**SECTION 10: TECHNOLOGY AND THE GLOBAL BUSINESS ENVIRONMENT**

***Objective 1****. explain the concept of business technology;*

***Business Technology*** (BT) refers to applications of science, data, engineering, and information for business purposes, such as the achievement of economic and organizational goals. The main element of technology is the idea of change, and how it can affect business and society. In other words it refers to the use all types of businesses make of information technology (IT) - using computers and telecommunications to send and store information to optimize their business processes. It includes a wide range pf hardware, software and other information technology facilities to enhance the firm’s operation.

**Objective 2**. *explain the role of Information Communication Technology (ICT) in business*

**(a) Role of technology in business:** ICT is considered to be all uses of digital technology that exist to help individuals, businesses and organisations use information. So ICT is concerned with the storage, retrieval, manipulation, transmission or receipt of digital data. Importantly, it is also concerned with the way these different uses can work with each other. Communication has improved with access to facilities such as cell phones, text messaging, email and social networking that enable all kinds of business to connect with their suppliers and customers more efficiently as well as the improvement of internal communications. For marketing, BT has facilitated access to new and existing customers in ways that were not previously possible. For example, online advertising via websites.

**(b) Ways in which technology has influenced banking and commerce:**

* Through the introduction of Automatic Teller Machines (ATMs) and Automated Banking Machines (ABMs) which facilitate the deposit and withdrawal of funds, as well as other services without having to go into a bank to access teller services. The location of ATM machines in hotels, petrol stations, malls and supermarkets adds to the convenience of customers who can transact business without having to wait in line at a bank.
* The practice of on-line banking which enables customers to access their accounts from home and other locations using personal computers. This facility enables customers to check their balances from the comfort of their homes and permits easy and convenient payment of utility and other bills. Customers with more than one account can also use this facility to transfer funds from one account to another.
* Through electronic commerce (ecommerce).Using the internet, individuals and businesses are now able to make business transactions via the World-wide web, without having to visit a physical brick and mortar store. E-commerce has given rise to many on-line stores which permit customers to browse for products and pay for them electronically.

***Objective 3.*** *describe the types of ICT used in business;*

*Types of technology:*

(a) *Traditional*

(i) Productivity tools, for example:

- Word- preform the task of composing, editing, formatting and printing documents such as letter, reports and so on.

- Excel-spreadsheet application used in accounting for the creation of ledger records. It enables data to be analyzed in columns and rows.

- database software: Access – used for collecting and organizing information

- presentation software: PowerPoint, Prezi – effective in getting information across visually

- graphics software: Adobe Photoshop – enables the manipulation of images visually

(ii) Specialist applications:

- Accounting: QuickBooks – use to record accounting transactions and generate financial statements

- Computer Aided Design (CAD) – the use of computers to design new components or products or redesign existing products.

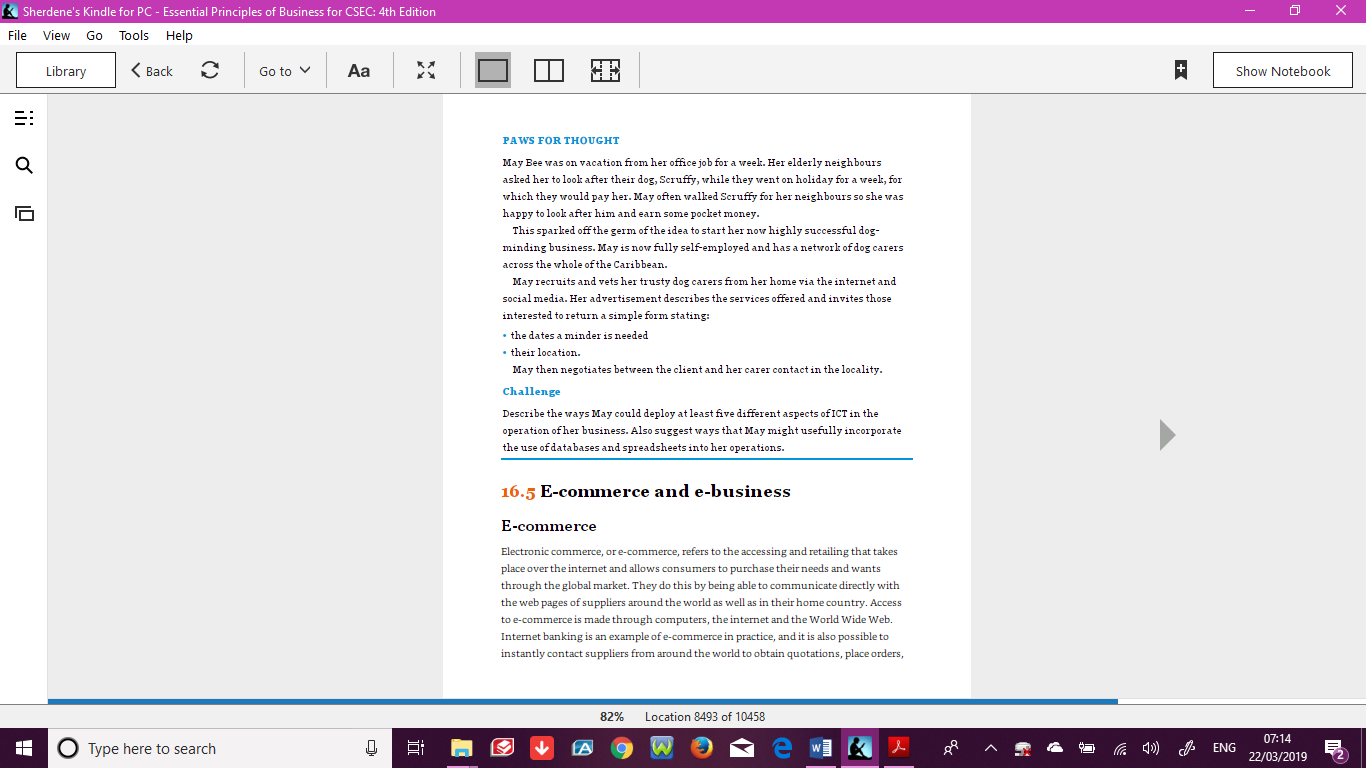
-Computer Aided Manufacture (CAM) – uses computer software to control machines in the manufacturing of parts.

- Management Information Systems (MIS) is enhanced with computer technology and telecommunication technology. It can be described as the development and use of effective information systems in organizations to support decision making by management.

(b) Digital communication technologies:

(i) internet – may be classified as digital communication technology. It is sometimes called “the net.” It is a global system of interconnected computer networks that serves billions of people and business worldwide.

(ii) mobile- another innovation of digital communication technology. It has become commonplace and is widely used for telephone calls, text messages and data transmissions and much more over a cellular network.



***Objective 4****. distinguish between E-commerce and E-business;*

In both cases, the e stands for "electronic networks" and describes the application of electronic network technology - including Internet and electronic data.

E-commerce covers outward-facing processes that touch customers, suppliers and external partners, including sales, marketing, order taking, delivery, customer service, purchasing of raw materials and supplies for production and procurement of indirect operating-expense items, such as office supplies. It involves new business models and the potential to gain new revenue or lose some existing revenue to new competitors. interchange (EDI) – to improve and change business processes.

(E- commerce is the accessing and retailing that takes place over the internet and allows consumers to purchase their needs and wants through the global market. Internet banking is an example of E-commerce)

E-business includes e-commerce but also covers internal processes such as production (manufacturing processes), inventory management, product development, risk management (identifying potential problems in advance), finance (accounting records), knowledge management and human resources. E-business strategy is more complex, more focused on internal processes, and aimed at cost savings and improvements in efficiency, productivity and cost savings.

In summary, E-commerce is the buying and selling of goods and services online. E-business refers to processing business via electronic networks, but e-business also covers the internal processes that use electronic processes.

***Objective 5****: identify ways in which ICT can be used to improve efficiency of business operations;*

*(a) Ways in which technology can improve business:*

* *speed and time –* the speed with which communication can take place, orders are placed, goods produced and products dispatched provide faster, more convenient and more efficient ways to conducting business. Business meetings can be conducted transnationally by video conferencing. This has reduced expenses on travel costs.
* *easier storage –* vast amounts of data can be stored upon even smaller devices. This has freed up office space as the cumbersome filing cabinets continue to lose their place as the most important storage item in the office. Internal and External hard drives as well as flash drives have become smaller while storing as increased.
* *improved sharing of information-* The amount of data which is freely available has become staggering. It is now possible to research any topic on the internet. Information that was private years ago is now in public domain including personal information. These information are used by marketing companies to meet marketing interests.
* *Automation –* Modern technology has been geared towards automation for a long time. The two main reasons for this are to reduce production costs by using more machinery and less manpower. In addition, machinery can be assigned repetitive tasks, which they will perform more efficiently than by humans in many cases. Unfortunately, advances in technology often result in job losses as machinery becomes more wide spread in use for increasingly complex tasks but also creates more employment in ICT personnel.

*(b) Benefits of technology to business:*

* reach more potential customers, develop a business relationship with potential customers;
* streamline operations *(avoiding wasteful practices such as duplication of effort- no need for two or more department to be carrying out similar tasks*), reduce costs and improve efficiency results in maximised profit. Achieving efficiency means that more resources can be allocated to key areas of productivity as there is minimization of wastage, and also devote talent to core business instead of overhead.
* provide better service to customers- once someone indicates curiosity in an item offered for sale online, emails reminding the customer about it are almost sure to be sent.
* support better relationships with key partners – better relationships are forged through frequent communication with suppliers and shareholders, who are the key partners of businesses.
* allow customers to better guide the business *–* feedback on a product or customer’s shopping experience, often rated on a six point scale- is a popular technique employed by many businesses. The results are often displayed openly as a part of transparency and as an advertising technique. Items which receive lower ratings are often withdrawn, so there is competition in the area of item quality as determined by the customer.

**Objective 6**. discuss the ethical implications of *the use of* ICT *in business*;

*Consequences of unethical use of ICT:*

* *security –* some people find methods of abusing technology. As wider uses of technologies emerge, issues of copyright, infringement, invasion of privacy and general breeches of security force agencies concerned to find ways and means of combating cybercrime (criminal activities carried out by means of computer or the internet). Rival organization have been known to hack into each other’s networks to either corrupt or extract information. Industrial espionage (spying) has taken to cyberspace, where it is becoming increasingly sophisticated. It is very difficult for administrators to secure information which is being used by a team of people. Even employees have been known to corrupt IT systems. Hackers (gain unauthorized access to data) have break into online banking systems and divert funds to their accounts.
* *privacy –* outside of the free sharing of information on everyone, a webcam can be remotely turned on to invade the privacy of whoever is in view of the device. Personal files of users are sometimes traded like any other commodity without the knowledge or permission of individuals. **Cookies** are simple text files that gather information about individuals. When you visit a website that uses cookies, a cookie is downloaded onto your computer. The next time you visit that site, your computer sends it a message that tells the site that you have been there before. Much of this is harmless and can even be helpful to you. But some cookies are sophisticated and store information about you – government and big business sites do this. **Social networks** encourage members to report whatever they care to, especially personal profiles with new phots, comments and statements of current location. Some companies research the social networks as a method of assessing employees as well as background checks. Unfortunately, indiscriminate use of social networks can expose users to harmful viruses to their computer, thefts from bank accounts, blackmail and much more.
* *intellectual property infringement-* copyright refers to the right of an author or inventor not to have their work duplicated until 70 years after their death. **Infringement** refers to the act of breaking a rule-cases of copyright infringement have increased with the use of IT. it has caused major financial losses in the music industry. Music and images are now readily available on the internet free of cost to users. CD sales have plummeted as one person may legally obtain a copy only to post it on a network where it can be obtained at no cost. Many sites have been closed down but others quickly replace them.
* *impact on humans-* cybercrime continues to cause major headaches to victims. Humans have been highly dependent on IT to the point where some have become lazy and less innovative. It has also reduced face to face communication, meaning some workplace and personal relationships have suffered. Access to anti-social information (malicious gossip) has the potential to corrupt innocent individuals (especially youths). Cyberbullying is using electronic communication to bully a person, typically by sending messages of an intimidating or threatening nature by cell phones, email or social media, chat sites and so on. These tools can be used for positive reasons, such as keeping in touch with family and friends, but are increasingly being used to distress others 24 hours a day.
* *distraction -* In addition, the tendency to frequently check for messages and updates on social media has become a major distraction at many workplaces, resulting in reduced productivity and has also led to a decline in social interaction.

Objective 7. outline the factors that determine a country’s standard of living and its quality of life;

(a) **Indicators of a country’s standard of living (SOL)**:

It refers to the level of wealth, comfort, material goods, and necessities available to a certain socioeconomic class or geographic area. In other words, it refers to life that the people of a country have; the type of house they live in, the quality of food they eat, the clothes they wear and so on. Obviously, the standard of living is dependent upon the work people do and the wages they receive.

* **level of consumption of goods and services**- Many persons judge the performance of a country based on the consumption levels. Consumption is generally divided into 10 area of spending: food, clothing and footwear, housing, heating and energy, health, transport, house furniture and appliances, communication, culture and schooling and entertainment. People at different levels of income will spend differing proportions of their income on the 10 areas of spending. E.g. people with a low income spend a relatively larger proportions of their income on food. Once their income increased they can spend on food and other items they could not have purchased before.
* **average disposable income of the population**- Disposable income is the amount of money that households have available for spending and saving after taxes and other statutory payments have been made. Let us assume the income of your household is $120,000 per year. There is an annual exemption of $50,000 allowed by the government (Threshold). The tax rate is 25%, therefore the disposable income of your household is

|  |  |
| --- | --- |
| Annual Income | $120,000 |
| Annual Exemption | ($50,000) |
| Taxable Income | $70,000 |
| Tax (25%) | ($17,500) |
| Disposable Income | $52,500 |

Higher standards of living can lead to higher disposal incomes, which households can then spend on higher quality and /or greater quantity of goods and services.

* **level of national ownership of capital equipment-** It is typical to find state ownership of firms which provide water, electricity and public transportation. A country which is able to increase domestic ownership of its major industries creates employment for its people at all levels, keeping profit within the country’s borders as well as avoiding the loss of foreign exchange and improving the skill level of its people.
* **access to modern technology**- There are two areas that can be considered as directly related to modern technology, productive capability and technology as it relates to the internet. Improvements in the field of production through the introduction of robotics, automation and improved materials being used to produce machines has had an overall positive impact on the lives of the citizens of any particular country. Some governments have even been able to invest and install closed circuit television (CCTV) along major route to capture any criminal behaviour. In order to be competitive within the global environment, countries have begun investing in internet infrastructure to improve reliability and efficient delivery of internet access. The challenges of meeting the demand for technology by businesses and governments include a high capital investment for equipment, infrastructure and training of staff, employment of skilled personnel and the introduction of cybercrime.
* **level of investment in research and technology**- As the profit level of businesses increases, so does the allocation of resources towards research. Existing products and services are developed and improved and new ones produced which improve the lives of consumers. Moreover, these new products create new jobs through all the various stages needed to bring them to market, launch them and make them a success: in laboratories, market research, advertising, production and distribution networks.

(b) **Indicators of quality of life (QOL):**

Quality of life is a more subjective and intangible term than standard of living. As such, it can often be hard to quantify. The factors that affect the overall quality of life vary by people's lifestyles and their personal preferences. Regardless of these factors, this measure plays an important part in the financial decisions in everyone's lives. *QOL refers to the general well-being of citizens and their ability to enjoy the wealth of the country by living in a clean environment, health care, education and security.*

* **extent of security enjoyed (level of crime**) - There are many risks that citizens may face in their daily lives which affect their sense of security. A person’s level of job security, their level of health, the effects of aging or even the stability of the economy can all affect their sense of security. There is also the fear of crime and violence. Persons have taken extra steps to secure themselves and their belongings such as security bars and alarm systems. If citizens believe that their lives are in danger then this will undermine their quality of life.
* **availability of health, educational and recreational facilities**- Access to high quality and free health care in the form of hospitals, health centres, ambulances, mediation and trained health care workers impacts on our quality of life. Similarly education should be a right of all citizens.
* **diet and nutrition**-As people earn higher incomes they are able to access a wider variety of nutritious food. However, there has been a tendency towards increased fast food consumption due to a fast-paced urban lifestyle. Persons who consume healthy and nutritious food are less likely to be sick and are able to contribute to the economy through work, less sick days and less need to access healthcare. National food and nutrition security therefore aims to ensure that all citizens eat a healthy and balanced diet.
* **life expectancy -** It measures the likely length of life of a person in country at birth. Through better nutrition the life expectancy of persons in the Caribbean has improved, the reduction in infectious disease and government spending on health care as well as improved living standards, changes in lifestyle and education. However, there is now the risk of a reduction in life expectancy in the future because of the glowing epidemics of lifestyle diseases (diabetes, heart disease and stroke) and cancer.
* **rate of infant mortality**- measures the number of deaths of infants under 1 year of age for every 1,000 births. It is an important measure of the quality of life of a country since it reflects the health status of a population-healthy mothers give birth to healthy babies- as well indirectly measuring the quality and effectiveness of health care and in particular pre-natal care of a country.
* **access to public utilities, such as, electricity, potable water *and technology*****–** many businesses cannot function without electricity. Electricity is also very important for industrialization; growth in this area requires similar increases in the supply of power. Poor water quality increases the risk of waterbourne diseases and the death of children.

Objective 8. explain national income and its variations: gross national product, gross domestic product, per capita income;

* National Income (NI) – National income is the total output of a country for a given period of time (one year), measured in terms of the money value of total production of goods and services.
* Gross National Product (GNP) - The GNP is the value of output created by nationally owned factors of production whether at home or abroad.
* Gross Domestic Product (GDP) - GDP measures the total output within a country regardless of whether the factors of production are owned locally or not.
* Per capita income (PI) - The national income of a country divided by its population. The higher the value, the higher the standard of living.

**National Income and Its Variants**

National income is the total output of a country for a given period of time, measured in terms of the money value of total production of goods and services. Its variants include

* GDP
* GNP
* NNP: Net National Product is GNP minus depreciation of capital goods
* DI : Disposable Income is PI minus personal taxes
* PI : National Income (NI) minus taxes, profits, social security contributions and transfer payments

(b) Explanation of how each of these concepts affect growth and development and impact standard of living and quality of life.

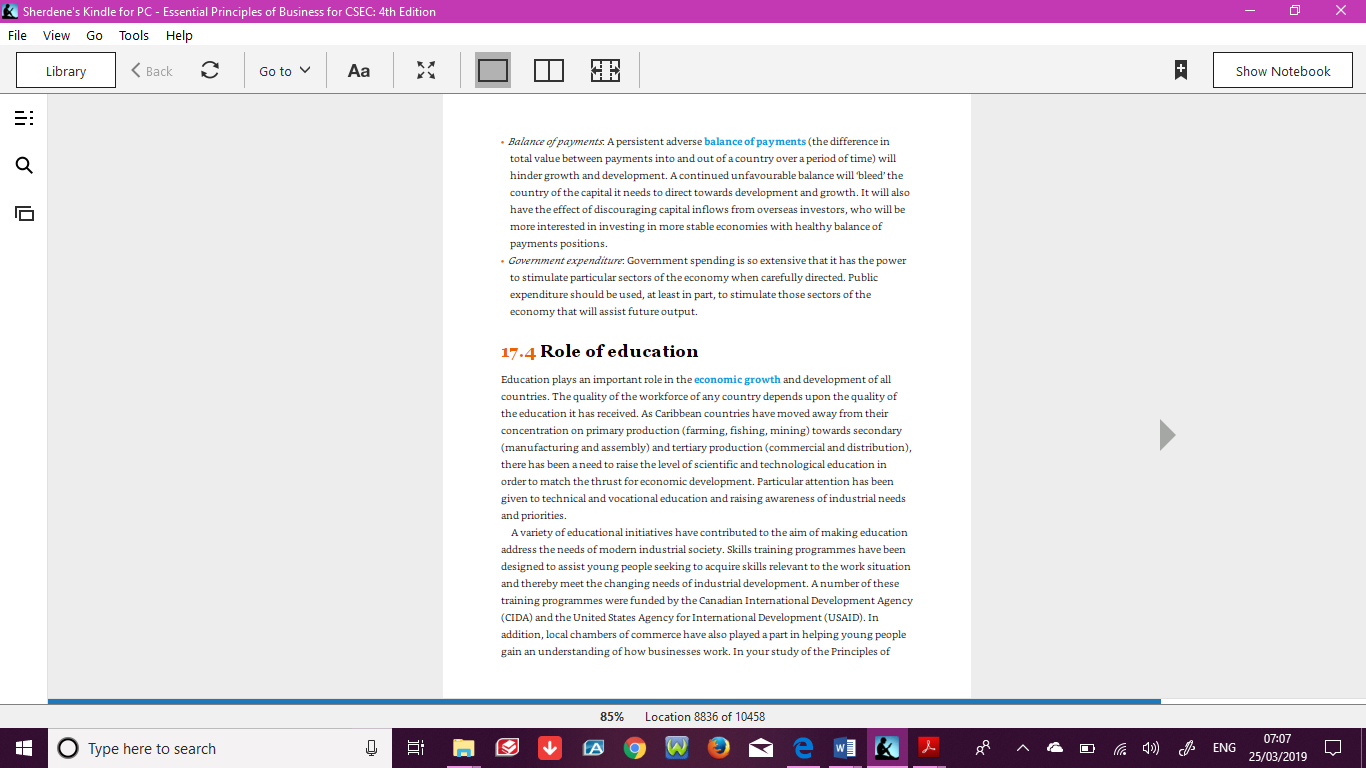
Economic growth and economic development are two important measures for any economy but are particularly important for developing nations which need economic growth and development to combat higher levels of poverty and infrastructure. Economic growth is quantitative in nature and usually measured as the increase in the value of production of goods and services in a country over the period of one year when compared with a previous year. It is measured by the percentage increase in the gross domestic product. For example, if we say ‘China had an economic growth rate of 10% last year’ or ‘The Chinese economy grew 10% last year’, we mean that the size of its GDP grew by 10% last year. Economic development, on the other head, is qualitative in nature, which does not simply take account of narrow economic indicators such as economic growth.

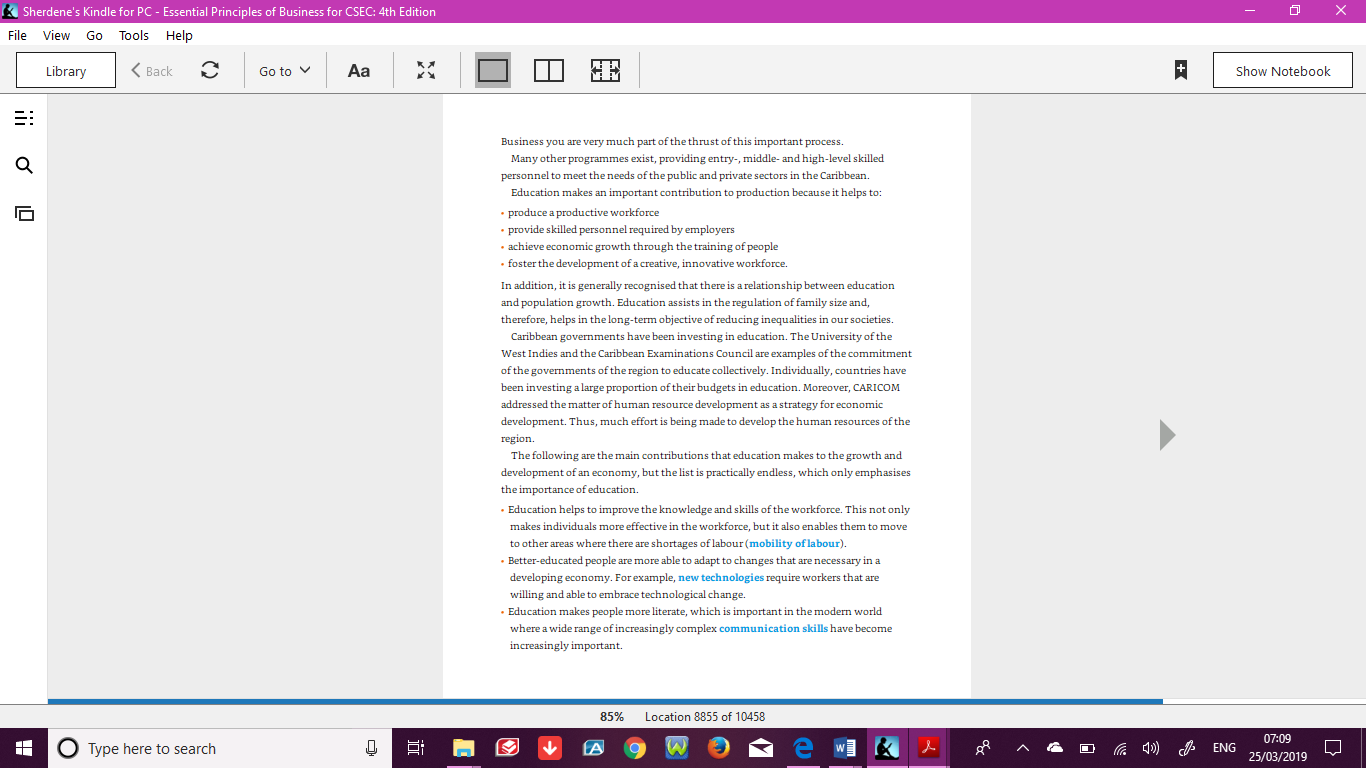
Economic development also encompasses changes in the economy. Some changes can involve the development of human capital, creation of important infrastructure, eradication of poverty, health, safety and literacy initiatives. When these measures, of economic growth and economic development, are used in conjunction with each other, they give an indication of progress of the people and the economies of the countries being evaluated.

**Benefits of Economic growth**- higher income, increased employment, reduction of government borrowing, improved services to the public, increase in expenditure on environmental protection, increased foreign investment and improving chronic food and nutrition insecurity.

**Objective 9**: *describe the role of education in economic growth and development*

How education can improve the workforce leading to increase in output.





**Objective 10.** *outline the reasons for international trade*;

International trade - The exchange of goods (tangible trade) and services (intangible trade) between countries. It allows for the expansion of markets for goods and services, making goods and services that would not otherwise be available to some nations possible.

***Reasons why countries trade with each other:***

* one country may not be endowed with certain assets or have the natural resources such as land, labour, capital or enterprise to produce the goods that they need;
* a country may not be able to produce the goods and services they need in the quantities or of the quality that they require;
* a country may not have the climate to grow certain foods and have to depend on trade to get it for example wheat in United States; and,
* international trade allows for foreign direct investment allowing individuals in one country to invest money in foreign companies and other assets.

**Objective 11.** *identify* the functions of major economic institutions and systems;

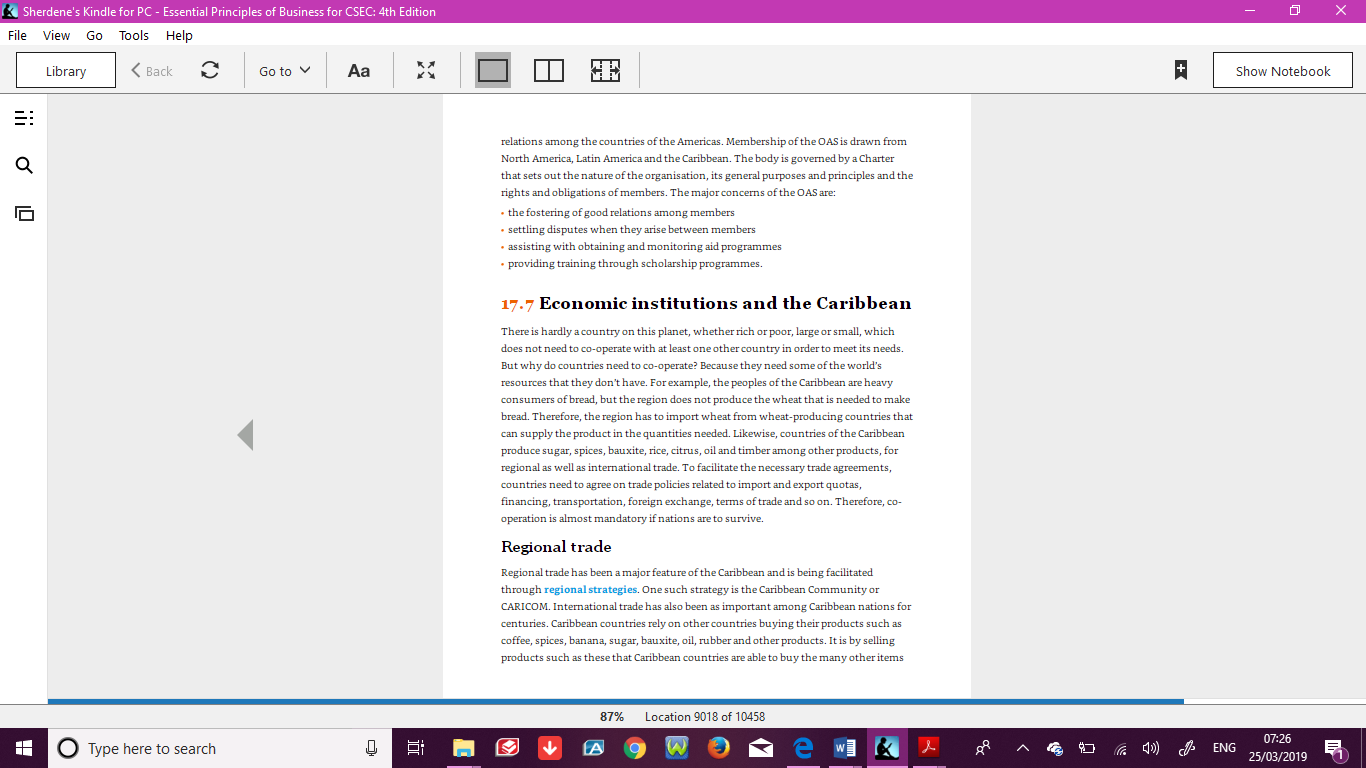
Functions of these institutions *and related* agreements:

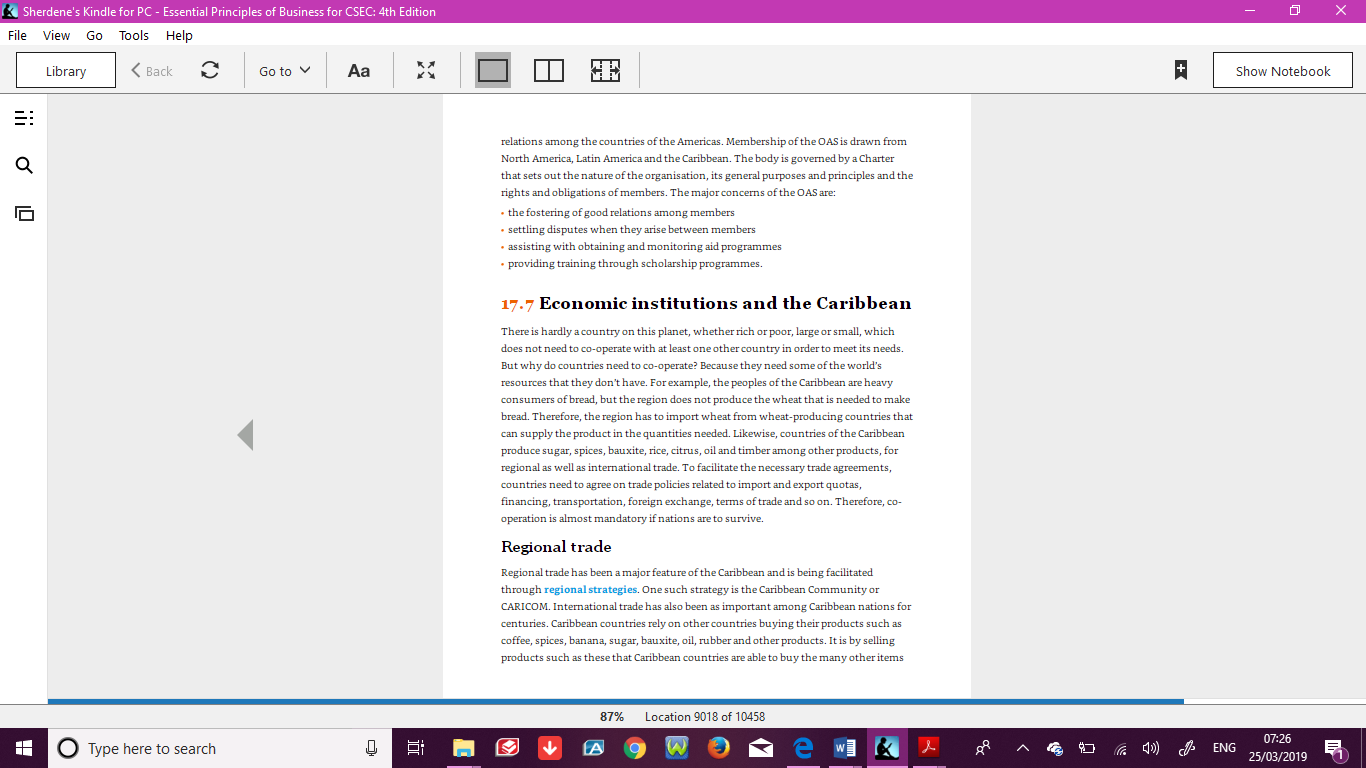
* **Caribbean Community (CARICOM)** - these were the British West Indies Federation (1958-1962) and the Caribbean Free Trade Area or CARIFTA (1962-1973). CARICOM was established by the treaty of Chaguaramas in 1973. CARICOM’s stated aims are to facilitate growth of trade and improved international competitiveness, to improve organization to enhance production, productivity and achieve full employment in all aspects of production. CARICOM also aims to promote sustainable economic development and improved living standards and to boost functional co-operation among its people. Some member of CARICOM: Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago.
* **Caribbean Single Market and Economy (CSME**) - is an initiative currently being explored by the Caribbean Community and Common Market (CARICOM) that would integrate all of its member-states into a single economic unit. This would result in the elimination of all tariff barriers within the region. It is hoped that such an economic unification would resolve a number of issues faced by small developing CARICOM economies who find it difficult to compete with larger international competitors on a global market.
* **Caribbean Development Bank (CDB)** - is a multilateral financial institution dedicated to assisting Caribbean nations and dependencies achieve sustainable long-term economic growth and development. In addition to financing programs that contribute to the social and economic development of the Caribbean region, the CDB provides its member states with advice and research on economic policies. Both the full and associate members of the Caribbean Community and Common Market (CARICOM) are able to receive financial support from the CDB. Formed in 1970 with its headquarters in Barbados.
* **International Bank for Reconstruction and Development (IBRD)** - is a development bank, administered by the World Bank that offers financial products and policy advice countries aiming to reduce poverty and promote sustainable development. The International Bank of Reconstruction and Development is a cooperative owned by 189 member countries.
* **World Bank**- The World Bank Group (WBG) was established in 1944 to rebuild post-World War II Europe under the International Bank for Reconstruction and Development (IBRD). It is one of a variety of organizations seeking to shape the world economy. Today, the World Bank functions as an international organization that fights poverty by offering developmental assistance to middle-income and low-income countries. By giving loans and offering advice and training in both the private and public sectors, the World Bank aims to eliminate poverty by helping people help themselves. Under the World Bank Group, there are complementary institutions that aid in its goals to provide assistance.
* **International Monetary Fund (IMF)** - is an international organization that aims to promote global economic growth and financial stability, encourage international trade, and reduce poverty.
* **World Trade Organisation (WTO**) - is an international institution that oversees the global trade rules between nations. The WTO is based on agreements signed by the majority of the world's trading nations. The main function of the organization is to help producers of goods and services, exporters, and importers protect and manage their businesses.
* **Organization of American States (OAS**), organization formed to promote economic, military, and cultural cooperation among its members, which include almost all of the independent states of the Western Hemisphere. The OAS’s main goals are to prevent any outside state’s intervention in the Western Hemisphere and to maintain peace between the various states within the hemisphere.

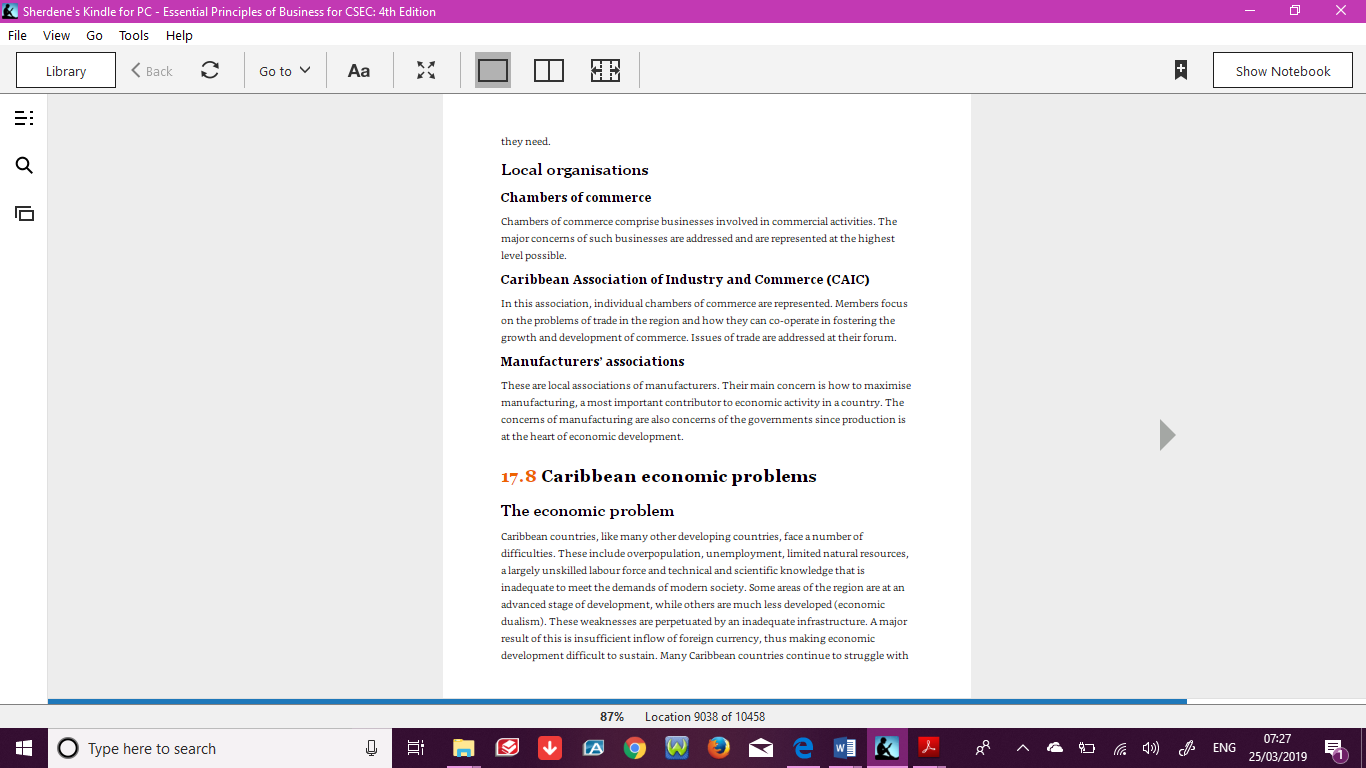
***Objective 12.*** *explain how economic institutions or trade agreements impact the*

*Caribbean;*

Explanation of the possible impact that each of these institutions/agreements can have on Caribbean countries.







**Objective 13.** identify major economic problems of the Caribbean;

Major economic problems in the Caribbean: unemployment, population density, migration, debt burden, sourcing capital and raw materials, economic dualism in the region.

***1. UNEMPLOYMENT****:* High levels of unemployment inevitably leads to poverty and a low standard of living by leaving some people with nothing or very little to live on. Most of them are unable to afford adequate medical care, education and nutritious food. There are various types of unemployment:

### Types of Unemployment

1. **Cyclical unemployment**: This results from changes in the trade cycle e.g. when demand for goods is high, industries will expand and so will employment. The opposite is true when demand for goods is reduced.
2. **Seasonal unemployment**: Unemployment due to the seasonal nature of the activity e.g. tourism employment is high from mid-December to mid-April.
3. **Structural unemployment**: This is as a result of changes in the economy e.g. if consumers change from one product to another (plastic instead of glass), unemployment will increase.
4. **Frictional unemployment**: This is due to persons being unable to fill vacant positions because of lack of knowledge of their existence or the distance away from home.
5. **Technical unemployment**: Unemployment which is due to the introduction of automation.
6. **Voluntary unemployment**: Situations where persons are not looking for a job.

* **SOLUTIONS TO UNEMPLOYMENT**

1. Encourage self-employment (entrepreneurship) which can lead to further employment as the business grows.
2. Have early retirement plans to increase jobs.
3. Provide better training and development of skills to meet the needs of employers. Individuals can gain certificates in various subjects and skills which would make them more marketable.
4. Control the high birth rate which in the long term will reduce the size of the labour force, therefore reducing unemployment.
5. The creation of new industries by government.
6. Expanding current sectors such as agriculture by improving infrastructure, proper marketing, tax

relief, subsidies etc.

1. Processing local materials instead of exporting them in their raw state.
2. Regional cooperation- (e.g. CSME)

* This opens up and increases the size of one’s market for products and services. This increase in demand could mean an increase in workers needed.
* There is now a larger area or number of countries from which to choose a job instead of just one’s own country.

9. Set up unemployment offices which act as “go between”, matching jobs with suitable applicants

***2. POPULATION DENSITY:*** This is the average amount of people living in a given unit area of land. Barbados has a high population density because there are too many people in the country, given the total amount of landavailable for living. Large populations can put severe pressure on utilities (water & electricity), health care and education. More people may also lead to increase in crime, pollution and traffic congestion.

**SOLUTIONS TO POPULATION DENSITY**

1. Put measures in place to restrict migration in the country (emigration)
2. Long term goal of restricting the rate of natural increase through careful family planning policies, access to and education of proper contraceptive use.

***3. MIGRATION:*** This is the relatively permanent movement of people from one place to another. It may be due to factors such as: Better job opportunities, Better education, Family ties and Political unrest/persecution. It is usually the young and more educated persons who tend to leave thus creating a situation known as ‘**brain drain”.** If the Caribbean continues to subsidize education and then individuals move away, the region will not benefit from its investment.

**SOLUTIONS TO MIGRATION**

1. Provide jobs at all levels especially professional ones which would encourage local talent to remain in the region (reduction of ‘brain drain’)
2. Improvement to infrastructure and social services (education, hospitals, schools, utilities, roads etc.)
3. Subsidizing local education and training by government.
4. Make it mandatory that individuals who receive subsidized local tertiary education must work within the country or region for a specific time period

***4. DEBT BURDEN:*** All Caribbean governments support their economies/people by using money borrowed from institutions who are willing to lend, despite the heavy cost of repayment (principal and interest) in the future. E.g. In Guyana, the debt burden can be as high as 80% of GDP. This means that in theory, 80% of all income generated in the country goes (or should go) toward paying off debts. That leaves only 20% to spend on the country. This can have a negative impact on the development of the country.

**SOLUTIONS TO DEBT BURDEN**

1. Reduce imports (saving foreign exchange) and increase exports in order to generate income which can be used either to develop the country or pay off existing debt.
2. Increase taxes and use the funds to repay loans. This is not a popular solution and may only be used as a last resort.

***5. SOURCING CAPITAL & RAW MATERIALS:*** The Caribbean is a developing region and this can make it difficult to acquire the necessary capital (money, equipment) and raw materials for the creation of goods and services. This may be due to the high prices and this can limit production.

**SOLUTIONS TO CAPITAL & RAW MATERIALS**

1. Attract outside investment e.g. by selling securities and shares to foreigners

2. Use local substitutes where possible

***6. ECONOMIC DUALISM:*** This is the existence of **two separate, largely independent economies (sectors)** within a single national economy e.g. agriculture versus tourism. Usually one economy is based on a modern industry which uses state of the art technology, while the other is based on more traditional/old-fashioned methods. The developed sector is the one which gets the majority of the investment dollars. E.g. in Barbados, more is invested in tourism that agriculture. In Trinidad, more is invested in oil & petrochemicals than agriculture. The modern sector also tends to pay higher wages and attracts more educated persons. This can crate industrial unrest because those in the traditional sector may try to get higher wages which cannot be paid by the employers.

**SOLUTIONS TO ECONOMIC DUALISM**

1. Develop the traditional sector through the use of technology and training for workers.
2. Encourage investment (local & foreign) in the traditional sector which would provide capital for improvement.
3. Increase wages in traditional sector to attract trained/professional personnel.

***7. INDUSTRALISATION****:* This is the development of businesses particularly in manufacturing, to the overall benefit of the national economy. Industrialization has been hindered by:

* Difficulties in funding
* Industrial pollution
* Inefficient transport and other infrastructure (water, electricity, telecommunication)
* Taxes on imports
* ‘Red Tape’ which holds back trade

**SOLUTIONS TO INDUSTRALISATION**

1. Reduction of import duties on raw materials and other necessities from abroad
2. Subsidies on equipment, factory space etc.
3. Provision of adequate and timely waste disposal systems which would not harm the environment/citizens
4. Encourage investment
5. Enact legislation which would make trading easier

**N.B. Solution 1&2 for industrialization should help to reduce operation costs and can lead to lower prices increase competitiveness**

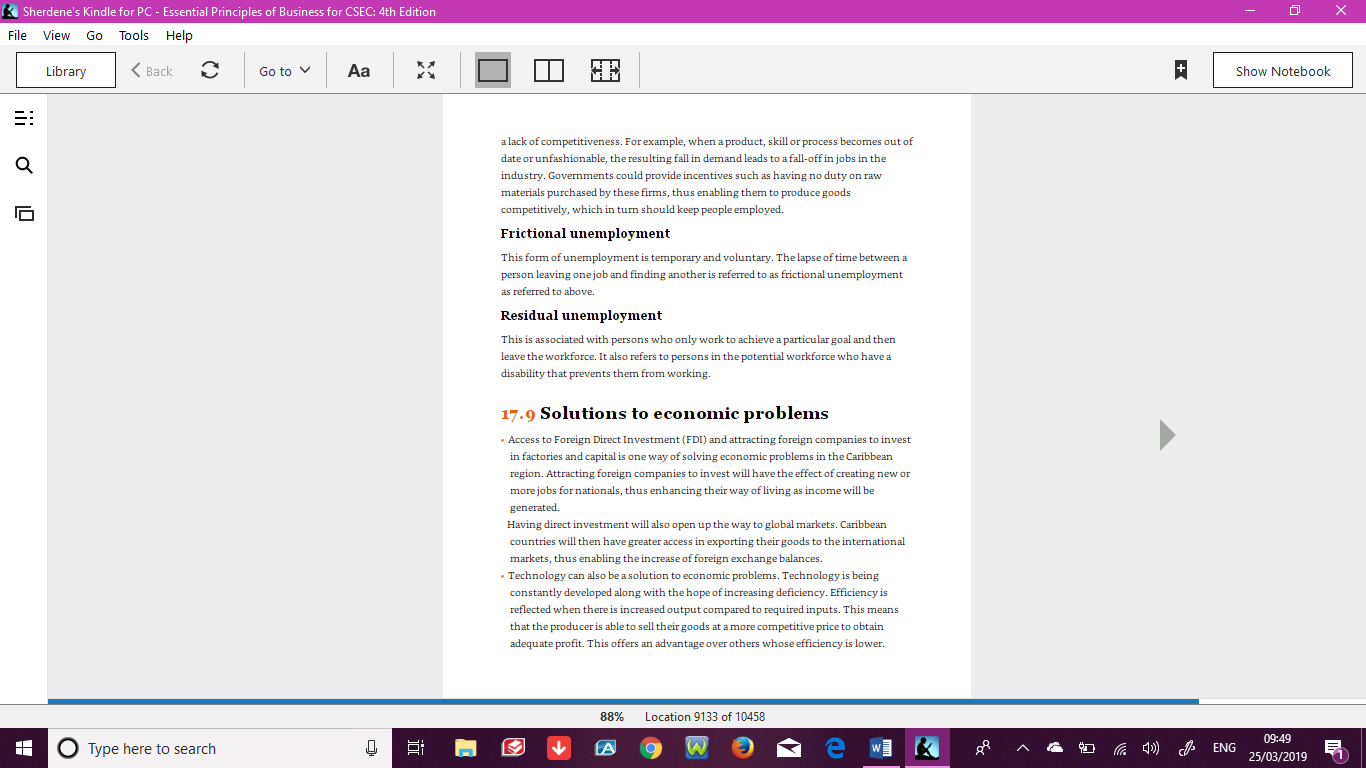
**Question: “The Caribbean region must integrate if it is to solve its common economic problems.”**

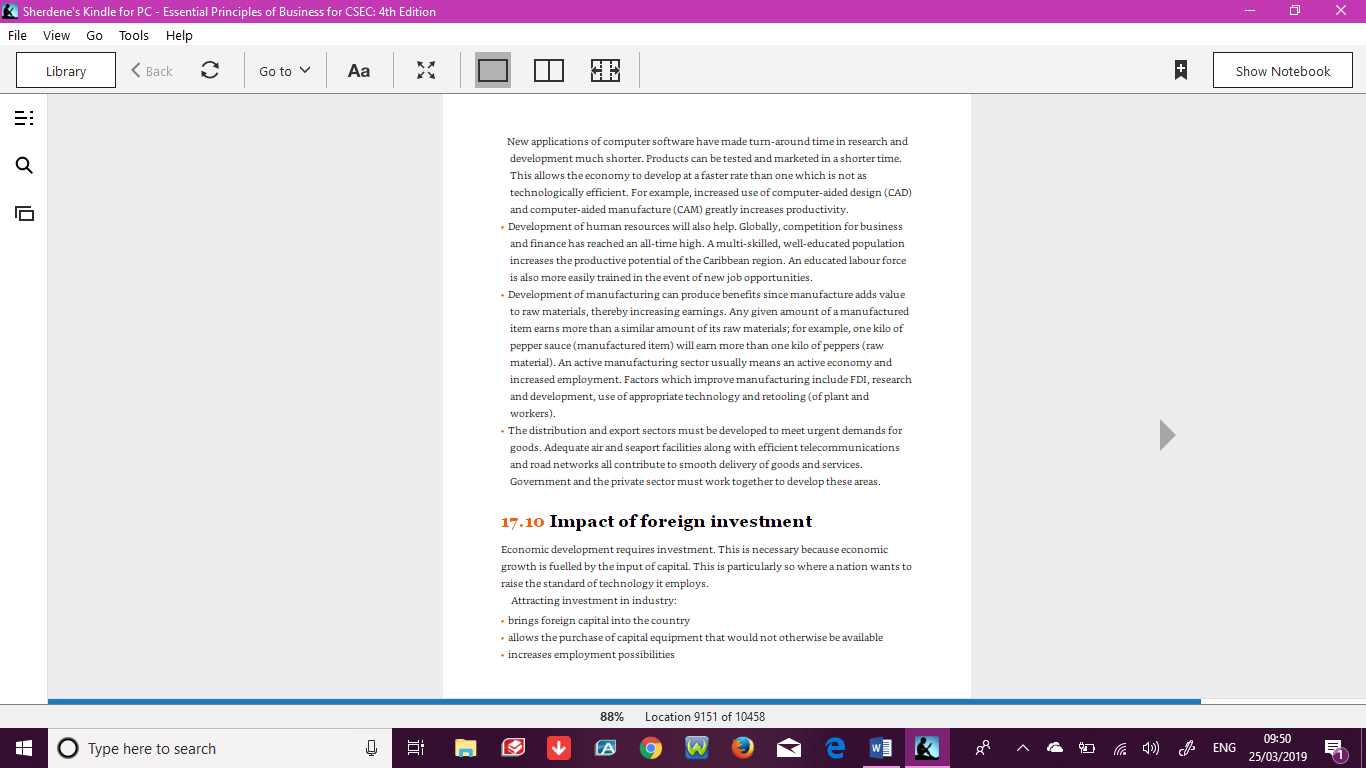
Write an essay including the following:

1. A definition of regional integration (2)
2. List the common regional economic problems (3)
3. Discuss THREE of the major problems (in detail) (9)
4. Explain TWO methods which can be used to deal with each of the problems discussed above (12)

TOTAL 26 MARKS

Objective 14. *outline appropriate solutions to the* major economic problems ofthe Caribbean*;*





Objective 15. *explain the role, benefits and impact of foreign investment.*

(a) *definition of foreign investment (direct and indirect investment);* (b) *explanation of how foreign investments can positively impact Caribbean countries and businesses; and,* (c) *explanation of the negative aspects of foreign investment.*

**Foreign investment** is when a company or individual from one nation invests in assets or ownership stakes of a company based in another nation. Foreign investments can be split into direct and indirect investments. **Direct investments** are when companies make physical investments and purchases in buildings, factories, machines, and other equipment outside of their home country. **Indirect investments** are when companies or financial institutions purchase positions or stakes in companies on a foreign stock exchange. This type of investment isn't as favorable as direct investment because the home country can sell their investment very easily, on the next day if they choose. Direct investments are usually a longer-term investment in the economy of a foreign country. It's not nearly as easy to sell factories, machines, and buildings as it is to sell shares of stock.

As increased globalization in business has occurred, it's become very common for big companies to branch out and invest money in companies located in other countries. These companies may be opening up new manufacturing plants and attracted to cheaper labor, production, and fewer taxes in another country. They may make a foreign investment in another firm outside of their country because the firm being purchased has specific technology, products, or access to additional customers that the purchasing firm wants. Overall, foreign investment in a country is a good sign that often leads to growth of jobs and income. As more foreign investment comes into a country, it can lead to even greater investments because others see the country as economically stable.

**Negative aspect of Foreign Direct Investment**

* Worker exploitation: Companies may suppress unions to hold down wages, benefits, and labour standard as well as working conditions in some sub-contracted factories are harsh, atrocious and detrimental to their health.
* Economy: Companies can use their transfer pricing to their own benefit, affecting the amount of profit reported in the host country, which in turn affects the tax revenue of the host country. Profits are returned to the shareholders, very little of the money remains in the host countries.
* Local firms: The presence of FDI in a host country may conflict with building strong national firms. FDI may force local competitors out of business through predatory practices. Companies may not use the local supply chain after driving out local competitors.
* Employment: Negative multiplier effect if FDIs close their production or force local companies out of business or do not use the local supply chain.

*Reference*

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