

International Management

Chapter 1 Assessing the environment

Political, Economic, Legal, Technological, And Cultural



Deresky, Helen (2022, 2017, 2014). International Management, Managing Across Borders and Cultures, Pearson , Prentice Hall.

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Chapter Learning Objectives

- 1.1 To understand the global business environment and how it affects the strategic and operational decisions which managers must make
- 1.2 To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face
- 1.3 To recognize the role of the legal environment in international business
- 1.4 To review the technological environment around the world and how it affects the international manager's decisions and operations as well as the war for talent around the globe
- 1.5 To explore essential skills for developing your career as a manager in a multinational company



Opening Profile: Small Businesses Steel Themselves for No-Deal After Brexit

- ❖ The UK in early 2020 has entered a transition period after formally left the EU
- ❖ The UK is no longer in the European Parliament
- ❖ Brexit brings massive changes to businesses
 - ❖ New customs regulations could mean shipping delays
 - ❖ UK businesses face lost revenue
 - ❖ Many businesses lack the resources to prepare for a no Brexit deal
 - ❖ New customs regulations could mean shipping delays
 - ❖ Contracts will have to be redrawn and intellectual property protections reassured
 - ❖ HR effects – the lost of free flow of labor
 - ❖ ... (just to name a few)

Questions 1: How do you describe “*MANAGEMENT*”?

❖ Control?

❖ Command?

❖ Profit?

VS.

❖ Communication

❖ Collaboration

❖ Common Ground

Q2.: What is International Management?

The process of developing strategies, designing and operating systems, and working with people around the world to ensure sustained competitive advantage.



Chapter Learning Goals

1.1 To understand the global business environment and how it affects the strategic and operational decisions which managers must make.

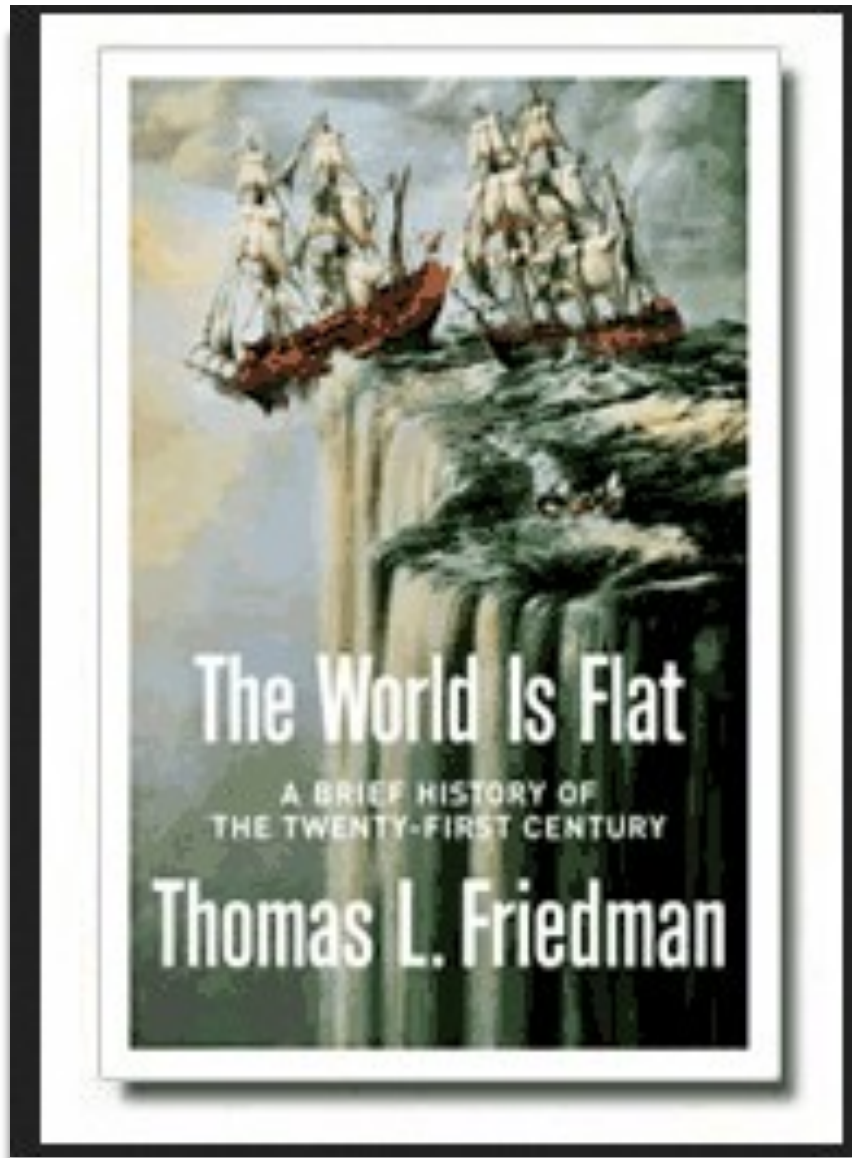


Global Trends

Five key global trends:

- Changing balance of growth towards emerging markets
- Need for increased productivity and consumption in developed countries
- **Transformation from a “flat world” global world *towards* a fragmented, “Multipolar World” with regional trading partners**
- Increasing gap between supply and demand of natural resources
- Challenge for governments to develop policies for economic growth, financial stability and

Globalization on Corporations



Thomas Friedman (2005):
“The world is flat.”

What does he mean by
this statement?

“It is now possible for more people than ever to collaborate and compete in real time with more people on more different kinds of work from more different corners of the planet and on a more equal footing than at any previous time in the history of the world.”

Multipolarization

...Moving from US-led unipolarity to multipolarity...

“In times of increasing polarization, expressions such as ‘deglobalization’ have become commonplace. But it is impossible to ‘deplanetize’ our life in common. We are condemned to the interdependence of climate change”

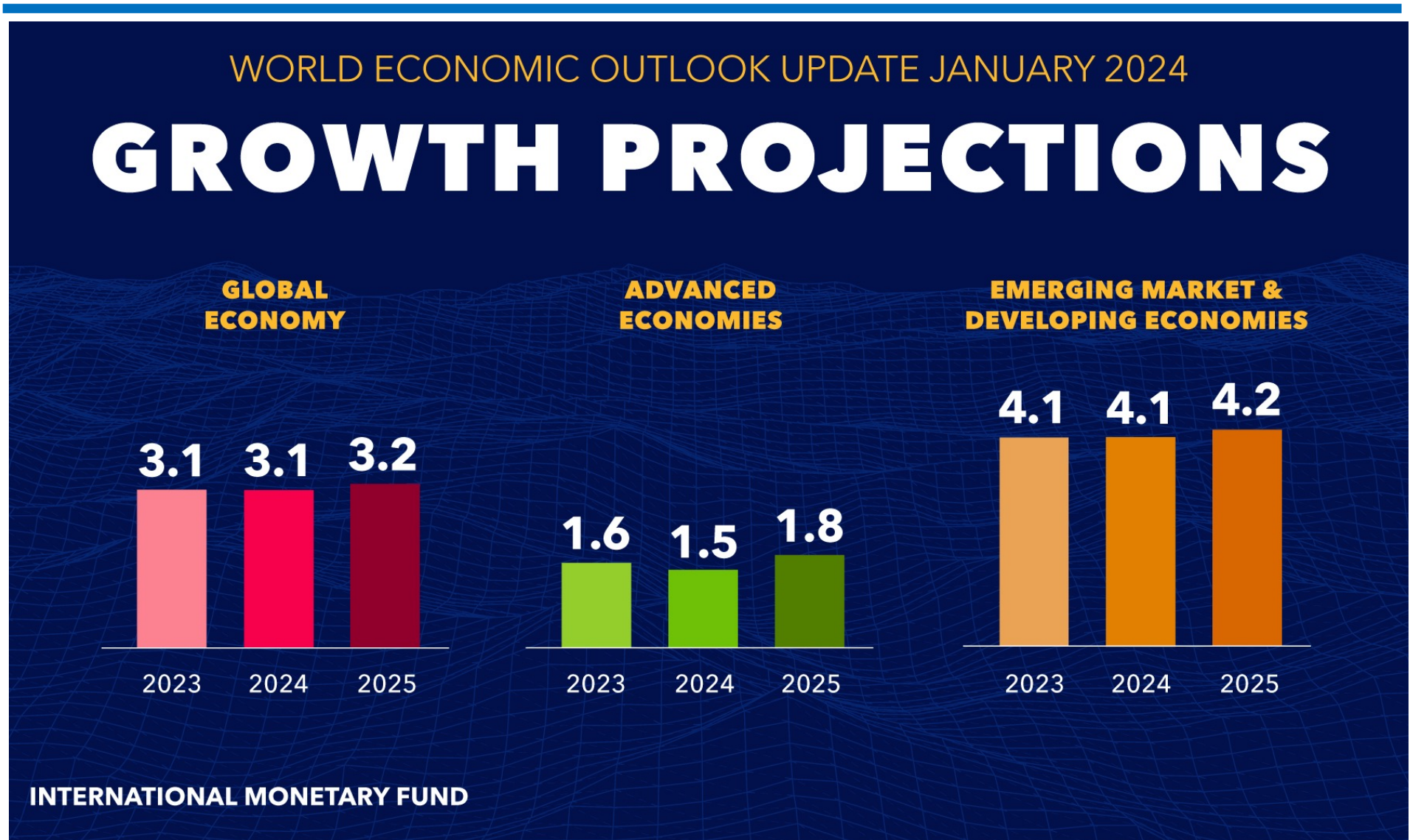
Luiz Inácio Lula da Silva • Brazilian President, UN General Assembly,
September 24, 2024

(Multipolarization – Munich Security Report 2025)

Globalization vs Multipolarization

- Globalization: “*Global competition characterized by networks of international linkages that bind countries, institutions’, and people in an **interdependent** global economy*”.
- Multipolarization: “...an **ongoing power shift** toward a world where a greater number of actors are vying for influence”.
 - “On the other hand, it also captures the international and domestic polarization that comes with increasingly incompatible visions for the international order, making it ever more difficult for actors to agree on common solutions to shared global problems”.
- How has the globalization influenced your life?
- How has the multi-polarization influenced your life?

Global Trends : Growth in Emerging Markets



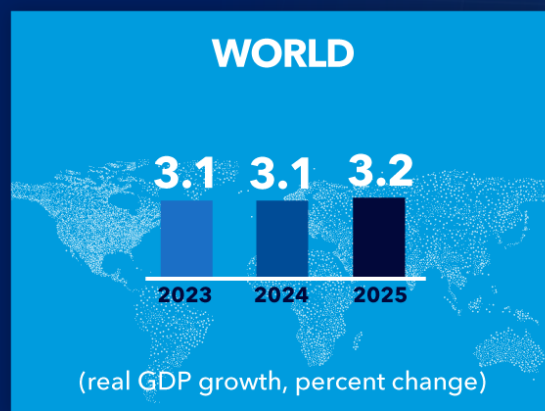
The world's economic growth relies on the emerging markets (IMF, 2024)

Global Trends: Growth in Emerging Markets

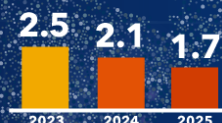
WORLD ECONOMIC OUTLOOK JANUARY 2024

GROWTH PROJECTIONS BY REGION

(PERCENT CHANGE)



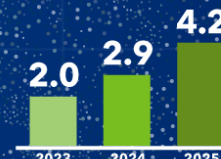
UNITED STATES



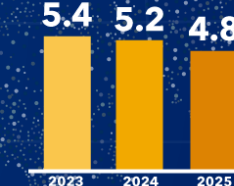
EURO AREA



MIDDLE EAST AND CENTRAL ASIA



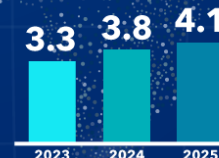
EMERGING AND DEVELOPING ASIA



LATIN AMERICA AND THE CARIBBEAN



SUB-SAHARAN AFRICA



Global Trends: Growth in Emerging Markets

Most Populous Countries = ??

**More
People
= More
Market
Demands**
(especially in the
Consumer Markets
Segment)

**Table 1-6
Most Populous Countries in 1980, 2000, and 2050
(Projected) Ranked by Size**

1980	2000	2050
China	China	India
Soviet Union	India	China
India	United States	United States
United States	Indonesia	Pakistan
Japan	Brazil	Indonesia
Indonesia	Russian Fed.	Nigeria
Germany	Pakistan	Bangladesh
Brazil	Bangladesh	Brazil
United Kingdom	Japan	Congo
Italy	Nigeria	Ethiopia
France	Mexico	Mexico
Bangladesh	Germany	Philippines

Source: UN.

2023 Foreign Direct Investment Confidence Index

Top 25 Targets for FDI (Kearney, 2023)

The main types of FDI are acquisition of a subsidiary, joint ventures, licensing, and investing in new facilities or expansion

The 2023 Kearney FDI Confidence Index®

Developed markets
account for 19 of the 25
spots on the Index

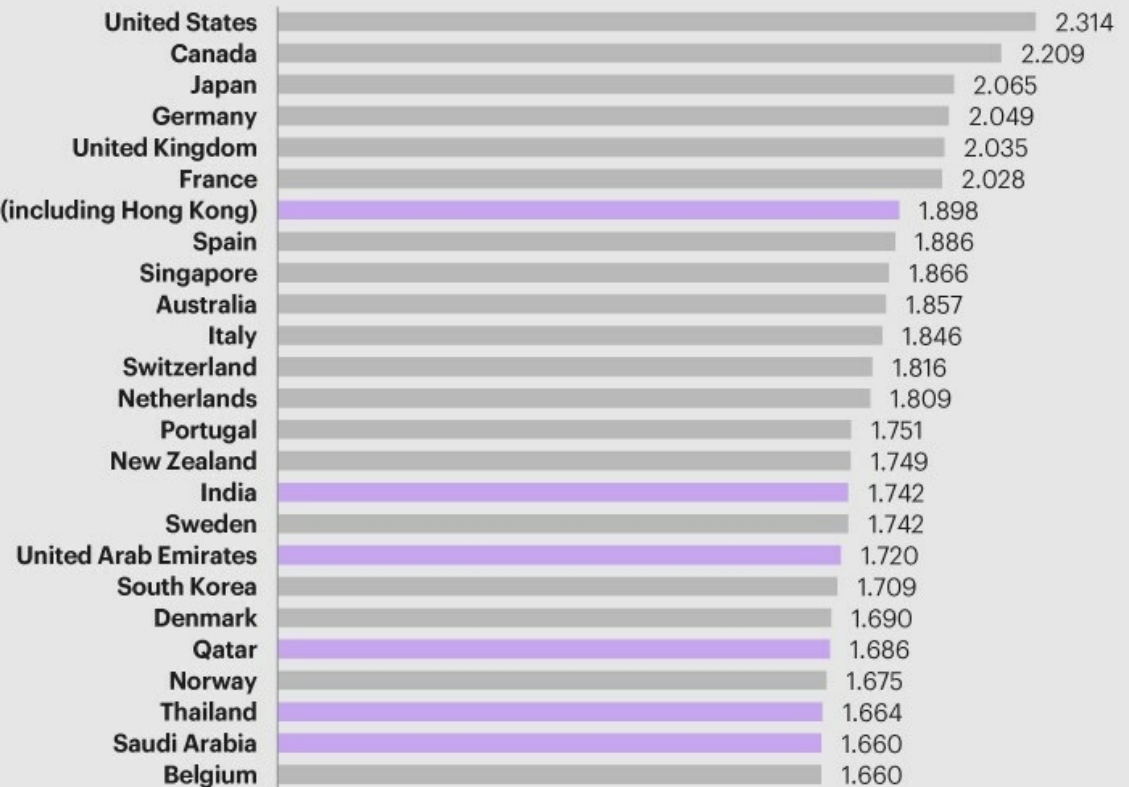
- Developed markets
- Emerging markets

Source: 2023 Kearney Foreign Direct
Investment Confidence Index

World rankings

2022 2023

1 1
3 2
4 3
2 4
5 5
6 6
10 7
8 8
18 9
11 10
7 11
9 12
15 13
19 14
12 15
-- 16
13 17
14 18
16 19
21 20
24 21
23 22
-- 23
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17 25



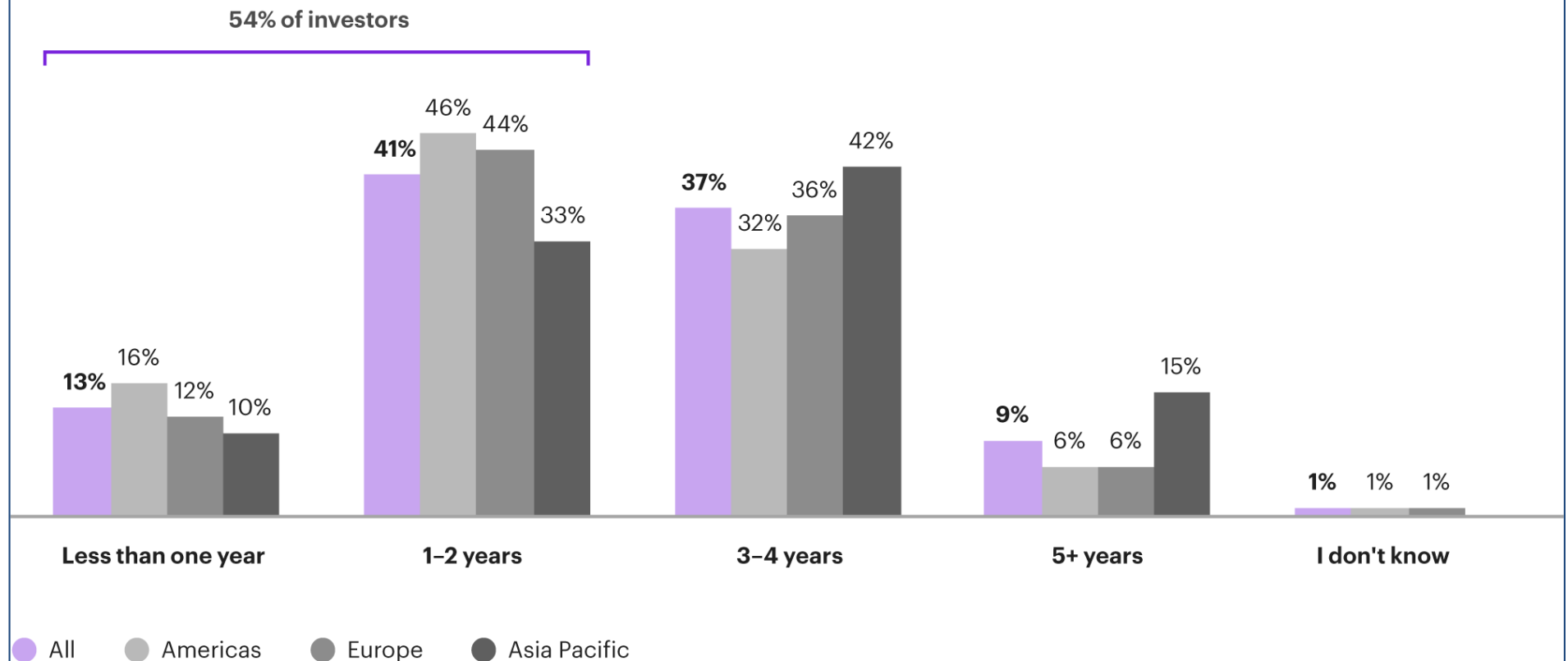
What information can you draw out of this data chart?

ESG Development in the next TWO years

Figure 3

A small majority of investors expect their companies' ESG commitments to be fully developed and implemented in the next two years

Over which time frame do you expect your company to develop and fully implement any ESG commitments?



Note: ESG is environmental, social, and governance.

Source: 2022 Kearney FDI Confidence Index®

“Environmental, Social, and Governance (ESG) commitments are in Investors’ mind”

**Very NEW: Environmental, Social, and Governance (ESG)
commitments are in Investors' mind
(Kearney FDI Confidence Index, 2022)**

- ❖ ESG = CSR – a source of competitive advantage (89% of investors agreed in 2022)!
- ❖ Commitments to ESG implementation and acceleration:
 - ❖ 71 % of Americas, 74% in Asia, and 58 % in Europe.
 - ❖ 55% American concentrate on higher-quality carbon footprint monitoring and measuring;
 - ❖ 39% of respondents in Europe prioritize water conservation;
 - ❖ Asia is focused on developing more sustainable products
- ❖ BUT most are focusing on improving productivity, cost efficiency, and supply chain bottle necks rather than truly ESG challenging – STILL business (bottom-line) first!
 - ❖ This corresponds to the Nr. 2 Global Trends: “*needs for increased productivity and consumption in developed countries*”.

Global Trends: Multipolarity

- ❖ General Agreement on Tariffs and Trade (GATT) – *currently growing tension on Tariffs, which demands more inter-regional ties*
- ❖ World Trade Organization (WTO)
- ❖ Other international organizations
 - ❖ The World Bank
 - ❖ The International Monetary Fund (IMF)
- ❖ Regional trade agreements
- ❖ Trade and national output
- ❖ However, the world geo-political situation imposing enormous challenges to the “globalization”



Global Trends: Interconnectivity through **Technology**

- ❖ The **speed and accuracy** of information transmission are changing the nature of international manager's jobs
- ❖ **Certain cultural barriers** are being lowered gradually (Do you know Taylor Swift?)
- ❖ Technology gets dispersed around the world by MNEs
- ❖ **Exponential growth of A.I. and information technology** is both a cause and effect of globalism

Technology enabled a more “flattened” world

SuperDeals Bestselling Buyer Protection Help Save big on our app! Ship to / EUR Go to Global Site (Eng

AliExpress™ I'm shopping for... 0 Cart Wish List Sign in | Join My AliExpress

Related Categories
Women's Clothing & Accessories
Dresses

Home > All Categories > Women's Clothing & Accessories > Dresses **513,861** Results

Hot Now Sexy Slim Sleeveless Lace Black Vintage Chiffon Maxi Bandage Dress Beach O-neck V-neck Red

Keywords: Price: min - max Ship from Ship to: Germany

☐ Free Shipping ☐ Sale Items ☐ ★★★★★ & Up ☐ 1 Piece Only ☐ Domestic Returns ☐ App Only deals

Best Match Orders ▾ Newest ▾ Seller rating ▾ Price ⬆

€ EUR Group Similar Products View:

Material ▴
Cotton (16802)
Polyester (17082)
Rayon (2871)
Silk (2853)
Tulle (219753)
Wool (955)
Linen (169)
View More ▾

Sleeve Length ▴

Dresses Length ▴

2 Colors Available
Vestidos 2016 Summer Elegant
ZANZEA Women Casual Solid
€ 7,13 / piece
€ 10,18 **30% off**
Free Shipping

2 Colors Available
2016 Newest Print Letter Long
Summer T Shirt Dress Women
€ 8,82 / piece
€ 11,45 **23% off**
Free Shipping

2016 Spring New Arrival Fashion
Women Dress Printing Dress
€ 8,90 / piece
Free Shipping
★★★★★ (238) | Orders (465)

2 Colors Available
Summer Style Casual Dress
Women Fashion Print Letters
€ 4,46 - 5,06 / piece
€ 4,70
Free Shipping
Recently Viewed

Technology Advancement – Augmented Reality



Challenges to Globalism

- Backlash against capitalism and rekindling of nationalism (country example?)
- Increased protectionism of high-demand resources
- Need to develop top managers with international understanding and experience (HR)
- Increasing pressure and publicity for companies to consider the social responsibility (Chp. 2) of their actions

Challenges to Globalization

(causes of the break-down of globalization)

❖ Political Polarization & protectionism

Examples:

- ❖ Backlash against capitalism and rekindling of nationalism
- ❖ US, especially under the Trump administration blocks many US deals with Chinese state-run companies;
- ❖ Brazil, China India, the US, EU, are all in the “Protectionism Game”
- ❖ Increased protectionism of high--demand resources (oil, water, rare earth, etc.)
- ❖ Need to develop top managers with international understanding and experience
 - ❖ 80% of Coca-Cola's sales is outside of its home market
 - ❖ 65% of Procter and Gamble's sales are outside of its home market
 - ❖ Germany – the Export Giant
- ❖ Increasing pressure and publicity for companies to consider the social responsibility of their actions
 - ❖ wealth inequality, dominance of multinationals and the dispersion of global supply chains

Effects of Globalization on Corporations

- ❖ Global companies are becoming less tied to specific locations
- ❖ Companies that desire to remain competitive will have to develop a cadre of experienced international managers
- ❖ Small companies are also affected by and in turn affect globalism

Internationalization of Markets

- ❖ **Benefits for Multinational Corporations (MNCs or MNEs)**
 - ❖ Reduce costs
 - ❖ Access of low-cost labor
 - ❖ Create new market opportunities
 - ❖ Access of resources that are costly or unavailable at home
 - ❖ Increase profits via balanced income sources
 - ❖ Enhanced innovation and competitive edge
 - ❖ Access of expertise, e.g. the gig economy /sharing/collaboration economy

Globalization vs. Internationalization

- ❖ **Globalization** is characterized by breaking the boarder lines
 - ❖ Some says that currently we are moving towards a Multiploidization /Multipolarity world
<https://www.economist.com/open-future/2019/06/28/globalisation-is-dead-and-we-need-to-invent-a-new-world-order>
- ❖ From a political economy point of view, we are in the *Multipolar-world* that is “*composed of three large regions that are distinct in the workings of their economies, laws, cultures, and security networks*” (Michael O'Sullivan, 2019)– this is a complex and evolving phenomenon to be watched upon for the next decades to come.
- ❖ **Internationalization** in business refers to the process of markets extension and business operations across national borders.

Globalization vs. International Management

- ❖ **Globalization:** transformation of societies and business activities.
- ❖ **The international business environment:** corporations today depending on international business transactions
- ❖ **International management:**
 - ❖ Drastically different from domestic management
 - ❖ Each foreign market has its uniqueness in political, cultural, economical, and technologies conditions, challenges, and benefits
 - ❖ Strategies, marketing, HR, etc. all need to be adapted to individual market conditions in order to gain profitability and sustainability

The International Manager's Role

To fulfill many roles and wearing many hats at the same time:

- ❖ **The Business Manager**
Strategist + Architect + Coordinator
- ❖ **The Country Manager**
Sensor + Builder + Contributor
- ❖ **The Functional Manager**
Scanner + Cross-Pollinator + Champion
- ❖ **The Corporate Manager**
Leader + Talent Scout + Developer

(Bartlett & Ghoshal, 2003)



Managers in a Multipolar World

In a multipolar world, the MNCs facing **reduced** interdependence in technology, supply chain, operation, human capital, etc.

Managers need to act upon:

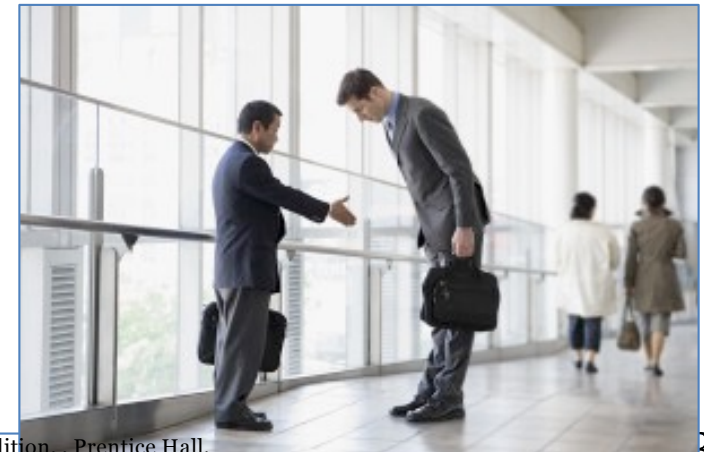
- ❖ **Nearshoring, friend-shoring and localization of production**
- ❖ The repositioning and realignment of global trade/regional trade
- ❖ Multiple sourcing
- ❖ Utilizing technical advancements (e.g. AI, ICT, Robotics, Renewable energy, etc.)



image: The Economist/Getty Images

Internationalization of Human Capital – the complexities of the international manager's job

- ❖ While firms still offshore manufacturing jobs, some are reshoring jobs to lower shipping costs
- ❖ Firms are outsourcing white-collar jobs to other countries such as India
- ❖ For global firms, winning the war for talent is a pressing issue
 - ❖ The Indian ITES sector has 700,000 jobs worldwide and comprises 35% of BPO market (wages \$20,000 per year vs. \$80,000 per year)
 - ❖ IBM's India staff increased from 9,000
 - ❖ to 43,000 between 2004 and 2006



Chapter 1 Assessing the environment

- ❖ This section explains the trading blocks around the world. The trading blocks foster regional trade and driving globalization forward.

Regional Trading Blocs

- Much of today's world trade takes place within these three regional free-trade blocs:
 - Western Europe, Asia, and the Americas
- Much of today's world trade is grouped around three dominant currencies:
 - euro, yen, and the dollar
- These trade blocs are continuously expanding their borders to include neighboring countries

South America vs. Europe



Regional Economic Groups

❖ Free Trade Area

- ❖ an agreement between countries that commits to removing all barriers to trade of goods and services among the member countries.

❖ Customs Union

- ❖ an agreement between countries that involves the removal of all barriers to the free flow of goods and services between member countries and establishment of **a common trade policy** with non-member countries.

❖ Common Market

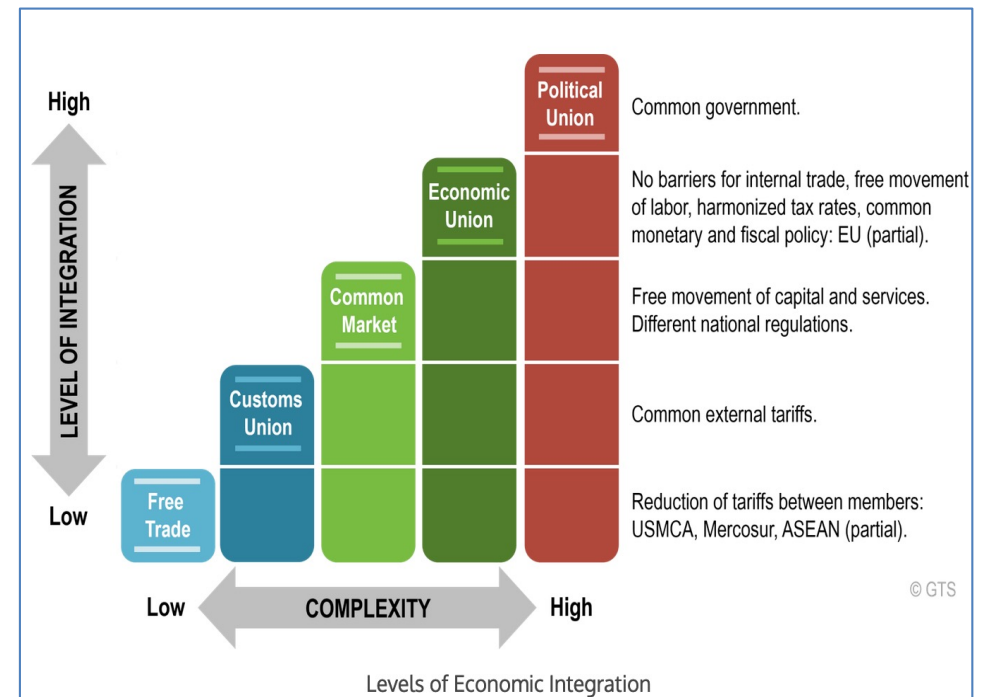
- ❖ an agreement between a group of countries that commit to the removal of all barriers to the free flow of goods and services, **as well as factors of production—such as the free movement of labor and capital** between member countries.

❖ Economic Union

- ❖ a deeper level of economic integration between member countries compared with a common market, customs union, and free trade area.

❖ Political Union

- ❖ The deepest level of economic integration is the political union, which consists of a central political system that directs and oversees economic, social, and foreign policies of the member states.



The European Union “EU”

- A unified market over 500 million people living in ?? Nations
 - 28 -1 = 27 states
- Political fallout of Brexit has created uncertainty pertaining to:
 - Regulations
 - Labor mobility
 - Trade between the U K and E U member countries
- 2018 Global Competitiveness Index shows that Europe has 6 of the top 10 countries
- EU poses two challenges for global managers:
 - “Fortress” Europe
 - Dealing with multiple cultures within one unified market



Asia: how many countries in Asia?



1. Central Asia (Tajikistan, Uzbekistan, Kazakhstan, Turkmenistan, Kyrgyzstan)
2. East Asia (China, Mongolia, North Korea, South Korea, Japan, Hong Kong, Taiwan, Macau)
3. South Asia (Sri Lanka, Bangladesh, India, Afghanistan, Pakistan, Bhutan, Nepal, the Maldives, Iran)
4. Southeast Asia (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor Leste, Vietnam)
5. Western Asia/Middle East (Georgia, Armenia, Azerbaijan, Turkey, Cyprus, Syria, Lebanon, Israel, Palestine, Jordan, Iraq, Oman, Yemen, Kuwait, Bahrain, Qatar, Saudi Arabia)

...about 48 countries with 4,6 billion people living in Asia

Asia

- ❖ China: 2nd largest economy of the world
- ❖ India: fastest growing and world leader in outsources back-office and high-tech services.
- ❖ Association of Southeast Asian Nations (ASEAN): the Association of Southeast Asian Nations, which is also negotiating to create the ASEAN Free Trade Area [AFTA]).
- ❖ South Asia Association of Regional Cooperation (S A A R C):
 - ❖ between seven South Asian Nations that will lower tariffs to 25% within three to five years and eliminate them within seven years.
 - ❖ Member countries comprise 1.5 billion people, with an estimation of 1/3 of them living in poverty.
- ❖ Japan
- ❖ Asian Tigers:
 - ❖ Hong Kong
 - ❖ Singapore
 - ❖ South Korea
 - ❖ Taiwan



Under The Lens: South-East Asia Wakes Up to Power of Corporate Competition, Malaysia

- ❖ Break up of monopolies—anticompetitive practices
- ❖ Root out corruption
- ❖ Market efficiency—fair competition
- ❖ Competition laws
- ❖ Government added competition for more benefits to citizens
- ❖ Lowered cross-border barriers to trade
- ❖ Anticompetitive practices

North and Middle America



The Americas

- ❖ **North American Free Trade Agreement (NAFTA)**
- ❖ **Brazil**
- ❖ **MERCOSUR**
 - members are Argentina, Brazil, Paraguay, Uruguay and Venezuela.
 - associate countries are Bolivia, Chile, Peru, Colombia, Ecuador and Suriname.
- ❖ **Central America Free Trade Agreement (CAFTA)**





The Americas

- ❖ **The United States-Mexico-Canada Agreement (USMCA)** entered into force on July 1, 2020. The USMCA, which substituted the North America Free Trade Agreement (**NAFTA**) is a mutually beneficial win for North American workers, farmers, ranchers, and businesses. – a free trading bloc between the US, Mexico, and Canada comprised of 421 million consumers.
- ❖ The goal of NAFTA is to increase exports and trade among members.
- ❖ Mexico's trade with the US and Canada has tripled, and it has signed trade agreements with 43 nations.
- ❖ U.S-Mexico bilateral trade increased from \$88 billion in 1993, the year prior to the implementation of NAFTA, to \$383 billion (estimated) in 2010, an increase of 335 percent. In 2023, it is at \$798.83 billion in trade with Mexico, comparing the US trade with China at \$817.36 billion in 2018 (Statista, 2024).
- ❖ Mexico's dependence on the United States for its exports—NAFTA's greatest success—was shown to be a liability in the global economic downturn as Mexico felt the full brunt of declining consumption in the United States.
- ❖ Today, Mexico is experiencing competition from China for offshore jobs.

The Americas

- **Brazil:**

- **Latin America's biggest economy**
- The fifth largest country the world in terms of land mass and population, with about 193 million people.
- According to the U.S. Department of Commerce, Brazil is the 7th largest economy in the world.
- While most of the developed world has been mired in debt and stunted growth prospects, Brazil's economy is stable and growth prospects are bright.
- Poor infrastructure remains an obstacle (less than 10 percent of roads are paved), and drastic inequality among Brazil's people hampers domestic growth.

- **MERCOSUR**

- The fourth largest trading bloc after the EU, NAFTA, and ASEAN.
- Established in 1991, it comprises the original parties— Brazil, Argentina, Paraguay, and - Uruguay; Venezuela is an applicant country awaiting ratification.
- regional trading bloc comprises 250 million people and accounts for 75 percent of South America's GDP.

- **CAFTA & DR-CAFTA**

- Modelled after NAFTA, liberalizes trade between the US and five Central American countries.
- A stepping stone to the FTAA, which would encompass 34 economies.

Other Regions in the World

- The Russian Federation
- The Middle East
- The African Union – AU
- South Africa
- Less Developed Countries – LDCs
 - Low Gross National Product (GNP)
 - Low Gross Domestic Product (GDP)
 - Large, relatively unskilled workforce
 - High international debt

The International Manager's Role

To fulfill many roles and wearing many hats at the same time:

❖ **The Business Manager**

Strategist + Architect + Coordinator

❖ **The Country Manager**

Sensor + Builder + Contributor

❖ **The Functional Manager**

Scanner + Cross-Pollinator + Champion

❖ **The Corporate Manager**

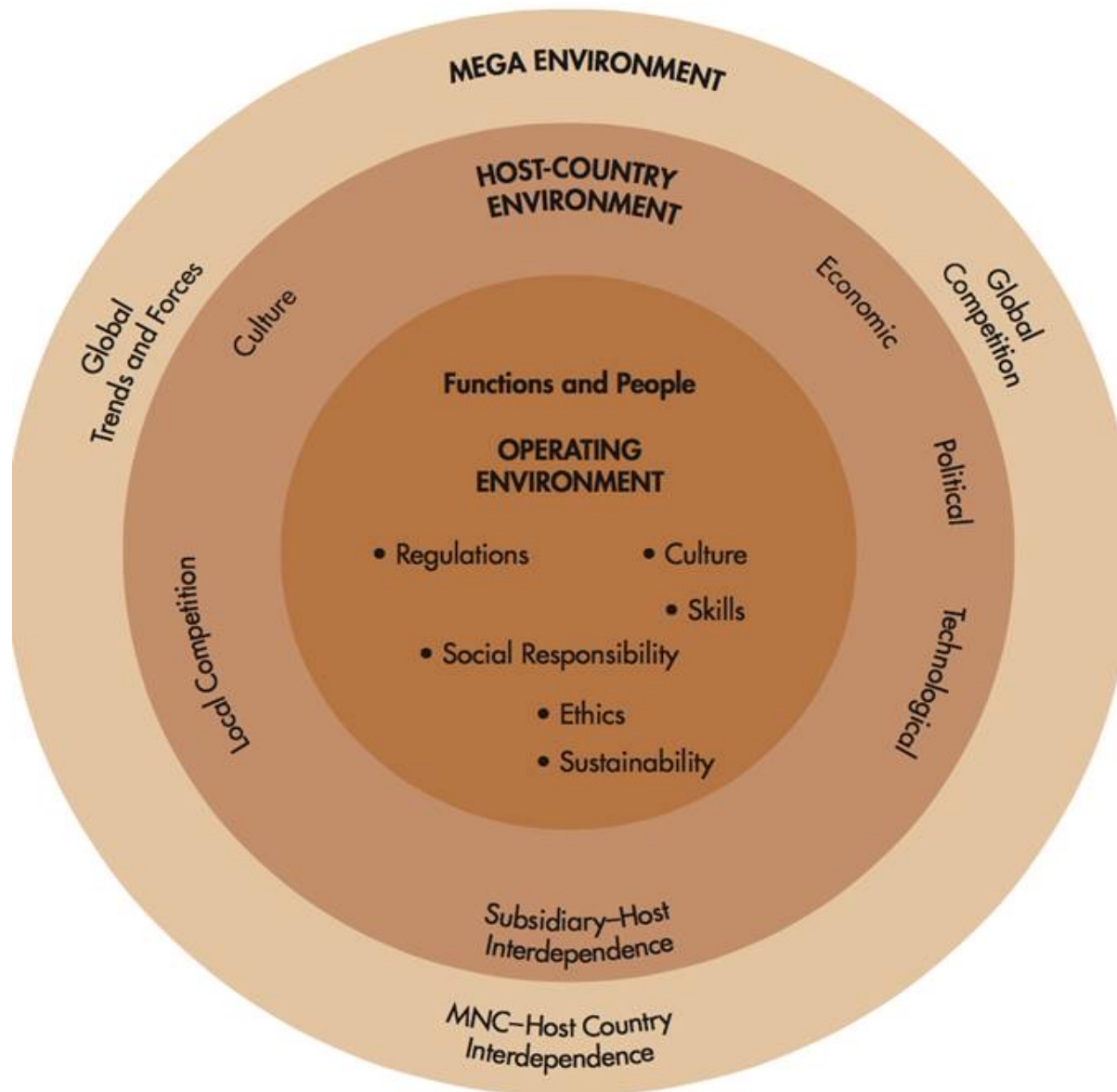
Leader + Talent Scout + Developer

(Bartlett & Ghoshal, 2003)



The Global Manager's Role

Exhibit An Open Systems Model



Index to watch: Competitiveness

The 2024 IMD World Competitiveness Ranking

2024 COMPETITIVENESS RANKING

		Score	
01	Singapore	100.00	↗
02	Switzerland	97.55	↗
03	Denmark	97.07	↗
04	Ireland	91.86	↗
05	Hong Kong SAR	91.49	↗
06	Sweden	90.30	↗
07	UAE	89.75	↗
08	Taiwan (Chinese Taipei)	88.50	↗
09	Netherlands	86.94	↗
10	Norway	86.22	↗
11	Qatar	85.33	↗
12	USA	83.48	↗
13	Australia	81.86	↗
14	China	81.04	↗
15	Finland	80.26	↗
16	Saudi Arabia	79.83	↗
17	Iceland	78.93	↗
18	Belgium	77.87	↗
19	Canada	77.69	↗
20	Korea Rep.	75.92	↗
21	Bahrain	75.27	↗
22	Israel	74.98	↗
23	Luxembourg	73.70	↗
24	Germany	72.74	↗
25	Thailand	72.51	↗
26	Austria	72.13	↗
27	Indonesia	71.52	↗
28	United Kingdom	70.82	↗
29	Czech Republic	70.21	↗
30	Lithuania	69.89	↗

The IMD World Competitiveness Ranking presents the 2024 overall ranking for the 67 economies covered by the WCY. The economies are ranked from the most to the least competitive. The Scores shown to the right are actually indices (0 to 100) generated for the unique purpose of constructing charts and graphics. The final column shows the improvement or decline from the previous year.

31	France	69.67	↗	2
32	New Zealand	68.18	↗	1
33	Estonia	68.17	↗	7
34	Malaysia	68.13	↗	7
35	Kazakhstan	66.03	↗	2
36	Portugal	65.15	↗	3
37	Kuwait	65.03	↗	1
38	Japan	64.96	↗	3
39	India	62.86	↗	1
40	Spain	62.76	↗	4
41	Poland	61.65	↗	2
42	Italy	61.43	↗	1
43	Cyprus	60.95	↗	2
44	Chile	59.71	-	
45	Latvia	59.13	↗	6
46	Slovenia	57.99	↗	4
47	Greece	56.83	↗	2
48	Jordan	55.51	↗	6
49	Puerto Rico	54.85	-	
50	Romania	53.47	↗	2
51	Croatia	52.83	↗	1
52	Philippines	52.64	-	
53	Turkey	52.39	↗	6
54	Hungary	52.10	↗	8
55	Botswana	50.31	↗	4
56	Mexico	49.88	-	
57	Colombia	47.37	↗	1
58	Bulgaria	47.35	↗	1
59	Slovak Republic	46.94	↗	6
60	South Africa	46.33	↗	1
61	Mongolia	46.30	↗	1
62	Brazil	43.77	↗	2
63	Peru	43.44	↗	8
64	Nigeria	39.81	-	
65	Ghana	39.25	-	
66	Argentina	35.89	↗	3
67	Venezuela	28.85	↗	3

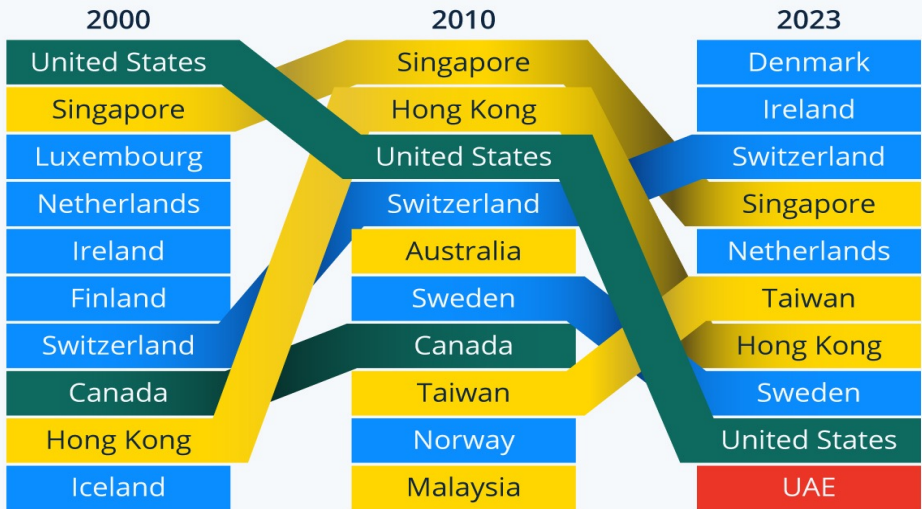
Source: [IMD World Competitiveness Center 2024](https://www.imd.com/en/competitiveness-center)

Index to watch: Competitiveness

U.S. Loses Ground in World Competitiveness Ranking

Highest-ranked economies in the IMD World Competitiveness Ranking in 2000, 2010 and 2023

■ North America ■ Europe ■ Asia-Pacific ■ Middle East



Ranking based on 336 competitiveness criteria across four categories: economic performance, government efficiency, business efficiency and infrastructure
Source: IMD



statista

2024 IMD World Competitiveness Ranking

Country	2024	2023	2022	2021	2020
Singapore	1	4	3	5	1
Switzerland	2	3	2	1	3
Denmark	3	1	1	3	2
Ireland	4	2	11	13	12
US	12	9	10	10	10
China	14	21	17	16	20
Thailand	25	30	33	28	29
Indonesia	27	34	44	37	40
Malaysia	34	27	32	25	27
Philippines	52	52	48	52	45

Source: imd.org

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