

DOCUMENT RESUME

ED 361 262

SO 023 257

AUTHOR Potoker, Elaine S.; Taylor, H. Gene
TITLE Global Economics: A Multi-Media Resource Packet.
PUB DATE 93
NOTE 23p.; Paper presented the the Annual Meeting of the American Forum (Indianapolis, IN, June 5, 1993).
PUB TYPE Guides - Classroom Use - Teaching Guides (For Teacher) (052)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Business; Cultural Awareness; *Cultural Interrelationships; Curriculum Enrichment; Developed Nations; *Developing Nations; *Economics; Elementary Secondary Education; Foreign Countries; *Global Approach; Instructional Materials; *International Cooperation; *International Trade; Marketing; Social Studies; Supply and Demand
IDENTIFIERS *Caribbean; Global Education; Tariffs

ABSTRACT

This document contains instructional materials to illustrate economic perspectives relating to issues such as: (1) why nations trade; (2) challenges of the developing world; (3) north-south relations; (4) cross cultural awareness; (5) global integration of markets and products; and (6) trade barriers, controversy and consequences. The items are intended as supplementary materials for use within historical contexts. The first set of materials is a case study approach that focuses on the Caribbean. The region offers multiple illustrations of how and why trading relationships evolve between nations. Objectives include: (1) illustration of the linkages of the Caribbean to the global community from social, cultural, and economic perspectives; (2) exemplification of economic links using a local example; (3) identifying and explaining the nature and risks inherent in a global entrepreneurship through decision making and critical thinking activities; (4) exploring issues confronting less developed countries via comparative analysis of colonial and present day industry; and (5) showing teachers that partnerships with business create living and working experiential units of study. The second section deals specifically with direct foreign investment and challenges facing the developing world. This section explores the determining factors that are key to making direct foreign investment decisions, as well as protectionism, debt, dependency, specialization, and global manufacturing systems. A 20 day lesson plan is provided, as are handouts, materials, individual activities, and resource lists. (DK)

* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *

ED 361 262

Global Economics: A Multi-Media Resource Packet

Elaine S. Potoker and H. Gene Taylor

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

☒ This document has been reproduced as
received from the person or organization
originating it

☐ Minor changes have been made to improve
reproduction quality

• Points of view or opinions stated in this docu-
ment do not necessarily represent official
OERI position or policy

"PERMISSION TO REPRODUCE THIS
MATERIAL HAS BEEN GRANTED BY

ELAINE S.
POTOKER

TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC) "

American Forum, June 5, 1993

SC 023 257

Global Economics: A Multi-Media Resource Packet

Elaine S. Potoker and H. Gene Taylor

The following instructional materials are meant to be utilized for illustrating economic perspectives related to issues such as:

- .Why nations trade
- .The challenges of the developing world
- .North-South relations
- .Cross-cultural awareness
- .Global integration of markets and products
- .Trade barriers--Controversy and consequences

They are intended to be supplementary materials, and suggested for utilization within historical contexts such as "Post-Colonial America," "Contemporary World Trade Issues," and Economic Challenges of Emerging Democracies.

Focus on the Caribbean: A Case Study Approach

The Caribbean offers multiple illustrations of how and why trading relationships evolve between nations; e.g., how they create and perpetuate social history, how things remain the same, and how present and future realities of developing nations are linked to their past.

Objectives:

1. To illustrate the linkages of the Caribbean to the global community from multiple perspectives: social, cultural, and economic (i.e., overseas expansion and patterns of global trade);
2. To exemplify economic links using a local example of international trade;
3. To identify and explain the nature and risks inherent in a global entrepreneurship through decision-making and critical thinking activities;
4. To explore issues confronting less-developed countries via comparative analysis of colonial and present-day Caribbean industry;
5. To show teachers partnerships with business create living and working experiential units of study. Generating a living unit of curricular study from local example(s) provides practical social studies strategies for elementary, middle and secondary classrooms as well as to communities, policy-makers and curriculum developers.

Materials:

Teachers are encouraged to consider the suggested materials in the context of a matrix that can be "mixed and matched" to issues as time and subject permit. (Shown alphabetized, A,B,C, etc.) However, the following text is recommended to be used in conjunction with the above historical theme.

Augelli, John. (1989). Middle America: Its land and its peoples. Englewood Cliffs, N.J.: Prentice-Hall.

Viola, Herman J. & Carolyn Margolis. (1991). Seeds of change. Washington: Smithsonian Institution Press.

Williams, Eric. (1970). From Columbus to Castro: The history of the Caribbean. N.Y.: Harper & Row, Publishers.

ISSUE: GLOBAL LINKS--WHY NATIONS TRADE?

The primary objective of the following activities is to illustrate that nations trade in order to satisfy needs. These needs include, but are not limited to: human capital, natural resources and market platforms.

ACTIVITIES

A. PCGlobe: A computer program used to enable students to develop country profiles; includes key data for decision-making, i.e., health statistics, education, economics, energy, and demographics (age distribution, literacy rate, languages, population growth rate, etc.).

B. World Atlas: Used in conjunction with PCGlobe, this computer program provides additional data specific to legal systems, infrastructure, agriculture, crime, etc.

Overlapping information between these computer programs provide a vehicle for critical analysis.

C. Entrepreneur: A computer program that walks students through the steps of starting a business, e.g., raising capital, analyzing cash flows and the market, preparing income statements, writing strategic business plans, etc.

D. "Trade-offs": A simulation that generates decision-making and critical thinking. Through negotiating natural and human resources, monies, and social goals, compromises are reached. Students are divided into small groups and given cards that have been divided into categories: country profiles and government agencies.

E. "Rules of the Game": A simulation that demonstrates the interdependent nature of global trade with focus on core-periphery relationships.

F. Teaching Strategies (1989), NY: Joint Council on Economic Education. See "instructional objectives," p.91. Lesson 3, 15(1-5).

G. Case study:

Windward Islands Aloe, Ltd., Roseau, Dominica--supplier of raw and partially processed aloe vera gel to U.S.-based manufacturers, e.g., Avon, Colgate, Hawaiian Tropic; a Dominica-U.S. joint-venture operation. (A descriptive video, company literature, and products are available for review.)

OUTGROWTH ACTIVITIES

Students will apply data and skills to establish hypothetical international businesses. They will then critique the respective

profiles and rationales.

The collection and application of the data and background information gathered from the aforementioned activities are representative of procedures followed by governments, agencies, business/industry (public and private), and entrepreneurs involved in global trade. Students of all ages must do their "homework" to optimize longevity in commercial relationships. Additionally, these activities emphasize that cooperative partnerships with business create living and working experiential units of study.

ISSUE: NORTH-SOUTH RELATIONS--THEN AND NOW

The primary objective of the following activities is to explore global economics through a historical perspective.

ACTIVITIES

H. Mapping global trading patterns: Identification and visualization of grassroots/contemporary global trade, i.e., triangular trade resulting from needs of human capital, natural resources, and market platforms.

I. Case study:

"Technology--Then and Now": A study of its evolution from primary product exports to diversification through agribusiness: the sugar industry.

G. Case study:

Windward Islands Aloe, Ltd., Roseau, Dominica--supplier of raw and partially processed aloe vera gel to U.S.-based manufactures, e.g., Avon, Colgate, Hawaiian Tropic; a Dominica-U.S. joint-venture operation. (A descriptive video, company literature, and products are available for review.)

OUTGROWTH ACTIVITIES

Students will analyze global trade patterns, past and present. Understanding causal factors for similarities and differences will be demonstrated through methods of authentic evaluation, e.g., graphs/charts, critical essays, debates, role play of the effects of the Sugar Equalization Act or the abolition of slavery, etc. The culminating activity is to project the determinants for success regarding North-South relationships.

Resources

Conway, Dennis. (April-May 1991). "The Caribbean as crucible of the Americas". Social Education, 55, pp. 227-238. (Includes a bibliography of Caribbean fiction, film, poetry, etc.)

El norte. (1984). N.Y.: CBS/Fox Video. (a video).

North South: The Magazine of the Americas. Coral Gables, FL: North-South Center, The University of Miami.

Sunshine, Catherine. (1988). The Caribbean. Boston, MA: Ecumenical Program on Central America and the Caribbean (EPICA).

Viola, Herman J. & Carolyn Margolis. (1991). Seeds of change. Washington: Smithsonian Institution Press.

Williams, Eric. (1970). From Columbus to Castro: The history of

the Caribbean, 1492-1969. NY: Harper & Row.

ISSUE: CHALLENGES OF THE DEVELOPING WORLD

The primary objective of the following activities is to illustrate prospects and problems associated with economic development, i.e., competition for direct foreign investment (DFI), protectionism, debt, dependency, specialization, and global manufacturing systems.

ACTIVITIES

E. "Rules of the Game": A simulation that demonstrates the interdependent nature of global trade with focus on core-periphery relationships.

A. PCGlobe: A computer program used to enable students to develop country profiles for investment prospects; includes key data i.e., health statistics, education, economics, energy, and demographics (age distribution, literacy rate, languages, population growth rate, etc.).

B. World Atlas: Used in conjunction with PCGlobe, this computer program provides additional data specific to legal systems, infrastructure, agriculture, crime, etc.

Over-lapping information between these computer programs provide a vehicle for critical analysis.

F. Teaching Strategies (1989), NY: Joint Council on Economic Education. Lessons 14 (1-2), 13 (1-2), 10, 11, 18 (3). (These lessons address comparative advantage, diversification, protectionism, debt, and global manufacturing.)

OUTGROWTH ACTIVITY

Investment promotion campaign: The above activities will prepare students to develop investment promotion programs to be presented in a simulated gala convention. The hypothetical attendees (students from other classes) are representatives of government, private industry, non-profit organizations, etc. The students from other classes are prepared in advance to ask questions of the presenters in "square-table" discussion sessions to determine which countries are best for investment. Videos, music/entertainment, promotional items, pamphlets, food, etc., will be prepared and implemented by students. In essence, students are simulating present-day competition for DFI.

ISSUE: THE CARIBBEAN FROM A CROSS-CULTURAL PERSPECTIVE

The primary objective of the following activities is to explore the multiple perspectives inherent in the history of the Caribbean.

ACTIVITIES

J. Comparative readings: Selected readings reflecting multiple perspectives regarding migration, geo-political influences, economic activities, religions, arts, and other elements of culture. (See resources below.)

K. Speakers/presenters: Community groups, e.g., dancers, singers, students, professionals, etc, representing Caribbean cultures and/or countries will be invited into the class to share their perspectives.

L. PBS Special: "Columbus' Encounter": A video presentation of Columbus' "discovery" of the "New World": provides a platform for discussion of the controversy related to this event.

OUTGROWTH ACTIVITIES

The aforementioned activities/readings will foster critical analysis and discussion. Students will conduct research and prepare essays that address foundations to historical bias.

RESOURCES

Gelman, David. (1991, Fall/Winter). When worlds collide. [special issue], Newsweek.

1491: America before Columbus. (Oct. 91). National Geographics.

Honeychurch, Lennox. (1984). The Dominica Story: A History of the Island. Roseau, Dominica: The Dominica Institute.

Search for Columbus. (Jan. 1992). National Geographics.

Sunshine, Catherine. (1988). The Caribbean. Boston, MA: Ecumenical Program on Central America and the Caribbean (EPICA).

*Current newspaper articles from the U.S. and Caribbean countries illustrating cross-cultural perspectives to current events.

**Direct Foreign Investment:
Challenges Facing the Developing World
(Unit of study and Suggested Lessons)**

Elaine Potoker and H. Gene Taylor

CHALLENGES OF THE DEVELOPING WORLD

Direct Foreign Investment

Preview of main points:

There are many prospects and challenges related to economic development. The world has become a stage of competitors seeking development capital. Consider the emergence of Eastern Europe, and trade incentives related to the Enterprise of the Americas and the North American Free Trade Agreement, as examples. Both developed and developing nations need to weigh costs against benefits of direct foreign investment (DFI). These lessons explore the determining factors that are key to making DFI decisions, as well as protectionism, debt, dependency, specialization, and global manufacturing systems.

Suggestions for incorporation into curriculum plans:

- a. subsequent to a unit on "Why Nations Trade?"
- b. as an introduction to understanding of how **debt**, and **protectionism** impact on decisions concerning DFI.
- c. as an introduction to understanding how global manufacturing systems have evolved, and how specialization and diversification will continue to be phenomena of the future.
- d. as an introduction to concepts involving entrepreneurship development.

Economic Concepts:

Direct foreign investment, dependency, protectionism, specialization, debt, trade deficits, global manufacturing systems

Target population:

It is our view that the concepts and materials presented could be tailored to just about any audience: K-12 and adults.

Resources:

- .the visual of the "Corporate Household Unit Model" (Handout #3)
- .select readings from U.S. Dept. of Commerce sources, Business America, World Development Reports, International Development Reports
- .PC Globe
- .World Atlas
- .Case study: a local business that invested in a foreign country. Windward Aloe Company/Lake City, Fla. and Roseau, Dominica. Video tape
- .U.S. Customs: statistics relating to imports and exports of goods and services
- .Teaching Strategies (1989). N.Y.: Joint Council on Economic

Education. Lessons 14(1-2), 13(1-2), 10, 11, 18(3); included are details on time required, instructional objectives, rationale, materials, and procedures.

Objectives:

Students will:

1. examine factors that are key to DFI decisions;
2. illustrate how external and internal factors may impact on those decisions, e.g., debt, protectionism, exchange rates;
3. recognize how peoples are linked to global trading decisions;
4. understand how to obtain information key to making overseas business decisions;
5. identify "what it takes" to be successful in business and trading relationships;
6. demonstrate an understanding of competition for DFI by developing and presenting an investment promotion campaign.

DAYS ONE AND TWO:

From previous lessons, students will have an understanding of why nations trade. More importantly, they will understand this on a personal level. The centrality to this lesson and those that follow is for students to see themselves and the foreign country as a **corporate household unit**. (transparency and hand-out)

Distribute DFI Handouts #1 and #2; a working definition of DFI will be developed through class discussion.

View Windward Aloe Company video (15 minutes). Ask students how company began its business, and why it invested in Dominica. The lesson is concluded through an analysis of the local example of Windward Aloe Company. Class will sketch Windward and Dominica's households using The Household Unit Model (Handout #3). This will enable students to understand what factors lead to DFI decisions.

DAYS THREE AND FOUR:

Introduce first group project. Students will identify a service or product they would like to produce that will involve DFI decision-making. List these. Students will identify which products are "global products". They will probably not understand the term. Using "Think-Pair-Share", have them define the term. Having a class definition, implement Lesson 14(1-2). By the end of class, divide students into groups of no more than five. Each group will select a global product or service. Use Handout #4 as illustration.

DAYS FIVE AND SIX:

Using PCGlobe and World Atlas, have students identify the "global" nature of their product. They will identify the materials necessary to produce their product or service and investigate country profiles to determine which can supply the materials needed.

DAYS SEVEN AND EIGHT:

Student will investigate external market factors that may impact on investment decisions. Student will study the effects of trade barriers. This will be accomplished through the use of supply and demand analysis. This lesson serves to illustrate how trade barriers are an interruption to production based on comparative advantage or specialization. Implement Lesson 10.

DAYS NINE AND TEN:

Focusing on the production of a global product or service, students will use library resources to gather information showing who wins or loses from trade barriers. By now students have targeted the country or countries for assembly, packaging, and/or distribution of their global product or service. They will focus on the effects of trade barriers in relation to this country. It is suggested that students be given the opportunity to share their findings with others in the class. Comparisons of the effects will enhance their understanding.

DAYS ELEVEN:

Students will now have a working knowledge of the impact of trade barriers and a general understanding of who benefits and loses from these restrictions. Lesson 11 gives students the opportunity to develop economic forecasts predicting the impact of import and export restrictions on prices and employment. While they are experiencing this lesson, the students will need to decide upon the countries they wish to use for supply of resources and channels for distribution.

DAYS TWELVE-FOURTEEN:

Having selected their countries, the students will use the skills and information learned from Lesson 11 to develop economic forecasts regarding these countries. It is suggested that students be given the opportunity to share their findings with others in the class. Comparisons of the forecasts will enhance their understanding.

DAY FIFTEEN:

As a follow-up to Lesson 11 and the economic forecasting activity, Lesson 18 provides additional opportunity for students to use supply and demand analysis. In particular, this lesson will

help students understand the connections between currency value, trade volume, and prices for imports and exports. All of these are necessary concerns of global production.

DAYS SIXTEEN-NINETEEN:

Investment Promotion Convention: The above lessons have prepared students to develop investment promotion programs to be presented in a simulated gala convention. The hypothetical attendees (classes involved in the lessons) role-play representatives of government, private industry, non-profit organizations, etc. The students from other classes are prepared in advance to ask questions of the presenters in "square-table" discussion sessions to evaluate which countries are best for their investment. (For example, 1st period could be attendees while 3rd period could be presenters.) Videos, music/entertainment, food, promotional items, pamphlets, economic data, etc., will be prepared and made available by students. In essence, students are simulating present-day competition for DFI.*

Follow-up Lesson

The gala Investment Promotion Convention provides a platform to review trading relationships from a macroeconomic perspective. Specifically, students will explore "myths" regarding balance of payments accounts. Deficits or surpluses in certain accounts cause tensions between different groups in society even though it is impossible for accounts to be out of balance. Students will use library materials to research how these difficulties may impact the production of their global product.

*Students can also be divided into countries competing for DFI and businesses/governments/etc. evaluating potential investment sites. As example, 1st period could be an agro-business while 3rd and 5th periods could be countries of Dominica and Jamaica.

AUTHORS

ELAINE S. POTOKER has 12 years of experience in international sales and marketing. Through Interloqui (Erie, Pennsylvania) she provides international trade assistance to include offshore manufacturing expertise and generation of business plans designed to integrate overseas business development with domestic operations. She has taught at the high school and college levels--in Spanish and marketing, respectively. Her recent presentations focus on the North American Free Trade Agreement (NAFTA) and cross cultural-training and development issues. Elaine is on a leave of absence to complete a Ph.D. at The Ohio State University. Program areas include global education, international business, training and development, economic development in Latin America, and cultural anthropology.

H. GENE TAYLOR teaches secondary social studies at the Frederick County Public Schools, Frederick, Md. He is on an academic leave of absence to complete a Ph.D. in global and social studies education at The Ohio State University. Additionally, he supervises secondary global and social studies pre-service teachers. Gene was the recipient of the Outstanding University Supervisor Award for 1992 at OSU. Recent presentations focus on pre-service teacher education.

Direct Foreign Investment (DFI): Challenge to Developing and Developed Countries

Picture, if you will, the World Olympics. The stage is set. The time is now. However, the players are not there for sport--they are there to compete for investment dollars/pesos drachmas, quezales--you name it. They are there to compete for whatever it takes to assure their ongoing development. "Invest in me," they say. These players are countries. The countries are comprised of individuals just like yourself with needs: food, clothing, security for themselves and their families. Some need infrastructure (roads, communication, tooling for industry, etc.). Countries seek DFI to develop and grow.

Consider what you do as a person to develop and grow?

Consider what your family tries to do?

Consider what your community has done?

Consider what your state has done?

How about your nation?

Development is one of the most important challenges facing nations today. Investor countries (comprised of businesses in cities in states) must do their "homework." Just think of all the factors that might be important to you if you were to invest money "long distance."

What might it mean to do your homework well?

What do you need to know!?

Elaine S. Potoker

Why My Company is Investing in Haiti's Future

By Frederic H. Brooks

MacGregor Sporting Goods, Inc., a major manufacturer of athletic equipment and sports-related apparel, first began manufacturing in Haiti in 1976. During the last ten years we have expanded our operations there considerably, with very positive results.

The major reasons we initially chose to invest in Haiti, and why we continue to expand our business there, are:

1. The proximity of Haiti to the United States. This allows MacGregor to realize reduced on-hand inventory and corresponding carrying costs.
2. Low labor rates and conscientious work force. This combination facilitates production of a quality product which possesses a competitive edge over that imported from the Far East.
3. Trade concessions. Doing business under the U.S. 807 Program allows customs duty on imported products into the United States to be paid only on the "value-added" by the Haitian manufacturing.

MacGregor has also found advantage in Haiti's eligibility for the U.S. Generalized System of Preferences (GSP) and in the constant relation of the Haitian currency (the gourd) to the dollar. In addition, as a Caribbean nation, Haiti is a beneficiary of the Caribbean Basin Economic Recovery Act. This is the cornerstone of the U.S. free trade policy known as the Caribbean Basin Initiative (CBI). As the CBI is a twelve-year program it is clear the United States is committed to the long-term economic health of Caribbean nations such as Haiti. This is a comforting factor to private sector American investment.

The last ten years have been good ones for MacGregor in Haiti. In 1976 we started by making baseballs. Our current product line has been expanded to include softballs, bases, footballs, basketballs, football practice pants, and coaches' shorts, and certain pro-

prietary contract business in the areas of baby pants, house slippers, men's briefs and racehorse equipment.

Our facilities in Haiti have grown to encompass 115,000 square feet among four separate buildings. They are situated in a secured industrial compound located two miles from the center of Port au Prince.

Perhaps more than any other factor, our success in Haiti can be traced to our employees. Senior management personnel is almost exclusively of Haitian origin and many are college educated.

Management supervises a quality labor force which on average consists of 1,000 employees who are diligent and well-trained in the skillful operation of equipment from sewing machines to molding ovens.

Of course, the recent developments in Haiti have caused some concern. Our operations were somewhat affected by the social disturbances and at the height of the unrest we closed our facilities for a day. Fortunately, more normal conditions have resumed and production at our Haitian facilities is back on target.

MacGregor's commitment to Haiti remains as strong as ever. Despite a difficult last few months we expect the socio/political and economic environment in Haiti to be more agreeable to U.S. business than before. The reasons we invested in Haiti remain as valid today as they ever were and we plan to continue the company's expansion there. The primary motivation for our plans is economic in nature. Our Haitian facilities represent a good investment, but we are pleased that at the same time we are helping the people of Haiti improve their standard of living. Haiti has been good to us and MacGregor has been good to Haiti.

We expect this relationship to continue and grow. We strongly advise other U.S. companies to consider establishing business operations in Haiti. It makes for good business and for good neighbors.



Frederic H. Brooks is the Chairman of the Board of MacGregor Sporting Goods, Inc., headquartered in East Rutherford, New Jersey. He is also President of Connecticut Economics Corporation. He is a member of the Advisory Committees on Consumer Goods and on Custom Matters of the Department of Commerce and the Office of the U.S. Trade Representative. He is also Chairman of the Caribbean Basin Advisory Committee and Treasurer of Caribbean Central American Action. Brooks has been with MacGregor for seven years. MacGregor, which was founded in 1875, is one of the four principal American brands in sporting goods.

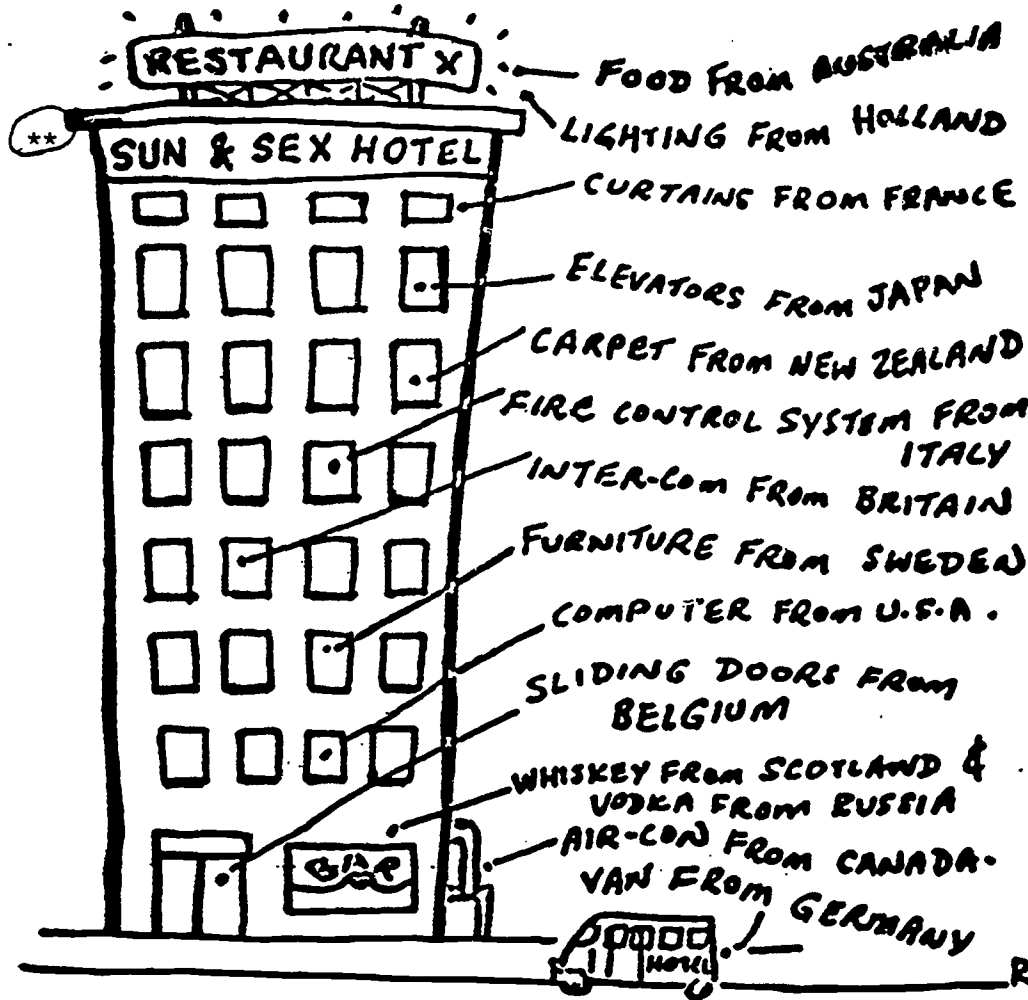
The Corporate Household Unit

What is important to my house?

- a. the resources in my house.
How many I have? What do I need ?
- b. care of my house (products and services)
Do they need special attention?
Must they be nurtured?
Must I watch them while they grow?
- c. time
How much time do I need to do things?
- d. safety/security
What things beyond my control have I prepared for?
- e. regulations
What legal considerations impact on my house?

What is important to my "partner's" house?

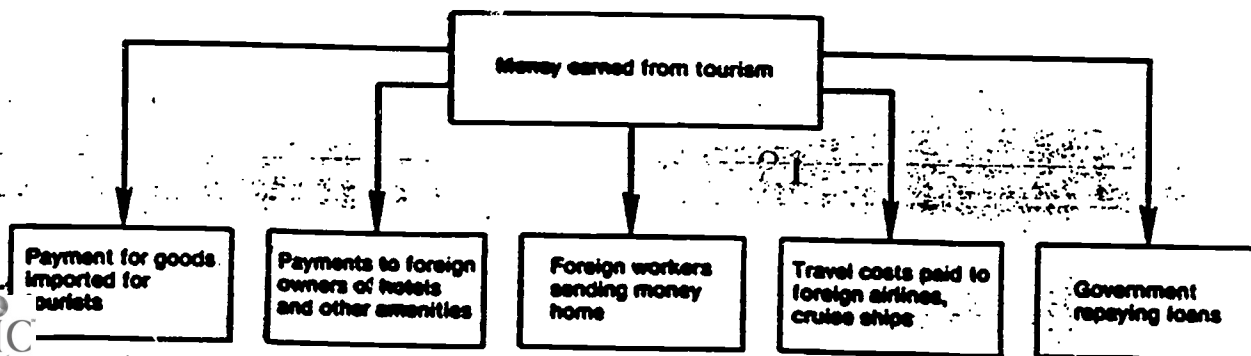
How could these houses be drawn differently ?



AN AMERICAN TOUR PARTY (FOR EXAMPLE) PAYS THE OPERATOR IN USA, TRAVELS PAN AM, STAYS IN AN AMERICAN-OWNED HOTEL, EATS ONLY AMERICAN FOOD AND TRAVELS IN AMERICAN PLANES, CARS & SHIPS.

WHO PROFITS MOST?

** Title may need to be changed to suit age group.



ENTERPRISE

Small Firms Aren't Waiting to Grow Up to Go Global

For Many, the World's a Stage on Which They Leverage Capital, Technology

By UDAYAN GUPTA

Staff Reporter of THE WALL STREET JOURNAL

In the past, companies went global when they grew up. Now some are taking the big step from the start.

"We're using the entire globe to develop our company," says Kamran Eliahian, founder and president of Momenta Corp. Though the Mountain View, Calif., computer maker is barely six months

TALKING STRATEGY

old, it has raised almost \$13 million from investors in Taiwan as well as the U.S. Now it is preparing to set up operations in Japan, Taiwan and Singapore.

"Not only can we raise cash in different markets, we also can pick and choose the best places for engineering and development," Mr. Eliahian says.

While statistics are scarce, venture capitalists and entrepreneurs agree that the number of companies starting out globally is growing rapidly. Among other reasons, entrepreneurs increasingly realize that they can often obtain cheap capital abroad. They also want to exploit the Common Market's enhanced unity starting in 1992. And they are finding that technology makes it simpler than ever to operate on foreign turf.

Low-cost labor and subsidies from countries eager for investment also lure entrepreneurs. Singapore, for example, gives start-ups low-interest loans, capital to buy equipment and freedom from taxes for as long as 10 years. The Scottish Development Agency provides as much as 30% of the total capital cost of equipment and buildings in Scotland. In addition to low-interest loans, it gives start-ups grants for training workers and rent subsidies.

But for Momenta Corp., a key appeal of going global was access to a larger—and sometimes cheaper—pool of capital. Global financing is "one of the only ways we can be assured of the \$40 million we'll need" to fulfill its global manufacturing and marketing plan, Mr. Eliahian explains. And by choosing to design its computer in the U.S., buy components in Japan and manufacture the product in Taiwan and Singapore, "Momenta is trying to make use of the best technology that is available to a company," the Iranian-born entrepreneur says.

Also, setting up business in other countries will give the start-up early visibility in more than one country. "It will make it easier to sell the computers when they're ready," Mr. Eliahian says.

As a co-founder of Cirrus Logic Corp., a Milpitas, Calif., chip maker, Mr. Eliahian already is familiar with doing business internationally. When Cirrus needed silicon wafers for its chips in 1984, he helped find suppliers in Japan, Korea and European countries. Later, he identified new markets for Cirrus products in Europe and Asia and established direct sales operations in West Germany, Japan and Taiwan.

Going global early also is a favorite strategy for entrepreneurs trying to grow through acquisitions. For instance, entrepreneurs Handel Evans and Dennis Turner have assembled nine companies from two continents and seven countries to create Walsh International Inc., a provider of medical information to pharmaceutical concerns based in Stamford, Conn.

The two entrepreneurs first acquired a stake in Walsh Mander Holdings Ltd., a U.K.-based pharmaceutical data base company with about \$13 million in sales. They then obtained from U.S. venture capitalist

Patrick Welsh \$10 million in financing to launch a global acquisition strategy. Says Mr. Welsh, now the chairman of the data base company: "It's easier to consolidate small companies in various countries than to acquire similar companies in one country." Starting in June 1988, Walsh began acquiring data providers in the Netherlands as well as Britain, West Germany, Canada and the U.S. The new company says it already has annual sales exceeding \$75 million and is profitable.

Leveraging Technology and Capital

But many deals involve cooperation rather than acquisition. By tapping foreign resources early, start-ups are "learning to leverage technology and capital," says Alan Patrick of Alan Patrick Associates, a New York venture-capital firm. When American Mobile Satellite Corp., a Washington, D.C., data and voice communications provider, needed a satellite back-up, it quickly found a Canadian counterpart in the same business. Now the two companies use each other's satellites and share technology, thus "saving millions of dollars," says Mr. Patrick, whose firm has invested \$5 million in American Mobile.

Going abroad quickly also is helping start-ups find out "what the competition is doing," says venture capitalist Jeffrey Col-linson, managing partner of Schroder Ventures, New York. In a global market, "there's a greater chance that a foreign company will affect the way you do business," he explains.

But American firms aren't the only ones starting globally. British Biotechnology Group, founded in 1986, raised \$80 million from such investors as Chugai Pharmaceuticals in Japan as well as Johnson & Johnson and SmithKline Beckman Corp. in

the U.S. and British investors.

"International investors provide a reputation and credibility that a start-up would be unable to generate on its own," says Keith McCullagh, chief executive of British Biotechnology. Corporate investors not only can help develop new products but also "introduce you to potential licensees and distributors," he adds.

British Biotechnology, which is working on a cholesterol-lowering drug, an AIDS vaccine and other products, plans to market the drugs in Europe itself. But in the U.S. and Japan, partners will sell its products. "You have to address international markets if you expect to get an adequate return from your investment in pharmaceuticals," says Mr. McCullagh.

Of course, operating globally involves risk as well as opportunity. Many fledgling companies can't cope with the cultural and linguistic differences, foreign currencies, new regulations and confusing technology standards.

But experts say the move abroad is of ten crucial. "The most successful companies of the future" will be those that set themselves up quickly in global markets, predicts New York venture capitalist Fred Nazem.

Traditionally, of course, small U.S. companies were slow to introduce themselves to the rest of the world. But "with accelerated communication and the speed with which new technology is introduced, no company in the world can consider itself in a protected environment," says Mr. Patrick, the venture capitalist. "They have to maximize their opportunities in the shortest time frame possible, which means leveraging technology and capital to reach the biggest market possible—the global market," he adds.