

International Business
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Lecture – 24
BOP, Components, Economic Freedom, Economic Transitions

Welcome friends to the course of International Business. So, in the last lecture, we were discussing about the economic factors and how they affect international business. Prior to that we have been covering some we covered some of the facts like the effect of legal aspects on business, then political stability and political condition of a country on the international business, and the effect of culture.

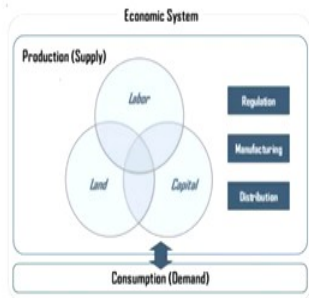
So, now we have been carrying on the economic factors, and like for example, the GDP of a country, the GNP of a country, then we talked about the unemployment rates, and then we talked about inflation, we talked about productivity. So, how these factors affect any international firm who enters into a new market ok.

So, we have seen for example, like in the human development index, India is now ranked at, for example 130. So, this is an indication this tells about the development conditions of the people right. So, when a firm would like to get into a new country, it would like to know its labour policies, its people, its and its and their conditions right. So, these are some of the things which we have discussed in the last lecture.

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Economic systems

- An **economic system** is a set of structures and processes that guide the allocation of resources and shapes the conduct of business activities in a country. It exist in terms of ownership and control of factor of production and also the freedom of price to balance supply and demand.
- Or, a mechanism that deals with the production, distribution, and consumption of goods and services.



Economic System

Production (Supply)

Consumption (Demand)

Regulation

Manufacturing

Distribution

Land

Capital

Labour

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Today we will understand the types of economy or the systems of economy right. So, when we are saying economic system, what it says is a set of structures and processes that guide the allocation of resources and shapes the conduct of business activities in a country – what kind of you know policies are there, how would you allocate at the resources. It exists in terms of ownership and control of factor of production and also the freedom of price to balance supply and demand right. So, economic system is necessarily a set of structures and processes that guide the allocation of resources right.

It is also says sometimes understood as a mechanism that deals with the production, distribution, and consumption of goods and services. Now, what is that mechanism that is what makes the different economic systems ok. So, when we are talking about the factors of production – labor, land and capital, so what are the regulations, how is the manufacturing you know structure, and what is the distribution structure? So, these are all that is counted.

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Conti..

- The economic systems have to answer three basic questions:
 - (1) What to produce?
 - (2) How to produce?
 - (3) For Whom to produce?
- Types:
 - Traditional economy
 - Command (or planned) economy
 - Market economy (Capitalism)
 - Mixed economy
- Traditional economy
 - is an economic system in which traditions, customs, and beliefs help shape the goods and services the economy produces, as well as the rules and manner of their distribution.
 - Rural and farm based.
 - Although traditional economies are rare in the 21st century, some still exist (e.g., in Papua New Guinea, Villages in Africa and South America, the tribes in Canada, the caste system in parts of rural India)



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graph TD; Command[Command economy] --> Center((Economy types)); Market[Market economy] --> Center; Traditional[Traditional economy] --> Center; Mixed[Mixed economy] --> Center;
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So, how this thing happens? The economic systems have to answer three basic questions right, to decide judge what kind of economic system they are. The first one – what to produce right? Second one – how to produce? And third one – for whom to produce? So, when you look at the on basis of the answers given here, we have four types of economy right systems.

The first one is the traditional economy so right, you can look at this, then the command economy, then the market economy and then the fourth is the mixed economy right. Now, let us go one by one. So, as you say the name traditional, traditional means something that has been there in the past ok. So, what does it say? It is an economic system in which traditions, customs, and beliefs help shape the goods and services the economic producers, as well as the rules and manners of the distribution right.

So, you be one tends to behave in the manner that they have been accustomed with right. So, these are generally rural and farm based. So, we have been you know in the past in the earlier you know days, it has been largely agricultural based. So, we have followed a barter system, then we slowly evolved from there. So, what the traditional economy says it is largely farm based and rural based which is agricultural driven right.

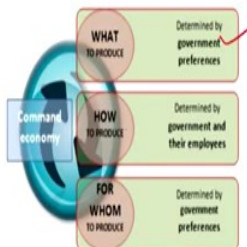
Although traditional economies are now rare, they are not much therefore to be found, because most of the you know developed or the developing nations have moved away from the traditional economy. Some still exist, but for example, in Papua New Guinea right, villages in some of the African countries, South America, and in some places in India also till date you find the traditional economy is still prevalent right, where people for example, take you know give like a barter system right, where they exchange for goods one thing against the other right, in India also it is to be found.

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Conti...

Command economy:

- ✓ It is also known as a *centrally planned economy*. describes the economic system whereby the government own and controls all resources. The command economy is a key feature of any communist society.
- ✓ Example: Cuba, North Korea, and the former Soviet Union are examples of countries that have command economies



The diagram illustrates the components of a command economy. It features a central blue circle labeled 'Command economy'. To its right, there are three stacked boxes, each with a question and an answer. The first box asks 'WHAT TO PRODUCE' and is answered 'Determined by government preferences'. The second box asks 'HOW TO PRODUCE' and is answered 'Determined by government and their employees'. The third box asks 'FOR WHOM TO PRODUCE' and is answered 'Determined by government preferences'. Each box has a red checkmark next to the answer.

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Then the next one is the command economy. So, what does it say? It is also known as a centrally planned economy right. Describes the economic system whereby the government owns and controls all the resources. Now, this is as the name suggests command. So, there is like a commander, the commander commands; and according to his command whatever he commands that is the rule of the place.

So, the command economy is a key feature of any communist society right. Example for example, being Cuba, North Korea, the former Soviet Union, and an examples of countries that have command economies right. So, these are some of the command economies. So, where there is a ruler or a type of a dictator who generally dictate dictates right.


So, you see what happens in the command economy. Now, the what to produce? The determined by the government preferences, the government decides what should be produced. Now, how to produce? Again the government and their employees they decide how to produce it right, what is the best way and they will decide the best way. And for whom? The government again decides according to the preferences of the government right. So, everything is being decided by the government or the ruler.

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Market economy:

- ✓ A market economy encourages open exchange of goods and services between producers and consumers and in which individuals, rather than government, make the majority of economic decisions.
- ✓ An "invisible hand" seems to coordinate economic activity (Adam Smith) ✓
- ✓ The government plays little if any role in the marketplace
- ✓ A purely capitalist economy is a free market economy
- ✓ Market economy can be identified on the basis of economic freedom index (see coming slide)



The infographic titled "CHARACTERISTICS OF A MARKET ECONOMY" is set against a teal background. It features six circular icons arranged in a 2x3 grid. The top-left icon shows a house and a car, labeled "Private property". The top-right icon shows a government building, labeled "Limited government". The bottom-left icon shows two hands exchanging a coin, labeled "Freedom of choice". The bottom-middle icon shows a hand holding a coin, labeled "Motive of self-interest". The bottom-right icon shows a trophy, labeled "Competition". The bottom-most icon shows a balance scale, labeled "System of markets and prices".

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The third is the market economy. Now, the market is a very you know is a very different kind of word, because the market believes in more dynamism and openness right. So, a market economy encourages open exchange of goods and services between the producers

and consumers, and in which individuals rather than the government make the majority of the economic decisions.

So, here it is not a one person like a command economy, and rather the people together right, the people, the government, everybody together they take the majority of the economic decisions right. Maybe there are few decisions which are very sensitive, and have to be done by a high level committee or something that is a separate thing by the government. But otherwise everybody is involved because the people have their representatives and these representatives again a part of the process right. And invisible hand seems to coordinate the economic activity.

Adam Smith had said that in his invisible hand theory that when everybody tends to do well for himself or herself, the nation automatically grows. So that means, in the open market economy, it largely believes in the philosophy that when openness is there and people tend to try optimize their production, their productivity, their efficiency level and all, so automatically it is the summation of the efforts of all the individuals in the country will tend to have a very large symbiotic you know effect right.

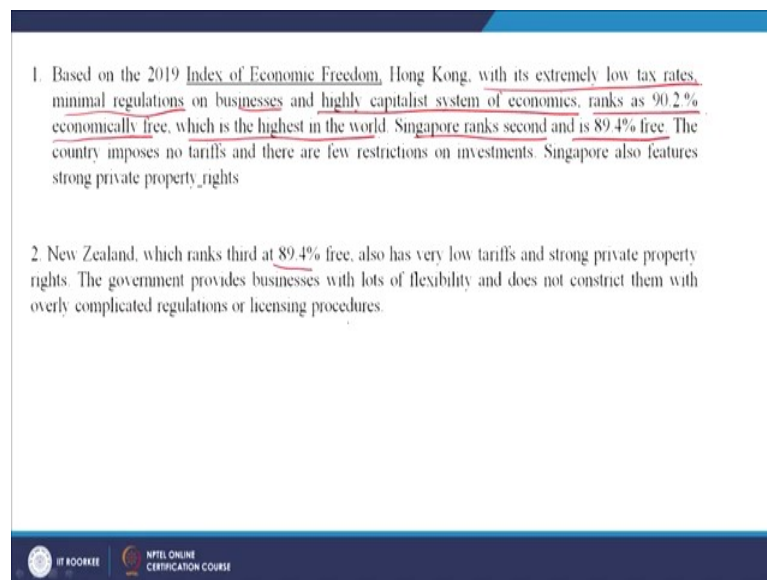
The government plays little if any role in the marketplace. So, today you see for example, the Indian government at the moment is seriously thinking about disinvestment and even divesting many of its PSUs right. So, they are thinking that the government is not the best person to run the PSUs right. So, it should go to private hands. So, now, this there is a debate people, sometimes people say , no, it is not necessary that all the privates are good, and all the PSUs or the government control are bad.

But whatever it is right, the government if at the end of the day it has been seen across the world, the majority of the you know success stories are with the private right. So, looking into that the government feels, it is better for the government to think on or you know work on social related issues, and not get into the economic or running a company, for example, right.

A purely capitalist economy is a free market economy. So, you can understand from that capitalist economies are like the US right so which has done pretty well right. Market economy can be identified on the basis of the economic freedom index. So, let us see the coming slide. So, this is how it looks like you know some characteristics of a market economy, limited government, system of market and prices, so supply and demand, there

is a balance, freedom of choice, people have a choice to select anything. So, motive of self interest, there is a competition in the market, and so the best one will tend to do well, private properties are there, so people tend to do on more money and they have their own properties, so this, this naturally drives the economy ok.

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1. Based on the 2019 Index of Economic Freedom, Hong Kong, with its extremely low tax rates, minimal regulations on businesses and highly capitalist system of economics, ranks as 90.2% economically free, which is the highest in the world. Singapore ranks second and is 89.4% free. The country imposes no tariffs and there are few restrictions on investments. Singapore also features strong private property rights.

2. New Zealand, which ranks third at 89.4% free, also has very low tariffs and strong private property rights. The government provides businesses with lots of flexibility and does not constrict them with overly complicated regulations or licensing procedures.

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So, based on the 2019 Index of Economic Freedom, Hong Kong, with its extremely low tax rates minimal regulations on business and highly capitalist system of economics, ranks as 90.2 percent economically free right, which is the highest in the world. Singapore ranks second and is 89.4 percent free right. The country imposes no tariff and there are few restrictions on investments. Singapore also features strong in the private property rights ok.

New Zealand which ranks third at 89.4 percent free, which was very close to the Singapore value, also has very low tariffs and strong private property rights. The government provides businesses with lots of flexibility and does not constrict them with overly complicated regulations or licensing procedures.

So, that is what you know today India for example, has been advocating and trying to say that we have a single window clearance system right. We are moving into a single window clearance system. We do not want to have too much of regulations. We want to minimal; we have to have minimal policies and more free governance right. So, that is what the government is thinking.

And at the moment, we are doing pretty well also in terms of the change in rank of ease of doing business as I started with we have moved from 77 rank to 63rd which is a 14 rank jump, so pretty good in that way, but then there is a lot to do yet.

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The slide is titled "Conti..." and contains a bulleted list about the mixed economy. The list includes: "Mixed economy", "It combines elements of the market and command economic system, whereby both the government and private enterprise influence production, consumption, investment and saving", "Market + Command = Mixed", "There are no pure command or market economies. To some degree, all modern economies show characteristics of both systems and are often referred to as mixed economies", "For example, businesses own resources and determine what and how to produce, but the Government regulates certain industries", "Most democratic countries fall in this category (there are no truly pure Market or Command economies)", and "Examples: U.S., Brazil, Mexico, Canada, UK, etc." The slide also features logos for "IT ROOKIE" and "NPTEL ONLINE CERTIFICATION COURSE" at the bottom.

- **Mixed economy**
 - ✓ It combines elements of the market and command economic system, whereby both the government and private enterprise influence production, consumption, investment and saving
 - ✓ Market + Command = Mixed
 - ✓ There are no pure command or market economies. To some degree, all modern economies show characteristics of both systems and are often referred to as mixed economies
 - ✓ For example, businesses own resources and determine what and how to produce, but the Government regulates certain industries
 - ✓ Most democratic countries fall in this category (there are no truly pure Market or Command economies)
 - ✓ Examples: U.S., Brazil, Mexico, Canada, UK, etc.

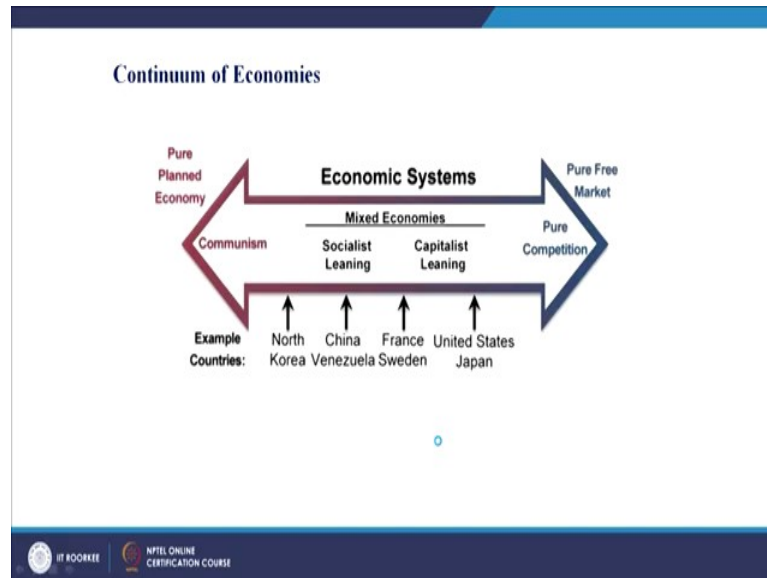
Finally is the mixed economy – the last one. It combines elements of the market and command economic system whereby both so there are it combine elements of the market and command economic system right. So, this is the market economy open, and this is the command economy where this is a ruler.

And private enterprises, whereby both the government and the private enterprises influence production, consumption, investment and saving right. So, market plus command is equal to mixed. There are no pure command or market economies. To some degree all modern economies show characteristics of both systems and are often referred to as mixed economies. India is a bright example.

For example, businesses own resources and determine what and how to produce, but the government regulates certain industries. So, we feel for the safety and the benefit of the individual citizens in the country, the government has to keep them in some control; otherwise the private may go for maximum profit maximization, and this may lead to exploitation of the individuals. So, to avoid such situation, the government comes in between and regulates these industries. So, this is a mixed economy. Most democratic

countries fall in this category. There are no truly pure market or command, command economies right, so some of the examples US, Brazil, Mexico, Canada, UK, India right.

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So, how does the continuum of economies look like, pure planned economy, pure free economy right. So, planned means here we are seeing the command economy, so communism, socialist leaning, capitalist leaning, and pure capitalist or pure competition right. So, from each end, if we see so this side, so North Korea, then socialist leaning – China, Venezuela right; then for a capitalists leaning – France and Sweden, and then purely a you know kind of a capitalist a pure competition right is being followed by United States and Japan.

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Economic freedom and market transition

- Countries with the freest economies have had the highest annual growth and a greater degree of wealth creation.
- In addition, reports find positive correlation between economic freedom and higher average income per person, higher income for the poor, higher life expectancy, higher literacy, lower infant mortality, and less corruption.
- **Economic freedom index**
 - define as the "the absence of government coercion or constraint on the production, distribution, or consumption of goods and services beyond the extent necessary for citizens to protect and maintain liberty itself"
 - higher the degree of economic freedom, the stronger the performance of economy.
 - **Economic freedom index 2019**
<https://www.heritage.org/index/ranking>

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Economic freedom and market transition, now what is this connect? Countries with the freest economies have had the highest annual growth and a greater degree of wealth creation, it has been observed. In addition, reports find positive correlation between economic freedom and higher average income per person, higher income for the poor, higher life expectancy, higher literacy, lower infant mortality, and less corruption.

This is simple because when if there is a free economy, there is a competition everybody tends to do try to achieve more or maximize their potential right, maximum utilization of their potential. As a result of it, everybody grows from the position they are in at the moment right.

So, what does it defined as? Defined as the absence economic freedom index is defined as the absence of government coercion or constraint on the production, distribution, or consumption of goods and services beyond the extent necessary for citizens to protect and maintain liberty itself right. Higher the degree of economic freedom, the stronger the performance of the economy right.

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Conti...

Dimensions of The Economic Freedom Index

The 12 aspects of economic freedom measured in the Index are grouped into four broad categories:

- **Rule of law** (property rights, judicial effectiveness, and government integrity).
- **Government size** (tax burden, government spending, and fiscal health).
- **Regulatory efficiency** (business freedom, labor freedom, and monetary freedom); and
- **Market openness** (trade freedom, investment freedom, and financial freedom).

So, what are the dimensions of the economic freedom index? So, 12 aspects of economic freedom measured in the index are grouped into four broad categories, there are 12 aspects. So, over the 12, rules of law. So, what does it contain? Property rights, judicial effectiveness, government integrity. Then government size – tax burden, government spending, physical health. Regulatory efficiency – business freedom, labour freedom and monetary freedom. And finally, market openness – trade freedom, investment freedom and financial freedom. So, these 12 aspects have been covered into four clusters or four groups ok.

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2019 INDEX OF ECONOMIC FREEDOM WORLD RANKINGS

Country	2019 Index of Economic Freedom	2019 Index of Economic Freedom	2019 Index of Economic Freedom
1. Switzerland	88.5	1. Singapore	88.5
2. New Zealand	88.4	2. Hong Kong	88.4
3. Norway	88.3	3. Iceland	88.3
4. Denmark	88.2	4. Netherlands	88.2
5. Finland	88.1	5. Belgium	88.1
6. Austria	88.0	6. Luxembourg	88.0
7. Sweden	87.9	7. Germany	87.9
8. France	87.8	8. United Kingdom	87.8
9. Canada	87.7	9. Ireland	87.7
10. United States	87.6	10. South Korea	87.6
11. Japan	87.5	11. Taiwan	87.5
12. Australia	87.4	12. Czech Republic	87.4
13. Slovenia	87.3	13. Estonia	87.3
14. Liechtenstein	87.2	14. Latvia	87.2
15. Iceland	87.1	15. Lithuania	87.1
16. Luxembourg	87.0	16. Hungary	87.0
17. Netherlands	86.9	17. Slovakia	86.9
18. Belgium	86.8	18. Slovenia	86.8
19. Germany	86.7	19. Czech Republic	86.7
20. United Kingdom	86.6	20. Hungary	86.6
21. Ireland	86.5	21. Slovakia	86.5
22. South Korea	86.4	22. Slovenia	86.4
23. Taiwan	86.3	23. Czech Republic	86.3
24. Czech Republic	86.2	24. Hungary	86.2
25. Estonia	86.1	25. Slovakia	86.1
26. Latvia	86.0	26. Slovenia	86.0
27. Lithuania	85.9	27. Hungary	85.9
28. Hungary	85.8	28. Slovakia	85.8
29. Slovakia	85.7	29. Slovenia	85.7
30. Slovenia	85.6	30. Czech Republic	85.6
31. Czech Republic	85.5	31. Hungary	85.5
32. Hungary	85.4	32. Slovakia	85.4
33. Slovakia	85.3	33. Slovenia	85.3
34. Slovenia	85.2	34. Czech Republic	85.2
35. Czech Republic	85.1	35. Hungary	85.1
36. Hungary	85.0	36. Slovakia	85.0
37. Slovakia	84.9	37. Slovenia	84.9
38. Slovenia	84.8	38. Czech Republic	84.8
39. Czech Republic	84.7	39. Hungary	84.7
40. Hungary	84.6	40. Slovakia	84.6
41. Slovakia	84.5	41. Slovenia	84.5
42. Slovenia	84.4	42. Czech Republic	84.4
43. Czech Republic	84.3	43. Hungary	84.3
44. Hungary	84.2	44. Slovakia	84.2
45. Slovakia	84.1	45. Slovenia	84.1
46. Slovenia	84.0	46. Czech Republic	84.0
47. Czech Republic	83.9	47. Hungary	83.9
48. Hungary	83.8	48. Slovakia	83.8
49. Slovakia	83.7	49. Slovenia	83.7
50. Slovenia	83.6	50. Czech Republic	83.6
51. Czech Republic	83.5	51. Hungary	83.5
52. Hungary	83.4	52. Slovakia	83.4
53. Slovakia	83.3	53. Slovenia	83.3
54. Slovenia	83.2	54. Czech Republic	83.2
55. Czech Republic	83.1	55. Hungary	83.1
56. Hungary	83.0	56. Slovakia	83.0
57. Slovakia	82.9	57. Slovenia	82.9
58. Slovenia	82.8	58. Czech Republic	82.8
59. Czech Republic	82.7	59. Hungary	82.7
60. Hungary	82.6	60. Slovakia	82.6
61. Slovakia	82.5	61. Slovenia	82.5
62. Slovenia	82.4	62. Czech Republic	82.4
63. Czech Republic	82.3	63. Hungary	82.3
64. Hungary	82.2	64. Slovakia	82.2
65. Slovakia	82.1	65. Slovenia	82.1
66. Slovenia	82.0	66. Czech Republic	82.0
67. Czech Republic	81.9	67. Hungary	81.9
68. Hungary	81.8	68. Slovakia	81.8
69. Slovakia	81.7	69. Slovenia	81.7
70. Slovenia	81.6	70. Czech Republic	81.6
71. Czech Republic	81.5	71. Hungary	81.5
72. Hungary	81.4	72. Slovakia	81.4
73. Slovakia	81.3	73. Slovenia	81.3
74. Slovenia	81.2	74. Czech Republic	81.2
75. Czech Republic	81.1	75. Hungary	81.1
76. Hungary	81.0	76. Slovakia	81.0
77. Slovakia	80.9	77. Slovenia	80.9
78. Slovenia	80.8	78. Czech Republic	80.8
79. Czech Republic	80.7	79. Hungary	80.7
80. Hungary	80.6	80. Slovakia	80.6
81. Slovakia	80.5	81. Slovenia	80.5
82. Slovenia	80.4	82. Czech Republic	80.4
83. Czech Republic	80.3	83. Hungary	80.3
84. Hungary	80.2	84. Slovakia	80.2
85. Slovakia	80.1	85. Slovenia	80.1
86. Slovenia	80.0	86. Czech Republic	80.0
87. Czech Republic	79.9	87. Hungary	79.9
88. Hungary	79.8	88. Slovakia	79.8
89. Slovakia	79.7	89. Slovenia	79.7
90. Slovenia	79.6	90. Czech Republic	79.6
91. Czech Republic	79.5	91. Hungary	79.5
92. Hungary	79.4	92. Slovakia	79.4
93. Slovakia	79.3	93. Slovenia	79.3
94. Slovenia	79.2	94. Czech Republic	79.2
95. Czech Republic	79.1	95. Hungary	79.1
96. Hungary	79.0	96. Slovakia	79.0
97. Slovakia	78.9	97. Slovenia	78.9
98. Slovenia	78.8	98. Czech Republic	78.8
99. Czech Republic	78.7	99. Hungary	78.7
100. Hungary	78.6	100. Slovakia	78.6

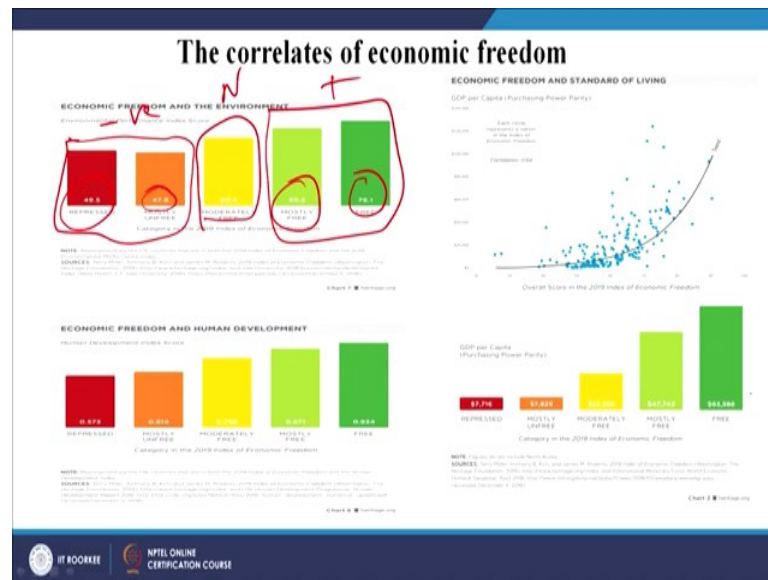
So, you can look at it in terms of the 2019 index of economic freedom world rankings are given to you. So, for example, this is the at the extreme end is the world ranking, then the regional rank. So, the world rank in terms of world rank Hong Kong, Singapore, then followed by New Zealand, Switzerland, Australia, Ireland, United Kingdom, Canada, it goes on right. And if you go come here right, then you come to let us say let us see; let us see Morocco, so and third here, if you come India should be somewhere maybe, this ah India, so 129th rank.

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World Rank	Regional Rank	Country	Score
1	1	Andorra	98.0
2	2	San Marino	97.8
3	3	Switzerland	97.7
4	4	Netherlands	97.6
5	5	Australia	97.5
6	6	Ireland	97.4
7	7	United Kingdom	97.3
8	8	Canada	97.2
9	9	United States	97.1
10	10	France	97.0
11	11	Germany	96.9
12	12	Belgium	96.8
13	13	Sweden	96.7
14	14	Denmark	96.6
15	15	Finland	96.5
16	16	Portugal	96.4
17	17	Spain	96.3
18	18	Italy	96.2
19	19	Japan	96.1
20	20	South Korea	96.0
21	21	China	95.9
22	22	Israel	95.8
23	23	Chile	95.7
24	24	New Zealand	95.6
25	25	Latvia	95.5
26	26	Lithuania	95.4
27	27	Poland	95.3
28	28	Costa Rica	95.2
29	29	Uruguay	95.1
30	30	Colombia	95.0
31	31	Peru	94.9
32	32	Paraguay	94.8
33	33	Guatemala	94.7
34	34	El Salvador	94.6
35	35	Honduras	94.5
36	36	Nicaragua	94.4
37	37	Panama	94.3
38	38	Venezuela	94.2
39	39	Trinidad and Tobago	94.1
40	40	Barbados	94.0
41	41	Aruba	93.9
42	42	Cayman Islands	93.8
43	43	Maldives	93.7
44	44	Malta	93.6
45	45	Brunei	93.5
46	46	Qatar	93.4
47	47	Ukraine	93.3
48	48	Georgia	93.2
49	49	Uzbekistan	93.1
50	50	Kazakhstan	93.0
51	51	Belarus	92.9
52	52	Yemen	92.8
53	53	North Macedonia	92.7
54	54	Algeria	92.6
55	55	Libya	92.5
56	56	Lebanon	92.4
57	57	Syria	92.3
58	58	Iran	92.2
59	59	Afghanistan	92.1
60	60	Myanmar	92.0
61	61	North Korea	91.9
62	62	South Korea	91.8
63	63	China	91.7
64	64	India	91.6
65	65	Morocco	91.5
66	66	Tunisia	91.4
67	67	Algeria	91.3
68	68	Libya	91.2
69	69	Yemen	91.1
70	70	Syria	91.0
71	71	Iran	90.9
72	72	Afghanistan	90.8
73	73	Myanmar	90.7
74	74	North Korea	90.6
75	75	South Korea	90.5
76	76	China	90.4
77	77	India	90.3
78	78	Morocco	90.2
79	79	Tunisia	90.1
80	80	Algeria	90.0
81	81	Libya	89.9
82	82	Yemen	89.8
83	83	Syria	89.7
84	84	Iran	89.6
85	85	Afghanistan	89.5
86	86	Myanmar	89.4
87	87	North Korea	89.3
88	88	South Korea	89.2
89	89	China	89.1
90	90	India	89.0
91	91	Morocco	88.9
92	92	Tunisia	88.8
93	93	Algeria	88.7
94	94	Libya	88.6
95	95	Yemen	88.5
96	96	Syria	88.4
97	97	Iran	88.3
98	98	Afghanistan	88.2
99	99	Myanmar	88.1
100	100	North Korea	88.0

India is on the 129th rank right. And the followed last on the last numbers are North Korea, Iraq, Libya. So, these countries they do not have a economic freedom as good as that understanding that right.

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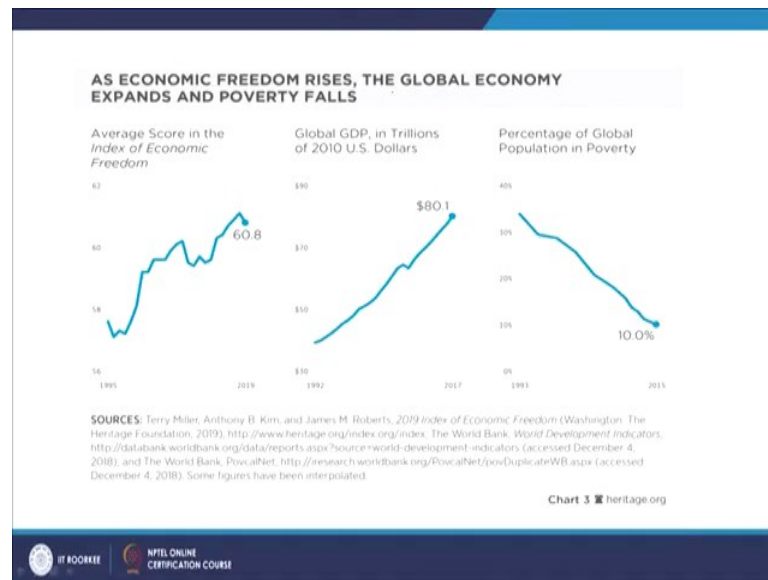
So, the correlations of economic freedom you see, economic freedom and the environment. So, if it is high, then we say free. And 69.5 mostly free, and 49.5 is repressed for. So, these are some of the values how they understand, mostly unfree right. So, the category the values right, I think there is a small I think this is it should be 47.5 because or this should be a little more than that.

Maybe this is small data; this should be little higher, anyway maybe it does not matter because these two anyway are on the dangerous side right, no so good side. And these three this is on the you know on the neutral side. And these two are basically on the positive side. So, positive, negative, neutral right.

Similarly, you can look at economic freedom and human development right. So, repressed, mostly unfree, moderately free, mostly free and free. So, how human development happens when there is an economic freedom.

So, these are some of the things. And look at the purchasing power parity, GDP per capita purchasing power parity how this moves when the country is free. Always if you look at these diagrams, then it will give you a very clear picture that when there is an economic freedom, automatically the environmental condition improves, the human development condition improves, the purchasing power of people improves. So, that is a very positive sign right.

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As economic freedom rises, the global economy expands and poverty falls. I think I in one of the lectures we discussed about it how in India the poverty level has fallen drastically right. India has been able to shift almost 20 crores of people from the poverty line. So, this is something it talks about right. Average score in the index of freedom index of economic freedom as it grows right, the global GDP in trillions of US dollars right how it is grown, and how poverty has fallen this connection right.

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Transition Economies

Transition economies are involved in a process of moving from a centrally planned economy to a mixed or free market economy

Some key aspects of the transition process

- ✓ Liberalization of markets to give prices a bigger role in allocating scarce resources between competing uses
- ✓ Privatization of government (state) assets – transferred to the private sector
- ✓ Reduction in tariff and other trade barriers so that the economy becomes more open
- ✓ Reduction in the scale and scope of government subsidies e.g. to loss making industries
- ✓ Legal reforms e.g. to protect private property rights
- ✓ Banking reform and interest rate liberalization

<https://www.imf.org/external/np/exr/ib/2000/110300.htm#box2>

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Transition economies, now these are involved in the process of moving from a centrally planned economy to a mixed or a free market economy. So, what is the how in the transition, what is happening? So, liberalization of markets to give prices a bigger role in allocating scarce resources between the competition in the competing uses. So, there are some resources, and they have to be used can be used in several ways.

So, in this you know the allocation of resources happens. For example, if you look at the how coal is being allocated in India to different users right. Privatization of government assets transfer to the private sector. Reduction in tariff and other trade barriers, so that the economy becomes more open right. Reduction in the scale and scope of government subsidies, example to loss making. So, during it in the transition economy, the government tends to reduce the subsidies to the loss making right.

There is a lot of legal reforms to protect the private property rights. For example, if you are not protecting the private the people's property, then there would be a fear and they would not try to utilize their money in building assets, and that is not then that is that means, they are not consuming right. So, that again will have an impact on the unemployment, and thus everything will have a very vicious effect. Banking reform and interest rate, for example, you know India is can be considered as a very interesting example for the transition economy ok.

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Classification of transition economies	
➤ Transition economies in Europe and the former Soviet Union	
CEE (Central and Eastern European economies)	Albania, Bulgaria, Croatia, Czech Republic, FYR Macedonia, Hungary, Poland, Romania, Slovak Republic, Slovenia
Baltics (states in Northern Europe)	Estonia, Latvia, Lithuania
CIS (Commonwealth of Independent States)	Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan
➤ Transition economies in Asia	
Cambodia, China, Laos, Vietnam	



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Now, if you look at the classifications, there are some classifications, for example, CEE where Central and East European economies come into, then Baltics the states in Northern Europe, CIS – Commonwealth of Independent States, where you have these countries. And the transition economies in Asia right. So, these are the classification of the transition economies.

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India (economic transition)

- ✓ Investment climate in India has improved considerably since the opening up of the economy in 1991.

Important points

- ✓ India maintains several export subsidy programs, including exemptions from taxes for certain export-oriented enterprises and for exporters in Special Economic Zones. Numerous sectors (e.g., textiles and apparel, paper, rubber, toys, leather goods, and wood products) receive various forms of subsidies, including exemptions from customs duties and internal taxes, which are tied to export performance. (Foreign Trade Policy (FTP) 2015-2020)
- ✓ India's mid-term review of its FTP (released in Dec. 2017) outlined a renewed focus on promoting Indian exports while highlighting the need to move away from export subsidies consistent with WTO commitments
- ✓ According to Department for Promotion of Industry and Internal Trade (DPIIT), FDI equity inflows in India in 2018-19 stood at US\$ 44.37 billion, indicating that government's effort to improve ease of doing business and relaxation in FDI norms is yielding results

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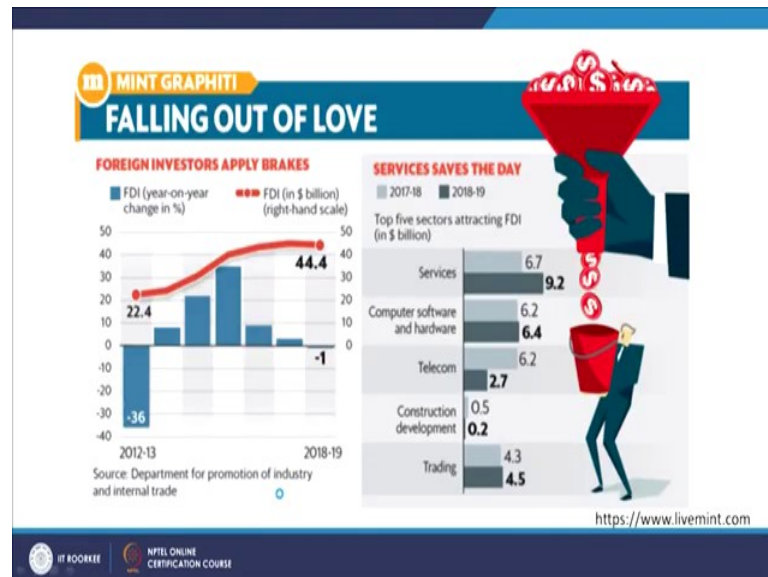
India is a classic case as I say. The investment climate in India has improved considerably since the opening up of the economy 1991, the globalization the LPG when we had during Manmohan Singh's time when he was the prime minister finance minister right.

So, important points India maintains several export subsidy programs including exemption from taxes for certain export oriented enterprises and for exporters in the SEZs. Numerous sectors like these receive various forms of subsidies including exemptions from customs duties and internal taxes, which are tied to the export performance right.

India's midterm review right outlined right of its foreign trade policy outlined a renewed focus on promoting Indian exports while highlighting the need to move away from export subsidies consistent with the WTO - World Trade Organization commitment. Now, there is a pressure on India to come out of the subsidies, so that they should not give subsidies because that makes unbalanced competition right.

According to Department of Promotion of Industry and Internal Trade, FDI equity in flows in India was in 2018-19 should at 44.37 billion indicating the government's effort to improve ease of doing business which has yielded result, and India has moved 14 places as I said right.

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So, this is how it looks. So, you can have a look at it right. So, the top five sectors which are attracting FDI in India right.

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Conti...

- The Central government invited bids for privatisation of six airports -- Lucknow, Jaipur, Ahmedabad, Guwahati, Mangaluru and Thiruvananthapuram (2019)
- Intellectual properties rights in India is governed under the following Acts (compliance with TRIPS (Trade Related Aspects of Intellectual Property Rights)) :
 - Trade Marks Act, 1999
 - The Patents Act, 1970 (amended in 2005)
 - The Copyright Act, 1957
 - The Designs Act, 2000
 - The Geographical Indication of Goods (Registration and Protection) Act, 1999
 - The Protection of Plant Varieties and Farmers Rights Act, 2001
 - The Information Technology Act, 2000

And so central government invited bids of privatization of 6 airports. So, these are some of the events which has happened and which tells about India's transition right economical transition. So, intellectual property rights in India is governed under the following acts. So, intellectual property rights is another major issue. So, when you are talking about economic factors, companies tend to get scared that their intellectual property would be protected or not right.

So, the Trademark Acts 1999, Patents Act, Copyright Act, Designs Act, so these are some of the acts which have been some changes have been made right. So, and they are ruled by basically these but there is a lot to improve there is not there are lot of criticisms on this acts also, because sometimes it is being taught that archaic and old, and new formulations have to be done new changes have to be done right.

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So, for example, the IPRI is a flagship publication of Property Rights Alliance, it scores the underlying institutions of a strong property rights regime, the legal, political, physical and intellectual property rights. Interestingly, India ranks 36th among 50 countries in 2019. So, that is not a very nice thing, because if there is an IPR violation the foreign companies would be scared to do business in India. So, however, you know you may make policies which are conducive, but still there would be a fear of you know exposing or taking away their knowledge right, somebody copying their knowledge.

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IPR Dispute case of Napster

- In one of the Internet's the most well-known intellectual property cases, the Recording Industry Association of America (RIAA) sued Napster, a file-sharing site. Founded in 1999, Napster allowed users to share music files and thousands of people began downloading songs for free rather than buying CDs.
- However, Napster did not own the rights to the music that people were uploading to its servers, where the music was stored and ultimately shared. The rights were owned by the recording artists and recording studios. The RIAA sued Napster and won, causing Napster to close its doors—or its servers, as the case may be. Napster now operates as a fee-based music download site and pays licensing fees for the music it sells.

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So, you can look at this. And this is an example which I have brought. So, this is the IPR dispute case of Napster. So, Napster is a company in the let us let me read out for you. In one of the internet's the most well known IPR cases, the Recording Industry Music Association of America sued Napster right, a file-sharing site founded in 1999.

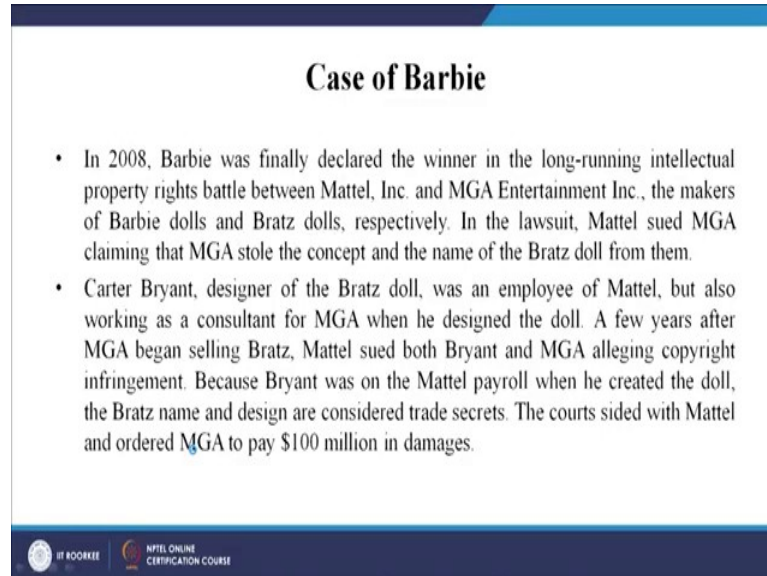
What happened? Napster allowed users to share music files and thousands of people began downloading songs for free rather than buying the CDs ok, so that was kind of piracy started. It is a case of piracy also people downloaded free. And so what happened as a result of all this?

However, Napster did not own the rights to the music that people were uploading to its servers right, where the music was stored and ultimately shared. The rights were owned by the recording artists and the recording studios right. Now, the association sued Napster and won the case. Napster had to close its doors – its servers, as the case may be. Napster now operates as a fee-based music download site and pays the licensing fees for the music it sells.

So, you can understand that how IPR also has a major influence on the international or the business in any country. So, the kind of protection the government gives, the kind of policies you have, basically if you look at it all these factors that we are discussing they have in totality they have an effect on the international businesses right. So, instead of

looking at a one-sided effect you know or one aspect of it like economic or legal or political, we need to have a holistic effect check the holistic effect right.

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Case of Barbie

- In 2008, Barbie was finally declared the winner in the long-running intellectual property rights battle between Mattel, Inc. and MGA Entertainment Inc., the makers of Barbie dolls and Bratz dolls, respectively. In the lawsuit, Mattel sued MGA claiming that MGA stole the concept and the name of the Bratz doll from them.
- Carter Bryant, designer of the Bratz doll, was an employee of Mattel, but also working as a consultant for MGA when he designed the doll. A few years after MGA began selling Bratz, Mattel sued both Bryant and MGA alleging copyright infringement. Because Bryant was on the Mattel payroll when he created the doll, the Bratz name and design are considered trade secrets. The courts sided with Mattel and ordered MGA to pay \$100 million in damages.

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So, there is one more case I have brought you can look at it in your free time, you can go through it. So, this is the case of Barbie. How Barbie also had to go through condition. And the other company Bratz, the company is Carter Bryant, so the he was a designer. So, what happened in this case you can look at it. So, this is all we have it for the day.

And thank you very much.