INTERNATIONAL BUSINESS FAILURE TO UNDERSTAND THE SIGNALS FROM MARKET THUS CREATING ECONOMICAL FIASCO:

A CASE OF CASH AND NON-CASH BASED ECONOMIES

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IN THE NAME OF ALLAH, THE MOST MERCIFUL AND BENEFICENT

Dedication

To Allah the Almighty, who has showered unlimited blessing upon us, who has helped us in the time of difficulties, who has given us a lot without any struggle.

Thanks to my parents and teachers for their unconditional support, prayers, wisdom and guidance, which have contributed a lot in my success. I am honoured to have them as my parents and teachers.

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DECLARATION

I hereby declare that this thesis, neither as a whole nor as a part thereof, has been copied out from any source. It is further declared that I have prepared this thesis entirely on the basis of my personal effort made under the sincere guidenance of my supervisor.

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ABSTRACT

The purpose of this research was to explore and understand the signals which were ignored and overlooked by international business resulting in the huge financial and economic crunch in cash and non-cash based economies. These signals were coming from the driving forces of globalization and anti-globalization concerning about the insecurity and instability of economies around the globe. The financial and economic crisis which was started in 2007 really got deepen in 2008 because of the large number of individual financial instruments such as mortgagees, high interest rates in the non-cash based economy and it brought a real crisis in the international business even though the anti-globalization perspective was indicating the signals. To examine the relation of international business and financial crisis; qualitative approach of phenomenology was used with the help of facilitation in which quantitative and resultant data. The evidence is quiet clear after analyzing the fact and figures that International business survival is to read and understand signals from cash and non-cash based market in order to flourish in globalization. In today's technological advanced and knowledge based markets, knowledge management should be considered as the critical and important activity within the international organizations, and subsequently organizations have to create linkage between the strategy of their missions, goals and problem with knowledge management practices. This analysis will lead to improvements of regulations in international economies, businesses and markets, reducing chances of future crisis of such proportions.

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ABBREVIATIONS

CIA	-	Central Intelligence Agency
EC	-	European Commission
EEEPB	-	European Economic and Employment Policy Brief
ESCWA	-	Economic and Social Commission for Western Asia
EU	-	European Union
FDI	-	Foreign Direct Investment
GDP	-	Gross Domestic Product
IIF	-	Institute of International Finance
IMF	-	International Monetary Fund
IT	-	Information Technology
MDG	-	Millennium Development Goal
NGO	-	Non Government Organization
OECD	-	Organization for Economic Co-operation and Development
ODI	-	Overseas Development Institute
RBS	-	Royal Bank of Scotland
UN	-	United Nations
UNESCAP	-	United Nations Economic and Social Commission for Asia and The Pacific
UNDP	-	United Nations Development Program
WTO	-	World Trade Organization

CHAPTER 1

INTRODUCTION

There is always a need to boost profits and expand market share, regardless of the type of business. To fulfil this need businesses are going international and beyond the territories. They are engaging people all over the world regardless of borders and territorial limitations because by going around the globe their will be billions of people who can respond to their products and services. But efforts to fabricate more comprehensive and accountable global business governance face two major challenges. The first is: growing contribution and responsibility in joint institutions to provide developing countries a bigger role. The second is escalating pluralism that is to expand the space for grouping outside formal state organizations to take part in global decision making, mainly in developing economies to transform the activities of private corporations (UNDP human resource development report 2002). Similarly the essential thing that trigger these new networks and that keep them together is the communal standards, the common way of doing something and the convention that allows the businesses to cooperate with the markets and societies.

International Business is often referred to economic transfer of funds but it is the multifaceted process of larger interdependence/connectivity among countries and their society, which also includes political, social and technological aspects. But the query of which standards businesses use to coordinate their activities around the globe is extremely important and it raises intricate issues for the whole globalised economy. As far as the economic growth is concerned, it is the process of monetary interdependence which can be experienced through increasing cross border trade of goods and services, increasing financial transfer among the countries and the increasing transfer of labour.

During the past two decades the flow of international business caused dramatic changes around the globe (Thoumrungroje 2004). These dynamic changes are the results of high competition, maximum profit generation and influencing factors of developed economies on developing economies. Globalization in its basic form is quiet simply a portrayal of the international networks and their implications, for instance in various flows of culture , people, knowledge, information, capital, beliefs and so on across international boundaries , similarly globalization refers to the speedily developing networks of interdependencies and interconnections that typify modern social and dynamic life. This Globalization not only helped the businesses to expand but it also helped in bringing the political, social and technology facets at a new arena where everyone is dependent on each other (Tomilson 2006). Whereas the UNDP Report 2008 says that because of such dawdling and slow global progress it will take more than 130 years to get rid from the world of hunger. Though, escalating global connectivity by no means necessarily implies that the world is becoming either economically or politically unified.

According to Paul (2005) the expansion of international business increased number of choices for both consumer and business which made the consumers to purchase things beyond their buying power by utilizing their credits cards but Why should consumers use credit to finance purchases?. The answer is quiet obvious that, elder consumers can finance their purchases from their past savings and pay for their required commodities at levels beyond their current incomes. Conversely, young customers who expect their upcoming earnings to be higher than their current income can "borrow from their future income" to support their present lifestyle**.** Soman (2002) states that these options lead international business to the vibrant changes in global competition and the greediness of the business made the world economy highly unstable and unbalanced. Regardless of its reach, few researchers argue that the effect of international business and globalization extend in very intense way to every single person or place around the globe and postulation on its reach must be changed by the numerous trends towards technology, political, social, and certainly cultural separation that we see around the world. This is a argument that is often raised by theorists of anti-globalization that ; the part of the world that is usually called 'Third World' does not participate in the globalised economy, globalised communications and in globalised decision making in the similar way as developed world. So by taking into account this argument of the researchers we have to reconstruct the idea of globalization and international business by saying that it is an unfair process with some areas of concentration and some other areas which should be neglected or even perhaps need exclusion. So in this sense globalization is not quite global!

The enhancement of global civil society has shaped opportunities to expand international business and deepen democracy at the global level, but existing international institutions and businesses need reforms and improvements. Rising and developing economies must be given a stronger voice in their decisions and operations. The international decision making institutions should also be held more accountable for their policies and actions because of their huge and increasing authority over the global decisions (Prasad 2004). For instance the World Trade Organization is very democratic because every member country has a seat and a vote. But actual decision making takes place by consensus, which is heavily influenced by the largest and richest countries. The disproportion between developed and developing countries participation is also apparent in global civil society activities. 87% out of the 738 NGOs accredited to the WTO's ministerial conference in Washington (1999) were from industrial countries. Because of this inequality, the developed economies started influencing the other developing economies without considering norms values and shapes of economies such as cash and non cash based. The UNDP human development Report (2002) makes an argument that, although IMF, World Bank deeply impacts the developing countries but these institutes experience a democratic insufficiency. The global economies or businesses influenced by these institutions do not elect or eject these organizations. For instance nearly half of the voting power in World Bank and IMF rests in the hands of seven countries i.e. USA, Japan, France, UK, China, Russia and Saudi Arabia and most of these countries have non-cash based economic system. They tried to introduce and implement their non-cash based system into cash based economies. This resulted in the collapse of financial system that brought brutal consequences on economy and international business (Acharya 2009). According to Chari (2008) the failure of the big financial institution, fall of various stock markets and spread of different types of loans are the basic reasons for this financial meltdown The developed countries are effected highly effected even the wealthiest nations have to come up with bailout packages to rescue their economy. On the other side, not even the financial systems are affected; the livelihood of almost everyone is affected in this globalised world.

According to Te Velde (2008) the developing countries are affected by the financial crises because of the decrease of foreign direct investment, decline of trade and trade prices, commercial lending, and aid from developed countries. Where as the prevailing rules of economy is unsuccessful to fabricate equity within and among the countries, discrepancies are also widened in the recent decades. And the number of people in poverty in also increased (Gaulet 2002).

The current financial crisis which has very drastic and huge effects on the world economy because of the unstable situation of the international business collapsed financial institution and the increasing amount of loans. International business is also affected because of the economical crunch as economical integration in the main aspect of globalization. This leads the economical, social, political and technological integration on slow paths that will eventually slowdown the whole globalization process. There is a need to check the effect of cash and non cash based economy on international Business and how the non cash based economical system brought financial crisis around the globe and what measures should be made to revive the whole economical system to come out from the crisis.

Research Question:

Research Problem

This research aims to examine the effect of financial meltdown on the economy. Further more this economical crisis effects and leads the international business towards halt because economical integration is the major and key aspect of globalization and international business, so this research will also cover the globalization with the aspect of financial integration of cash and non cash based economies that how non cash based economy effect the globalization process and how the economy should be revived to overcome this crisis.

The structure of the research is as follows, initially, literature related to international business and its practice with respect to globalization, anti-globalization and different economies is studied to get the clear picture of the interdependence of the businesses and economies; furthermore the financial crunch is also studied in literature, elaborating the effect of cash and non cash based economies on the crisis. Then contextual framework is made to show the comprehensive relationship between the international business and economic crisis, keeping in view the market signals coming from globalization and anti globalization forces. Afterward, economic perspective of globalization and financial slump is incorporated in discussion according to the coding which was established through the literature of economic indicators. Conclusion of the research is based on overall research study with implication and suggestion for the whole globalized businesses and economies.

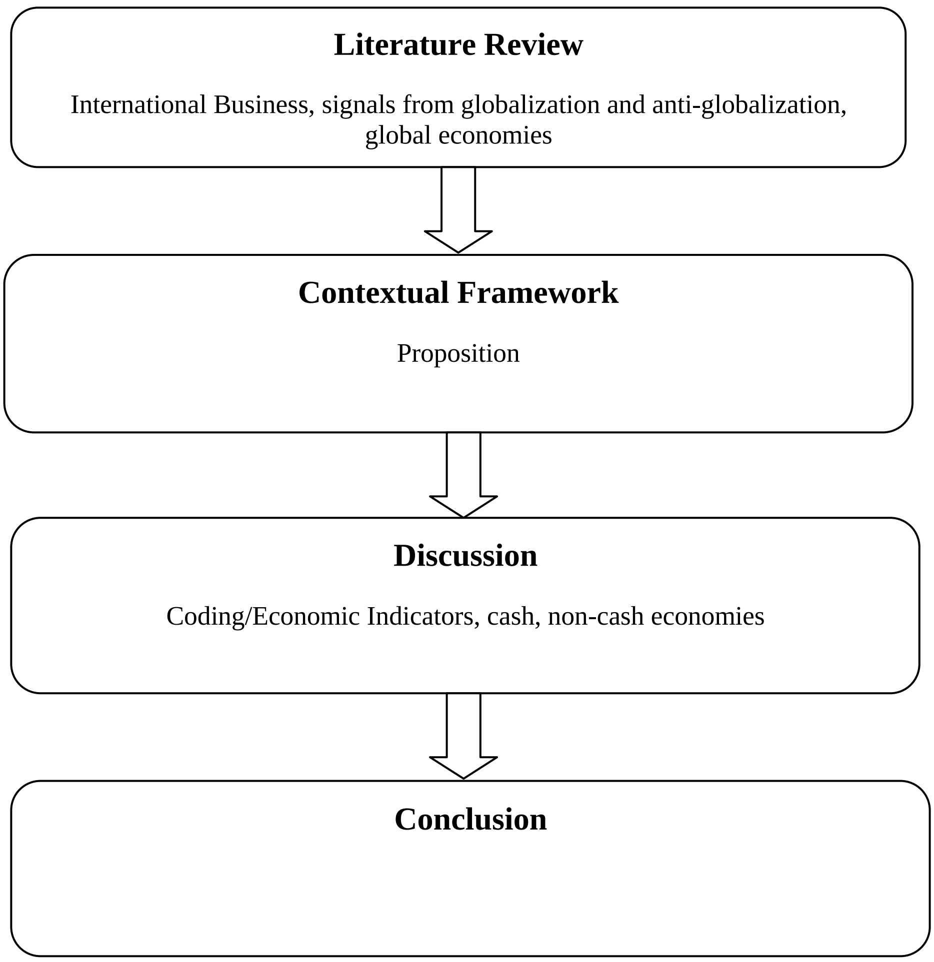

Figure 1: Sequence of Research

CHAPTER 2

LITERATURE REVIEW

International Business is a major existing buzzword constitutes one of the most significant and dominating development of the past decades but there is no agreed upon consensus on the standards of conducting international Business (Brinkman 2002). International business is expanding over the globe because of the advancements in the society, cultures and political systems. Higgins's (2003) quoted Levitt's (1983) that in future companies will be in the right place and will be making profits by selling the same thing in same way but everywhere around the globe. Such international businesses could get benefit from the global converging taste and life styles; preferences determined by worldwide media and global market channels. Similarly in the countries where tastes and life styles were not already converging with global products; that countries could be enforced to do so by promoting customers globally standardized product and services that give greater and superior values over local products.

According to Taylor (2004) in the today's globalised world, if the emerging markets have to grow into secure and enterprise structures, states have to enter to provide support and helping hand. This practice of globalised world make the world economies work together and they start influencing each other. The global economy is defined as the economy with the capability to work as a unit on a world scale. The international market is concerned with the core processes and elements of the economic system e.g. production, design, distribution, consumption of goods and services on a global arena. This economic system is only possible through the transport and technological uprising, advancement of many economies and the transactional corporation among the countries (Jimenez 2000). The idea of globalization provided a structure of enhancing work, welfare, regulations and policies even it is uncertain that such dynamic changes finally enhance global business and competitiveness that make the policy makers to respond to such changes when making political decision and economic choices (MsKelvey 2009).Similarly Steingard(1995) said that globalization promote the compassionate rise in global culture, it can resolve the global problems, it helps international business and international market to expand naturally. On the other hand Taylor (2004) argues that the expansion of international business and globalization leads the system towards global governance that is when the dominant economies start imposing their rules, regulations and laws to the other economies but this system helps in addressing and resolving the global issues. Increasing poverty and inequality in the business and society is the big challenge for international markets because of the dominant economic system (*see chapter 2*,UNESCAP theme 2002).

According to Parnell (1999) the international business and globalization is breaking down the national differences of monetary policies, economic institutions practices and policies. As far as the world economies are concerned there are two types of economic systems which are considered in this research i.e. the cash and non-cash based economic systems. The cash based economic system is often called “cash and carry” where as non-cash based economic system is often described as “borrow and buy”.

Non-Cash Based Economy:

Ingene (1982) researched that there are mainly three important reasons according to which the consumer prefer credit card over cash payment,

- Customer needs some ready finance or credit to make the purchase.
- Customers try to get benefit from the usefulness of the credit card by purchasing the commodities without carrying the hard cash with them.
- Customers are always price conscious; they know about implied saving of money in buying and acquiring now and paying for it later by using credit card.

However consumers get ease and convenience in obtaining short term loans but their basic motivation of using plastic money or credit card differ from customer to customer and from one social class to another.

According to Jones (2009) the financial and economic crisis which was started in 2007 really got deepen in 2008 because of the large number of individual financial instruments such as mortgagees, high interest rates in the non-cash based economy and it brought a real crisis in the international business even though the anti-globalization perspective was indicating these signals Lazarov (2009). In non-cash based economies the credit card payment is the major source to finance the purchases, in both individual consumer purchases and in business transactions. Thomas (2007) stated that in non-Islamic countries; the lending to the consumers and mass markets is the phenomenon started from the last fifty years. Ford and Sloan in 1920 made an argument that producing and manufacturing expensive products for huge markets was not sufficient like cars and bikes but there should be some ways to finance such products for the ease of the consumer. This strong and motivational argument led the consumers and businessmen to develop credit purchases for houses like House loans. In 1960’s the arrival of credit cards made the consumers to finance all their commodity purchases from machinery to household items. Afterward, the extensive use of credit card purchases was extended by the other products like bank overdrafts, car loans, educational loans, store cards etc.

The scenario in globalization and in international business is somewhat same that the developed economies started implementing their way of business in totally different economies and pressurize them to adopt those practices which they are practicing regardless of the values, norms and culture of the developing economy (Toporowski 2009). For example when someone analyzes the existing credit card literature in current global economies, it is quite obvious that credit card usage and ownership is the phenomenon of developed countries (Bordo 2009). These developed countries are trying to transfer and impose these credit usage phenomena to developing countries. Similarly the developing countries have saturated demand levels which motivate the credit card companies to move into developing countries as additional markets for cultivation and exploration as Action aid also reported that the developing countries are distressed by the crisis because they are in the firing line and these developing economies didn't make this crisis. The international business is just focusing on the profits and the growth of the market without considering the factor of economic instability they are creating, because of the difference in needs and demands of the developing and developed economies (Wenchu 2000).

The international cash flows into poor, developing and emerging countries are one of the basic mechanism through which international business guides to poverty. Lenders, donors and investors subsequently start to enforce unfavorable conditions like high interest rates and increased reserves that have the result of reduced economic growth (Higgins's 2003). The economic catastrophe has pitched across the public-private periphery; because the effect on the private sectors balance sheets has forced big and fresh demands on the public sector's finances. Not only in public and private sectors, this economic flux has effect from sector to sector, as we have seen that it was started from housing and surged into banking and other financial markets, and then on into all parts of the real economy. Correspondingly it has huge and drastic effects across national borders within the developed countries Zimmerman (2008).

According to Comiskey (2008) the reason of the financial crisis is the liberal policies and the market mechanism of lending too much money from the banks and financial intuitions of the non-cash based economy. As we look the economy before the financial crisis in 2000 the consumer lending in America and Canada was massive; the corporate debt was exceeded 50% and the amount of house hold debt was increased to $ 7.2 trillion in 2000; that is approximately double the amount of bad debts in 1990. Corporate bond debt was around $2.5 trillion in the same period similarly home mortgages and equity loans account nearly 70% of the total as compare to the 80% in United Kingdom. In 2002, the numbers of transaction through credit cards were reached 20,000,000,000, with 500 million credit cards in Europe. Similarly, credit card usage went beyond the transactions through cheque with 4815 million transaction through credit cards and whereas there was only 2394 million transaction through cheque. In addition to that, the advent of new forms of commercial channels with the help of technology like internet is highly subjugated by credit card usage

Economic Crisis:

According to Spich (1995) international business is the concept of international economy which consider business activity whether national , regional or local must be considered in the perspective of global in its scope and in the same way the decision making cannot be valuable with the lacking of international level thinking but the present globalization and international business practices are like the smart depiction of real complex world and it is like a volcano growing in the horizon which will explode in the shape of a huge crisis in the international market and international economy. The financial development report (2008) of world economic forum says that long term economic growth is linked with the financial system of the country; it can be measured through depth, size and practices of financial system. Similarly the European central banks research (2005) says that international business and world economies are often escort with the contractual complexity between the foreign and international creditors that complexity put the international business in a conflict of the rules and regulation. If the financial system creates any crisis then it will affect the countries long and short term economic growth.

The emerging markets and developing countries are pushed towards the economic slump, resulting in the substantial slowdown of business and economic growth (Lin 2008). The global economic slump took some time to reach the developing and less income countries but there was a sharp change in the shape of these economies. The issue is not with the assets which resulted in crisis because these economies have very few assets; rather it's the increase in dependence and integration with the international economy. When developed and advanced economies were rising on a fast pace, the incorporation of these international economies came up with many benefits to the developing countries, at the present it imply that under develop countries and economies are just exposed to the international economic slowdown.

There are big and altruistic grounds for concern about the developing economies in the crisis because there are 1.4 billion people around the globe who live on the edge of intense poverty and unfortunately they all are in the developing world; considering their small and narrow margin for endurance, every economic crisis can have its brutal human consequences in the developing countries. The position of foreign direct investment in emerging economies is very miserable and unwelcoming; there is a forecast that it will decrease with a huge amount approx 20 percent this year. This trend shows investor's improbability and dubiousness, and the area where huge amount of FDI goes is property and commodities but there is momentous decline in commodities and property value. As a result the interest and cost of a loan has increased appreciably, in many scenarios it may not be obtainable in any given price. Similarly transfer of funds and remittances have also declined, showing a lot weaker and slow escalation in the rising economies where the labourers and workers have found employment from the less income economies. Finally, and very worryingly, aid flows are under threat, reflecting budgetary pressures in donor countries (Te Velde 2008)

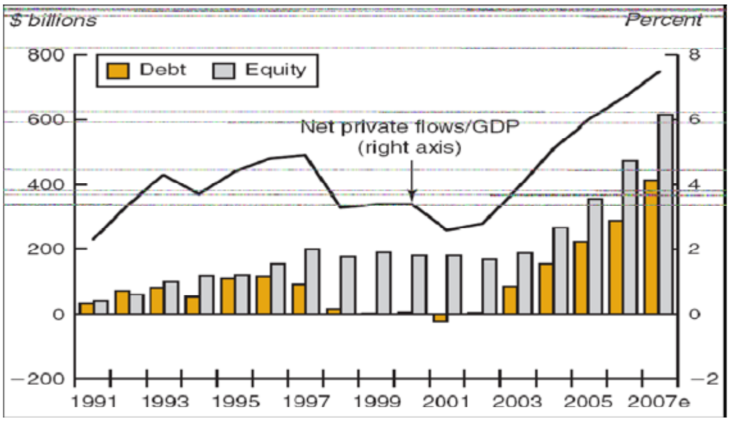

Figure 2: Debt/Equity Ratio

Source: World Bank, *Global Development Finance 2008*

There was a sharp increase of exports in developing countries due to the advancements in developed countries, before the financial crisis from 2002 to 2007. In developing countries the contribution of exports in GDP has been increased before the crisis i.e. 29% in 2000 to 39% in 2007. Similarly in 2007 alone the net capital cash flows increased by $269 billion and reached the level of $ 1 trillion because the foreign direct investment increased as internationals businesses were getting more profits in developing countries as compare to their domestic markets

There is also increase in GDP of developing countries as it grew at the rate of 5% every year from 2003 to 2007, growth rate reached 8% with all emerging economies in 2006 .

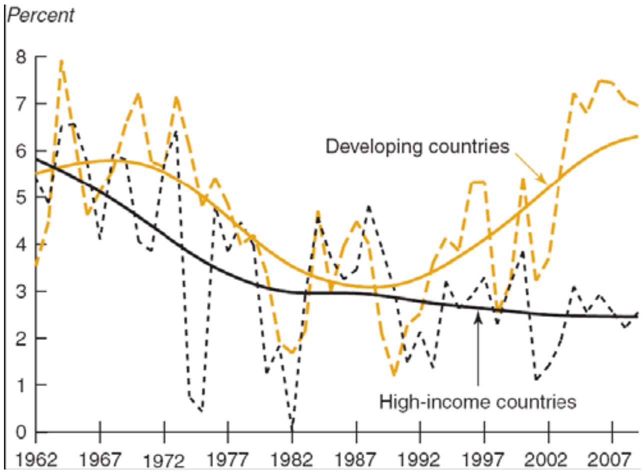

Figure 3: GDP Growth

Source: World Bank, *Global Development Finance 2008*

Of all the money that flows into developing countries, the bank lending to the developing economies has hit the hardest. According to Institute of International Finance (IIF), the international association of financial institutions, that as compare to the level of 2007 foreign bank lending to developing countries in 2008 was just 40%, and by 2009 the IIF estimated that bank lending have dropped by more than 100% from its 2007 level. In other words, overall flows of funds to developing countries will be negative, as additional money is shifted to overseas banks than is provided to developing countries.

The World Bank 2009 states that there are more then 54 million people who are living with the income less than $2 per day and the situation will get worse if the economic and financial need will not be fulfilled. Infant mortality data gives even worse picture, if the economic crisis continues to affect the world; infant death toll will increase from 1.5 million to 2.8

million till 2015. Thus it's not just an economic crisis; it’s a threat to social, political and ecological lifestyles of individuals around the globe.

Developing countries are significantly affected by the financial crisis which was started by the developed countries. There will be an increasing affect in the impact of crisis because of slump in domestic markets within developing economies. Earning of individuals will be affected because of increase in jobless people and decrease foreign investment. Government spending will also be decreased due to less borrowing and decrease in aid, which will have direct impact on poor people as they are dependent on the social spending of the government (Actionaid 2009).

Cash Based Economy:

The cash based economy is completely related to hard cash where purchases and business transactions are based on hard cash and as compare to the non-cash based economy, Kaynak (1995) stated that reduction is purchasing power of consumers, technological enhancements, global competition, financial and economic pressures is promoting the credit card business and changing the whole scenario of global market and internal business. Similarly several other factors are also involved in changing and transforming the global world and economies.

First, in the wealthy and developed societies there is an extensive use of credit cards, which faced the extensive amount of debt in recent years, now they have reduced the widespread use of credit cards.

Second, the non-banking institutions mainly the financial institutions have targeted the credit card users for not using the plastic money.

Third, consumer courts and advocates have condemned the hidden charges associated with the credit card usage such as credit card fees and interest rates.

On the other hand retailers and business man have the view that accepting credit cards from customers are now essential and important element of the promotion and marketing effort for number of retailers and they are encouraged to do so by competitive forces of the market. Rejecting plastic money is not profitable Because of the widespread use of credit cards and Rejection of plastic money can only be profitable if the majority of the retailers and business men also refuse them. However, the retailer would be in benefit if the purchases are done through hard cash because every time the credit card is used it incur two types of costs

1. The retailers have to pay the fee to convert the credit or charge into cash that is called the factoring fee.

2. Retailers have to face time delay between sales and the Receipt of cash .

Holland (1997) argued that the poorly performing debts and the competitive forces of globalization are destabilizing the international market which leads irreversible changes to the economy. Similarly the noncash-based economic system allows and makes the consumer to purchase the good and services beyond their buying power.

The cash based economy survived much well in the crisis time because there are less loans and bad debts in cash economy whereas the crisis was started from the non cash economies for example the big collapse in the housing industry of America due to bad and outstanding debts. Even in the non-cash based economies the bailout packages have not done any significant help in taking the economy out of the crisis**.** Several economies were in the better shape and scope to face and accommodate the economic shock and even they were able to increase their spending to mitigate the force of the crisis. These are few countries that do not have to face financing limitation, they have gained macroeconomic and business stability and they have maintained their public debt. Similarly some other countries came up with fiscal cushions during the crisis period because they are commodity exporters.

Pettis (2001) indicated that globalization is growing on a fast pace because the easy monetary expansion encourage the investors to take risk, that will lead the international business towards the sudden and unexpected halt. In recent times, the striking feature of modern economies is the swift development in the use of payment cards. The payment activity, a fundamental dimension of the payment card industry, is characterized by the existence of strong network between the consumer and issuer: Similarly the use of consumer credit has been increased remarkably. Since the buyer has become a more sophisticated and rationale shopper, credit has played a mounting role in facilitating the purchase and acquisition of goods and services. However the statistics clarify that the percentage of instalment use from upper class to lower class increases from 52% to 82%. Thus, members of different social class exhibit different credit card use patterns. People of the lower classes are likely to use their credit cards for instalment financing to a larger degree than upper class. In late 20th-century Credit cards is the currency of America. Even the total charge volume on plastic in the United States was estimated at $375 billion in 1987 and this volume was increasing at well over 10 percent per year, which shows that usage of credit card and plastic money was growing at a very fast pace even in 1980’s and this is the time when there was major shift in economies from cash economy to Non-cash Economy,.

Rochet (2002) says that Consumers hold opposing views as to their advantage from using a credit or payment card rather than any other substitute payment method. For example, some customers have easy access to cash or they give low value to time for going to get cash before shopping, while other customers attach a high value to the convenience afforded by the use of cards.

Soman (2002) cited Andelman (1998) that huge number of families and businesses are finding themselves in financial difficulties because consumer and business liability has raised to record levels and it can be easily figured out the in American economy in 1980's that there was a huge issue related to bad debts, outstanding balances and liabilities. In 1989 there were $203 billion bad debts on credit accounts on the other hand it was $70 billion in 1982 in. Retailers wanted to give discounts for consumer to encourage them to use cash rather than using credit cards for their purchases. These discounts surely benefits the consumers who already prefer cash payments or the consumers who want to do cash payments and wants to switch away from credit cards. Because of these discount policies the retailers cost will be lowered and it will result in stable commodity prices, it is also in favour of businessmen and retailer; by saving the factoring fee the present value of sales can be raised.

Objective of the Study

The objective of the study is twofold:

1. To examine that; what are the reasons which made international business to overlook the signals of financial crisis from within globalization and from anti-globalization.

2. To examine that how International businesses failure impact cash and non-cash based economies.

THEORETICAL FRAMEWORK

After studying the literature it is quiet evident and clear that international markets in which the world wide businesses are dealing consists of cash and non-cash based economies in developed and developing countries. Before the financial crisis, global markets were getting signals from the driving forces behind globalization and anti globalization regarding the instability in the economies which were ignored and overlooked by international markets resulting in a deep slump in economic and financial growth. International businesses and economies failed to understand those signals which not only affected the economies but also affected the social lives of individual around the globe eventually the whole globalization process was disturbed and distressed.

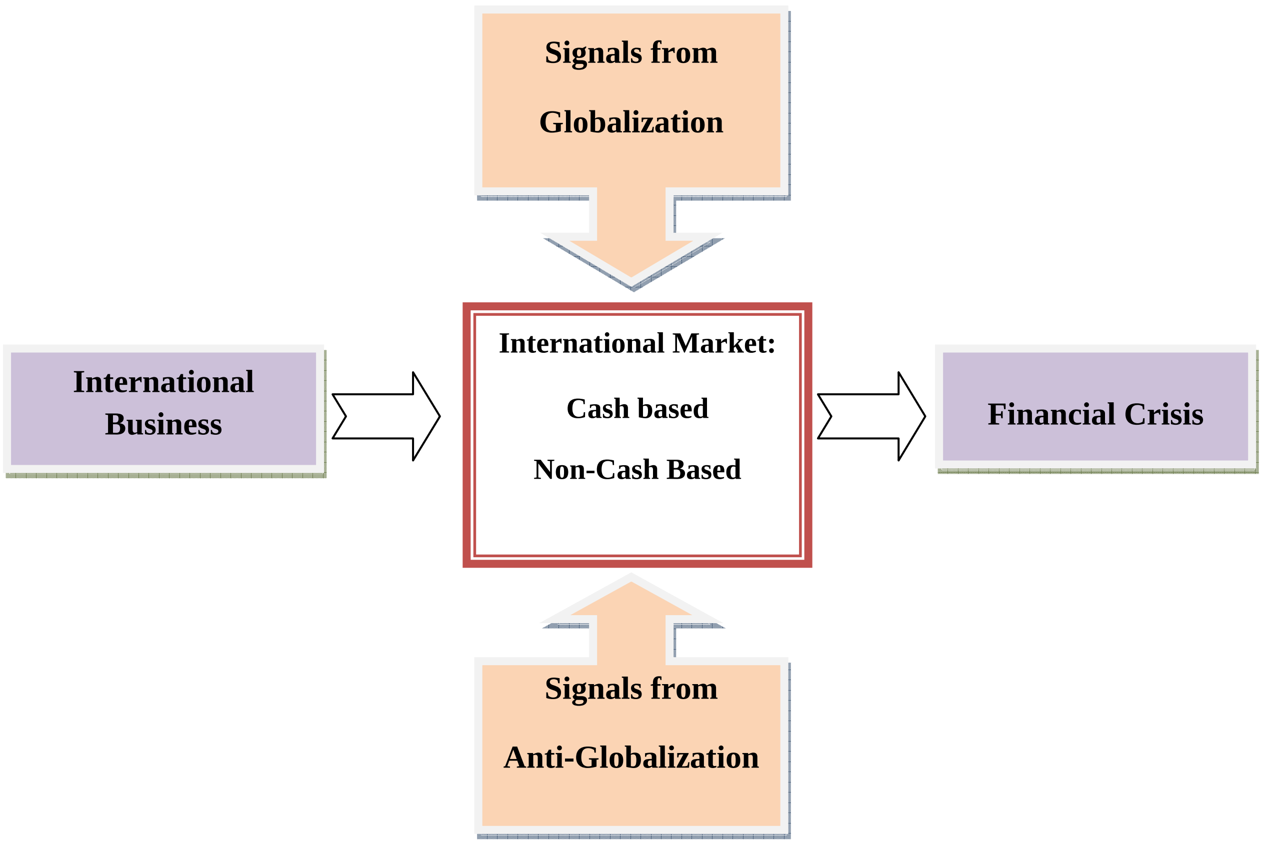

Figure 4: Theoretical Framework

International business survival is to read and understand signals from cash and non-cash based market in order to flourish in globalization.

CHAPTER 3

METHODOLOGY

This research examined and studied different aspects of economy and international business by using qualitative approach of phenomenology with the help of quantitative and resultant data available in the form research papers, articles, website (IMF, UNESCAP, UN, World Bank, CIA, European commission etc). International Business is highly affected due to the financial crisis and due to the effects of globalized economic system. The data is available both qualitative and quantitative in shape of reports, interviews, speeches, articles, research papers etc but there was a need to slice and dice that data to check and investigate that what are the basis of financial crisis. The available facts, figures and statistics are thoroughly studied to explain the signals which were indicated by the driving forces of international markets and why International business failed to understand those signals, moreover it failed to take preventative measures to avoid the financial crunch. The facts and figures of cash and non-cash based economies are also studied to analyze the behaviour of these two economies in financial crisis.

The role of Phenomenological research is to explain the ground or existing reality of a particular event and phenomenon. Phenomenology is both philosophy and research methodology emerged from the philosophers including Husserl, Kierkegaard, Heidegger (Trochim, 2000). The rationale of this type of methodology is to describe incidents, events, knowledge as they present themselves to reality, without recourse to theory, deduction, or assumptions from other disciplines such as the natural sciences(Bryman 2003). The technique of facilitation is also used in this research to support the qualitative data with help of quantitative data

CHAPTER 4

DISCUSSION

The fast growth of international business and globalization is generating a backlash among the countries because it is now a notorious development with having different opinions and different issues to criticize it, as the countries and economies have their concerns about the negative consequences of the increasing flow of capitals, products and services across the countries. Globalization made the market to neglect these issues and badly affected the international business and international market by minimization of wages, increase in poverty, decreasing the competitiveness of the domestic firm and on the whole the negligence of international business made the world to face a deep financial and economical crisis (Akhtar 2007). Similarly cash and non-cash based economies have different consequences in the growth of economical crisis. The non-cash based economies plays an important role in bringing crisis in wealthiest nation and in overall world economy. As it has been experienced during the crisis that non-cash based economies were not having enough saving or cash in their reserves to support banking and financial institutes, likewise the household savings rate is such economies is also weak and they were depending on credit purchases, hence during the crisis they were not having enough money to fulfil their needs and to payoff their debt.

These all practices made the GDP and growth rate to drop , increase in unemployment and inflation, decrease in exports, investment, aid and government spending.

Globalization

Globalization is a complex process because it involves rapid social change that is occurring simultaneously across a number of dimensions – in the world economy, in politics, in communications, in the physical environment and in culture – and each of these transformations interacts with the others. So as whole globalization and international business is a complicated process.

At least in developed societies and countries the utilization of communication technologies, mobile phones, computers, email, and the internet is known to be the everyday routine practice so this increasing connectivity is, in some ways, an obvious aspect of our lives. UNDP 2002 Today World look more uneven and unstable between the developed and developing, rich and poor and those who are trying to get into a new globalized economy since the international businesses and economies are more interdependent around the globe (Dinda, 2006) . Globalization and international business mainly helps in three functions of the countries. Those are

1. Democracy: Driving forces behind globalization motivates democracy. In today's globalized world, 140 countries depend on multiparty elections. Barely 80 countries that make 55% population of the world are entirely democratic out of 140.
2. Peace: Due to the interdependence of the economies, wars among the countries have remarkably decreased. But on the hand conflicts and social clashes become more damaging than ever before due to expanding globalization. 0.2 Million people were died due to the wars in 90's however this amount is quiet less ac compare to

causalities before the boom of globalization in 80’s. But if we look into the social life of the countries, there is a clear sign of instability as 3.7 million people died in civil wars within the countries due to expansion in globalization in 1990’s.

3. Opportunity: International businesses are getting more opportunities to expand over the countries because of increasing economic integration and implementation of advanced technologies. But on the other side 2.8 billion people still live on less than $2 a day. The richest 1% of the world’s people have same amount of income per year as compare to 57% people get in a year. (Wagner 2005)

Figure 5: Globalization Trends

Source: Pan (2005)

Benefits of Globalization

- Collective benefits of trade for the countries, economies and business around the globe especially for the businesses who are acting like a driving force behind the globalization.
- Social, economic, political and technological improvements and transformations can be brought in developing countries.
- Attracts foreign direct investments which will lead to increase businesses and job opportunities.
- Globalization increases competition which helps in providing reasonable priced goods and services.
- Provides infrastructure, health, and educational facilities; similarly it helps the host country in exploitation of the natural resources.
- Subsidize poor economies and help them to flourish in today's competitive market.
- Flow of information is easy in globalized world making it worthwhile for businesses and individuals.
- Huge businesses and investors get opportunities to spread their businesses in multiple countries.

Harms of Globalization

- Harmful product marketing in underdeveloped and developing economies, which can result in poor societal growth and waste of useful resources, which they hold very little.

- Cultural domination without considering the norms and values of developing countries.
- Easy inflow and outflow of investment in the globalized world make it insecure for the country as well as for the local investors, hence making the whole market uncertain and insecure.
- Iniquitous pricing of products in international market for the reason that globalization increases greediness in the business and make them to jump in different markets with their own set of rules and conditions.
- Globalization does not address to the issue that there is always an inconsistency in the needs of consumers, for instance Pakistan’s consumers are different from Indian consumers.
- Multinational businesses have policies according to their homeland, the foreign rules and regulations may be conflicting with the business policies.
- Increase in income gap between developed and developing economies since developed world start their businesses in developing economies and take wealth out of such economies.
- Huge possibility that economic disaster in one country can affect all the nations around the globe.
- Driving forces behind globalization contravene individual and national sovereignty. These driving forces mainly include; multinational businesses, developed countries and international organization like World Trade Organization.

- Globalization can bring the environmental disaster because the polluting business takes benefit from the weak rules and polices of the developing countries.

Anti-Globalization

One of the anti-globalization economist, Mark (2002) makes the argument that in all low and middle income economies the increase in per capita GDP in the last 20 years is less than the half of the preceding rate, for instance, from 1960 to 1980 in Latin America, per capita income raised by 75 percent, but from 1980, it grew by 7 percent, likewise in Africa the previous two decades have observed an real decline of 15 percent in per capita income. In the same manner, economic sluggish behaviour has been accompanied by social adversity because the progress slows on indicators like life expectancy, literacy and education in low and middle countries.

UNDP Human Development Report 2002 suggests that 3.7% annual growth in per capita incomes is needed in developing countries to reduce to the number of people who are living on $1 a day. But over a decade China and India the most populous developing countries have grown that fast among the 24 other countries. However 127 countries, with 34% of the world’s people, have not developed at this rate. In fact, many countries including Africa have experienced negative growth in last few years, and similarly the people in poverty have certainly increased.

There have been intense and drastic changes in the global economy and international business over the past quarter of a century, that have been extensively labelled 'globalization'. According to Engler (2007) debate has raged over whether globalization has been successful in terms of growth and other economic variables, both aspects that are positive and negative have been used in order to commend the merits or decry the crash of the 'free market'. From what has just happened before, in fact it looks clear enough that it is not the free market or globalization that is on trial, but an unpleasant bend of that ideal, which can be called 'one-sided liberalization'. Under its umbrella, the North and developed economies (mostly non-cash based economies) has protected their own economies, markets and businesses by the use of its financial and economic power to break open the markets of the cash and developing economies, and also to expose Third World economies to unrestricted indigenous 'market forces’ (Weisbrot 2002).

Thomas (2007) argued that finance crisis was also raised by these developed non-cash economies because of extensive use of credit cards and taking short term loans which after sometime become bad debt or an outstanding loan. Few years before the financial crisis it was clearly indicated that there is a need to reduce the number of credit cards. It maybe achievable because customers are always cost and price conscious and it is possible to discourage them from using credit to finance their purchases by increasing the price of purchases which are done through credit cards that will make it costly purchase rather than costless purchase through credit card or by decreasing the expense and cost of purchases done through hard cash or offer a discount on cash purchase. So it is very improbable that the customers who are using plastic money or credit cards just to finance their purchases can easily be persuaded to avoid credit purchases. (Ausubel 1991)

According to Mitchell (2008) International rules and policies like antidumping rules and non tariff barriers have failed to control the protectionism in industrial countries because these rules and policies worked against the economic interest of developing economies. For instance, the tariff on imports in industrial countries from developing countries is four time than tariff from importing from other industrial countries. Similarly OECD Organizations give $1 billion to the domestic subsidies of agriculture in a day that is six times more than the amount which they spend on development assistance for developing countries.

Financial Crisis in Different Economies		
Cash Based Economies China Japan Germany Russia Malaysia **Non-cash Based Economies** Unites States of America United Kingdom Australia Canada Fijji	**Coding/Economic Indicators** • GDP • GDP Growth Rate • Inflation • Unemployment • Gross Saving Rate • Household Saving Rate • Foreign Investment • Exports of Goods and Services • Credit usage (in shape of Credit Cards)	**Signals from Globalization** • Integration of economies around the world • Spread of international businesses • Flexible international markets • Standard rules and regulations for all • Worldwide exposure in favor of developing countries • Increasing opportunities of investment around the globe **Signals from Anti-Globalization** • Dependency of developing economies on developed economies • Expansion in the use of credit, loans & credit cards around the globe • High interest rates. • Modifying cash economies into non-cash economies. • Incapability of developing economies to cope up with international rules because of their weak economic infrastructure

GDP

Cash Based Economies:

China: People's Republic of China is the third largest economy in the world with a GDP of $4.91 trillion; after the United States and Japan. (CIA World Fact book 2010)

Main features of country forecast - CHINA

	2008				Annual percentage change					
	bn CNY	Curr. prices	% GDP	92-05	2006	2007	2008	2009	2010	2011
GDP	30067.0	100.0		10.2	11.7	13.0	9.7	8.7	9.6	9.5
Private consumption	10839.2	36.1		-	-	-	-	-	-	-
Public consumption	4072.0	13.5		-	-	-	-	-	-	-
Gross fixed capital formation (1)	111417.4	43.3		-	-	-	-	-	-	-
of which : equipment	-	-		-	-	-	-	-	-	-
Change in stocks as % of GDP	-	-		-	-	-	-	-	-	-
Exports (goods and services)	14306.9	47.6		-	17.1	34.3	8.2	-11.4	4.5	5.1
Final demand	-	-		-	-	-	-	-	-	-
Imports (goods and services)	9559.5	31.8		-	16.4	11.7	6.5	-6.8	5.9	5.1
GNI (GDP deflator)	-	-		-	-	-	-	-	-	-
Contribution to GDP growth :		Domestic demand		-	-	-	-	-	-	-
		Stockbuilding		-	-	-	-	-	-	-
		Foreign balance		-	-	-	-	-	-	-
Employment				1.1	0.8	0.8	0.6			
Unemployment (a)				3.3	4.1	4.0	4.2	-	-	-
Compensation of employees/head				-	-	-	-	-	-	-
Unit labour costs				-	-	-	-	-	-	-
Real unit labour costs				-	-	-	-	-	-	-
Savings rate of households				-	-	-	-	-	-	-
GDP deflator				-	3.6	7.4	6.5	1.5	3.0	3.0
Private consumption deflator				-	-	-	-	-	-	-
Index of consumer prices (c)				5.6	1.5	4.8	5.9			
Trade balance (b)				2.7	8.2	9.3	8.3	6.5	4.8	4.3
Current account balance (b)				2.1	9.5	11.0	9.8	7.3	6.1	5.6
Net lending(+) or borrowing(-) vis-à-vis ROW (b)				-	-	-	-	-	-	-
General government balance (b)				-1.5	-0.8	0.6	-			
General government gross debt (b)				-	-	-	-	-	-	-

Figure 6: Main Features of Country Forecast- China

Source: European Economic Forecast 2009.

Japan: Japan is the second largest economy in the world after United States with the GDP of $5.07 trillion. (CIA World Fact book 2010)

Main features of country forecast - JAPAN

	2008			Annual percentage change						
	bn YEN Curr. prices	% GDP		92-05	2006	2007	2008	2009	2010	2011
GDP	507569.4	100.0		1.1	2.0	2.3	-0.7	-5.9	1.1	0.4
Private consumption	293433.0	57.8		1.2	1.5	0.7	0.0	-1.2	0.9	1.0
Public consumption	94076.3	18.5		2.7	0.4	1.9	0.8	0.8	0.7	0.9
Gross fixed capital formation	117168.2	23.1		-0.7	0.5	0.8	-5.0	-12.3	0.2	-0.3
of which : equipment	-	-		-	-	-	-	-	-	-
Exports (goods and services)	88473.8	17.4		5.0	9.7	8.4	1.8	-26.6	7.9	3.1
Imports (goods and services)	87758.5	17.3		4.1	4.2	1.5	0.9	-16.7	2.9	7.6
GNI (GDP deflator)	524316.7	103.3		1.2	2.5	2.8	-0.7	-6.9	1.0	0.3
Contribution to GDP growth :	Domestic demand			0.9	1.0	0.9	-0.7	-3.2	0.7	0.7
	Stockbuilding			0.0	0.2	0.3	-0.2	-0.3	-0.3	0.0
	Foreign balance			0.2	0.8	1.1	0.2	-2.4	0.7	-0.4
Employment				-0.2	0.4	0.4	-0.4	-3.0	-1.2	-0.2
Unemployment rate (a)				4.0	4.1	3.9	4.0	5.0	6.3	7.0
Compensation of employees/head				0.1	0.4	-0.4	0.5	-0.8	0.5	0.9
Unit labour costs whole economy				-1.1	-1.2	-2.3	0.8	2.2	-1.8	0.3
Real unit labour costs				-0.6	-0.3	-1.7	1.7	1.5	-0.8	0.8
Savings rate of households (b)				-	-	10.4	10.1	11.1	10.5	9.3
GDP deflator				-0.6	-0.9	-0.7	-0.9	0.7	-1.0	-0.5
General index of consumer prices				-	0.3	0.0	1.4	-1.2	-0.4	0.3
Terms of trade of goods				-1.1	-8.0	-4.4	-11.0	14.8	-2.0	-1.8
Trade balance (c)				2.6	1.9	2.4	0.8	0.6	0.9	0.5
Current account balance (c)				2.7	3.9	4.8	3.2	1.8	2.0	1.0
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				2.6	3.8	4.7	3.1	1.7	1.9	0.9
General government balance (c)				5.6	1.6	2.6	3.8	8.0	8.0	0.1
Cyclically-adjusted budget balance (c)				-	-	-	-	-	-	-
Structural budget balance (c)				-	-	-	-	-	-	-
General government gross debt (c)				127.2	191.3	187.7	173.1	189.8	197.6	206.0

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

Figure 7: Main Features of Country Forecast- Japan

Source: European Economic Forecast 2009

Germany: Germany is the 4th largest economy around the globe with respect to its GDP i.e. \$2.811 trillion. (CIA World Fact book 2010)

Main features of country forecast - GERMANY

		2008			Annual percentage change					
		bn Euro Curr. prices	% GDP	92-05	2006	2007	2008	2009	2010	2011
GDP		2495.8	100.0	1.4	3.2	2.5	1.3	-5.0	1.2	1.7
Private consumption		1409.7	56.5	1.3	1.3	-0.3	0.4	0.6	-0.2	0.8
Public consumption		451.8	18.1	1.3	1.0	1.7	2.1	2.3	1.5	0.8
Gross fixed capital formation		474.7	19.0	0.5	7.8	5.0	3.1	-8.9	2.1	3.9
of which : equipment		201.8	8.1	1.4	11.1	6.9	5.3	-20.8	1.0	7.0
Exports (goods and services)		1179.4	47.3	6.0	13.0	7.5	2.9	-15.4	2.6	4.7
Imports (goods and services)		1023.7	41.0	5.0	11.9	4.8	4.3	-9.5	2.0	4.3
GNI (GDP deflator)		2537.0	101.7	1.4	4.1	2.4	0.9	-5.0	0.8	1.6
Contribution to GDP growth :	Domestic demand			1.2	2.3	1.0	1.2	-0.9	0.6	1.4
	Stockbuilding			-0.2	-0.2	-0.1	0.5	-0.7	0.3	0.0
	Foreign balance			0.4	1.1	1.5	-0.3	-3.4	0.3	0.3
Employment				-0.8	0.2	1.5	1.4	-0.5	-1.9	-0.3
Unemployment rate (a)				8.5	9.8	8.4	7.3	7.7	9.2	9.3
Compensation of employees/f.t.e.				3.2	1.5	1.1	2.0	-0.2	1.3	1.6
Unit labour costs whole economy				1.0	-1.4	0.2	2.2	4.6	-1.8	-0.4
Real unit labour costs				-0.3	-1.9	-1.7	0.7	3.6	-2.4	-0.9
Savings rate of households (b)				-	-	16.8	17.2	16.9	17.2	17.2
GDP deflator				1.4	0.5	1.9	1.5	0.9	0.6	0.5
Harmonised index of consumer prices				-	1.8	2.3	2.8	0.3	0.8	1.0
Terms of trade of goods				0.5	-1.8	0.6	-1.1	3.4	-0.4	-0.7
Trade balance (c)				4.0	7.0	8.2	7.3	4.7	4.7	4.7
Current account balance (c)				0.3	6.6	7.9	6.8	4.0	3.8	3.7
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				0.3	6.6	7.9	6.8	4.0	3.8	3.7
General government balance (c)				-2.7	-1.6	0.2	0.0	-3.4	-5.0	-4.6
Cyclically-adjusted budget balance (c)				-2.6	-2.2	-1.2	-1.5	-1.9	-3.6	-3.5
Structural budget balance (c)				-	-2.2	-1.2	-1.1	-1.9	-3.6	-3.5
General government gross debt (c)				57.6	67.6	65.0	65.9	73.1	76.7	79.7

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

Figure 8: Main Features of Country Forecast-Germany

Source: European Economic Forecast 2009

Russia: Russian Federation is the 8th largest Economy around the globe with the GDP of $2.12 trillion. (CIA World Fact book 2010)

Main features of country forecast - RUSSIA

	2008				Annual percentage change					
	bn RUB Curr. prices		% GDP	92-05	2006	2007	2008	2009	2010	2011
GDP		41173.4	100.0	-	7.7	8.1	5.6	-7.2	2.3	2.7
Private consumption		19634.4	47.7	-	11.2	13.6	11.2	-6.0	2.5	3.0
Public consumption		6975.7	16.9	-	2.4	3.4	2.5	0.9	1.5	1.0
Gross fixed capital formation		9408.7	22.9	-	18.0	21.1	10.0	-21.0	1.8	3.9
of which : equipment		3388.5	8.2	-	-	-	-	-20.0	2.0	4.0
Exports (goods and services)		13067.5	31.7	-	7.3	6.3	0.5	-11.6	3.0	2.5
Imports (goods and services)		9156.0	22.2	-	21.3	26.5	15.0	-20.0	2.0	3.0
GNI (GDP deflator)		39952.2	97.0	-	7.2	8.8	5.0	-5.4	2.2	2.7
Contribution to GDP growth :	Domestic demand			-	9.2	11.1	8.0	-7.5	2.0	2.6
	Stockbuilding			-	-	-	-	-	-	-
	Foreign balance			-	-2.0	-3.4	-3.1	0.8	0.3	0.1
Employment				-	0.6	0.8	-0.5	-1.3	0.6	0.0
Unemployment rate (a)				-	6.7	5.6	5.6	7.2	6.8	6.5
Compensation of employees/head				-	-	-	-	-	-	-
Unit labour costs whole economy				-	-	-	-	-	-	-
Real unit labour costs				-	-	-	-	-	-	-
Savings rate of households (b)				-	-	-	-	-	-	-
GDP deflator				-	15.5	13.9	19.2	1.0	9.7	9.3
General index of consumer prices				-	9.7	9.0	14.1	10.5	9.0	7.8
Terms of trade of goods				-	-	-	-	-	-	-
Trade balance (c)				-	14.1	10.1	10.7	5.0	6.4	7.3
Current account balance (c)				-	9.6	5.9	6.1	1.7	3.2	4.3
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-	9.6	5.2	6.1	-	-	-
General government balance (c)				-	-	-	-	-6.5	-2.6	-2.7
Cyclically-adjusted budget balance (c)				-	-	-	-	-	-	-
Structural budget balance (c)				-	-	-	-	-	-	-
General government gross debt (c)				-	-	-	-	7.7	10.4	10.9

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

Figure 9: Main Features of Country Forecast- Russia

Source: European Economic Forecast 2009

Malaysia: Malaysia is the middle-income economy which is the 3rd largest and biggest economy in South East Asia and 30th largest economy around the globe with the GDP amounting $381.1 billion. (CIA World Fact book 2010)

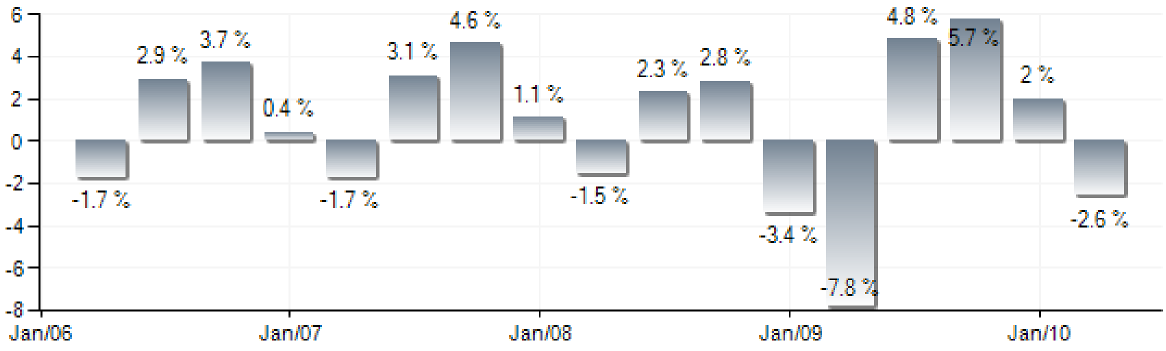

Figure 10: GDP Growth Rate- Malaysia

Source: Economic Indicators: Global Economic Research

Non-Cash Based Economies:

Unites States of America: America is the largest technological advanced and powerful economy around the globe with the GDP of $14.27 trillion. (CIA World Fact book 2010)

Main features of country forecast - THE UNITED STATES

	2008		Annual percentage change						
	bn USD Curr. prices	% GDP	92-05	2006	2007	2008	2009	2010	2011
GDP	14441.2	100.0	3.3	2.7	2.1	0.4	-2.5	2.2	2.0
Private consumption	10129.9	70.1	3.7	2.9	2.6	-0.2	-0.8	-0.2	0.4
Public consumption	2386.8	16.5	1.5	1.2	1.5	3.4	2.5	4.1	2.9
Gross fixed capital formation	2667.1	18.5	5.7	2.3	-1.4	-4.2	-14.5	4.6	4.5
of which : equipment	1264.9	8.8	7.4	8.2	1.5	-4.4	-15.0	3.9	4.4
Exports (goods and services)	1831.1	12.7	5.2	9.0	8.7	5.4	-10.9	7.7	8.4
Imports (goods and services)	2538.9	17.6	8.2	6.1	2.0	-3.2	-14.9	7.5	5.7
GNI (GDP deflator)	14583.1	101.0	3.5	3.5	0.9	-0.2	-2.8	2.2	2.0
Contribution to GDP growth : Domestic demand			3.8	2.7	1.8	-0.4	-2.8	1.3	1.5
Stockbuilding			0.1	0.1	-0.3	-0.4	-0.7	1.1	0.3
Foreign balance			-0.5	-0.1	0.6	1.2	1.1	-0.2	0.2
Employment (*)			1.3	2.1	1.1	-0.5	-3.5	-0.5	0.3
Unemployment rate (a)			5.4	4.6	4.6	5.8	9.2	10.1	10.2
Compensation of employees/head			3.8	4.1	3.7	2.6	-0.2	0.6	0.7
Unit labour costs whole economy			1.7	3.5	2.7	1.7	-1.3	-2.1	-0.9
Real unit labour costs			-0.4	0.2	-0.2	-0.5	-2.4	-2.1	-0.8
Savings rate of households (b)			-	-	4.5	5.3	7.2	8.2	10.0
GDP deflator			2.1	3.3	2.9	2.1	1.1	0.0	-0.1
General index of consumer prices			-	3.2	2.8	3.8	-0.5	0.8	0.1
Terms of trade of goods			-0.2	-0.8	-0.1	-5.7	6.4	-2.5	-0.9
Trade balance (c)			-3.6	-6.5	-6.1	-6.0	-3.7	-4.2	-4.2
Current account balance (c)			-3.0	-6.0	-5.2	-4.9	-2.9	-3.4	-3.3
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-3.1	-4.3	-5.1	-5.6	-3.0	-3.4	-3.3
General government balance (c)			-2.6	-2.0	-2.7	-6.4	-11.3	-13.0	-13.1
Cyclically-adjusted budget balance (c)			-	-	-	-	-	-	-
Structural budget balance (c)			-	-	-	-	-	-	-
General government gross debt (c)			64.5	61.2	62.2	70.7	82.7	93.9	105.3

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

(*) Employment data from the BLS household survey.

Figure 11: Main Features of Country Forecast-USA

Source: European Economic Forecast 2009

United Kingdom : The United Kingdom is the 7th largest and most important developed economy with the GDP of $2.149 trillion. (CIA World Fact book 2010)

Main features of country forecast - THE UNITED KINGDOM

		2008		Annual percentage change						
		bn GBP Curr. prices	% GDP	92-05	2006	2007	2008	2009	2010	2011
GDP		1448.3	100.0	2.8	2.9	2.6	0.6	-4.6	0.9	1.9
Private consumption		928.4	64.1	3.2	1.5	2.1	1.0	-3.3	-0.3	1.5
Public consumption		313.3	21.6	1.8	1.6	1.2	2.5	2.9	1.4	-1.8
Gross fixed capital formation		243.1	16.8	3.7	6.5	7.8	-3.3	-15.9	-3.8	3.0
of which : equipment		83.8	5.8	5.0	4.5	11.5	-3.0	-26.8	-9.3	2.3
Exports (goods and services)		422.2	29.2	5.6	11.3	-2.8	1.0	-11.5	1.8	4.6
Imports (goods and services)		459.5	31.7	6.6	8.8	-0.7	-0.8	-13.7	0.1	3.0
GNI (GDP deflator)		1474.7	101.8	3.0	1.8	3.3	1.0	-5.1	1.7	2.0
Contribution to GDP growth :	Domestic demand			3.1	2.4	3.0	0.5	-4.3	-0.4	1.0
	Stockbuilding			0.1	0.1	0.2	-0.4	-1.2	0.8	0.5
	Foreign balance			-0.3	0.4	-0.6	0.5	1.0	0.4	0.4
Employment				0.7	0.9	0.7	0.7	-2.0	-0.9	1.3
Unemployment rate (a)				6.8	5.4	5.3	5.6	7.8	8.7	8.0
Compensation of employees/head				4.2	4.2	4.9	2.3	1.2	1.2	2.3
Unit labour costs whole economy				2.1	2.2	3.0	2.5	4.0	-0.6	1.7
Real unit labour costs				-0.4	-0.6	0.1	-0.4	2.9	-2.2	-0.3
Savings rate of households (b)				-	-	2.2	1.5	4.3	5.0	6.1
GDP deflator				2.5	2.8	2.9	2.9	1.1	1.7	2.0
Harmonised index of consumer prices				1.9	2.3	2.3	3.6	2.0	1.4	1.6
Terms of trade of goods				0.1	-0.1	0.6	0.3	-1.5	0.3	0.5
Trade balance (c)				-3.1	-5.8	-6.4	-6.5	-5.8	-5.5	-5.2
Current account balance (c)				-1.6	-3.3	-2.7	-1.6	-2.4	-1.6	-0.9
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-1.5	-3.2	-2.5	-1.4	-2.2	-1.4	-0.7
General government balance (c)				-2.8	-2.7	-2.7	-5.0	-12.1	-12.9	-11.1
Cyclically-adjusted budget balance (c)				-2.8	-3.5	-3.8	-5.7	-10.5	-11.4	-9.9
Structural budget balance (c)				-	-3.5	-3.8	-5.2	-10.3	-11.4	-9.9
General government gross debt (c)				43.6	43.2	44.2	52.0	68.6	80.3	88.2

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

Figure 12: Main Features of Country Forecast-UK

Source: European Economic Forecast 2009

Canada: Canada is among the wealthiest countries in the world, it is the 15th largest economy around the globe with respect to its GDP, which stands at $1.285 trillion. (CIA World Fact book 2010)

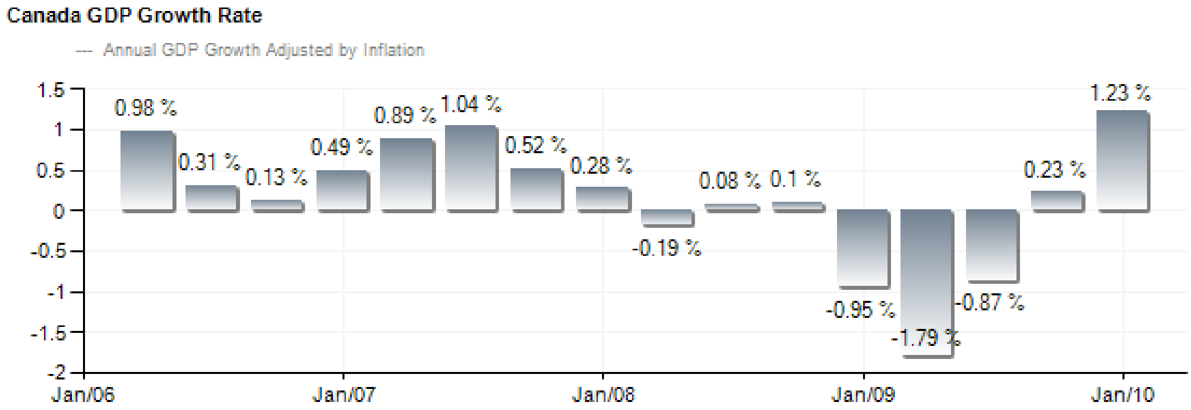

Figure 13: GDP Growth Rate - Canada

Source: Economic Indicators: Global Economic Research

Australia: Australia is the advanced and developed economy with the GDP of $824.3 billion. (CIA World Fact book 2010)

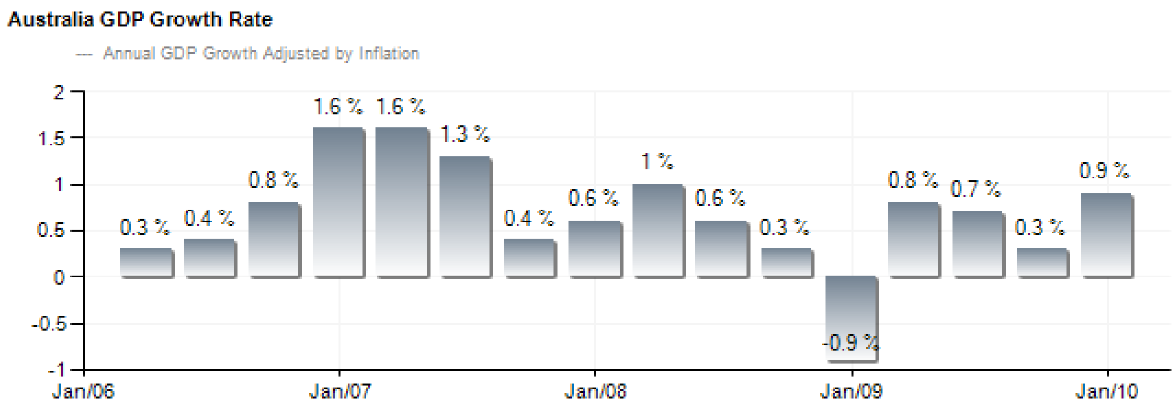

Figure 14: GDP Growth Rate- Australia

Source: Economic Indicators: Global Economic Research

Fiji: Fiji is one of the most developed economies of pacific island with the GDP of $3.702 billion. (CIA World Fact book 2010)

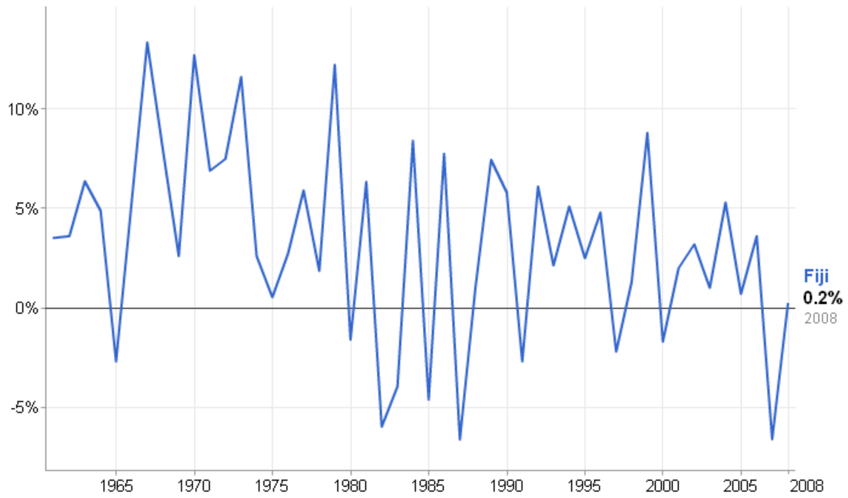

Figure 15: GDP Growth Rate- Fiji

Source: Economic Indicators: Global Economic Research

Saving Rate

Cash Based Economies:

China:

China's saving rate is one of the world's highest rates; it is at 39.7% of household disposable income as compare to 3.2% for the U.S. Chinese consumers are very much reluctant to use credit cards or plastic money (World Bank Economic Indicators 2010). According to research by the National Bureau of Economic Research, in the past few years, many Chinese stopped using credit cards which gives a clear picture of Asian liking for cash purchases and cash dealings. As compare to other countries China is less affected by the current financial crisis that's because of its closed financial system (Shulz 2010).

Japan:

Saving rate of Japan is also one of the highest around the globe. Ministry of Internal Affairs and Communication said in a report that in 2006, salaried worker's household saving rate was averaged to 27.6 % (World Bank Economic Indicators 2010). Japanese people prefer to save money rather spending it because they are too much reluctant to take risk similarly a lot of western countries take Japan as a technology oriented and modernized country; this may perhaps be factual for the usage of electronic gadgets, cell phones or electronic development but it can't be true for the usage of electronic or plastic money. Credit card providers utilize each and every motivational tool and incentive to replace cash with credit cards but all the efforts made were ineffective because Japan always behaved like strong cash based society. In smaller cities credit card is not accepted even in some big cities, many smaller businesses do not accept credit cards and they try to limit its utilization. (Shulz 2010) .

Germany:

Household saving rate also stands at 16.9% in 2009 since credit cards are not considered to be the most accepted and famous ways of financial transaction. (World Bank Economic Indicators 2010).On the other hand, banks and credit card issuers promote the usage of plastic money and they give many rewards to increase the percentage of credit card users. So the usage of plastic money is very low in Germany as compare to other European countries. Most of German people prefer to use cash for the payment of commodities rather than availing the ease of credit card; that behavior may be because of non-friendly atmosphere in the in German economy for the usage of credit card (Schluz 2010)

Russia:

Even after remarkable development, fast growth and flow of wealth, **credit card** usage and acceptance is very low and it remains sparse outside big cities; many Russian people use credit cards to get cash for financing their purchases like debit cards. They believe more on saving and spending rather borrowing and buying, because of this nature the **saving rate** was 31.8 % in 2008, which is one of the highest savings in the world (Shulz 2010).

Malaysia:

Malaysia have one of the **highest saving rate** around the globe i.e. 37.6% in 2007, these savings provide Malaysian economy enough cushion to fulfil needs and support their banking and international markets (Tharachai 2008).According to statistics, there is a 279 percent increase in the usage and circulation of **credit cards** in 8 years i.e. from 2.8 million credit cards to 10.7 million in 2008 as plastic money is unquestionably a very handy electronic payment tool , which gives security and flexibility in the payment, especially when someone needs urgent cash or while travelling. Be that as it may, still there are a huge percentage of people who don't use credit card and they prefer to use cash to finance their purchases. Given that , there are many benefits attached with the usage of plastic money; in Malaysia it is envisaged that credit cards users will be increased and they will respond on credit in future because of the globalization effect.

Non-Cash Based Economies:

Unites States of America:

America's household saving rate was just 4.5% in 2007, as usage of credit card is very common in American economy or it can be said that America is a pure credit based economy (World Bank Economic Indicators 2010). It is illustrated in the survey of credit reporting agency Experian that, on average an American buyer has four credit cards with him which is higher than the average of 2004 i.e. 3.2 cards, On the same pattern, 51% consumers hold two credit cards. There are also 14% American who have more than ten credit cards, this show the liking of credit in American economy (Shulz, 2010). The economic and financial crisis of 2007 was generated by liquidity crisis in banking system of United States of America, it caused the financial institutions to collapse, government have to come with bailout packages, slump in international businesses and stock markets around the globe. Similarly the economic downturn around the globe, the sub-prime credit crisis, banking failure(particularly investment banking), decrease in housing prices and limited saving brought deep recession in economy of united states of America in mid of 2008 with substantial decline in GDP growth rate i.e. from 2.1% to -2.5% in 2009 (Reinhart 2007).

United Kingdom:

UK's saving rate was 15% in 2008 with respect to its GDP, whereas the household saving rate was just 1.5% in 2008 because the usage of credit cards is very common in UK. Only in January 2010 the number of transactions through credit cards was 138 million amounting £10.2 billion, which is 19.9% less than December 2009. (World Bank Economic Indicators 2010)

Canada:

Canadian **saving rate** was 27.5% in 2007 but still **credit card** usage in Canada is very common, credit card is considered as the easy method of paying for the purchases (World Bank Economic Indicators 2010).There are hundreds of organizations who are giving credit cards to the Canadian people; some of them offer rewards and other benefits to encourage the use of cards. According to the report of Canadian bankers association more than 70% of the Canadian card users pay off their balances by the end of the month, because of this practice; **house hold debt** ratio is very less as compare to other economies therefore Canadian economy took very powerful position in economic crisis and it came out from the crisis among the strongest economies around the globe (The Canadian Bankers Association 2009).

Australia:

Saving rate of Australian economy reached 28.8% in 2008 from 25.6% in 2005(World Bank Economic Indicators 2010). However, from the last 30 years **household saving** rate of Australia decreased; even it has become negative in the early years of this decade. The main reason is the increasing amount of **credit card**, Australian population have started relying on the credit purchases. In 2009, the **credit card debt** went to the record level i.e. 1.7% which is $ 45.5 billion which means that there is an average debt of $3148 for every credit card user in Australia. (CIA World Fact book 2010)

Fiji: Fiji is among the countries which have the lowest **saving rates** i.e. -3.0% in 2006 because of extensive credit dependence.

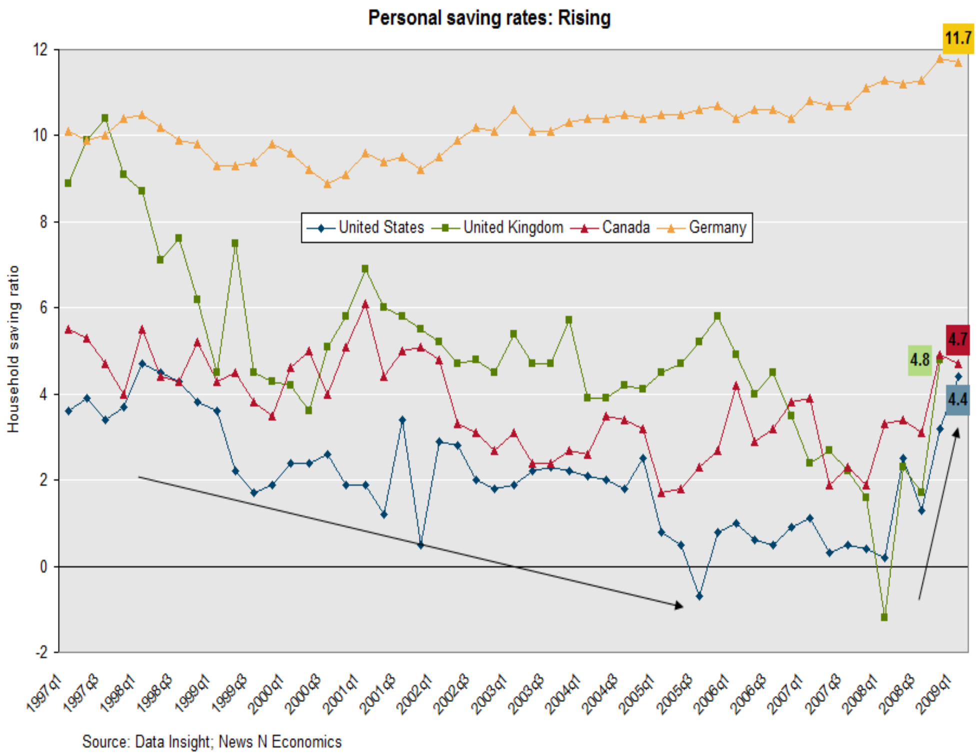

Figure 16: Personal Saving Rates

Discussion:

In non-cash based economies the credit card payment is the major source to finance the purchases, in both individual consumer purchases and in business transactions. that there are mainly three important reasons according to which the consumer prefer credit card over cash payment,

- *Customer needs some ready finance or credit to make the purchase.*
- *Customers try to get benefit from the usefulness of the credit card by purchasing the commodities without carrying the hard cash with them.*
- *Customers are always price conscious; they know about implied saving of money in buying and acquiring now and paying for it later by using credit card.*

However consumers get ease and convenience in obtaining short term loans but their basic motivation of using plastic money or credit card differ from customer to customer and from one social class to another. But on the other hand the cash based economy is completely related to hard cash where purchases and business transactions are based on hard cash and as compare to the non-cash based economy, the cash based economy survived much well in the crisis time because there are less loans and bad debts in cash economy whereas the crisis was started from the non cash economies for example the big collapse in the housing industry of America due to bad and outstanding debts. Even in the non-cash based economies the bailout packages have not done any significant help in taking the economy out of the crisis. Several economies were in the better shape and scope to face and accommodate the economic shock and even they were able to increase their spending to mitigate the force of the crisis. These are few countries that do not have to face financing limitation, they have *gained macroeconomic and business stability and they have maintained their public debt. Similarly some other countries came up with fiscal cushions during the crisis period because they are commodity exporters.*

GDP Growth Rate

Cash Based Economies.

China:

As compare to other countries China is less affected by the current financial crisis that's because of its closed financial system (Shulz 2010). On the other hand China has observed the slowest growth rate in five years during the crisis because of decrease in exports i.e. growth rate was 9 percent in the third quarter of 2008. In November 2008 a huge financial supporting program was declared for 2009 and 2010, that program was amounted to 15% of 2008 GDP. The quick and speedy implementation of this stimulus program made China's economy to improve after the huge decline in growth when the GDP growth rate decreased to 6.2% in third quarter of 2009 with a huge decrease in exports, which decreased by 23.5% in the first quarter of 2009, that is way less as compare to same quarter in 2008. There was a substantial decrease in the exports because of fall down in international trade but generally**,** crisis had limited effect on manufacturing and industrialized products. (World Bank Economic Indicators 2010)

Japan:

International economists and financial experts say that Japan is very much capable of keeping itself away from economic and financial crisis because it has substantial cash support to fulfill its needs and to finance its businesses. As we have seen that American and European markets were affected and collapsed very badly but Japan's economy and businesses were unharmed during the crisis. Japan was only affected by the earlier crisis in USA after that, trades with USA and Europe reversed because Japanese investors took their money back to Japan's economically safe heaven. Resulting in the strong appreciation of Yen in 2007, mounting from 122.8 to 106.8 to US dollar(European Economic Forecast 2009).

Germany:

Germany is the 4th largest economy around the globe with respect to its GDP i.e. $2.811 trillion with GDP growth rate of 1.2% and it is also biggest economy in Europe (World Bank Economic Indicators 2010). It has a very advanced and fast growing economy; it is the beneficiary, trend setter and driver of the globalized economies. Germany was more open to financial crisis due to international business turmoil which was started by the economic crisis because of its huge manufacturing sector which is dependent on exports especially in investment goods. As a result, there was a sharp decrease in GDP in third quarter of 2008 and first quarter of 2009, this decrease in GDP was the highest as compare to all the industrialized economies (Watt 2008). To stabilize that slump in economy and market, German government took several steps including the implementation of guarantees in shape of Euro 400 billion (around 17% of GDP) through Market Stabilization. GDP Growth rate touched the lowest point of -4.7% in 2009.

Russia:

Russia has seen its 10th consecutive year of strong with GDP growth at 5.6% making the average growth to 6.9% from 1999 to 2008.Russia was holding the position of world's biggest exporter of natural gas; similarly it was the 2nd largest exporter of oil and 3rd largest in the export of steel. Russia is more vulnerable to crisis as compare to any other country because of its more dependence on exports(World Bank Economic Indicators 2010). It also has to face the increasing and decreasing patterns of commodity prices in international market, making its economy more flexible and volatile in international market. Russian economy have faced a sudden and deep slump in economy in 2007-2008 since the oil prices around the globe crashed and decreased badly which made the stoppage of foreign payments and credits on which the market and Russian banks were relying. That resulted in decrease of GDP growth rate from 8.1% to 5.6%. To slowdown the pace of crisis, in the end of 2008, one third of $600 billion international financial reserves were spent by the Central Bank of Russia. Similarly, to increase the liquidity of the banking sector and to help out Russian firms who were unable to stand, the Russian government dedicated $200 billion as a rescue program. In 2009 the GDP growth rate decreased to -7.2%, which is the lowest during the crisis, in 2010 there was little bit recovery in economy because oil prices were increasing around the globe, making GDP growth rate 2.3%, GDP growth rate is speeding up with the estimate that it will reach to 2.7% in 2011

Malaysia:

In 2009, Malaysia's economic growth and exports were hurt because worldwide demand of consumer products in international markets declined and Inflation rate in Malaysia have also touched the highest mark in 2008 reaching 8.5%. GDP growth rate has fallen from 4.6% 2008 to -7.8% in 2009 and it is predicted that there will be some positive growth in 2010 which will make to grow at -2.6% , however both (exports and economic growth) are also showing some positive signs of revival because Malaysia have one of the **highest saving rate** around the globe i.e. 37.6% in 2007, (World Bank Economic Indicators 2010) these savings provide Malaysian economy enough cushion to fulfil needs and support their banking and international markets (Tharachai 2008).

Non-Cash Based Economies

Unites States of America:

America is the largest, technological advanced and powerful economy around the globe with the GDP of $14.27 trillion, which was growing at 2.9% in 2005. (World Bank Economic Indicators 2010)It is the market oriented economy where businessmen and private individuals make different market decisions; American businesses holds larger flexibility in decisions related to increasing capital, dealing with surplus or excess employees and to build up a new product line. However they have to face big obstacles to enter in competitive markets as compare to other multinational organizations who want to enter in American market (CIA World Fact Book). The economic and financial crisis of 2007 was generated by liquidity crisis in banking system of United States of America, it caused the financial institutions to collapse, government have to come with bailout packages, slump in international businesses and stock markets around the globe. Similarly the economic downturn around the globe, the sub-prime credit crisis, banking failure(particularly investment banking), decrease in housing prices and limited saving brought deep recession in economy of united states of America in mid of 2008 with substantial decline in GDP growth rate i.e. from 2.1% to -2.5% in 2009 (Reinhart 2007). After start of financial meltdown; American GDP continued to decrease till 2009. In the end of 2008, Troubled Asset Relief Program was announced, amounting $700 billion to stabilize the economy. Some part of this program was used to purchase equity while the remaining was used to stabilize the industry and corporate market. In the start of 2009, more $781 billion financial package was announced; which will be used in next ten year to create jobs and to help the economy to recover. House hold saving rate is also increasing from 4.5% in 2005 to 7.2% in 2009 which is expected to be 10% in 2011, this increasing rate will help America to support their purchases rather than relying on credit (World Bank Economic Indicators 2010).

United Kingdom:

The United Kingdom is the 7th largest and most important developed economy with the GDP of $2.149 trillion which was growing at the rate of 2.7% in 2006. **In** 2008 economic slump smacked the British economy, it was a hard hit as the GDP growth was decreased to -4.6% in 2009 as compare to 0.6% in 2007 (World Bank Economic Indicators 2010). Worldwide slowdown of economic activity, decreasing home prices and increasing consumer debt were some of the major reasons of the economic recession in UK. British government came up numbers of measures to stabilize the impact of economic crisis; these measures consist of cutting taxes, nationalizing some parts of banking system and changing the rules for borrowing (suspending the public borrowing). These steps revealed some positivity in economic system, as the GDP growth is expected to reach 1.9% in 2011, which was negative in 2009.

Canada:

It has the market oriented economy which is just like the American economy. It has transformed itself from rural economy to industrial economy by advanced development in service industry, manufacturing and mining. **GDP growth rate** was 2.7% in 2007 which was decreased to 0.4% in 2008 and -1.7% in 2009 (World Bank Economic Indicators 2010). North American free trade agreement in 1994 helped a lot in expanding exports, especially in America, as 80% of Canadian exports go to America. Similarly Canada is the America's biggest supplier of electricity, oil and gas. Canada is the strong economy which stood very well in the economic crisis but in the end of 2008, global recession affected Canadian economy and brought a deep recession. The start of 2009 was even worse since 240,000 workers lost their jobs, and this is considered as the biggest monthly loss of Canada. Main reason of this crisis hitting the Canadian markets is the dependence of exports on America, as America receives a big chunk of Canadian exports. (CIA World Fact book 2010)

Australia:

The global economic crisis extremely affected the Australian economy as **unemployment rate** increased to 5.7% in 2009, similarly the **GDP growth declined** to -0.9% in 2009(CIA World Fact book 2010). Australian government came up with bailout package of $40 billion to minimize the effect of economic crisis, which worked very well as by the end of 2009 the economy have shown some indications of recovery and there was a positive growth in GDP with decrease in unemployment rate.

Fiji:

Fiji is very rich in resources like fish, mineral and forest, agriculture sector makes 18% of the GDP. Fiji also gets relatively huge amounts of foreign exchange as compare to other nations of pacific island, because of its sugar exports (sugar makes 1/3rd of its industrial activity) and increasing tourism. In 2007 Fiji’s economy was hit by the global financial crisis with a sharp decrease in GDP growth rate, which fell from 3.6% in 2006 to -6.6% in 2007. (CIA World Fact book 2010)

Discussion:

If we look at the GDP growth pattern in both cash and non-cash based economies, its quiet obvious that the both economies observed the decline in GDP growth rate. But the cash based economies were having enough reserves that cushioned the decline in a very less time as compare to the non-cash based economies that have to come up with bailout packages. Whilst financial market turbulence, credit shortages and higher unemployment had inevitably lead to a non-negligible loss of potential output; which automatically guided the economy *towards decline. Similarly, GDP growth rate crashed and decreased badly also because of the stoppage of foreign payments and credits on which the markets and banks were relying.*

Inflation

Cash Based Economies:

China:

Inflation rate of consumer goods has remarkably increased; increased from 1.5% in 2006 to 5.9% in 2008 but the future forecast in giving some good signs for China. (CIA World Fact book 2010)

Japan:

Inflation rate increased after the crisis to 0.7% in 2008 as compare to -0.2 in 2007 but the stable economic system of Japan made the inflation rate to decrease to 2.5% in 2009. (CIA World Fact book 2010)

Germany:

The inflation rate increased after the crisis to 3% in 2008 which gradually decreased to 1% by the end of 2009. (CIA World Fact book 2010).

Russia:

Inflation rate hit the highest point during the crisis, it reached to 15% however it slowly decreased to 5% at the end of 2009. (CIA World Fact book 2010)

Malaysia:

Due to the crisis Inflation rate also increased in crisis to 8.5% in 2008 but it decreased to -2.4% in 2009. (CIA World Fact book 2010)

Non-cash Based Economies:

Unites States **of America:** Inflation rate increased to the highest point of 6% during the crisis in 2008 but it decreased to -1% by the end of 2009 with the help of bailot packages. (CIA World Fact book 2010)

United Kingdom: Inflation rate was also increased to 4% in 2008 which was 2.8% in 2005. (CIA World Fact book 2010)

Canada: Inflation rate hit the highest mark in 2008; it reached to 3.5% and compare to 1.4% before crisis. (CIA World Fact book 2010)

Australia: Inflation rate increased to 5% in 2008 as compare to 3% before the crisis in 2006.
Fiji: Inflation rate increased during the crisis and it reached 7.8% in 2008.(CIA World Fact book 2010)

Discussion:

Inflation rate vary from country to country depending upon financial and economic policy responses. Inflation resulted in collapse of regional stock markets, and is also responsible for the reduction in family income. Also *the Government funding to educational institutes and commodity subsidies declined due to the financial crisis resulting in increased inflation. It is palpable that economic growth is primarily driven by improvements in productivity, which involves producing goods and services, however the economic growth reduced with the start of financial catastrophe; that is because of decrease in productivity. Not only the production was decreased there was substantial decrease in exports and imports as well, which resulted in the increase of inflation rate. Inflation rate was increased in both cash and non-cash based economies; but the cash based economies overcame the increased inflation rate in very less* *time as compare to the non-cash based economies because of the high reserves which made them to give subsidies on the expensive products.*

Exports

Cash Based Economies:

China:

china is the second largest exporter of goods and services after European Union; its exports weigh around 36.6 % of GDP. China has observed the slowest growth rate in five years during the crisis because of decrease in exports; in 2009 the exports decreased to -11.4% but they showed positive signs in 2010 by increasing to 4.5%.(World Bank Economic Indicators 2010)

There was a substantial decrease in the exports because of fall down in international trade but generally, crisis had limited effect on manufacturing and industrialized products.

Japan:

Japan is a very big exporter of good and services , which stands at 17.4% of GDP. Exports were showing decreasing effects in the start of the crisis but it really got deepen when it reached -26.6% in 2009, which gradually increased to 7.9% in 2010. (World Bank Economic Indicators 2010)

Germany:

In 2009, exports of Germany were reported at $1.180 trillion making Germany second largest exporter around the globe. Germany also holds highest position in Europe with respect to it's saving i.e. 25.8% in 2008(World Bank Economic Indicators 2010). Germany was more open to financial crisis due to international business turmoil which was started by the economic crisis because of its huge manufacturing sector which is dependent on exports especially in investment goods. As a result, there was a sharp decrease in GDP in third quarter of 2008 and first quarter of 2009, this decrease in GDP was the highest as compare to all the industrialized economies (Watt 2008).

Russia:

Russia is very rich in precious metals, coal and natural gas reserves; it has also very good agriculture market. The disintegration of Soviet Union brought many noteworthy changes in past few years; changing the isolated, globally inaccessible and centrally planned economy to new market oriented and globally incorporated economy resulting in huge amount of exports of goods and services reaching 35.3% of GDP in 2009(World Bank Economic Indicators 2010). Russia was holding the position of world's biggest exporter of natural gas; similarly it was the 2nd largest exporter of oil and 3rd largest in the export of steel. Russia is more vulnerable to crisis as compare to any other country because of its more dependence on exports. It also has to face the increasing and decreasing patterns of commodity prices in international market, making its economy more flexible and volatile in international market.

Malaysia:

Since 1970, it has changed its market from raw material producers to growing multi-sector market. The macroeconomic plans of state plays very important role in over all growth of the GDP. Malaysia has got benefits and profits from the higher prices of oil and gas as it is major exporter of oil and gas. Similarly Malaysia is among the big exporters of goods and services all over the world and it stands at 25th position around the globe with the **exports** amounting $156.4 billion in 2009, that amount is way less as compare to the amount in 2008 ($198.7 billion that is 110.2% of its GDP). In 2009, Malaysia's economic growth and exports were hurt because worldwide demand of consumer products in international markets declined and

Inflation rate in Malaysia have also touched the highest mark in 2008 reaching 8.5%.(World Bank Economic Indicators 2010)

Non-Cash Based Economies

Unites States of America:

In December 2008 U.S. International Trade in Goods and Services report by the Department of Commerce’s U.S. Census Bureau and the Bureau of Economic Analysis, U.S. exports of goods and services grew by 12.0% in 2008 to $1.84 trillion, while imports increased 7.4% to $2.52 trillion. In December 2008, the U.S. goods and services trade deficit ($39.9 billion) was the lowest monthly deficit since February 2003. This led to a 3.3% improvement in the annual goods and services deficit for 2008. The largest export markets for U.S. goods in 2008 (with percent increase over 2007) were Canada ($261.4 billion, up 5.0%), Mexico ($151.5 billion, up 11.4%), China ($71.5 billion, up 9.5%), Japan ($66.6 billion, up 6.2%), and Germany ($54.7 billion, up 10.2%). Capital goods represent the largest goods export category (end-use) for the U.S. with $469.5 billion worth of exports in 2008. The U.S. trade surplus in capital goods rose $12.8 billion to reach $15.7 billion in 2008, up from a surplus of $2.9 billion in 2007.But on the other hand the exports of good and services decreased to -10.9% in 2009. (World Bank Economic Indicators 2010)

United Kingdom:

Over the past two decades, British government have reduced its public ownership and focused on the welfare programs for the society. It fulfils its 60% of food requirements with just 2% of its labour force because of highly mechanized and advanced agricultural system. It is also a big exporter of good and services around the globe, which is around 28.9% of its GDP. But its exports decreased to -2.8% in earky stages of crisis which further decreased to -

11.5%in 2009, Exports of good and services are expected to increase by 2011. (World Bank Economic Indicators 2010)

Canada:

It has the market oriented economy which is just like the American economy. It has transformed itself from rural economy to industrial economy by advanced development in service industry, manufacturing and mining. It is the major exporter of goods and services in the region with exports of 34.7% of GDP. North American free trade agreement in 1994 helped a lot in expanding exports, especially in America, as 80% of Canadian exports go to America. Similarly Canada is the America's biggest supplier of electricity, oil and gas. Canada is the strong economy which stood very well in the economic crisis but in the end of 2008, global recession affected Canadian economy and brought a deep recession. (World Bank Economic Indicators 2010)

Australia:

Australia is the main attraction for the foreign investors because of its rich natural resources in shape of copper, gold, gas, uranium and coal. It is also the big exporter of services around the globe, which also include exports of energy resources and food. Exports of goods and services reached 20.7% of GDP in 2008, even in crisis exports stood well and remained at the mark of 20% in 2009. (World Bank Economic Indicators 2010)

Fiji:

Fiji is very rich in resources like fish, mineral and forest, agriculture sector makes 18% of the GDP. Fiji also gets relatively huge amounts of foreign exchange as compare to other nations of pacific island, because of its sugar exports (sugar makes 1/3rd of its industrial activity) and increasing tourism. In 2005, Fiji was having exports of 55.7% of its annual GDP. Since 1998, Fiji's garment industry grew at fast pace which makes a good portion of its exports. But fiji's exports slightly decreased in 2009 and reached 47% of GDP. (World Bank Economic Indicators 2010)

Discussion:

World trade is also one of the major victims of economic crisis. Economies that depend on exports of goods and services for growth have been hit hard. Although falling demand, including reduced demand for oil, has cut trade around the world. Likewise the non payment of goods and services is also the major factor of reduction in exports. Countries have agreed to co-ordinate export credit support to help boost international trade and investment during the economic crisis. In evaluating cash and non-cash based economies, it is noticeable that cash based economies were having more funds to in their accounts support their business and exports as compare to non-cash based economies who have to abandon their exports for several months during the financial crisis. .

Foreign Direct Investment and Unemployment

Cash-Based Economies

China:

Employment was badly affected as 20 million migrant workers lost their jobs out of 150 million and they found themselves without any financial and social support. Similarly the inflation rate of consumer goods has remarkably increased; increased from 1.5% in 2006 to 5.9% in 2008 but the future forecast in giving some good signs for China, GDP growth will be reaching 9.4% and 9.5% in year 2010 and 2011 respectively, still implying a relative underperformance compared to the average rate observed since 1978. The foreign direct investment decreased from 4.09% to 3.42% of GDP. (World Bank Economic Indicators 2010)

Japan:

FDI decreased to -6.7 billion in start of crisis 2007 but it reached to 22.1 billion in 2009.

Inflation rate increased after the crisis to 0.7% in 2008 as compare to -0.2 in 2007 but the stable economic system of Japan made the inflation rate to decrease to 2.5% in 2009. Similarly the unemployment rate increased to 5.8% as compare to 4.0% in 2006. (World Bank Economic Indicators 2010)

Germany:

FDI decreased after the crisis from 2% in 2007 to 0.58% 2009 of GDP. Germany was more open to financial crisis due to international business turmoil which was started by the economic crisis because of its huge manufacturing sector which is dependent on exports especially in investment goods. Likewise the employment rate decreased to -1.9% in 2010. (World Bank Economic Indicators 2010)

Russia:

FDI decreased to 1.69% in the start of the crisis but it showed a positive growth by reaching 4.25% of GDP in 2008, There are two major reasons and relations between them is responsible for the crisis in Russian economy,

First, the shock and distress because of inaccessibility to the international market and international cash flows

Second, sudden and huge decrease in commodity prices in international market, which is the major portion of the Russian exports.

During the crisis employment rate decreased to -1.3% which was 1% before the crisis in 2006. (World Bank Economic Indicators 2010)

Malaysia:

FDI decreased in the start of the crisis to 2.87% but it increased gradually to 4.53% of GDP in 2008 because of relatively stable economic system. The employment rate increased to 4% in 2008 but it decreased to 3.2% in 2010, and it is expecting to similar positive growth in 2011. (World Bank Economic Indicators 2010)

Non-Cash Based Economies

Unites States of America:

FDI decreased to 0.91% in 2007 but it increased to 2.27% by the end of 2009. Similarly inflation rate increased to the highest point of 6% during the crisis in 2008 however it decreased to -1% by the end of 2009 with the help of bailot packages. (World Bank Economic Indicators 2010)

United Kingdom:

In 2008 economic slump smacked the British economy, it was a hard hit as the GDP growth was decreased to -4.6% in 2009 as compare to 0.6% in 2007. Inflation rate was also increased to 4% in 2008 which was 2.8% in 2005. **Employment rate** was also decreased to -2.0 in 2009 because of the deep recession. Worldwide slowdown of economic activity, decreasing home prices and increasing consumer debt were some of the major reasons of the economic recession in UK. **FDI** decreased to 3.5% in 2009 as compare to 6.33% of GDP in 2007. (World Bank Economic Indicators 2010)

Canada:

The start of 2009 was even worse since 240,000 workers lost their jobs, and this is considered as the biggest monthly loss of Canada. Main reason of this crisis hitting the Canadian markets is the dependence of exports on America, as America receives a big chunk of Canadian exports. FDI decreased from 8% in 2008 to 3.02% in 2009. (World Bank Economic Indicators 2010)

Australia:

The global economic crisis extremely affected the Australian economy as unemployment rate increased to 5.7% in 2009, Similarly the FDI decreased to -1.6 billions dollars in the start of the crisis. Australian government came up with bailout package of $40 billion to minimize the effect of economic crisis, which worked very well as by the end of 2009 the economy have shown some indications of recovery and there was a positive growth in GDP with decrease in unemployment rate. (World Bank Economic Indicators 2010)

Fiji:

The main reason of the financial crisis was the decrease in foreign exchange as the tourism was decreased by 6% in 2007, which make a huge amount of GDP. Similarly sugar and some other exports were decreased to the European markets since the European markets were also facing the financial turmoil. **FDI** decreased to 5.42% in 2007 of GDP as compare to 9.37% of GDP in 2005. (World Bank Economic Indicators 2010).

Discussion:

It has been observed that GDP growth is decreased, high technology export is drop off, inflation is greater than before which ultimately impacted on employment, job loss, downsizing, purchasing power decreases, problems of people increased and its hard for them *to meet with the daily and essential expenditures and fulfilling of their requirements. . Urban families are suffering from unemployment through closures of businesses, factories and fall down in construction industry. Condensed demand for commodities has adversely affected the earnings of huge businesses and workers which also resulted in increase in unemployment decrease and foreign direct investment. Similarly many economies placed numerous restrictions on capital flows, particularly outflows, in part so that it can maintain its managed float currency policy. These restrictions limit the ability of the citizens and many firms to invest their savings overseas, compelling them to invest those savings domestically (such as in banks, the stock markets, real estate, and business ventures). FDI and employment rate stood really well in Cash based economies as compared to the non-cash based economies, Cash based economies supported their businesses with high reserves and savings which they were having before the crisis; which made them to stabilize their employment and FDI rate in very less time.*

CHAPTER 5

CONCLUSION

International Businesses and markets are always under the threat of financial and economic slump, these economic recessions can be prohibited if vital and critical information is provided to all the international businesses on the right time. The market forces provides precious information and guidelines to manage businesses prior to crisis however international organizations usually ignore and overlook the significance of these signals in generating profits and handling crisis; same experience is observed in 2007-2008 economic crisis. International businesses ignored the market signals which were coming from globalization and anti-globalization perspectives; they overlooked the radical and severe changes which were taking place in the name of globalization. Similarly, they increased and amplified their businesses without taking into account the drastic changes in the usage of loans and credit, even the industrial, economy and market researches were indicating those drastic changes.

The existing global financial catastrophe should be considered as "housing finance crisis", the head of the United Nations Human Settlements Program (**UN-HABITAT**) said in October 2008.

"*The financial crisis we are facing today cannot be seen as an event – it is a process that has been building up over time and this process has now bust*," International businesses have to study, examine and analyze those indications which are coming from international markets that, how and when, business should spread and diversify its operations, adopt advance and latest technologies, plan a new business strategy, market new product line, when to enter competitive market and how to attract consumers in foreign markets; this practice will provide them with guidelines and help to spread their business around the globe and it will also help to generate maximum profits. The chain reaction attached with the financial and economic crisis is attributed with combined activities, behaviour and practices of international businesses since, it is highly significance as they are the decision makers of the market regarding the investment and financing issues of the business. Every organization increases the effect and scale of financial turmoil, if their businesses are running on credit finances and credit investment. And as the vulnerability grows, the economies become more exposed and uncovered to the financial meltdown. Similarly, the likelihood of economic weakness and instability increases when businesses and financial institutes are in most fragile condition.

The academic viewpoint of organizational management states that business and economic catastrophe is different as compare to social and environmental disasters, there is mainly two main reasons for this stance.

Firstly, social disasters can be natural, manmade or both, whereas the business slumps and crisis are totally man-made events.

Secondly, business and economic crisis not only harms the society but also work and social lives of people, while in natural disasters there is a threat related to the injuries and loss of human lives

In today's technological advanced and knowledge based markets, knowledge management should be considered as the critical and important activity within the international organizations, and subsequently organizations have to create linkage between the strategy of their missions, goals and problem with knowledge management practices. During the crisis, decision making ought to be handled timely because it is very critical, threatening and unique since organizations have to face unusual situations because of complications and complexities.

Before the financial crisis the anti-globalization forces were indicating the signals regarding unusual behaviour of international markets, and they have also indicated economic instability and insecurity because of the disorganized expansion of businesses in developing and developed, cash and non cash based nations. Whereas driving forces of globalization, generally the wealthiest nations expanded their businesses without taking into account the indication from anti-globalization. The details of the financial crisis make it quiet evident that anti-globalization perspective was precise and accurate to some extent, however in today's advanced global lifestyle; it is very hard to implement anti-globalization practices. There is a need that both the forces i.e. globalization and anti-globalization should come with a new flexible economic system through the incorporation of policies which should be in favor of the whole economic world.

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