

Blida 2 University
Faculty of Economics,
Management, and Commerce

Level: First Year Master
(BM, PM)

Business English

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LECTURE 1: ETHICS AND BUSINESS

A- Ethical behaviour:



Ethical behaviour is doing things that are morally right. **Ethics** (countable noun) are moral beliefs about what is right or wrong. Ethics (uncountable noun) is the study of this. **Ethically responsible** companies want to do the right thing in areas such as:

- **employment and community:** they want to pay attention to things that affect all people, not just their employees, in the areas where the company has its offices, factories and activities.
- **the environment:** they want to conduct business in ways that **protect the environment** to ensure that the air, rivers etc. are not **polluted** and plant and animal life are not **endangered**.
- **winning new business:** they want to get business without engaging in **corrupt** behaviour, for example offering **bribes** - money given to someone so that they behave **unethically**.

Companies want to be seen as good **corporate citizens**, with activities that are beneficial not only for their **stakeholders** - their employees, shareholders and so on - but for the community and society as a whole.

B- Accountability and transparency:

Ethical corporate behaviour includes **accountability** - the idea that companies are completely responsible for what they do and that people should be able to expect them to explain their actions. **Transparency** is explaining this behaviour in a way that can be understood by outsiders, and not trying to hide anything. Companies may say that they demand high levels of **probity** and **integrity** - complete honesty - from their employees, and that they do not tolerate any form of **misconduct**.

C- Corporate social responsibility:

Companies have long had **codes of ethics** and **codes of conduct** saying how their managers and employees should behave. Now they are looking at these issues in more systematic ways. They are designating executives to oversee the whole area of **corporate social responsibility (CSR)**.

1.1. Read the article relating to the ideas in A, B and C opposite. Then say if the statements below are true or false, identifying the phrase or sentence from the article that confirms your answer. (The first one has been done for you.)

<i>How to become good in all areas</i>	
<p>Few companies are clear about how to manage what can be an amorphous collection of internal initiatives and external relationships on social, environmental and ethical issues. Probity and responsibility must be embedded in a company's culture, strategy and operations from the top down. But how can this be done? A new guide from Business for Social Responsibility, a US non-profit research and advisory organisation with 1.400 member companies and affiliates, attempts to answer this by taking the reader step by step through the process of designing a corporate social responsibility management system.</p> <p>Only a handful of companies have a full CSR management system in place, says the organisation, which advises its members on how to make responsible practices integral to their strategy and operations. Its corporate members, mainly in the US and Europe, have combined annual revenues of nearly \$2.000bn (£1.300bn) and employ 6m people. They include</p>	<p>Airways. Coca-Cola. Ikea. Unilever and Wal-Mart. The scandals in the US have underlined how "corporate responsibility taskforces" and codes of conduct are not enough on their own and can sometimes be a smokescreen.</p> <p>"Creating and building a successful CSR management system is a complex, long-term project for any company" says the report. "It involves a shift in the way a company conducts business and can be likened to implementing other large-scale change initiatives such as total quality management."</p> <p>The guide runs through basics such as who currently has responsibility for CSR in the company, why a better management structure might improve things and what "hot-button" issues (child labour, drug pricing) face different sectors. It encourages companies to think hard about their stakeholders, what their concerns are, how credible and influential they are and whether they are a potential long-term partner or a liability.</p> <p style="text-align: right;"><i>Financial Times</i></p>

1. Most companies have clear, coherent policies on social, environmental and ethical issues.
False-- few companies are clear-- social, environmental and ethical issues.
2. If a company behaves with probity, it has high ethical standards.
3. Business for Social Responsibility has a coherent approach to designing a corporate social responsibility management system.
4. It's simple for a company to add a CSR management system to its day-to-day business.
5. Codes of conduct are enough to ensure ethical behaviour.
6. The guide says that a company's stakeholders should all be kept happy so that they are all retained by the company over the long term.

1.2. Complete the sentences, with expressions from A and B opposite.

1. The company was accused of giving.....to local officials in order to allow their products into the country more quickly,
2. The company has supported several projects in the local..... where its factories are situated.
3. Voters demanded that there should be greater.....in the election process so that they could understand it fully.
4. Following the scandals of Enron, WorldCom and others, there is greater emphasis in business schools on the teaching of.....

1.3. *Over to you:* Think of a particular ethical issue that concerns you. Write a letter to an organization asking what its policy is on this issue.

LECTURE 2: SOCIAL REPORTING

A. Social performance audits:

Businesses are increasingly aware of the importance of social and environmental issues for their reputation. Some are commissioning social audits relating to their social performance; these evaluate the effect of their behaviour in relation to their employees and to society as whole.

Supporters of social audits say that this social reporting is as important as financial reporting. They say that it provides important information for all of a company's stakeholders. This is part of the wider picture of stakeholder theory, the idea that companies have responsibilities not only to employees, customers and shareholders, but to all members of society affected by their activities.

Critics say that a social audit may just be a public relations exercise, with no real benefits.

B. Word combinations with 'social':

Social	Conscience	when companies believe that doing business involves moral and ethical issues
	Issues	areas of concern, such as unemployment, poverty, etc.
	Justice	the idea that people should be treated fairly and equitably
	Responsibility	when companies are concerned about the consequences of their activities on the community as a whole
	Welfare	payments for people who are unemployed, ill, etc.
	Well-Being	when work conditions are good and people are happy

C. Labour standards:

Giovanni Preston is in charge of social responsibility issues at Rancher Jeans, a Canadian multinational:

"A lot of our manufacturing is done by suppliers in developing countries. Companies in the clothing industry are particularly open to criticisms about **sweatshop labour** - the use of underpaid people with terrible **working conditions**, which amounts to **labour abuse** or **labour exploitation**.

My job is to travel to these countries and to check **labour standards**. I go there to check, for example, that our suppliers are paying their workers fairly and that they have a good **health and safety record**, with low levels of illness and accidents. We also ensure that workers are above the legal minimum age to work - we do not use **child labour**.

We are aware that high-profile companies such as ours are likely to be subject to **scrutiny** - seen and judged by people from outside. We know that if we are seen to be **socially responsible**, the company will benefit."

Note: Br.E: labour; Am.E: labor

2.1. Complete the sentences with correct forms of expressions from A opposite.

1. The management has to be aware of its wider responsibilities to the community, not just employees and shareholders, when presenting new proposals. This is sometimes called
2. There is a risk that companies in industries that are more renowned for polluting and exploiting than caring and sharing could adopt and use it to highlight their more ethical activities, purely as a
3. Auditors should also be required to report to a wider interest group than just the shareholders. These could include bankers, customers and suppliers, potential shareholders, employees and even government departments.
4. A group of experts looking at how company law operates is already considering whether companies should be forced to publish annual

2.2. Match the two-parts of these sentences containing expressions from A and B opposite.

<ol style="list-style-type: none"> 1. Brazilian society is maturing and adopting a model of economic development that balances economic growth, social 2. At present, the country has only a rudimentary social 3. The company is expanding its reporting of social 4. Business success can no longer be defined solely in terms of earnings, growth and the balance sheet as social 	<ol style="list-style-type: none"> a. welfare system in place to absorb the shock of millions of people being thrown out of work. b. justice and the sustainable use of natural resources. c. responsibility has become both an individual necessity and an organizational requirement, d. issues, and in a recent business statement pledged to safeguard the economic and social well-being of the communities in which it works.
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2.3. Giovanni Preston from C opposite continues to talk about his work. Complete his statements with expressions from C opposite.

1. I know that one of our competitors exploits poorly-paid people- working in very hot and crowded run-down buildings. They use
2. They don't pay attention to keeping the factory clean or well-ventilated and clearly don't care about their employees
3. I know for a fact that some of their workers are under 14 years old. They use
4. There is a very high number of accidents at their factory. They have a terrible
5. All these problems mean that overall the employers have dismal
6. This sort of behaviour is the worst type of
(2 possible expressions)

2.4. **Over to you:** Find out about social responsibility issues in an organization that you are interested in.

LECTURE 3: GREEN ISSUES

A. Environmental pollution:

Companies should of course minimize **environmental pollution** - damage to the land, sea, etc. caused by their activities.

They should not **pollute** the air with toxic **emissions** from chimneys or with **effluent** - toxic liquids that they **discharge** into rivers or the sea. They should **dispose of waste** in more acceptable ways.

Nuclear power plants are required to monitor levels of **radioactivity** in the air and water around them, but critics say that even minimum levels of radioactivity are unacceptable. And some **pollutants** are **carcinogenic**, causing cancer.

Governments impose **stringent regulations** to force companies to limit pollution.

B. Recycling:

Products should be **recyclable** - the European Union, for example, has regulations about the **proportion** or percentage **content** of products and packaging that must be reused and recycled. **Household** and **industrial waste** should also be recycled. Supporters of **recycling** say that **dumping** waste in **landfills** cannot continue indefinitely and that burning waste in **incinerators** is also **environmentally damaging**.

C. Word combinations with 'environmental':

Environmental	Credentials	evidence that you care about the environment
	Degradation	damage to the environment
	Devastation	severe damage to the environment
	Lobby	pressure groups such as Greenpeace and Friends of the Earth who campaign on issues together
	Standards	rules that companies and government authorities should follow in relation to the environment

D. Sustainability:

Some industries are directly dependent on **natural resources**, and managing these resources so that they are not **depleted** is essential. For example, deep-sea fishing has to be done in a way that maintains fish stocks and avoids **overfishing**.

Ideally, those engaged in **logging** that causes **deforestation** should have an incentive to maintain future timber stocks through **reafforestation**. These industries should be run in ways that are **sustainable** - in ways that maintain the resources that they rely on.

Another aspect of sustainability is **renewable** or **alternative energy sources** such as wind power.

These are some of the **environmental** or **green issues** that companies are facing. Some companies produce reports on these issues that give a more favourable impression than is justified by the real facts. This is called **greenwash** by critics.

Note: Br.E: reafforestation; Am.E: reforestation.

3.1. Complete the table with words from A and B opposite and related forms. Put a stress mark in front of the stressed syllable in each word. (The first one has been done for you.)

Verb	Noun	Adjective
	Car'cinogen	Carcino'genic
Discharge	
Dispose (Of)	
	Environment
.....	Incinerator/ Incineration	
Pollute
.....	Recycling	Recyclable/ Recycled
	Toxicity/ Toxin

3.2. Match the two parts of these sentences containing expressions from C opposite.

<ol style="list-style-type: none"> 1. He led a political campaign against the company, saying its oil production caused environmental 2. According to the environmental 3. If you really want to show your environmental 4. The project will boost Brazilian efforts to fight environmental 5. In the richest countries with the toughest environmental 	<ol style="list-style-type: none"> a. lobby, this type of plastic is such a dangerous substance to manufacture and dispose of that it should be banned. b. credentials, there are several household cleaning products that will cause less damage to the environment, but are likely to cost slightly more, c. devastation in the area, d. standards, - the amount of household waste is growing more slowly than the economy as a whole. e. degradation in the Amazon basin.
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3.3. Complete the sentences with expressions from D opposite.

1. Illegal could accelerate degradation or even cause, which has affected more than 9.8 million acres of forest in the past 30 years.
2. Fishermen are being encouraged to catch alternative fish species because has the stocks to near-collapse.
3. The country's society is maturing and adopting a model of economic development that balances economic growth, social justice and the use of
4. They accuse multinational companies of ' '- polishing up their images on environmental issues with brochures and advertising campaigns.
5. Many congressmen are keen to revive research into renewable like solar and wave power.

Over to you: What does your local government authority do to encourage recycling? Does it do enough?

LECTURE 04: CORPORATE GOVERNANCE

A- Board Organization:

Corporate governance is the way a company is organized and managed at the highest level. This can have a critical influence on the company's performance and behaviour.

A company's board of directors includes:

- executive directors: the chief executive and other senior managers such as the finance director.
- non-executive directors or non-execs: outsiders with management experience who are invited to sit on the board, bringing their expertise and an outside view. Large investors in the company like pension funds may also have seats on the board so that they can influence how the company is run.

In some countries such as Germany, there are two boards. Above the management board is a more senior supervisory board.

B- Separation of Roles:

Another key issue in corporate governance is whether the most senior job in a company should be split into two or not. Should the roles of chairman/chairwoman and chief executive be held by one person, or should there be a separation of these two roles?

Some people say that these two functions should be separated in order to avoid concentrating too much power in one person's hands. Supporters of combining the two roles, however, say that this gives the company stronger leadership.

C- Rewards for success (and failure):

Also important are executive remuneration or compensation. Top executives are rewarded for success in the form of high salaries and share-options (BrE) or stock options (AmE): the chance to buy shares in the company cheaply. These highly-paid executives are often called fat cats by their critics. Executives say in their defence that share-options are one of the incentives that can make them perform better.

But they may also be 'rewarded' for failure, with high severance payouts or payoffs when they leave the company following poor performance.

Executive pay is becoming an increasingly sensitive issue - for example, executive pay in the UK has risen three times faster than average pay in the last five years. Company boards may appoint a remuneration committee to make decisions in this area. And in the UK there are proposals that shareholders should have the right to vote on executive remuneration.



4.1. Two articles have been mixed up. They contain expressions from A, B and C opposite. Which paragraphs make up each article? (The paragraphs are in the correct order. Article 1 contains four paragraphs; the first is "a". Article 2 contains four paragraphs; the first is b.)

a- Article 1: Corporate safeguards go back to the board

A large majority of top executives in Britain have; given the thumbs down to proposals designed to strengthen the role of non-executive directors in the boardroom. A survey by the Confederation of British Industry showed that 82% of FTSE-100 chairmen feel that their role would be undermined by proposals contained in the Higgs report released in January.

b- Article 2: Rewards for failure are too high, says Lord Mayor

The City needs to tighten up its standards of corporate governance to restore public and investor confidence, according to the Lord Mayor of London, Gavyn Arthur. It was unacceptable for failure to be almost as well rewarded as success and for executives to take decisions designed to trigger short-term share options rather than act in the long-term interests of the company.

c- 'We have to have an ethos where the long-term stability of the company is what matters most; where it is bad form and seen to be bad form to be taking actions to generate short-term benefits and share options.' Mr. Arthur is expected to use a keynote speech at a dinner to be attended by Trade and Industry secretary Patricia Hewitt this month to highlight the need to bolster credibility.

d- The report from Derek Higgs, a former investment banker, called for an enhanced role for non-executive directors, as part of a stream of proposals designed to prevent an Enron-type scandal in the UK. Specifically, the Higgs report called for an independent non-executive director to chair the nominations committee, which nominates people to join the board, splitting the functions of chairman and chief executive, and the appointment of a senior independent director to liaise with shareholders.

e- Ms. Hewitt has already announced a review on the issue of rewards for failure. However, last month Labour blocked an attempt by Tory MP and former Asda boss Archie Norman to change the Companies Act to allow directors to challenge executive payoffs.

f- But in the CBI survey, most chairmen believed that the Higgs proposals would undermine their position and lead to divided boards and therefore hamper the way they run their businesses. "What the chairmen are saying is that they need to have unified boards, especially in difficult economic times, " said Digby Jones, the CBI director-general.

g- Chairmen of the FTSE-100 companies can also argue that corporate governance in the UK already meets high standards, building on past milestones such as the 1992 report by Sir Adrian Cadbury in 1992 and Sir Ronald Hampel in 1998. Be that as it may, Enron and WorldCom changed the corporate landscape. Those mammoth scandals led to major reforms in the US, notably the Sarbanes-Oxley law. which had the creation of an accountancy oversight board as its centerpiece. Once the US started overhauling corporate governance practices, the rest of the world was forced to go some way to meeting these new best practices.

The Guardian

h- Mr. Arthur argues that the current situation cannot be allowed to persist. "I can't bear to see failure being almost as well rewarded as success. It is morally wrong for those who have destroyed their company to walk away with an obscenely large payout. It does a disservice to investors and to public confidence,

The Guardian

LECTURE 5: ETHICAL INVESTMENT

A. Controversial products:

George Unwin is a fund manager for an ethical investment fund:

'People and organizations who put their money into our fund want us to invest it in ethical ways. We want to avoid companies that have a bad record on social and environmental issues. We particularly want to avoid certain sectors - tobacco, arms manufacturers, and nuclear power or uranium producers. So, we put our clients' money into funds that do not invest in these activities.

In selecting companies to invest in, we look closely at how they are managed. We are particularly interested in issues of corporate governance. We believe that well-managed companies make better investments.'

B. Socially-responsible investment:

There is more and more relevant information about ethically run companies that people can put their money into. In the UK, FTSE4Good¹ is an index of ethically managed companies. In the US, they have the Dow Jones Sustainability INDEXES² - DJSI World and DJSI Stoxx, containing companies which are run in a way that takes account of the long-term interests of society and the environment. This concept, known as corporate sustainability, is defined by DJSI in these terms:

- **strategy:** integrating long-term economic, environmental and social aspects into their business strategies while maintaining global competitiveness and brand reputation,
- **financial:** meeting shareholders' demands for sound financial returns, long-term economic growth, open communication and transparent financial accounting,
- **customer and product:** fostering loyalty by investing in customer relationship management, and product and service innovation that focuses on technologies and systems which use financial, natural, and social resources in an efficient, effective, and economic manner over the long term.
- **governance and stakeholder:** setting the highest standards of corporate governance and stakeholder engagement, including corporate codes of conduct and public reporting,
- **human:** managing human resources to maintain workforce capabilities and employee satisfaction through best-in-class organizational learning and knowledge management practices, and remuneration and benefit programs.

The FTSE4Good and DJSI indexes give the overall value of the share prices of the ethical firms, and we can compare the performance of individual firms against them.

This is part of the movement towards socially responsible investment (SRI).

¹ - www.ftse4good.com

² - www.sustainability-index.com

5.1. Complete the article, which contains words from A and B opposite, with a-e below.

<i>Analysts look at new factors</i>	
<p>COMPANIES that follow better social and environmental policies are simply better run,' according to Matthew Kiernan. This is a controversial view. Socially responsible investment has come a long way and gained (1)</p> <p>The research process which Mr. Kiernan and his colleagues have developed at Innovest is aimed at identifying what he describes as the "intangible value" of a company, the factors that are not captured in a traditional balance sheet and which explain the difference between a company's market value and its asset value.</p> <p>While the concept of 'intangible value' is not an original one. Mr. Kiernan believes Innovest's research process brings a new (2)</p> <p>'The conventional wisdom still in many quarters is that social and environmental issues are either irrelevant or even harmful to the financial performance of companies,' Mr. Kiernan says. 'Our</p>	<p>argument is that (3)..... . Hence his conclusion that companies following better social and (4).....</p> <p>As further evidence of the link between socially responsible behaviour and enhanced profitability. Mr. Kiernan cites South African mining companies, some of which have recently announced their decision to provide retroviral drugs to workers suffering from Aids. 'The cost of Aids is estimated to add \$4 to \$6 an ounce to the price of producing gold,' he says. 'Giving drugs to your workforce may be a good PR gesture, but it will also reduce your production costs and (5)</p> <p>Mr. Kiernan, however, is certainly prepared to promote his own values. 'We are trying to put sustainability issues in the mainstream,' he says. 'I will die a happy man when the Innovest sustainability rating is turned to as quickly as a price /earnings multiple.'</p> <p style="text-align: right;"><i>Financial Times</i></p>

- a. environmental policies are better run. In defence of this argument, Mr. Kiernan refers to independent analysis by QED International demonstrating that a portfolio of shares tilted towards Innovest's preferred stocks would have outperformed the S&P 500 by nearly 29 percent between December 1996 and December 2001,
- b. rigour and depth to its analysis. The material is aimed more at analysts and company boards than at shareholders with a conscience, the traditional audience for companies carrying out a 'social audit'.
- c. only the tip of the iceberg. Mainstream financial analysis captures only a very small part of the competitive dynamic of a company, and it's what's going on below the surface that accounts for success or failure.'
- d. contribute to the bottom line.' He goes on to cite 3M which, he says, has saved more than \$900m (£600m) over the last decade from pollution prevention programmes,
- e. visibility through the FI SH Good Index launched last year. But many investment managers remain unconvinced that green credentials show up positively in a balance sheet.

5.2. Do you agree with the argument in the article that ethically run companies are more profitable than those without corporate social responsibility policies?

LECTURE 6: GLOBAL FORCES

A. Paths to prosperity:

Since the fall of communism, a lot has been said about globalization - the tendency for the global economy to function as one unit, with increasing interdependence between different parts of the world.

In terms of economic development, the world is divided into:

- the rich industrialized countries or advanced economies of the West. (The West is taken to include countries such as Japan and Australia.)
- the developing countries or less-developed countries (LDCs). Some are rural economics with very little industry. Others are at various stages of industrialization - they are newly industrialized countries (NICs). Some of these are middle-income countries. And some, such as the fast-growing economics in SE Asia like Taiwan and Singapore - the Asian tigers - are reaching the West's levels of wealth and prosperity.

People who want to emphasize the difference between the industrialized and the less-developed countries of the world often refer to the North and the South. Before the fall of communism, developing countries were referred to as the Third World, but this label is now falling out of use.

B. GDP and GNI:

The prosperity of a country is measured in terms of GDP (Gross Domestic Product), the value of its economic output: all the goods and services produced there in a year. GDP per capita is the total output of a particular country divided by the number of people living there.

High national income can mean high living standards - high levels of wealth for people - but it depends on income distribution - the way that money is divided among the people of the country.

Prosperity can also be measured in terms of GNI (Gross National Income). This includes money coming into a country from investments abroad, minus money leaving the country to go to investors from abroad. This is the new name for what used to be called GNP (Gross National Product).

C. Globalizing trends:

The supporters of globalization, the way that the world's economy increasingly functions as one unit, say that it will continue to cause growth and prosperity- to spread thanks to:

- free movement of capital: money for investment can be easily moved around the world
- trade liberalization: obstacles to international trade are gradually being removed.
- shipping costs that are ever-declining thanks to the efficiency of containerization.
- telecommunications and computing costs that have fallen dramatically.



6.1. Complete the crossword with appropriate forms of expressions from A and 15 opposite.

Across:

4- High levels of wealth can mean high (6,9)

10- The way wealth is spread (or not) through the population. (6,12)

11- See 3 down

12- Abbreviation for 5 down. (3)

13- Some refer to rich countries as the (5)

Down:

1- Nation in the process of industrializing (10,7)

2- Advanced economies are (14)

3- and 11 across Countries depending on agriculture. (5,9)

4- Some -developed countries have a more rural economy. (4)

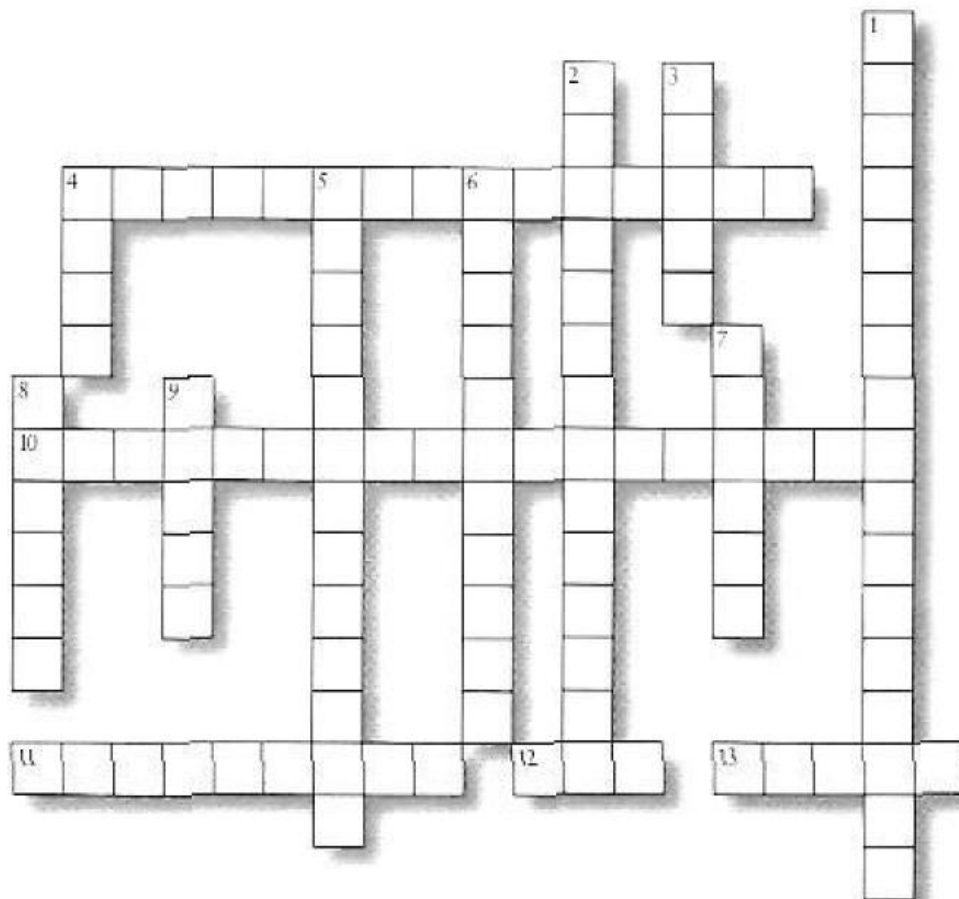
5- The total value of a country's goods and services is its products. (5,8)

6- The successful economies of SE Asia. (5,6)

7- The value of goods and services produced is economic..... (6)

8- Between rich and poor:-income countries. (6)

9- Some refer to poorer countries as the (5)



6.2. Match the examples of globalization (1–4) to the trends in C opposite.

1. The charge for transporting a whole container of goods across the Pacific can be as little as \$50.
2. In today's money, the cost of three-minute phone call from London to New York in 1930 was £200.
3. There are no taxes on goods traded within the European Union.
4. We can invest in some Asian countries and bring back our profits without penalty.

6.3. Over to you:

Can the level of development of a country be measured by GDP alone? If not, what other factors should be taken into account?

Imagine that you are your country's minister for industry. Write an invitation to the chief executives of foreign companies saying why your country is a good place to invest.

LECTURE 7: INVESTMENT AND DEBT

A. Direct investment:

Companies can put money into investment projects in other countries in **private direct investment**. With free **cross-border capital flows**, they can **repatriate** their profits to their own country, or withdraw their investment altogether.

There is debate about whether governments should try to limit **capital inflows** and **outflows** with **capital controls** or whether they should follow the global trend towards **liberalization**.

Some economists say that too much liberalization leads to **instability** in a country's economy, with **foreign exchange crises** which lead to **devaluation** or **depreciation** - its currency becomes worth less in terms of others. For example, some say that China's growth has benefited from the fact that its currency is not freely **convertible**, thus avoiding the capital outflows that other Asian economies have suffered from at various times.

B. Borrowing:

The **International Monetary Fund (IMF)** and the **World Bank** play an important role in the development of less-developed countries. A main function of the World Bank is to lend money to countries so that they can obtain the conditions for economic growth. For example, it sponsors **infrastructure projects** - road building, water supply systems, etc. - and projects in health, education and agriculture.

But developing countries may build up **unsustainable** levels of debt and be unable to repay their debts. The IMF has debt reduction programmes for **Heavily Indebted Poor Countries (HIPCs)** that will reduce the amount of money that they owe. It also contributes to work on the **Millennium Development Goals** - specific targets relating to **poverty reduction** and the **stimulation of growth** in poorer countries.

C. Word combinations with 'debt':

Debt	<i>burden</i>	the amount of debt that a country has, seen as a problem
	<i>service</i>	making repayments on a debt
	<i>justice</i>	the idea that people should be treated fairly and equitably
	<i>rescheduling</i> <i>restructuring</i>	when lenders agree that a debt can be repaid in a different way or at a different time
	<i>relief</i> <i>forgiveness</i>	when lenders agree that debts do not need to be repaid

7.1. Look at the expressions in A and B opposite. Put the sentences a-e in the correct order. (The first is a.)

- a. A ban on capital controls is a bad trade-off.
- b. Meanwhile, import prices soar, spurring inflation.
- c. As money is withdrawn, like country's currency depreciates rapidly, which can lead to more investors pulling out in an effort to avoid losses.
- d. This vicious circle spells calamity for the country's economy: capital flows can be, and have often been, perilous.
- e. Because developing countries have relatively small financial markets and do much of their borrowing in dollars or euros, they are vulnerable to rapid financial outflows if creditors suspect difficulties in repayment.

Financial limes

7.2. Now match the expressions (1-10) to their definitions (a-j).

- | | |
|-------------------|---|
| 1. Withdraw | a. a very dangerous |
| 2. depreciate | b. take out |
| 3. pull out | c. disaster |
| 4. soar | d. leave |
| 5. spur | e. easily affected by something negative |
| 6. vulnerable | f. cause |
| 7. perilous | g. lose value |
| 8. calamity | h. rising prices |
| 9. vicious circle | i. rise fast |
| 10. inflation | j. when a problem occurs that causes another problem to occur, and this process is repeated |

7.3. Match the two parts of these extracts containing expressions from C opposite.

- | | |
|--|--|
| 1. Under HIPC, countries have their debt | a. relief if the money saved is then spent on arms. |
| 2. The arrangement with Moscow benefits the West because it involves no debt | b. restructuring plan for developing countries. |
| 3. Half of Africa's governments pay as much per person in debt | c. burden cut to levels which the IMF and World Bank consider sustainable. |
| 4. There's not much point in debt | d. forgiveness and requires Russia to pay in a timely way and in full. |
| 5. Mozambique, which receives debt | e. service as they spend oil health and education combined. |
| 6. Brady bonds, named after former US Treasury Secretary Nicholas Brady, were created in the 1980s as part of a debt | f. rescheduling this month, will not be much better off. |

Over to you: Should the debt of developing countries be completely forgiven? Why / Why not? Write a letter to a national newspaper with your views.

LECTURE 8: TRADE

A. Dismantling the barriers:

Ranjir Rao is trade minister for a developing country:

'We believe that there is increased prosperity for all if we can export our goods and services freely. We are working through the **World Trade Organization (WTO)** to **remove or dismantle trade barriers** such as:

- **Tariffs:** taxes on imported goods
- **Quotas:** limits on the number of goods that can be imported.

We particularly want the countries of the North to **open up their markets** to our agricultural goods.

Free trade areas or blocs such as

- **the EEA: European Economic Area** containing the European Union plus some other countries
- **NAFTA: North American Free Trade Area:** Canada, US and Mexico

have abolished trade barriers between their member countries, but they should be more open to goods from outside.'

B. Protected industries

John Newman is head of a steel company in Nordland, an industrialized country:

We have higher costs than many other steel-producing countries and we can't compete with their prices. Some countries are **dumping** - selling their steel here for less than it costs to produce. So, we have asked our government to impose tariffs on imported steel.

Antonio Silva is head of a steel company in Sudonia, an industrializing country:

We feel that Nordland is engaging in unfair trade practices - from our point of view it's just protectionism. We believe in free trade - we should be allowed to compete in an open world market for steel.



C. Fair trade:

Claire Longdon is a consumer in the UK:

'I believe in fair trade. When I buy products, especially commodities like coffee or bananas, I look for the **FAIRTRADE Mark**. The **Fairtrade Foundation** makes sure that **producers** and **growers** are paid a fair price, not just the market price, which can be catastrophically low. For example, prices can fall dramatically when there is overproduction around the world causing a **glut** in a particular commodity.'



8.1. Complete the sentences with appropriate forms of expressions from A and B opposite.

1. US and EU business leaders now need to focus on removing..... between the two blocs rather than aim to create a single.....area.
2. He said raising prices by increasing.....on Japanese luxury cars would give Detroit's Big Three automakers an excuse to increase their own luxury car prices.
3. The Asia-Pacific economies have been growing and their markets. They offer many new opportunities.
4. The European Union warned that South Korea should open up its car market, accusing the country of
5. If the Commerce Department rules that Mexico is tomatoes, consumers can expect higher tomato prices because the US will impose on them, limiting the numbers that can be imported.

8.2. Look at C opposite. Put the sections of this article in the correct order. (The first is a.)

a. Sale of Fairtrade products doubles:

Sales of goods that promise a better deal for farmers in developing countries have more than doubled in three years, it was announced at the weekend. Fairtrade coffee accounts for 14% of the market in the UK,

b. and chocolate that carry the fairtrade certification mark. Last November the Co-op supermarket chain announced it was switching all its own-brand chocolate to Fairtrade.

c. and producers, a better deal. Total sales rose from £21.8m in 1999 to £59m in 2002, according to figures released to mark Fairtrade Fortnight, which starts today to encourage shoppers to try the products

d. and the World Development Movement, to respond to the human consequences of collapsing world commodity prices.

e. Harriet Lamb, executive director of the foundation, said: "Rising sales figures show that the public not only trust the Fairtrade mark but trust their taste too." The foundation was set up at the beginning of the 1990s by agencies including Christian Aid. Oxfam

f. representing 4.5 million growers. More than 100 products are available in the UK in the categories of coffee, tea, cocoa, chocolate, snacks and biscuits, sugar, honey, fruit juice and fresh fruit, and are stocked by independent shops and most major supermarkets.

g. The Fairtrade Foundation certifies and promotes products that meet internationally recognized standards of fair trade. It said that Sainsbury's now sells around 1 million Fairtrade bananas a week, and has own-brand coffee, tea

h. The first Fairtrade-marked product appeared on shelves in 1994. Now foods carrying the mark are sold in 17 countries through 235 traders and 452 companies. They are sourced from 360 producer groups in 36 countries.

i. with sales having, increased from 13.7 m in 1998 to 18.5 m in 2001. The growth has been made possible in large part by the increasing willingness of supermarkets to sell Fairtrade products, which are made using ingredients that guarantee farmers

The Guardian

8.3. Over to you: Should some industries in your country be protected - if so, which ones? Or should all goods be subject to free trade? Why / Why not?

LECTURE 9: INTERNATIONAL AID

A. Humanitarian aid:

When there are extreme situations, **aid agencies** such as *Oxfam* or *Medecins Sans Frontieres* play an important role. These situations include war, **natural disasters** such as earthquakes or floods, and **famine** - when people do not have enough to eat, for example following **crop failure**. **Emergency relief** is provided in the form of supplies, medical assistance, and so on. This is part of **humanitarian aid**.



B. Development aid:

Aid agencies and donor countries also give **development aid**, and so contribute to economic development through specific **development projects**. These projects may use **intermediate technology** - equipment and machinery suited to local conditions that local people can operate and maintain.

Some of these projects are designed to improve infrastructure - a country's water supplies, roads, etc.

Some provide **seed money** for small businesses - the money they need to start up until they become **viable** and able to develop by themselves.



C. The aims of aid:

Development aid often comes from **donor countries**. Some countries are more **generous** than others, giving a higher proportion of their national **wealth**. The places to which aid is sent and the uses to which it is put are influenced by **pressure groups** and **NGOs - non-governmental organizations** - such as the aid agencies mentioned above.

Governments receiving aid are **recipients**. Some donors require the recipients to use the money to purchase equipment, etc. from them - this is **tied aid**.

Many would say that the purpose of aid is **poverty reduction**. But there is a lot of discussion about how this can be achieved. Some experts say that the best use of aid is to invest in projects that contribute to economic development.

9.1. Complete the sentences with appropriate forms of expressions from A and B opposite.

1. In Ethiopia in the mid-1980s, many people did not have enough to eat. This was one of the most severe.....of recent times.
2. In 1999, Pakistan produced much less cotton than it normally does because of unusual climate conditions. This is an example of a damaging.....
3. Helping people in India after the earthquake there in 1999 is an instance of and
4. Sometimes only a little.....is required to get projects going - they can become quite quickly.
5. The hurricanes and flooding in central America in 2002 were one of the worst of the last few years. 6 Small wind turbines to generate electricity on farms is one example of

9.2. *Read the article relating to the ideas in B opposite. Then say if the statements below are true or false, identifying the phrase or sentence from the article that confirms your answer. (The first one has been done for you.)*

<i>The great aid debate</i>		
<p>Several factors have brought the question of overseas aid to the fore. Public opinion is one, helped by some very effective lobbying by pressure groups, especially on the issue of debt relief for the poorest countries. Ultimately though aid has forced its way to the top of the agenda because political leaders have realized that global security and prosperity depend on an inclusive international economy. Letting poor countries fall further behind is dangerous. Making aid work is now a central but sensitive issue. In the past both</p>	<p>donors and recipients have tended to hijack the debate for their own purposes. Recipients tend to bristle at the idea that they waste aid money. That accusation, they say is a distraction from the basic problem that the donors are not generous enough. There is no doubt that rich countries are often reluctant to deliver on their promises to the developing world. Whether it be money for aid or the elusive open markets they continue to argue will help poor countries most. But there is considerable evidence now</p>	<p>– and from a wide range of sources – that suggests that poor countries need to take more responsibility for their own problems and that by doing so they could ensure aid helps deliver what they need. Research by the World Bank has shown that aid can be effective in reducing poverty, but only when given to countries with sound economic management and government institutions. In countries with weak economic management, the evidence suggests foreign aid does little to reduce poverty.</p> <p style="text-align: right;"><i>The economist.</i></p>

1. A number of things have made overseas aid a topical issue.
True - several factors have brought the question of overseas aid to the fore.
2. The influence of pressure groups has produced results, especially in relation to debt relief.
3. Donors and recipients have until now taken control of the discussion for their own advantage.
4. Recipients accept the idea that aid money is sometimes wasted.
5. Aid can reduce poverty only when economic management in a country is good.

9.3. *Over to you:* Find out about an organization involved in a particular development project and make a presentation or write a report about it.

LECTURE 10: SUSTAINABLE DEVELOPMENT

A. Climate change:

Scientists point to the dangers of **climate change**, in particular **global warming**. This is the rise in temperatures in the atmosphere and the sea caused by emissions of **carbon dioxide** and other **greenhouse gases** from the burning of **hydrocarbon** or **fossil fuels** such as oil and coal. Some say that the earth cannot sustain much further **industrialization**.



The **Kyoto protocol** of 1997 was designed to put the **United Nations climate change convention** into effect. This originally aimed to cut emissions to five percent below 1990 levels by 2020. Some businesses complain that these targets will increase their costs, but



See section C below.

B. Sustainability:

Sustainability is the idea that the economy should be organized in ways that can be continued without causing **irreversible damage** to the environment or **depletion** of **natural resources**. Businesses should be run not for **short-term profit**, but in a way that takes account of the **long-term interests** of society and the environment. (See also lectures 8 and 10)

Developing countries are trying to attain the living standards of the industrialized world. Some warn that, in addition to the dangers of global warming, the world's natural resources are not sufficient for this.

Others argue that renewable, non-polluting energy sources such as wind power will allow further economic growth without causing damage to the environment. Some argue that nuclear energy still has a role to play.

These are some of the issues surrounding sustainable development in the global economy.

C. The triple bottom line:

SustainAbility¹, a consultancy, says that the triple bottom line (TBL) makes corporations concentrate not just on the economic value they add, but also on the environmental and social value they add - and destroy. (See Lecture 7) The TBL is used to sum up the values, issues, and processes that companies must pay attention to in order to minimize any harm resulting from their activities and to create economic, social, and environmental value. The three lines represent society, the economy, and the environment. Society depends on the economy - and the economy depends on the global ecosystem, whose health represents the ultimate bottom line.

¹ - www.sustainability.com

10.1 Complete the article, which contains words from A and B opposite, with a-e below.

<i>Energy's future is trapped in the fossil fuel past</i>	
<p>In his State of the Union address, President George W. Bush proposed a \$1.5bn (£900m) government research and development programme to replace the internal combustion engine with hydrogen-powered fuel cell cars. (1)</p> <p>To be sure, the shift to fuel cells and a hydrogen economy will be as significant and far-reaching in its impact on the global economy and society as the steam engine and coal in the 19th century and the switch to the internal combustion engine and oil in the 20th century. (2)</p> <p>Most commercial hydrogen today is extracted from natural gas but it can also be extracted from coal and oil. Even the nuclear industry has weighed in, arguing that nuclear power can be used to extract hydrogen.</p>	<p>The White House's enthusiasm for hydrogen suddenly becomes understandable. (3)</p> <p>There is, however, another way to get hydrogen. Renewable sources of energy - wind, photovoltaic, hydrogen, geothermal, and biomass - can be harnessed to produce electricity and that electricity, in turn, can be used to electrolyse water, separating the hydrogen from the oxygen for storage and later use in a fuel cell. (4) Why twice? Because electricity generated from renewable sources of energy cannot be effectively stored. If the sun is not shining, the wind stops blowing, or water stops flowing because of drought, electricity stops being produced and the economy stops. (5)</p> <p style="text-align: right;"><i>Financial Times.</i></p>

- By using some of the electricity generated by renewables to electrolyse water and extract hydrogen, society obtains stored energy to use at a future date,
- Hydrogen is the lightest, most plentiful element in the universe. When it is used to generate power, heat, and light, the only by-products are water and heat. But what Mr. Bush did not mention was that hydrogen has to be extracted from either fossil fuels or water,
- If fossil fuels and even nuclear power can be harnessed to produce hydrogen, the Bush administration can have its cake and eat it too.
- While some applauded his call to create a clean, non-polluting energy source for the 21st century, many environmentalists were less enthusiastic. That is because there is both more and less to his announcement than meets the eye.
- While this second approach frees us from fossil fuel dependency and is the solution environmentalists have dreamt of for years, it currently costs more to extract hydrogen with renewable energy. That is because electricity has to be generated twice, first to create the electricity to electrolyse the water and grab and store the hydrogen and then to use the hydrogen to power the fuel cell.

10.2. Look at the following keywords from the article and find words which can go before or after them to form 'word combinations. Two of them have been done for you as examples.

1. generate	Electricity
2.	
3.	
4.	

Generate	5. Electricity
	6.
	7.
	8.

Harness	9.
	10.
	11.

10.3. **Over to you:** Are you optimistic or pessimistic about the capacity of the planet for future growth? Why/Why not?