahara region. Without a historical understanding of a culture, the attitudes within the marketplace may not be understood. An understanding of world

population and its expected growth in regions and countries can have a profound impact on a company's international marketing strategies. The same goes for the geographic locations of resources and other raw materials.

Aside from the simpler and more obvious ramifications of climate and topography, there are complex geographical and historical influences on the development of the general economy and society of a country. In this case, the need for studying geography and history is to provide the marketer with an understanding of why a country has developed as it has rather than as a guide for adapting marketing plans. Geography and history are two of the environments of foreign marketing that should be understood and that must be included in foreign marketing plans to a degree commensurate with their influence on marketing effort.

QUESTIONS

- 1** Study the data in Exhibit 3.1 and briefly discuss the long-term prospects for industrialisation of an underdeveloped country with high population growth and minimum resources.
- 2** Why study geography in international marketing?
- 3** Pick a country and show how employment and topography affect marketing within that country.
- 4** Discuss the bases of world trade. Give examples illustrating the different bases.
- 5** The marketer 'should also examine the more complex effect of geography on general market characteristics, distribution systems and the state of the economy.' Comment.
- 6** The world population pattern is shifting from rural to urban areas. Discuss the marketing ramifications.
- 7** Select a country with a stable population and one with a rapidly growing population. Contrast the marketing implications of these two situations.
- 8** 'The basis of world trade can be simply stated as the result of equalising an imbalance in the needs and wants of society on one hand and its supply of goods on the other.' Explain.
- 9** How do differences in people constitute a basis for trade?
- 10** 'World trade routes bind the world together.' Discuss.
- 11** Why are the 1990s called the 'Decade of the Environment'? Explain.
- 12** Some say the global environment is a global issue rather than a national one. What does this mean? Discuss.

FURTHER READING

- Peter J. Buckley and Pervez N. Ghauri, 'Globalisation, Economic Geography and the Strategy of Multinational Enterprises', *Journal of International Business Studies*, 2004, 35(2), 81–98.
- A.J. Scott, 'Economic Geography: The Great Half Century', in G.L. Clark, M.P. Feldman and M.S. Gertler (eds), *The Oxford Handbook of Economic Geography* (Oxford: Oxford University Press, 2000), pp 483–504.
- T. M. Hout and P. Ghemawat, *China vs the World* (Boston, MA: Harvard Business School Press, 2011).

NOTES

- 1 For an interesting book on the effects of geography, technology and capitalism on an economy, see Dean M. Hanik, *The International Economy: A Geographical Perspective* (New York: Wiley, 1994).
- 2 'Chunnel Vision', *Europe*, May 1994, p 43.
- 3 *Euromonitor International*, <http://www.Euromonitor.com>.
- 4 World Bank, *World Development Indicators*, CD-ROM, 2012.
- 5 'A Survey on Development and the Environment', *The Economist*, 21 March 1998.
- 6 Yoshihide Soeya, 'Balance and Growth', *Look Japan*, January 1994, p 19.
- 7 Visit the OECD's website to find out more about sustainable development: www.oecd.org.
- 8 United Nations, *World Population Projections to 2150*, Department of Economic and Social Affairs, Population Division (New York: United Nations, 1998).
- 9 United Nations Department for Economic and Social Information and Policy Analysis, Population Division. *World Population Prospects: The 1994 Revision*. Document ST/ESA/SER/A/145 (New York: United Nations, 1995).
- 10 'Our World in 2020', Special Survey, *Guardian*, 11 September 2004.
- 11 This figure represents Tokyo's core suburbs and exurbs.
- 12 United Nations, *World Urbanization Prospects* (New York: United Nations, 2003).
- 13 United Nations, *World Population Projections to 2150* (New York: United Nations, Department of Economic and Social Affairs, Population Division, 1998).
- 14 Tamer Cavusgil, Pervez Ghauri and Ayse Akcal, *Doing Business in Emerging Markets* (London: Sage, 2013).