

# The Oyster

Elizabethtown College

Fall 2005  
Volume 1, No. 2

World Business News & Views

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## Offshoring: A Menace?

Economists study how we can allocate scarce resources to unlimited uses for those resource. In other words, we study how to minimize waste. When we find ways to accomplish more at the same or lower cost, we usually do so, and with the greater society's blessing. In the long run, productivity increases that occur in a free and flexible marketplace are the key to increased economic growth and well-being.

The idea of minimizing the waste of resources applies to labor. To consider this, think about why we don't live in seclusion as hermits, relying upon ourselves to make everything we need on our own. We specialize in things we do relatively well and trade our income for goods and services we are not as efficient at producing.

Our dynamic economy (based on political and economic freedom) allows for a changing environment in which our relative strengths may change over time, allowing us to move around

and improve our standard of living over time. Though some people are hurt by displacement from jobs, more are benefited by better jobs. Consequently, though we are bombarded with media showing the downside of flexible labor markets, we generally experience robust growth in the U.S. economy. Ultimately, we want to employ our resources in areas where they can create the most additional value, thereby also maximizing their own income.

Over time, acting in flexible (competitive) markets, this means reallocating resources, including labor. Adjustments may be difficult, but going through that process is the only way by which to maintain growth and an overall standard of living that allows the best for the most people. The topic of outsourcing, or better offshoring, of jobs is one example of this. So, why does the uproar over offshoring exist?

### Background

The general idea behind outsourcing is of firms specializing in their own core competency and contracting out

jobs that previously were done in-house. For example, GM historically had lawyers in-house. Now, lawyers work for a law firm, which is retained by GM. This is done in an effort to increase efficiency. This also helps GM compete and keep prices relatively low compared to a less efficient alternative. The phenomenon is an extension of the basic rationale for trade: produce something that we have a relative advantage in making and allow others to produce what we are relatively less efficient at making.

If we buy into the idea that specializing and trading is good in general, why does it receive so much attention when it comes to offshoring? Given the recent attention paid to offshoring, we have to ask whether, in light of economic logic and relevant historical evidence, there is reason for us to devote so much energy to worrying about this phenomenon. If we can get a handle on the true extent of the impact of offshoring on the U.S. economy, its actual implications (both good and bad), we may be able to make a more prudent comment on whether it threatens us or not.

**"Obvious" Costs** –What's offshoring costing us in terms

see OFFSHORING, pg. 5



by Marc von der Ruhr

# An Atlantic Canadian Perspective on International Trade

by David Wicks

Canada has always been a trading nation. Its original colonization by the British was based on trading furs and lumber, both products that the British Empire needed but were not able to provide for itself. This is, after all, the reason why countries engage in international trade – to obtain goods and services in the most cost-effective way possible. Despite Canada being a very big country geographically, it is a very small economy. It therefore cannot come close to producing the products its citizens desire, or if it *can* produce them, does not do so at the quality and price of foreign competitors. For this reason, countries like Canada are far more dependent on international trade than bigger economies like the U.S. Atlantic Canada (consisting of Newfoundland, Prince Edward Island, New Brunswick and Nova Scotia) is a tiny economy whose need to engage in trade (both within Canada and beyond) is therefore even greater.

Canada is the largest trading partner of the U.S. and, in fact, international trade in Canada accounts for approximately 77% of GDP (compared to 27% in the U.S.). Canada has traditionally been a resource exporter, and today raw materials and resource-based manufactured products still account for approximately 50% of Canadian exports. This is particularly true in Atlantic

Canada, where energy, agri-food, metals/minerals, and pulp/paper make up in excess of 80% of the region's exports. The process of globalization is gradually reducing Canada's dependence on the U.S. market. The geographic location of buyers and sellers matters much less today than it did as little as 10 years ago. Now we see many

products (like the Canadair Regional Jet I am currently sitting on somewhere in between Halifax and Detroit) made from components originating in many different countries, and assembled at the most convenient point. Companies are therefore seeing no borders when it comes to their business activities – the world's your oyster!

With one in four jobs in Canada involving international trade, it is more important than ever to develop knowledge of world markets and skill in foreign investment. The largest world markets are, of course, very far from both Canada and the U.S., specifically in China and India. Although over the last 5 years economic growth in developing countries was minimal (at that time the U.S. led the word in economic growth), they are now recovering and representing lucrative markets that nobody can



ignore. In Atlantic Canada, exports to China are growing approximately 25% annually. Brazil, Mexico and India are not far behind. Capitalizing further on this international activity is therefore a

strategic priority for governments and businesses. In order to make gains from trade, business needs to ensure it focuses on its particular niche or competence, which is something many have lost sight of in an era of minimal domestic competition. In Atlantic Canada these niches are typically in the marine, forestry,

energy or mining sectors. Aquaculture, for example, is now one of the leading industries in Atlantic Canada, and actually contains some of the largest operations in the world for farming and processing mussels, salmon and trout. This builds on an already strong market presence in raw lobster and clams, as well as value-added processing of a wide range of seafood products that are exported around the globe on daily basis.

With new opportunity, however, comes new challenges. As smaller firms become more international in their scope, they face risks of exchange rate volatility, regulatory approvals, political changes, corruption and

the risk of nonpayment. Here universities and trade associations can provide valuable information to equip business for the inevitable – increased specialization in activities where high value-added is created and relationships with foreign firms as part of a global value chain. International

trade has been the key reason for Canada's economic success. This is even more important in a small regional economy with limited resources. When unable to do all things equally well, focus on key areas to the exclusion of all others. By doing this countries can truly gain from international trade and can stop protecting their own inefficient domestic industries (the basis of virtually any trade dispute over the last 5 years). The future is bright – if we bring a global mindset to business and embrace the fact the world is quickly becoming borderless.

*Wicks is the Acting Dean of the Sobey School of Business, St. Mary's University, Halifax, Canada.*

**The geographic location of buyers and sellers matters much less today than it did as little as 10 years ago.**

# Corruption: Bad for Economic Growth?

by Sanjay Paul

Does corruption impede economic growth?

Turns out this question is not easy to answer. First, there is the problem of defining corruption, for it encompasses a wide range of activities. An individual who misuses public office for private gain—a standard way of defining corruption—may be a government official who sells state assets at

below-market prices, accepts bribes to expedite approval of a certain request, receives kickbacks in public procurement, or salts away public funds in a Swiss bank account. But

corruption is not necessarily the sole preserve of public officials—witness, for example, the misuse of corporate assets for individual gain in cases such as Tyco (Dennis Kozlowski) and Worldcom (Bernie Ebbers).

## Measuring Corruption

Given its inherently secretive nature, corruption is difficult to measure. However, in recent years, various methods of measuring corruption across countries have been employed. The corruption indicator in the International Country Risk Guide provides a measure of political risk, and according to its owner (a private firm called Political Risk Services), is used by many of the world's largest companies to make investment decisions.

The Corruption Perceptions Index (CPI) tends to be favored by policy makers. Produced by Transparency International, the CPI is an amalgam of perceptions of corruption by different sources. Unlike the ICRG's corruption indicator, the CPI is available free of charge.

The least corrupt countries in the world (according to their CPI scores) are Finland, New Zealand and Denmark. Canada is ranked 12<sup>th</sup>, the United States 17<sup>th</sup>, and Mexico 64<sup>th</sup>. The BRIC countries are all largely corrupt—Brazil (rank 59), Russia (90), India (90) and China (71). The most

corrupt countries in the world are Haiti, Bangladesh and Nigeria (see Table 1).

## Link between corruption and growth

We now address the relationship between corruption and growth. A corrupt bureaucracy may discourage private investment—if you need to grease umpteen palms in a government office to receive approval for your proposal to start a business or build a new factory, you may very well decide to forget the whole thing. Corruption

results in inefficient resource allocation—inefficient firms pay officials off to remain in business (and keep out competition); smart workers forsake the private sector to work in

the most (three) corrupt countries. We find that “clean” countries have posted decent growth rates—during the 1990-2003 period, fifth-ranked Singapore grew an average of 6.3%. The US and Canadian economies also expanded at a fairly robust clip (3.3% per year).

But look at China and India. Both are relatively corrupt, but their GDP growth during the 13-year period has been remarkable (especially in the case of China). Both have undertaken dramatic market reforms over the years, opening up the economy to greater competition, attracting foreign investment, and privatizing state-owned enterprises. The result has been a steady expansion in GDP, along with a marked decline in poverty rates, but the two countries still have far to go in eliminating corruption.

In sharp contrast is the case of Russia. The post-communist period in Russia has not been marked by the sort of growth that other

**“Empirical analyses at the macro level, however, fail to establish a conclusive link between corruption and growth.”**

**Table 1: Greater Corruption, Lower Growth?**

Ranking <sup>1</sup>	Country	CPI score <sup>1</sup>	GDP growth <sup>2</sup> %
<i>Least Corrupt</i>			
1	Finland	9.7	2.8
2	New Zealand	9.6	3.2
3	Denmark	9.5	2.3
3	Iceland	9.5	3.4 <sup>a</sup>
5	Singapore	9.3	6.3
<i>NAFTA</i>			
12	Canada	8.5	3.3
17	USA	7.5	3.3
64	Mexico	3.6	3.0
<i>BRIC</i>			
59	Brazil	3.9	2.6
71	China	3.4	9.6
90	India	2.8	5.9
90	Russia	2.8	-1.8
<i>Most Corrupt</i>			
144	Nigeria	1.6	2.7
145	Bangladesh	1.5	4.9
145	Haiti	1.5	-0.8

<sup>1</sup> Ranking based on Corruption Perceptions Index 2004. CPI score relates to perceptions of the degree of corruption as seen by business people and country analysts and ranges between 10 (highly clean) and 0 (highly corrupt). Source: *Transparency International* <<http://www.transparency.org/cpi/2004/cpi2004.en.html#pci2004>>

<sup>2</sup> Average annual real GDP growth 1990-2003. Source: *World Bank* <<http://www.worldbank.org/data/wdi2004/5/wdtext/Section4.htm>>

<sup>a</sup> Average GDP growth 2000-2004. Source: *World Bank* <<http://devdata.worldbank.org/data-query/>>

government jobs where they can extract bribes.

But do the data confirm the adverse impact of corruption on growth? No—the macro studies do not appear to substantiate such a link. In a recent article, Svensson notes that most empirical analyses fail to establish a causal relationship between corruption and economic growth across countries<sup>1</sup>.

Table 1 provides data on corruption and GDP growth for selected countries. In particular, we consider the (five) least corrupt countries, the NAFTA countries, BRIC, and

Soviet-bloc countries have enjoyed after throwing off the shackles of communism (Poland and Czech Republic, for instance). Indeed, Russia has experienced a decline in GDP each year on average for 13 years—marking a remarkable deterioration in the standard of living for its citizens. More recent data, however, are likely to paint a rosier picture: As oil prices have climbed, the Russian economy has enjoyed an economic boom.

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## Corruption: Leads to inefficient use of resources

Among the most corrupt countries, Bangladesh has managed to post a 4.9% increase in GDP per year over the 13-year period—not a mean achievement, given the frequency of devastating natural disasters they have to contend with on a regular basis. Nigeria will benefit from the rise in oil prices, but Haiti's plight seems to have no end in sight.

Fig. 1 shows that there exists no discernible relationship between corruption and GDP growth for the sample of countries used in the study. Indeed, a simple

regression with GDP growth as the dependent variable and CPI as the independent variable yields a coefficient for the latter that is statistically insignificant. The

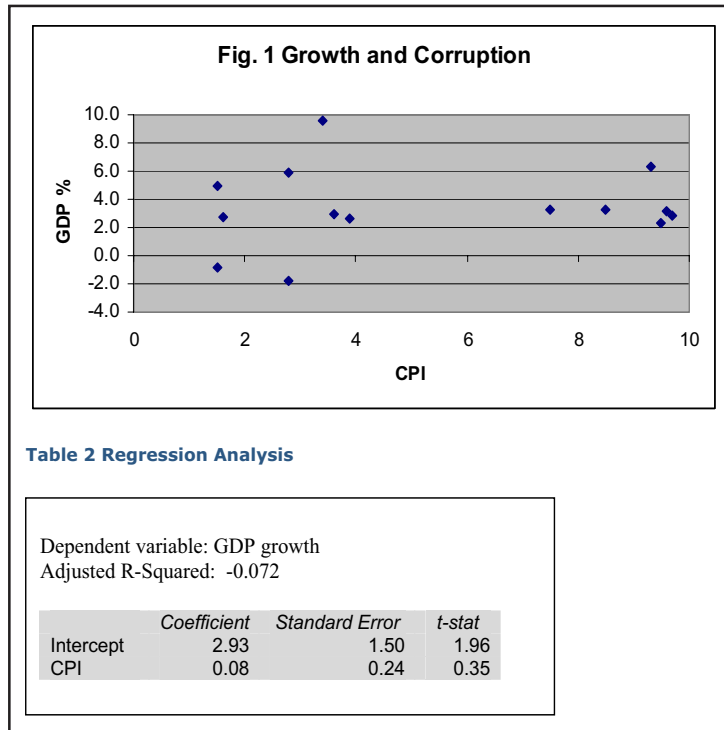
results of the ordinary-least squares regression are reported in Table 2. (Note: We omitted Iceland in the graph and the regression since the growth figures for Iceland correspond to a different period.)

### Conclusion

Corruption is difficult to measure. It exists not only in the public sector, where it garners a large amount of attention from researchers, but also in the private sector. In theory, corruption should be an impediment to growth, primarily because it militates against an efficient allocation of labor and capital for productive purposes in the economy. Empirical analyses at the macro level, however, fail to establish a conclusive link between corruption and growth. Other factors, such as education, health, infrastructure, suitable fiscal and monetary policies, are equally, if not more, important. Countries like China and India have grown rapidly despite high levels of corruption.

'Svensson, Jakob. 2005. "Eight Questions about Corruption." *Journal of Economic Perspectives*. Summer, 19:3, pp. 19-42.

Paul is associate professor of economics at Elizabethtown College.



## Are You Fired, Donald Trump?

by Sanjay Paul

The baker bakes bread, said Adam Smith in 1776, not to feed the people of the village, but to improve his lot in life. The idea that people act to promote their self-interest is not surprising, but what is remarkable is Smith's contention that the actions of these individuals, driven by the desire to make themselves better off, result in the greatest improvement in society's welfare.

Mr. Smith's Invisible Hand doctrine, propounded in *The Wealth of Nations*, has proved to be a remarkably enduring idea, forming the basis for today's market economy. And so it is that as we contemplate a consumer forking over \$5,000 for a refrigerator made of brushed stainless steel, or \$80,000 for a Mercedes, or engage in any of the other myriad transactions that strike most people as conspicuous consumption,

we must remember that voluntary exchange in a free market—the individual, of his own volition (We set aside the theological question of free will for another day.), buying a good in exchange for his income (derived from selling his labor services in the market)—tends to leave both parties better off and is also likely, through sundry linkages and multiplier effects, to raise the overall level of welfare in society.

But yet...yet...we cannot shake off that nagging feeling. Surely there is something



## Life, Wealth and Security Checks

wrong about spending \$1,000 for a hotel room—for one night—or thousands on an Armani suit or a piece of jewellery. If there is any justice in the world, one thinks, people who buy these things at outrageous prices will get their comeuppance in some fashion.

And what if profligacy were compounded by venality? Might it not be the case that some of these excesses were financed by wealth accumulated through spurious methods—fat cat CEOs inveigling monstrous pay packages from servile Boards of Directors, government bureaucrats awarding defense contracts in

see CONSUMPTION, pg. 6

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# Offshoring: Costs, History, and Analysis

*of jobs?*

The media often cites jobs created abroad as U.S. jobs lost due to offshoring. This analysis is somewhat simplistic, and thus we put in quotes the “obvious” costs of offshoring. The focus of the reports on off-shored jobs deals with U.S. jobs lost to foreigners. This ignores other relevant aspects, to which we return later.

*Data on jobs offshored*

We first examine the actual magnitude of offshoring. The U.S. labor force is approximately 150 million people. Jobs offshored between 2000 and 2003 are estimated at approximately 100,000 to 170,000. So, as a percent of our labor force, offshored jobs represent approximately one tenth of 1 percent of our labor force.

In contrast, we know that each year 15 million jobs are lost for any number of reasons such as layoffs, firings, voluntary departures, etc.

By way of comparison, Kodak laid off 15,000 workers because of growth of digital photography in the first quarter of 2004 while jobs offshored were 4,633 during the same period.

*Dynamics of international production*

Further, just because a U.S. firm creates a job overseas does not mean that it was created at the expense of a domestic job. We may create jobs abroad that would not exist in the U.S. One example is that of some call centers that

would not exist if they had to be based in the US. This, in the U.S. may be automated resulting in no job for an operator. However, given cheaper labor in India, this is an offshored job.

Further, when a U.S. multinational enterprise (MNE) creates a job abroad, that also results in new jobs

**“Ultimately, we want to employ our resources in areas where they can create the most additional value”**

in the U.S. Between 1991 and 2001, US MNEs created approximately 3 million jobs abroad. They also created 5.5 million in the U.S. (an increase of 30% in payrolls). Jobs created abroad call for jobs to be created domestically in, for example, logistics, R&D, international IT.

Finally, when we offshore, we also help grow foreign economies, to which we export U.S. made goods.

An indirect benefit comes from additional growth we experience as costs fall and productivity rises. For example, Dell Computers is producing PCs in China. This has helped to reduce computer and telecommunication prices in the U.S. by 10-30%. This helps to spread IT across the U.S. raising productivity and growth; which in turn helps to create jobs in the long run. It is estimated that this resulted in a cumulative \$230 billion addition to U.S. GDP between

1995 and 2002.

*Net effect*

As IT spreads, though we lose some jobs abroad, new jobs are created. By one estimate, 25% of our labor force is in jobs that did not exist in 1967.

In conclusion, the data do not seem to support, even on the face of it, the cry of “foul” over offshoring. Further, the environment of labor markets is sufficiently complex to suggest there are benefits to offshoring that offset domestic job losses.

**Historical Comparison**

Now that we have data, and an idea of the true extent of how offshoring is affecting the economy, let’s examine the historical context. This phenomenon of concern over jobs and the displacement of workers is nothing new. We’ve seen it with farming and manufacturing already. Consider that 40% of the labor force worked in agriculture 100 years ago. Now, this is less than 2%. Most of these jobs moved to manufacturing, and then to services.

Manufacturing has lost significant employment not only because technology improved, but also because tastes and preferences have moved from buying goods to more and more services.

With respect to technological improvements: from 1950 to 2000, output per worker rose by about 2% per year. Compounded over this time, this means workers became three times more

productive. In manufacturing, productivity rose by 2.8% annually, allowing a fourfold increase over the 50 years.

Further, we now are seeing sectoral changes within service industries in terms of which jobs stay here and which go abroad.

We see creative job destruction and creation constantly because we have a flexible labor market. The adjustment can obviously be difficult for those directly affected, but is the key to growth in the long run.

**Policy**

Do we protect the job or the person?

We protect the person, not the job. Given data on cost to economy of “saving” a job in various industries, it’s far more efficient to save that huge amount and use a portion to help the individual. For example, policies to save one job in the handbag industry in the U.S. cost our economy \$200,000. This is not worth it. It would be a better use of our resources to pay the person his/her salary to sit still and reallocate the rest of the savings to other uses.

Protecting jobs is costly, much more so than the wage of the individual losing the job. It is preferable to continue with a trade assistance program for those adversely affected.

We also need to promote a good educational system so that our workforce can continue to innovate and export to growing markets.

*Von der Ruhr is assistant professor of economics at St. Norbert College, Wisconsin.*

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## Consumption: Is it conspicuous enough?

exchange for promises of future employment at lucrative terms in the private sector, mutual fund managers exploiting information on imminent trades by their firms to conduct transactions on their private accounts.

Perhaps, and here one turns to religion for help, these people will pay for their ill-gotten gains and their profligacy in the afterlife. The Bible is actually quite clear on this point: the entry of the rich into heaven is likely to be very difficult. On the other hand, the deceased *hoi polloi*, the great unwashed, will discover that their relative penury on earth has equipped them to pass through the pearly gates with scarcely a questioning glance from St. Peter (and no security check or TSA officials to deal with, either).

But yet, while this thought may buoy us momentarily, we are soon shaken by another: Are the rich really deserving of this treatment? Should they all be treated like terrorists seeking to enter this country, objects of suspicion solely because of their affluence in their previous (or only?) life? What if only a few had acquired their gains through dubious contrivances (say, like Bernie Ebbers or Ken Lay)—was it not likely that the vast

majority had acquired their wealth through industry, fortitude and pluck, and consequently deserved to be praised rather than condemned? How could one justify *financial profiling*—this singling out of an entire class based, for large numbers within it, on an attribute they had diligently striven for all their lives and in the process promoted society's welfare in diverse ways? And now to be lumped together with Andrew Fastow and Dennis Kozlowski—to pay, in a sense, for their wretched avarice!

But there was worse. For Peter had a list, and if your name happened to be on it, God help you. Well, on second thought, perhaps not—He put you on the list. There would be no way to dispute the charge—no legal guardian angels stood by to take up your case with the Bureau of Homeland Security. You could cry to the heavens, but all your tears wouldn't wash out one letter of your name on the list. There would be no entry into heaven.

So the deceased rich people would stand outside heaven, shuffling their papers nervously, waiting to find out whether their

names were on the dreaded list or not—oh if it was, would there be time to say goodbyes to dear ones? Did you just get whisked away to hell right away? Would you have time to whisper to your partner, "I love you for all eternity?" All these questions, and nobody knew the answers.

Oh, how unjust it was—and, irony of ironies, to encounter this patently unfair immigration procedure at the very gates of heaven. Paradise beckoned—it was so close, behind the gates lay immortality and perhaps a café—but first they would have to get through Security.

And so, back on earth, we begin to look at the conspicuous consumers and the flagrantly wealthy in a new light. Our earlier feelings of envy would be greatly diminished, if not entirely eradicated. Now we would feel pity. Even for Donald Trump. We would hope that he doesn't get on Peter's list and risk being told, "You're fired!" The consequences would be devilishly unpleasant.

*This article was previously published as "Pity, Rather Than Envy, Felt for Rich" in The Patriot-News, Oct. 24, 2005.*

## Information Galore: Finding Free Resources in International Business on the Internet

by Wayne A. Selcher

The Internet provides free access to international business news, information, and analysis sources in many languages. Doing research effectively, however, takes patience. Drifting off-point through interesting but unrelated hyperlinks is a constant temptation. Misinformation, out-of-date information, and deception are all too easy to come by. The international business researcher who wishes to go beyond chance bits of data must learn the basics of serious Internet research just as thoroughly as one learns library research for printed materials. Thoughtful and reliable data are available. Identifying and gathering such useful data, however, requires an informed, careful, disciplined,

and patient strategy with discerning techniques.

### Tutorials and guides

The major issue for most users of the Internet in international business is not really a scarcity of quality web sources, but rather learning how to find them. For those needing a broader orientation on search techniques, excellent free online tutorials and guides are available. See, for example:

·Academic Info <<http://www.academicinfo.net/reffind.html>>

·BBC's "WebWise" <<http://www.bbc.co.uk/webwise>>

·The Texas Information Literacy Tutorial <<http://tilt.lib.utsystem.edu>>

·Bare Bones 101: A Basic Tutorial on Searching the Web <<http://www.sc.edu/beaufort/library/pages/bones/bones.shtml>>

·The UK's "RDN Virtual Training Suite" <<http://www.vts.rdn.ac.uk>>

·Marcus Zillman's Internet guides <<http://www.whitepapers.us>>

### Search engines

Google is king when it comes to general use. See <http://www.google.com/help> for elaboration on how to use Google more thoroughly. Meta-search engines such as Dogpile <<http://www.dogpile.com>> compile responses from several major search engines into one set of results. Strictly "national" or language-based search engines such as MetaGer <<http://meta.rrzn.uni-hannover.de>> and national versions of Google and Yahoo! are best for results from specific countries or in specific

see RESOURCES, pg. 9

# The Politics of Preserving Paradise

by Corinne Andersen

This past winter, there was an ice storm in Raleigh, North Carolina that turned my 20 minute commute into a 7 hour nightmare. As I sat bumper to bumper in an endless string of vehicles, nearly passing out from the gas fumes, I decided I needed a change of scenery. Last summer, two of my colleagues from Peace College, a small women's liberal arts school in Raleigh, attended a Brethren Colleges Abroad (headquartered in Elizabethtown, PA) seminar in Ecuador with a focus on the Galápagos Islands entitled "The Politics of Preserving Paradise." The next morning, I signed up. Before I knew it, the semester was over and I was on a plane headed for Quito.

## Life at Latitude Zero

Our plane touched down on San Cristobal, the eastern most and second most populated island, with about 4000 permanent residents. Until airport construction is completed on Santa Cruz, the most *touristy* island with a population of more than 8,000 people, all commercial flights have been rerouted to San Cristobal. Hence, nearly all of the tour boats currently depart from this island. As a result, San Cristobal is an island in transition. Habitats for blue footed boobies, frigate birds and sea lions butt up against sea side restaurants, tourist boardwalks and commercial fishing ports.

After a two night stay in San Cristobal and attending several discussion sessions at the university with the faculty and government officials about the issues at the Galápagos, it was time to start our week-long adventure at sea. Our touring vessel, the

Yolita, was not a luxury liner. The cabin I shared with my colleague from Peace, Pat Weigant, was roughly the size of the guest bathroom in my modest home. But the inconveniences of life at sea were minor when compared to the rewards waiting for us at each destination.

It took between 4 and 7 hours to travel between each of the five major islands and our first landing was on the uninhabited island of Espanola. The huge, black volcanic rocks that formed the coast line of the bay teemed with marine iguanas and sally light foot crabs. Blue footed boobies engaged in their elaborate courting ritual right before our eyes. Sea lions and their pups barked and belched at each other all along the shore. It was easy to understand why the Galápagos Islands remained so vivid in Darwin's mind. No binoculars were needed to observe the fauna here. We were up close and personal with nature in her primal form.

Each island brought a new surprise: a formation of flamingoes flying overhead on Santa María, a school of golden mustard rays gliding through Black Turtle Cove, a yellow and grey lava lizard fiercely protecting its territory from predators on South Plaza Island. The varied landscape was equally fascinating: from the steaming, sulfuric fumaroles of the volcanoes; to the thick, oyster encrusted mangrove swamps; to the electric greens and reds of a cactus forest. Each island was more than just a different

world; it was a distinct and alien universe.

Those of us brave enough to withstand frigid temperatures and battle strong currents were able to witness the equally abundant life under the sea. During our daily snorkeling excursions, there were occasional sightings of sea turtles, Frisbee-sized red starfish, and white tipped sharks.

What appeared to be an ordinary rock on the surface would come to life with sea urchins, algae, and small schools of fish. One afternoon, a school of dolphins playfully jumped in the wake of the boat and nearly

took my breath away.

## Preserving Paradise

All tourism is not created equal, and after my trip, I'm more convinced than ever that tourism on the Galápagos Islands should revolve around ecology and education. There are plenty of tropical playgrounds where tourists can enjoy adventure sports and lavish accommodations. While it is essential that research on the islands continues, it is even more important that they remain a sanctuary. The only way to preserve this paradise for the future is to limit the impact of its greatest potential threat—humankind.

*Andersen is professor of English at Peace College, Raleigh, North Carolina.*

It was easy to understand why the Galápagos Islands remained so vivid in Darwin's mind.

## Name that CEO!

To foster our appreciation of business history, *The Oyster* invites our readers to test their knowledge of famous (and infamous) business personalities. In this issue, we ask our readers to name the three CEOs below. Send your entry to [oyster@etown.edu](mailto:oyster@etown.edu) by January 23, 2006. All correct entries (one per reader, please) will be entered in a draw for one grand prize of a pound of gourmet Peet's coffee. Just send us an email, correctly identifying the names of the three CEOs below, and you'll have a chance to win!

### Name the CEO who:

1. Spent \$6000 on a shower curtain and \$2 million on a toga

birthday party for his wife on a Mediterranean island. All company funds. He has been sentenced to jail for up to 25 years.

2. Said in a 1999 speech on business ethics that it was the responsibility of the board to "ensure legal and ethical conduct by the company and by everybody in the company." Shortly thereafter his energy-trading company, the seventh largest corporation in the U.S. at the time, went bankrupt. He has not yet been sentenced.

3. Said in 1943 that "there is a world market for maybe five computers." He ran one of the largest technology companies in the world.

## Getting to know...

Dr. Sean Melvin, international man of intrigue, has been the subject of much discussion at the water-cooler (or tea kettle, as the case may be).

As chair of the Department of Business at Elizabethtown College, Dr. Melvin is constantly on the go. When he's not running to and from the local Amtrak station, Dr. Melvin gets his exercise by trying to get undisciplined colleagues like

Chunski in line – a task, as Dr. Melvin laments, not unlike organizing a feline parade. But what is the esteemed department

chair really like? We wanted to know Sean better, but for months he had successfully eluded our pursuit. Until now. Our roving reporter caught up with Dr.



*Dr. Sean Melvin explaining the importance of having the right recipe for the perfect turkey*

Melvin at the local grocer, just as he was preparing to cook his Thanksgiving turkey. We asked Sean to finish our sentences:

**The best thing about traveling abroad is:** It puts your own view of the world in a more intellectual honest context. You walk in the footsteps of the Ancients and it drives you to learn as much as you can by Oh and the Czech pilsner served at the intermission of the Prague Symphony Orchestra.

**The most important market US companies should pay attention to is:** China and Eastern Europe.

**The most pressing issue facing business education is:** 1) Ensuring that technology does not engulf business education delivery systems to the point where rigor is sacrificed. 2)

Truly integrating ethics and international focus across every business curriculum.

**The greatest manager of**

**all time is:**

Lee Iacocca. When Ford fired Iacocca, they changed the locks on the door without telling him. He was escorted by security back to his car in front of the entire executive suite. 5 years later he turned around Chrysler, repaid government loans early and toppled Ford as the number one automaker. He started by cutting his salary to \$1 a year and covering his own home mortgage payments with a personal loan.

**If I weren't teaching:** I'd be very unhappy.

**The last book I read was:** (Fiction); *Five Little Pigs* by Agatha Christie; (non-fiction) *Franco: A Concise Biography* by Gabrielle Ashford Hodges.

**My favorite ethnic food is:** Paella (Spain).

**The public figure (past or present) I admire most is:** John F. Kennedy.

## Why Can't Everyone Speak English?

### Suggestions for Better Cross-Cultural Surveys

by Ed Chung

You are the brand manager for a well-known consumer packaged product. The competitive nature of the US market is such that growth is hard to come by, and increasingly, "buying share" looks like a losing proposition. Absent new markets, the future does not bode well for your brand (or your career). What are you to do?

Expand to new markets internationally? Perhaps. But you also know that international markets are fraught with danger. If nothing else, the fact that English is NOT the everyday language in many of these markets creates great difficulty in understanding and anticipating consumer needs in these places. And the labels. Oh, the labels. Why, for instance, is it necessary for you to put both English and French on things you sell in Canada, of all places. Isn't Canada just like the US?

Alas, you don't have to like the market

reality. You just have to live with it. So let's say you decide to enter Hong Kong. Six million people. Developed economy. High education attainment. Ex-British colony. Highest density of Rolls Royce per mile of road in the world. Looks like an attractive market. But how will they like cookie dough ice cream?

Market research. Let's do a survey, for example. But wait, the people in Hong Kong speak Chinese. Cantonese, actually, but Chinese is Chinese, right? You don't speak Chinese. Your market research analyst doesn't speak Chinese. Ah, your local college has a translation service. Some folks they have at the college were originally from China, and they can help you translate your English survey into a Chinese survey. Eureka! You're in business.

If this were the end of the story, it would be a sorry state of affairs indeed. Fortunately, extant literature provides us with lots of ideas

about how to proceed in such a case. Not meaning to be exhaustive, I offer the following suggestions to anyone who may be contemplating such a cross-cultural survey. Implementing these suggestions won't make your research perfect, but it should help eliminate some of the potential problems.

First, just as there is English English, American English, Canadian English, etc etc., not all Chinese is Chinese. Nor is all French, French. You need to know what "kind" of Chinese you are dealing with here. The translator needs to be fluent with the same version of the language that your target market speaks.

Second, examine your translator's credentials. Just because a person was born in a certain country does not make that person a particularly good translator. Time may have

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## Resources: Finding on 'Net

languages. Be sure to use the advanced search page on each engine if available, not just the simple initial interface, and go well beyond the first two pages of results. "Recommended Web Finding Tools" <<http://infodome.sdsu.edu/research/guides/recommend.shtml>> from the San Diego State University library, thoroughly reviews search engines, subject directories, website reviews, and other finding tools.

### Subject matter directories, databases, and gateways

These sites, mediated by subject matter experts, virtual information specialists, or "cyberlibrarians," index, annotate, and link key sites in a subject matter or provide a search facility that accomplishes that purpose from a database of the current content of high quality sites.

·Global Edge <<http://globaledge.msu.edu/index.asp>> World class international business portal site from the Center for International Business Education and Research, Michigan State University, includes country insights and course modules.

·Global Trade Negotiations Home Page <<http://www.cid.harvard.edu/cidtrade>> From the Center for International Development at Harvard University, a comprehensive site with research papers and articles

·International Business Resource Connection <<http://www.ibrc.business.ku.edu>> Excellent collection of international trade and business resources. Note especially the country, statistical, and intercultural resource sections.

·Eco5.com <<http://www.eco5.com>> Research portal for finance and economics from the European Business School of the International University Schloß Reichartshausen.

·Social Science Information Gateway (SOSIG), Business and Management Gateway <<http://www.sosig.ac.uk/business>>.

### Governments and international organizations

The Web sites of the U.S. and other governments, the United Nations, the

European Union, the Organization for Economic Cooperation and Development, the World Trade Organization, the World Bank, the International Finance Corporation, and the International Monetary Fund have huge amounts of free resources for international business that are poorly indexed on major search engines. For example:

·World Bank's Trade Research and Data and Research pages <<http://www.worldbank.org>>

·World Bank Group. "Doing Business" <<http://www.doingbusiness.org/>>

·The U.S. government's portal on export-related information <<http://www.export.gov>>

·The U.S. International Trade Administration <<http://www.ita.doc.gov>>

·International Business Information section of the fine Industry Canada Strategis site <<http://strategis.ic.gc.ca>>

·The U.S. government's Overseas Private Investment Corporation <<http://www.opic.gov/links/links-main.htm>>

·The Market Access Database from the Commission of the European Union <<http://mkacddb.eu.int/mkacddb2/indexPubli.htm>>

### Miscellaneous organizations

Free Web sites on international business are also provided by academic institutions, business schools, firms, professional associations, research foundations, and nongovernmental advocacy groups. The International Chamber of Commerce maintains a site at <<http://www.iccwbo.org>> and the United States Council for International Business site is at <<http://www.uscib.org>>. Other examples:

·Index of Economic Freedom <<http://www.heritage.org/research/features/index>> Provides country analysis, foreign investment codes, information on taxes, tariffs and banking regulations.

*Dr. Selcher is professor of international studies at Elizabethtown College and editor of WWW Virtual Library: International Affairs Resources <<http://www2.etc.edu/vl>>*

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## Surveys:

## Language is Key

reduced her/his native language skills, to the point where proficiency is suspect. Or, the person is not very proficient with English. Some assessment needs to be made to ascertain the person's bona fide skills in translating.

Third, and this is a standard activity that must always be done: do back translation. Once the survey is translated from English to Chinese (or whatever language), have another expert translate the Chinese version back into English. In other words, you translate backwards. Compare the two English versions. Are they more or less the same? Did the meaning change? Back translation is perhaps the most commonly suggested preventive measure to undertake to assuage the difficulties of cross-cultural communications. If the comparison reveals large differences in meaning, you will need to go back and do it all over again.

Fourth, pre-test your instrument (survey) with a sample of Chinese-speaking respondents. Debrief them afterwards. Do they understand the questions? What are their difficulties? Only such a field test can demonstrate real problems that may exist with the questions. Skip this step, and you run the risk of asking questions that no one actually understands. For example, there are concepts that may well be culture-specific. "Privacy," for instance, is a term much used in the western world. Translating that term into Chinese (and back) may be problematic if culturally it doesn't have the same kind of significance in that society.

While the suggestions above use a hypothetical market research survey as an example, such precautions should not be limited to questionnaires. Indeed, any time we do cross-cultural communications, we should keep these points in mind. Saying the wrong thing socially may be embarrassing. Sending the wrong brand message may be ruinous.

*Chung is associate professor of marketing at Elizabethtown College.*

Chunski's Musings

# Grumpy Workers, Model Endorsements

by E. R. Chunski

## SAVE YOUR JOB, BE GRUMPY

"Labor is prior to, and independent of, capital; that, in fact, capital is the fruit of labor, and could never have existed if labor had not first existed – that labor can exist without capital, but that capital could never have existed without labor."

Who was the liberal who said that, you may ask. It was Abraham Lincoln, a Republican no less, who gave labor such high praise back in 1859. But that was 150 years ago. The world has changed.

You're in your 40s, or heaven forbid, your 50s, and you've just been fired. Oh, I mean re-engineered. Rationalized. Deemed redundant. Restructured. Fired.

Fancy that? Probably not. Unless you have some celebrity endorsement contracts lined up (see GUILT BY ASSOCIATION). That dreaded word, re-engineering. It will ruin your day with lightning speed. Your life even, if you're not careful. But does it have to be inevitable? No.

Recently Sony announced 10,000 job cuts. The new CEO (a Brit running Sony – talk about globalization!) is charged with turning the company around. Sales not growing – making things people don't want. Profits lacking. Executive bonus at risk. Need quick fix. Voila! Let's fire some people. So, let's off 10,000 jobs. That saves millions! Very classical profit maximization model at work.

But the CEO, Sir Howard Stringer, quickly pointed out that this massive job cut was not enough. Indeed, if he had his way,

he would cut more. So what saved the other jobs (for now) that he would have cut? The already low morale in the company. According to the *Financial Times*, it was low workplace morale, among other "sensitivities," that forced Sir Howard to "tone down his long-awaited restructuring plan."

Low morale saved the jobs. Yes, you read that right, dear reader. More jobs would have been lost if the workers were motivated and gung ho about their work! They only managed to hang on to their jobs by being grouchy.

So, forget what Lincoln had to say about labor being important. Here's Chunski's job-saving tip (I may need it soon myself, if I kept this up) for the day: if you want to save your job, be grumpy.

So what do you want from me now? Go away! I'm too miserable as it is!

## GUILT BY ASSOCIATION: WHEN ENDORSEMENTS GO SOUR

Imagine yourself managing one of the finer fashion brands out there. Millions of dollars later you signed up one of the goddesses of modeling as your celebrity endorser. What can possibly go wrong? Plenty, if you're Chanel and staring right at you is a picture of your model goddess allegedly snorting cocaine.

Thus was the compromising position Chanel found itself in. Well, at least they had good company. Along for the ride were such venerable brands as Burberry, Coty, and H&M. Surely this was one time when corporations wished the world weren't so

globalized and information so accessible.

Certainly it's not Chanel's fault that Kate Moss chose the lifestyle she did. But in our world of five second attention spans and knee-jerk reactions, guilt by association is enough to severely damage a brand's image. Managed improperly, your brand's equity built up over decades can evaporate quicker than you can say Firestone.

Chanel, Burberry, and H&M quickly took matters into their own hands and fired Ms. Moss. At time of writing, Coty is reviewing her contract as well. Perhaps timely PR may yet save the day for these brands. But the millions invested in this one celebrity endorsement would surely make for excellent tax write-offs for these firms.

Well at least these brands unfortunately backed the wrong horse, so to speak. But what if you didn't even pick the horse to begin with? What if you're guilty by an association of which you wanted no part?

Such was the situation that *Gap* faced recently in Canada. In a widely publicized homicide case, a news photographer took the picture of the suspect as he was led away in a police cruiser. What was the suspect wearing? You guessed it. A Gap shirt. Endorsed by a murder suspect. What more could a brand manager want? Well, at least it was free!

So what is the lesson learned here? If you're looking for someone to endorse your brand, get someone who's boring and has nothing of interest to anyone. Pay the person handsomely, and hope for the best. And in case you're wondering, Chunski is available.

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## From the Editors

We have received hundreds of emails since our inaugural issue, asking when the second issue will be published. The overwhelmingly favorable response has been, well, overwhelming. The editorial staff has tried to personally reply to each email or letter that came in, but the numbers are so staggering that the College's email server actually shut down for the better part of a week! So, thank you, dear readers, for your encouragement and sincere praise!

Yeah right.

So there is no massive demonstration of fanfare for *The Oyster*. No marathon autograph session. No clamoring for reprints. No matter.

Undaunted by what must surely be our gentle readers' natural reticence, but deeply encouraged by the implicit yet unmistakable signs of fandom, we bring you *The Oyster, Part II - Revenge of Shellfish*.

First, let us say that those responsible for the first issue have been summarily dealt

with. You, dear reader, are reading the **NEW AND IMPROVED** model. Not unlike the improvements that Apollo 13 had over the earlier Apollo 11.

We thank our numerous contributors who so generously sent us their material. Special thanks to Brian Rossell for design layout, Chris Bigos for website design, and Janice Davis for editorial assistance. And we thank you, gentle reader, for sticking with us.

*Ed Chung and Sanjay Paul*

