World and Global Economy, Global Business Environment, and International Business: Nature, Formation, and Structure

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Abstract This chapter provides some notions that will be often used in the subsequent chapters, distinguishes major actors of the global economy, analyzes the historical evolution of the global economy and international business, and gives a brief typology of the world economy and international business. In the end, some clues to the statistics of the world economy and global business environment are provided.

1 Introduction

When we study the world, we are typologizing it. This chapter provides some notions that will be often used throughout the book, distinguishes major actors of the global economy, analyzes the historical evolution of the global economy and international business, and gives a brief typology of the world economy and international business. In the end, some clues to the statistics of the world economy and global business environment are provided.

2 Notions of the World Economy and Global Economy, International Business, and Global Business Environment

2.1 The Notion of the World Economy and Global Economy

The world economy, in the shortest definition, means a set of all the national economies of the world. If the world economy is measured on the basis of annual volumes of all national GDP, then in 2021 it was close to $90 trillion (about $140 trillion at purchasing power parity—see below).

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Within the world economy, the global economy is distinguished. This combines those parts of national economies that deliver to the outside world and receive resources and products (goods and services) from it, i.e., participate in the global movement of products and resources. Economics terms similar resources and products as traded in contrast to non-traded, which do not intersect national borders. It is clear that international business is primarily connected with the global economy. If the global economy is quantified, then its dimensions will be several times less than the world economy. This is because most of the leading world economies are focused on demand and proposal of products at their internal market rather than an external one. Thus, in the United States, imports provide 14% of the consumption of goods and services, about 12% of the products made in the country are exported, capital inflow provides 6% of investment, and foreign labor migrants occupy about 17% of jobs.

2.2 Major Actors of the World Economy

The main participants (actors) of the world economy are national economies. The greater their size, the higher their weight in the global GDP—in 2021, 18.6% of global GDP accounted for China, 15.7% for the United States, 15% for the EU (Germany 3.3%, France 2.3%, and Italy 1.9%), India 7%, Japan 3.8%, Russia 3.1%, and Brazil and Indonesia about 2.5% per each country. The term "national economy" implies the economies of individual countries. In turn, the term "country" in the vocabulary of international organizations means both the state and part of its territory with a pronounced autonomous economic and political regime, such as Hong Kong.

National economies are also the main participants of the global economy. However, the degree of their participation in the global economy is determined not only by the size of their GDP, but also:

- the competitiveness of their products (for competitive products, demand in the world market is higher);
- the trade and non-trade barriers on the way of their imports and exports (an example may be modern Iran and Russia, the international business of which is hindered by the formal and informal embargo on the part of some countries);
- the transport proximity/remoteness of a country (this especially affects countries that do not have access to the sea with its cheapest cargo transportation); and
- the level of openness of a national economy.

An open economy is a national economy where non-residents (i.e., foreign firms and individuals of another country) have access to most of its markets and industries. The opposite of the open economy is a closed economy, which is usually closed because the country actively pursues a policy of protecting the national economy from foreign competition (protectionism policy) or isolated by sanctions. The most open economies are small ones, which, due to the limitation of their economic resources and the small scale of their domestic markets, are forced (more actively than average

and large economies) to use the movement of products and resources between countries. However, the global economy is formed primarily by large countries by virtue of their weight (e.g., the top 20 countries by the size of GDP produce almost 90% of the world GDP). Thus, the top exporters are China and the United States (although they export only 12 and 15% of their production, respectively), and not Singapore and Luxembourg, exporting an overwhelming part of their production. It is not rare that the traits of small economies are often transferred into large countries, as a result of which an excessive image of economic globalization is created.

With more and more splicing, the economies of many neighboring countries form integration groups, usually in the form of integration organizations (see chapter "World Economy Major Trends: International Economic Integration"). Integration groups have become an important part of economic life in many ways, because in the most advanced of them there are elements of the supranational. Therefore, it is advisable to consider integration groups as one of the major actors of the world economy. For instance, it is impossible to analyze any European economy putting aside the European Union.

In recent decades, the importance of international economic organizations has sharply increased. The main reason for this is the need to regulate the global economy because of its rapid expansion, a task that individual countries and even integration groups are unable to fulfill. International economic organizations are just in existence to regulate the global economy, especially to solve worldwide (i.e., global) problems.

Finally, multinational enterprises (MNEs multinational corporations [MNCs], transnational corporations, [TNCs]) are other major actors of the world economy. These are corporations that consist of a parent company and affiliated firms abroad. As their foreign affiliate networks (global value chains) expand, the interests of MNEs coincide less and less with the interests of national economies, including countries of their origin. This is the important reason for the selection of MNEs in a set of major actors of the world, especially the global economy.

2.3 The Notion of a Global Business Environment

From the point of view of national businesses, those aspects in other economies that can influence these businesses are termed the "global business environment". The global business environment can be also defined as the foreign countries' environment which influences the business environment and decision making of economic agents of other countries. However, these economic agents are interested in different aspects of foreign countries' environment, and therefore the traditional way to satisfy all of them together is to give the picture of a whole foreign economy. With this purpose, Part II of the book contains chapters describing regional and large national economies of the world.

2.4 The Notion of International Business

The business related to movement of products and resources among countries can be called international business, or international business relations (the latter term better reflects an essence of this movement, but traditionally the former term is used more often). The basis for international business is a global economy. This business can be classified by forms from the point of view of the global movement of products and resources.

Historically, the international (foreign, external) trade in goods and services was distinguished first as a form of international business. It still dominates international business of most countries around the world, albeit not in all of them.

The movement of economic resources that started later than the movement of goods has led to the emergence of such forms as an international knowledge transfer, international labor migration, and global capital flows. As for the rest of the economic resources (in addition to labor, knowledge, and capital), the natural resources are immovable and participate in international business indirectly, through international trade. Entrepreneurship (an entrepreneurial resource) moves together with labor, knowledge, and capital, and therefore does not figure as an independent form of international business.

Finally, a separate form is sometimes distinguished—international currency exchange (on currency markets). Although this is derived from international trade and the movement of economic resources (especially capital), it has acquired great economic independence.

The above typology of international business (international trade, international knowledge transfer, international labor migration, global capital flows, international currency exchange) is not the only one. Nevertheless, this book is built on the aforementioned five forms of international business, based on the fact that this typology seems to be the most associated with economics.

2.5 Non-economic Aspects of the Global Economy and International Business

The economy is not the only sphere of our lives; for us, the political, social, and cultural spheres are also very important. These have a noticeable impact on the national, regional, and world economy, as well as international business, bringing their non-economic aspects.

Probably the greatest impact on the world economy and international business is provided by politics. Usually, hostile or cool political relations do not allow economic relations to be freely developed even between neighboring states (for example, between India and Pakistan). The politicization of international business is especially noticeable in the international arms trade as well as international knowledge transfer (primarily high-tech). Economists are inclined to believe that the benefit

from foreign economic relations between countries suppresses their political enmity; this is correct in principle, but it does not always happen—for example, before the WWI and WWII, the main trading partner of many European countries was Germany.

The social sphere, with its frequently arising difficulties and shocks, is also constantly affecting the world economy and international business. Thus, with all the importance of the remaining reasons, the main motives of the movement of millions of people between countries are social—specifically low incomes and high unemployment. This is what annually pushes millions of people from other countries to the European Union, United Kingdom, United States, or Arab monarchies of the Gulf, as these are areas where wages are much higher, and the demand for labor is noticeably larger than in their own countries.

The cultural sphere both brings national economies closer and separates them. Thus, the mutual cultural space is a powerful factor in North American economic integration. As a result, relations in the United States between local residents and migrants from neighboring countries are less stressful than in Europe, due to the greater affinity of their cultures, although these relations are not cloudless. On the other hand, national culture—for example, business culture (business ethics)—often interferes with the friendly perception of this business abroad. Thus, the Bribe Payers Index (published by Transparency International up to 2011), calculated by the top exporter countries according to the probability of their companies giving bribes when conducting business abroad, indicated that Chinese and Russian companies are most likely to give such bribes, which often prevents Chinese and Russian business engaging in countries with a low price of bribery.

The cultural sphere often includes the psychological. Psychology rejects the idea that behavior is absolutely rational, as Keynes indicated. However, in different countries, this occurs in different ways, which largely determines the behavior of their economic agents. Thus, according to the European Social Survey, for a resident of Russia, security and self-affirmation is more important than for Europeans, but other values such as independence, novelty and risk, and caring for people and nature are less important.

3 Formation and Evolution of the Global Economy and International Business

3.1 Formation of the Global Economy

The core of the global economy originated in ancient times in the region of the Mediterranean along with the surrounding countries of the Near and Middle East.

It all started with the international trade in goods. Five thousand years ago, residents of Egypt traded with neighboring tribes—buying wood, metals, or livestock in exchange for the products of Egyptian crafts and land. Later, trade of services began to connect to international trade in goods. The Phoenician and Greek merchants not

only traded around the Mediterranean with goods produced in their own countries or purchased in other countries, but also provided services, carrying other people's cargoes and foreign passengers.

Gradually, international trade covered other regions of the world—at first, South Asia, then Southeast and East Asia, Russia, America, and Australia and Oceania; later, hard-to-reach areas of Sub-Saharan Africa. As a result, by the end of the nineteenth century, the global market for goods and services (i.e., the combination of markets of traded goods) had appeared.

At the same time, the international movement of economic resources has grown. Western European capital has become a noticeable element of investment in America, with immigrants from Europe having economically domesticated huge expanses of North America, South Africa, and Australia. Western entrepreneurs have transferred their achievements in western science (electricity, internal combustion engine, mechanical vehicles, pharmacy) to all corners of the world. Then, the knowledge, capital, and especially workforce began to be exported by less developed countries; as a result, the process of moving the economic resources between countries became mutual, although not symmetric. Thus, all national economies became participants not only in the global market for goods and services but also in the international movement of economic resources. Under these conditions at the turn of the nineteenth to twentieth centuries, it became possible to refer to the global economy**.**

3.2 Stages of Globalization

The global economy has passed a number of stages. The time between the end of the nineteenth century and the beginning of the First World War became the first stage of economic globalization (in economic terminology, as in this book, this term is often used in an abridged version, without adjective)—this refers to the process of rapprochement (splicing, integration) of national economies based on economic resources and the exchange of products. Over these three decades, in many national economies, the proportion of exported and imported products has reached such a level that was overtaken only half a century later. Large scales of exports of economic resources from Western European countries (on the eve of the war, residents of the United Kingdom invested capital abroad more than in their national economy) into new fast-growing market economies (which, at that time, were the United States, Argentina, British dominions, and Russia) were only exceeded after many decades. On the eve of the First World War, in the United States, more than half of the industrial workers were immigrants, and capital flow from abroad provided more than half of the investment in Russian industry. Although there were no integration groups then (they were partly replaced by empires), international economic organizations were few and weak, and MNEs were also limited in number. However, in general, this stage of globalization can be considered the first wave of globalization.

The period from the beginning of the First World War until the end of the Second World War was the stage of folding globalization during wars, revolutions, and the

economic crisis of the 1930s. As a result, although the merchandize export of the United States during this period statistically increased from $2.6 billion to only $3.1 billion, actually it dropped sharply, because during this time $ depreciated 2.2 times.

The time after the end of the Second World War until the end of the 1970s was the stage of restoring the global economy. World trade had already reached the 1913 level in the early 1950s, although the movement of products and economic resources had reached the same scale only by the end of the period. At this stage, important prerequisites were laid for the new wave of globalization: integration groups were created, the number of international economic organizations grew, and the number of MNEs increased rapidly.

The period of the late 1970s until the global economic crisis of 2008–2009 became the second wave of globalization. Almost all the records of the first wave were exceeded. The ratio of exported and imported products to goods and services produced domestically radically rose, integration groups became a powerful momentum in many regions, the importance of international economic organizations increased (especially for less developed countries), and MNEs began to produce 1/4–1/3 of the world GDP (including about 1/10 in their foreign affiliates).

However, the current stage of globalization, which began after the 2008–2009 crisis, is changing its character. In major economies, there is an increase in attention paid to the production of goods and services on the domestic market, being more reliable as compared to foreign production. Freedom of capital movement in the world is increasingly considered critically, especially the activities of international "transit hubs" of capital–offshore jurisdictions. Restrictions on the methods of international labor migration are growing. It is possible to assume (albeit cautiously) that there is a decrease in the pace of globalization. Perhaps globalization goes cyclically and its second wave ends, shifting not to the opposite movement (as in the period between the two world wars), but to a more moderate pace. Another point of view is that globalization goes to a new stage of development and should be measured by other indicators (see chapter "World Economy Major Trends: New Normal, the Forth Industrial Revolution, Globalization, Sustainable Development").

3.3 Non-economic Aspects of Globalization

Globalization occurs not only in economic spheres but also in non-economic spheres. In many countries, foreign policy has long been more global than regional (such as in the United Kingdom since the eighteenth century), and internal policy is increasingly formed by supranational forces (such as in countries of Europe under the influence of EU governing bodies). In the social sphere, large and successful reforms in one state then cover other countries, mainly neighboring ones (a Swedish social model served as an example for Northern Europe). Large countries have already influenced the rest of the world with their culture (e.g., American cinema, music, literature), although in the field of national psychology, globalization goes slower (as in cases of many immigrants from the Eastern countries in the West).

Economists usually emphasize that this is the result of the impact of economic globalization on political, social, and cultural spheres through communication and transport, world trade and knowledge transfer, international capital flow, and migration. However, there is also the opposite impact of political, social, and cultural globalization on economic matters. Thus, the globalization of politics leads to greater and greater use of the economy in global political purposes. These are economic sanctions (trade, financial, technological, etc.) by some states against other countries and their counter-sanctions in response, such as the trade war between China and the United States. This is the use of national MNEs for the sake of foreign policy goals. This is also the use of national impact in international economic organizations to influence their ideology and practice, such as, for example, in the case of the American influence on the activities of the International Monetary Fund and the World Bank.

The globalization of the social sphere, especially increasing the knowledge of the social sphere in other countries, leads to the desire of citizens to apply foreign social models in their own countries. The intention of Ukraine to modify the social sphere on the European example serves as an example. Such social reforms in Ukraine have a great influence on the economic sphere of the country (through the budget, investment, and labor market).

The globalization of the cultural sphere has made a number of professions truly global (outstanding artists, musicians, sportsmen), just as an increasing part of products in this sphere are becoming global. Still, the main impact on the globalization of the economy through the cultural sphere is primarily through the evolution of the national business culture under the influence of foreign samples.

4 Typology of the World Economy and International Business

4.1 Stages and Levels of Economic Development

Economics explores the stages of economic development. Regarding more modern literature, we note, first of all, works such as the "The Stages of Economic Growth: A Non-Communist Manifesto" (1960) by Walt Rostow, "The Coming Post-Industrial Society: A Venture of Social Forecasting" (1973) by Daniel Bell, and "The Competitive Advantage of Nations" (1990) by Michael Porter. In his book, Rostow has developed the concept of stages (more precisely, steps) of the transition from the traditional (most agrarian) society to the industrial society and its subsequent evolution. Bell formulated the main features of the market economy, which came from the dominance of industry to the dominance of modern services (post-industrial stages). Porter formulated four stages of economic development (considering them from the point of view of competitiveness of national economies), based on the factors of production (usually land and labor), investment (in fact it is a stage of active

industrialization), innovations, and wealth (in actuality based on powerful financial capital). In economic literature, the synthesis of these works and development stages is usually divided into traditional (pre-industrial), industrial, and post-industrial. For the post-industrial stage, the dominance of the service sector (tertiary sector) is typical; primarily these are services related to knowledge and finance.

4.2 Post-industrial Stage

In a traditional society, people (labor) and nature (land) were the main economic resources, and the economic activity was built around the ownership and use of land and labor. In an industrial society, the main resource was real capital, and therefore economic relations are built on the basis of the ownership and use of this capital. In a post-industrial society, knowledge and financial capital are basic resources.

Knowledge is generated by science and skill, distributed through information and communications technology (ICT), and is fixed by education. Labor resource and knowledge (held by labor resource) form human capital (this term in its wide meaning also includes health and living conditions).

As for financial capital, the theoreticians of the post-industrial society did not assume that the growth of the financial sphere in the post-industrialized world would be faster than at the industrial stage. However, this capital has seen very fast growth in recent decades. It can be assumed that this occurs because the supply of capital as an economic resource is growing, but the demand for real capital in post-industrializing (and especially post-industrialized) countries grows slowly (active industrialization in these countries has passed). As a result, an increasing part of new capital does not transform to real capital, i.e., financialization of the economy takes place (see chapter "Resources of World Economy: Financial Capital").

The level of post-industrialization can be measured by a set of indicators, including GDP structure by sectors, the scope of R&D, access of the population to information, and the magnitude of financial capital (Table 1).

The impact of post-industrialization on a national economy is multifaceted and generally positive. People are less and less reliant on physically heavy and/or monotonous labor, more and more on creative labor; at the same time, their incomes are higher. Nevertheless, as with every major process, post-industrialization gives rise to problems (particularly in developed countries)—de-industrialization, frequently low return on R&D, insufficient protection of information, inadequate quality of education, and the surplus of financial capital.

De-industrialization has many key factors. The transition to the post-industrial stage is accompanied by post-industrialization of the secondary sector (industry and construction); knowledge intensity of many industries increases, their ICT provision grows, and level of labor productivity upsurges. At the same time, post-industrialization of developed countries leads to a drop in production of many technologically simple goods (metals, basic chemistry, simple equipment, simple consumer

Table 1 Some indicators of post-industrialization in 2018–2019 or previous years

Country	Indicator				
	Shares of agriculture, industry, services in GDP, %	R&D expenditure, % of GDP	Internet audience, per 100 persons of adult population	Education of adults, years on average	Financial capital (bonds, shares, and bank assets), % of GDP
USA	1:22:77	2.8	87	13.4	434
Germany	1:37:62	3.0	90	14.1	393
Japan	1:30:69	3.2	85	12.8	577
China	7:39:54	2.1	54	7.9	292
India	16:34:50	0.6	35	6.5	262[a]
Russia	4:36:60	1.1	81	12.0	122[b]
Brazil	4:33:63	1.3	58	7.8	163[c]
South Africa	2:37:61	0.8	56	10.2	93[d]

Sources UNDP (2021), WEF (2019), and World Bank (2019)
[a]All developing countries of Asia, besides the Near and Middle East
[b]Post-Soviet and East European countries—non-members of Euro Area
[c]All countries of Latin America
[d]All countries of Sub-Saharan Africa

products) and the specialization of developed countries on more sophisticated products at the expense of imports of simple products from developing countries that are in the process of active industrialization (India) or are on the final stage of it (China). However, if the production of simple goods in the industry of developed countries is not accompanied by an adequate increase of more sophisticated products, then de-industrialization occurs. For instance, in the US economy at the end of the twentieth and the beginning of the twenty-first century, there was the erasure of entire industries from the national industrial complex due to the substitution of their goods by imported goods, including those produced by US MNE foreign affiliates. During this process, however, the rate of substitution of simple goods was not accompanied by an adequate extension of the production of high-tech products. This process was more destructive in many post-communist countries, where the dismantling of some simple industries was accompanied by curbing even high-tech industries. The most probable solution to this problem is re-industrialization, i.e., the more active development of industry in countries that have passed the stage of industrialization. At the same time, the re-industrialization of these countries means not just the restoration of the production of simple industrial goods, but the transformation of these industries into high-tech and high-productive. An example would be German mechanical engineering, which was not curtailed, but became more complicated.

The increase in R&D spending positively affects economic growth—inventions (more precisely, innovations, i.e., new products and technologies implemented in economic life) support it by stimulating the offer of new products. Therefore, as the country's level of post-industrialization increases, the ratio of R&D expenses to GDP

usually also increases. However, the problem is the pace of R&D expenses. On the one hand, they must be accompanied by a return in the form of a proposal of new knowledge; on the other, this proposal must comply with the demand for knowledge in the country. An example of the first aspect of the problem would be Japan, in which the substantial increase of R&D expenses over the past two decades did not provide the country with a pace that is good enough for a developed country. Presumably, this happened because the increase in R&D expenses did not lead to an increase in innovation—being among the top five countries by the ratio of R&D expenses to GDP, the country takes only the 13th rank in the Global Innovation Index 2021.

Information and communications technology simplify and reduce access to information, thus diminishing transaction costs of economic agents. However, in many cases, the availability of information leads to less protection. This problem is not new, but because of the abundance and accessibility of information in post-industrial society, it has gained more scope. First of all, it is a violation of intellectual property rights. New industrial countries actively copy the patents of developed countries, reproduce works of mass culture without their permission, and students in many countries actively resort to plagiarism. On the one hand, this reduces the transaction costs of information users; on the other, it reduces the incomes of developers of new knowledge, especially in developed countries, from where the main flow of information goes to the world.

Education is becoming more and more accessible, which is an indisputable blessing. Even in the most backward economies, the majority of the population can read and write—in the least developed countries, about 60% of the adult population is literate, and only in some African countries does this figure fall to below 30–40%. However, society is often not satisfied with the quality of education—even in the leading developed countries, the share of those satisfied with the state of education varies from 55% (Japan) to 75% (Canada). Admittedly, it can be assumed that the low indicator of satisfaction in Japan is caused not by the deterioration of education quality (Japanese schoolchildren of the final grade take 6th place in international testing by PISA in mathematics and science), but by the increased requirements of Japanese society.

Financialization gives developed economies an abundance of free capital, alongside many possibilities to use it not only for economic but also for social needs (social transfers, socially oriented industries), and allows an active capital outflow. At the same time, abundant financial capital acquires increasing independence, breaking away from real capital (so-called decoupling). The deep cause of the increased financialization is the transition of developed countries to the post-industrial stage with its lower demand for investment in the real sector, and as a result, the growing threat of capital overaccumulation in the financial sector. Other reasons are the liberalization of finance (which is most pronounced in securitization (that is, the expansion of types and scope of securities due to more liberal regulations) and the globalization of financial capital (its increased free movement around the world due to the globalization of most economies) (see chapter "Global Financial Market"). Financialization leads to the fact that global economic crises start more often as financial crises, that

capital markets are very subject to speculation, and that the wages of financial sector workers are superior to wages in the real sector.

4.3 Level of Economic Development

The transition of a country from one stage to another depends on how its level of economic development changes. In turn, this is determined by a set of criteria. This book is focused on the following—GDP PPP per capita, the sectoral structure of GDP, level and quality of life. On this basis, economies of the world are divided into developed and less developed (developing economies, emerging market economies). It is important to recall that the GDP is the main indicator of the System of National Accounts (SNA), which characterizes the volume of value-added in a country (derived from it and close to it is the gross national income—GNI). For international comparisons of GDP in different countries, it is necessary to translate it from national currencies into a single currency (usually this is the most common currency in the world—US$). Moreover, it is advisable to do it not at the exchange rate, but by the parity of purchasing power (PPP), i.e., by the exchange rate taking into account the prices of a country's domestic market.

The exchange rate of a national currency is established on the basis of supply and demand on it from the sellers and buyers of traded goods only; it does not take into account the non-tradable goods of the country. Within a framework of the International Comparison Program (realized by the World Bank), the standard set (basket) of about 3000 consumer and investment products is taken, and then it is calculated how much this set is in national currency and how much it costs in US dollars; it is on this basis that an exchange rate (i.e., by PPP) between the national currency and the US dollar is determined (officially it is named "PPP conversion factor").

In 2020, an annual average official exchange rate of the local currency unit of China was 6.90 per $, and of South Africa it was 16.46 per $, while their PPP exchange rates were 4.19 and 6.93, respectively; in other words, their PPP exchange rates were higher than their official exchange rates. Such a gap between PPP and official rates is typical for the most developing countries, being the biggest consequence of the fact that more productive work is paid more, and therefore in countries with high labor productivity (i.e., developed countries), wages are high and, as a result, prices for labor-intensive products in these countries are often higher than in less developed countries. At the same time, residents of the developed countries can buy more goods and services on their high wages than residents of less developed countries with their cheaper goods and services.

GDP PPP per capita in developed countries, calculated by the World Bank for 2020, averages $44,650, although the variety is great: in Greece it is $28,464, in the United States—$63,544, and in Luxembourg—$118,360. At the same time, in some developing countries, this indicator is also very high: in Brunei it is $65,662, in the

UAE—69,958, and in Qatar—$89,449. This fact warns us that the level of economic development of the country cannot be measured alone by GDP or CNI per capita.

The sectoral structure of GDP in developed countries is characterized by the predominance of the tertiary sector (services), a large share of the secondary sector (industry and construction), and the low weight of the primary sector (agriculture and forestry, fishing and hunting). Although in the structure of the GDP of some developing countries, the share of the secondary and tertiary sector is sometimes large, usually caused by the high weight of traditional industries in these sectors—mining, trade, sometimes tourism—while in the secondary sector of developed economies, manufacturing prevails (especially mechanical engineering), and modern services (science, education, health, transport and communications, business and financial services, housing and communal services) prevail in the tertiary sector. For example, in Brunei, the UAE, and Qatar, where the secondary sector dominates (48–63% of GDP), mining accounts for its main part (from 38% in the GDP of the UAE to 52–53% in the GDP of Qatar). To identify these details, it is necessary to analyze the structure of GDP by types of economic activity (national SNA can provide this); for a less detailed analysis, it is often enough to have data on the primary sector share in GDP (which, in developed countries, usually does not exceed 2%). After all, the farther the country has advanced in the stages of economic development, the higher the labor productivity in the oldest sector (the primary sector), and as a result, this sector (with its small number of workers) usually provides the needs of a country and even other countries; for the United States, the primary sector accounts for only 1% of the US GDP.

The level and quality of life in a country are determined by numerous indicators. An attempt to summarize the most important of them is the Human Development Index (HDI), which is the mean average amount of three sub-indexes—expected years of life, years of education, and GDP PPP per capita. An ideal is considered when the index reaches 1. In 2019, this index was 0.957 in Norway, 0.955 in Ireland and Switzerland, 0.926 in the United States, 0.824 in Russia, 0.765 in Brazil, 0.765 in China, 0.709 in South Africa, 0.645 in India, and 0.737 in the whole world.

4.4 Economic Typology of the World

This typology is based on the level of development of national economies. Note again that this book divides world economies (countries) into two groups—developed and less developed. In the past, the second group of countries and their economies was directly called “backward”. However, in the current, more liberal world, this is considered incorrect. As a result, the term “backward country (economy)” was replaced at first by the term “economically backward country (economy)”, and then by the term “developing countries (economies)”. At the same time, after the transition of post-communist countries to a market economy, they began to be called “transition economies”. Now, combining all these less developed economies, the terms “emerging market economies”, “developing and transition economies”, and

related options (e.g., "advanced economies", "emerging market and developing economies") are used. In this book, observing political accuracy but not refusing to use common economic sense, they are often referred to "less developed countries (economies)", and those that have developed economies are called "developed countries (economies)".

Among the developed and less developed economies, various groups and subgroups are distinguished; for instance, a Group of Twenty (G20) of the major economies of the world, which includes seven leading developed economies and the EU chairman country plus Australia and South Korea. Out of less developed countries, G20 covers BRICS countries (see below), plus Mexico, Argentina, Turkey, Saudi Arabia, and Indonesia. All these countries together account for 90% of global GDP, 80% of world trade, and two-thirds of the world's population.

Among the developed countries are often distinguished:

- Group of Seven (G7), including major developed economies—the United States, Japan, Germany, France, United Kingdom, Italy, and Canada;

Among less developed countries are distinguished:

- five major economies in their continents under abbreviation BRICS (Brazil, Russia, India, China, and South Africa);
- new industrial countries, i.e., those transiting to industrial or even partly post-industrial stages of development, headed by China, India, Brazil, Mexico, Indonesia, Turkey, and Iran;
- transition economies;
- countries-exporters of fuel and primary products, in which fuel or other types of raw materials make up more than half of their exports;
- net debtor countries, to which the IMF ranks economies with a negative balance of an international investment position (see chapter "Balance of Payments"); and
- the least developed countries (46) in which GDP per capita constitutes less than $1025, with a very low score of the HDI, and where economic growth is very unstable.

Many countries fall simultaneously in more than one group, such as, for example, South Africa: it is the member country of BRICS, and belongs to the exporters of primary products.

The typology of countries in terms of economic development differs in various international organizations. Below is the typology of the International Monetary Fund with the addition of its statistics (Table 2).

4.5 Scale and Structure of International Business Forms

International trade prevails in the international business relations of most countries. In 2021, world exports of goods and services amounted to $28.2 trillion, of which goods represented $22.3 trillion, and services were $5.9 trillion. The share of services

Table 2 Shares of various countries and country groups in 2021 in world GDP PPP, exports and population, %

Indicator		GDP		Exports of Goods and Services		Population	
	Number of Economies	**Advanced Economies**	**World**	**Advanced Economies**	**World**	**Advanced Economies**	**World**
Advanced economies	**40**	**100.0**	**42.1**	**100.0**	**61.4**	**100.0**	**14.0**
USA		37.4	15.7	14.9	9.1	30.8	4.3
Euro Area	19	28.5	12.0	42.4	28.0	31.6	4.4
Germany		7.9	3.3	11.8	7.2	7.7	1.1
France		5.5	2.3	5.4	3.3	6.1	0.9
Italy		4.4	1.9	4.0	2.5	5.5	0.8
Japan		9.1	3.8	5.4	3.3	11.6	1.6
United Kingdom		5.5	2.3	5.1	3.1	6.3	0.9
Canada		3.3	1.4	3.4	2.2	3.5	0.5
Other advanced economies	17	16.2	6.8	28.0	17.7	16.1	2.3
Memorandum							
Major advanced economies	7	73.2	30.8	50.1	30.8	71.6	10.0
		Emerging Market and Developing Economies	**World**	**Emerging Market and Developing Economies**	**World**	**Emerging Market and Developing Economies**	**World**
Emerging market and developing economies	**156**	**100.0**	**57.9**	**100.0**	**38.6**	**100.0**	**86.0**
Emerging and developing Asia	30	56.0	32.4	52.3	20.2	55.9	48.1
China		32.1	18.6	33.2	12.8	21.4	18.4
India		12.1	7.0	6.3	2.4	21.0	18.1
Emerging and developing Europe	16	13.4	7.8	16.6	6.4	5.7	4.9
Russia		5.3	3.1	5.1	2.0	2.2	1.9

(continued)

Table 2 (continued)

Indicator		GDP		Exports of Goods and Services		Population	
Latin America and the Caribbean	33	12.6	7.3	12.8	4.9	9.7	8.3
Brazil		4.1	2.4	3.0	1.1	3.2	2.8
Mexico		3.1	1.8	4.9	1.9	1.9	1.7
Middle East and Central Asia	32	12.6	7.2	14.2	5.5	12.4	10.7
Saudi Arabia		2.1	1.2	2.7	1.0	0.5	0.5
Sub-Saharan Africa	45	5.4	3.1	4.1	1.6	16.2	14.0
Nigeria		1.4	0.8	0.5	0.2	3.2	2.7
South Africa		1.0	0.6	1.2	0.5	0.9	0.8
Analytical groups							
By Source of Export Earnings							
Fuel	26	10.0	5.8	13.7	5.3	9.5	8.2
Nonfuel	128	89.9	52.1	86.2	33.3	90.3	77.7
Of Which, Primary Products	37	5.6	3.3	5.5	2.1	9.4	8.0
By External Financing Source							
Net Debtor Economies	121	49.7	28.8	42.7	16.5	67.9	58.4

Source IMF (2022). World Economic Outlook. April

in global trade is gradually rising, which reflects the gradual increase of their importance in all national economies. However, this shift occurs slowly and is unstable because many mass services are consumed only on the spot (for example, housing and communal services), i.e., they are non-tradable.

International transfer of knowledge may have become the most significant form of international business. However, its measurement is difficult because part of the knowledge is transferred for free (therefore, the name of this form of international business is twofold—not only trade, but also a free-of-charge exchange [for example, via the Internet]) or is transmitted together with exported goods, entering their price (for example, services for the installation and maintenance of equipment). As a result, it is possible to statistically track only some elements in trade in knowledge,

for example, trade by transport services (their sales amounted to $1150 billion in 2021).

International capital flows (movements) in years of global economic upturn compete by volume with international trade (in 2007, capital outflow amounted to $11.1 trillion against $17.1 trillion of exports of goods and services), but during the recessions or the sluggish conjuncture, it is sharply reducing in contrast to more resistant international trade (about $2.7 trillion of capital flow against $22.7 trillion of international trade in 2020).

International labor migration amounts to many million people in a year. Some of these people move for constant work and residence, others for temporary work. Statistics of international migration in many countries is incomplete, especially temporary migration statistics. In addition, for comparison of this form of international business with other forms, it is necessary to translate it in terms of money. Therefore, to assess the scale of international labor migration, it is possible to measure it by monetary transactions of individuals abroad, although this is a simplification, because similar transactions are not only carried out by migrants to their homeland. Nevertheless, this statistic is the following: in 2020, such transactions reached $702 billion in the world and amounted to about 3% of Malaysian GDP, 4% for Switzerland, 5% for Saudi Arabia, 7% for Qatar, 12% for the UAE, 19% for Luxemburg.

5 Analytics and Statistics of the World Economy and Global Business Environment

Studying and researching the world economy and global business environment, economists are primarily interested in the publications and databases of international economic organizations, as well as major economies of the world.

5.1 Analytical Publications and Databases of International Economic Organizations

The UN releases the Statistical Yearbook and Monthly Bulletin of Statistics, which also contains economic data. In the database *National Accounts Statistics—Analysis of Main Aggregates*, one can find principal economic data of the most countries. However, the bulk of economic statistics and analytics is published by international economic organizations (see chapter "Global Economic Governance and International Economic Organizations").

The World Bank, highlighting the economic situation globally, in regions, and in countries, publishes the annual analytical *World Development Report* with statistical annexes. For continuous monitoring of the national and world economy, it has the *World Bank Open Data* database. The economic forecast of the world economy,

including regions and countries, is contained in the *Global Economic Prospects*, published twice a year. A large research work of the World Bank employees is reflected in *Policy Research Working Papers* and *World Bank Research Observer.*

The International Monetary Fund in its publications and databases is focused on the financial aspects of the world economy and global business environment. Twice a year, it issues an analytical report on the state of global finance called the *Global Financial Stability Report*, systematizes and predicts financial indicators around the world and countries in the *World Economic Outlook,* and releases fiscal statistics in the *Fiscal Monitor*. For those who are interested in a balance of payments, the *Balance of Payments Statistics and External Sector Report* is published. A lot of this data is also available in the *IMF Data* database. Every month, the *International Financial Statistics* on all member countries of the IMF is issued, and once a year in the *International Financial Statistics Yearbook*. Papers of the IMF staff are published in *IMF Working Papers* and *IMF Staff Discussion Papers*, and country reports on IMF member countries are in *IMF Country Reports.*

Various information on social issues is primarily contained in the publications of the International Labor Organization (ILO) and the UN Development Programme (UNDP). The latter publishes the *Human Development Report*, in which the Human Development Index is provided. Both of these organizations publish statistics on international migration, but extensive data about it is also published by the OECD and, of course, by the International Organization for Migration (IOM) in its *World Migration Report*.

As to the information on industries, we mark publications of UNIDO, FAO, and IEA. The United Nations Industrial Development Organization (UNIDO) issues analytics and statistics with a focus on the mining and manufacturing industries: in particular, the *Industrial Development Report*, as well as the *International Yearbook of Industrial Statistics.* The Food and Agriculture Organization of the United Nations (FAO) issues the *FAO Statistical Yearbook*, and the International Energy Agency (IEA) in its *World Energy Outlook* gives forecasts on energy worldwide.

A very large volume of economic statistics and analysts is contained in the publications of the Organization of Economic Co-operation and Development (OECD), albeit with an emphasis on member countries of this organization, the overwhelming majority of which are developed economies. First of all, this is a voluminous *OECD Economic Outlook, OECD Factbook*, and a monthly *Main Economic Indicators*, as well as the *OECD.Stat* database and the *National Accounts* of OECD Countries.

Finally, some MNEs systematically publish reports on some industries, areas, and aspects of the global economy and international business. Examples can be British Petroleum with its annual *BP Statistical Review of World Energy* about stocks, production, and trade in coal, oil, and gas, as well as PricewaterhouseCoopers, issuing a report called *Paying Taxes* on the tax burden and its structure for business in all countries.

5.2 Regional and National Publications and Resources

UN regional commissions as well as integration groups have their own databases and issue many publications on the economy of different regions around the world. Examples may be the Economic Commission for Africa and the Economic Commission for Latin America and the Caribbean. Other examples are the European Union and its Eurostat with a voluminous database and numerous publications, or the Eurasian Economic Union, for which the Eurasian Development Bank systematically publishes analytics and statistics.

National statistical agencies and services usually produce statistical yearbooks, giving a lot of information mainly on economic and social statistics. For example, the National Bureau of Statistics of China (NBS) issues the *China Statistical Yearbook* and gives access to its database on its website (https://data.stats.gov.cn/english/index.htm). India's Ministry of Statistics and Programme Implementation publishes *Statistical Yearbook India* and has its website (https://www.mospi.gov.in/reports-publications). Various government bodies of almost all countries also issue valuable detailed information; for instance, the Ministry of Finance of the Russian Federation lays out extensive information about government finances on its website (www.minfin.ru), and the Bank of Russia on its website (www.cbr.ru).

6 Conclusions

1. The world economy is a set of all national economies of the world. Inside the world economy, a global economy is often distinguished, which is an aggregate of those parts of national economies that supply products and resources to the outside world and/or get these from around the world. The global economy is a base for an international business and global business environment. The latter can be defined as the environment in foreign countries, with factors exogenous to the home environment of economic agents in other countries, influencing their decision making.
2. The main participants (subjects) of the global economy are national economies, as well as integration groups, international economic organizations, and multinational enterprises.
3. The movement of products and resources between countries is called international business (international economic relations). Forms of international business are international (foreign, external) trade in goods and services, international labor migration, international knowledge transfer, international capital flows (movement), and international currency exchange.
4. The global economy has passed several stages. The time between the end of the nineteenth century and World War I was the time of the first wave of globalization. The period from the late 1970s–early 1980s to the 2008–2009 global economic crisis became the second wave of globalization, as a result of which almost all

records of the first wave were exceeded. The current stage of globalization, which began after the aforementioned crisis, changes globalization patterns and, as a result, the pace of globalization slows down.

5. As a country's level of economic development increases, it transits from one stage of development to another. The level of development is determined by a set of criteria. This book is focused on the following—GDP PPP per capita, the sectoral structure of GDP, the level and quality of life.
6. Economic typology of national economies is based on their level of development. This book divides economies into two groups—developed and less developed (developing economies, emerging market economies). Among them, various subgroups (groups) are allocated, including the Group of 20 (major economies of the world) and the Group of 7 (major developed economies). Among less developed countries, there is a group of five economic leaders of their continents (under the BRICS abbreviation), as well as new industrial countries, transition economies, fuel exporting countries, other primary products exporting countries, net debt countries, and less developed countries.
7. International trade prevails in international businesses of most countries. The international migration of labor amounts to several million people annually. The international trade knowledge transfer, belonging to the most significant form of international business, is difficult to be measured, as a substantial part of knowledge is transferred for free. The international capital flows in the years of the global economic boom come in terms of volumes with international trade, but in those years of recession or sluggish conjuncture it is sharply reduced.
8. The economic sphere of life has a huge impact on non-economic spheres—political, social, cultural. In return, international business is also impacted by non-economic spheres.

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