UNIT-IV
ORGANISATIONAL STRUCTURE

1. Explain the different types of organisational structure in international business.

Ans. Once the export activities take speed and foreign operations of company grows, the organisation anticipates the need for separate international division to handle overall company's international operations.

The organisation has to confront many challenges while going international. The company doing international business may have five types of organisation structure:

(i) Initial Division Structures: Some of the business which is into on-site manufacturing, the firms involved in export usually adopts this Initial Division Structure. Some of the illustrations are the consulting and financial firms usually follow Initial Division Structure. Some of the export firms that adopt this type of organization structure include the firms with technological advanced products.

(ii)International Division Structure: In order to take care of the international operations of the business, a specific international division structure is being built. All the business which are still developing for setting up the business operations internationally, this structure is being adopted.

Advantages

(a) The top management is exposed to the knowledge about the attitude of the foreign market.

(b) The international operations are performed united.

Disadvantages

(a) It requires separate managers locally for managing the international counterparts.

(b) Global allocation of resources turns out to be very difficult.

(iii)Global Product Division: In accordance with the groups of the product, the structure is divided such that the specific product groups are taken care by the divisions. Each of the division is considered as a profit center.

Advantages

(a) Product, technology and customer diversity is managed

(b) All the local needs are catered

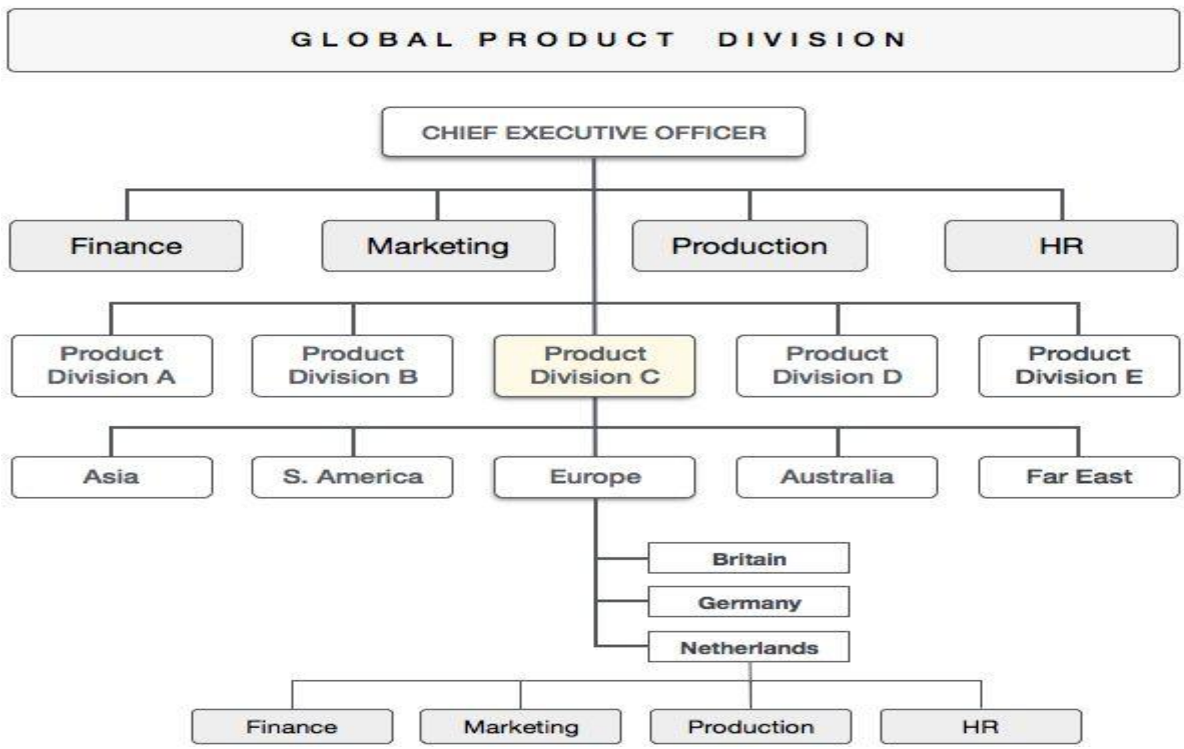
(c) This model facilitates in coordination of all the different departments such as marketing, production and finance.

Disadvantages

(a) There is a possibility of existence of duplication of the staff.

(b) Usually the managers get deviated from concentrating on the long-term goals.

(c) Only the local market is concentrated by the division managers.



(iii)Global Area Division: When the operations of a business are controlled on the basis of geographical location rather than the type of product, it is known as Global Area Division. Many companies that are usually in the business which has only selected products adopt this global area division.

Advantages

(a) The operations at domestic and international level remain to be the same.

(b) The operations of the specific geographical area are being managed by the global managers

(c) The unit cost can be reduced.

Disadvantages

(a) According to the geographic locations, it is very difficult to align the product

(b) No efforts are being out on R&D.

(iv) Global Functional Division: On the basis of different functions, the global operations are organized by this global functional division.

Advantages

(a) More emphasis is given to functional leadership, leaner managerial staff and centralized control.

(b) The businesses that require control on the integrated production mechanisms adopt this practice of Global Functional Division.

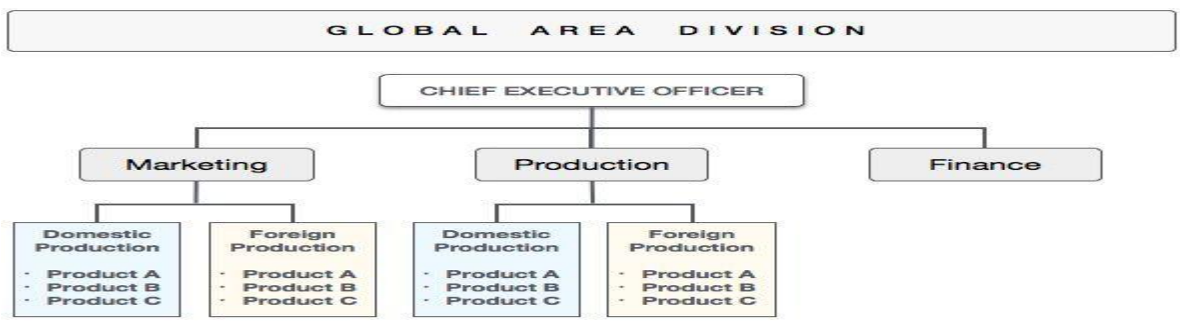
(c) This model is best suitable for the business which involve in transportation of goods and raw materials.

Disadvantages

(a) This model is not suitable for all business types. This model best suits only to oil and mining firms.

(b) The coordination of the different processes becomes difficult.

(c) Since the different processes are not integrated, management of all the processes turns out to be difficult.



(v)Mixed Matrix: Mixed Matrix is a combination of global product, area, and functional structures.

Advantages

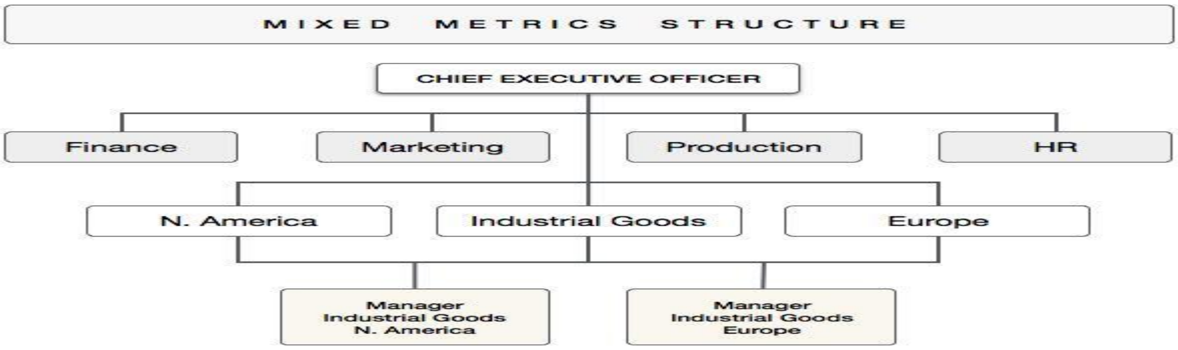
(a) All the individual needs of the business are met.

(b) In accordance with the local needs ad priorities, the approach is tailored-made.

Disadvantages

(a) The structure is very complex and it is a combination of one or more models.

(b) The structure involves too many independent groups.



2. What is international business negotiation? Explain the steps involved in the process of international business negotiations. (AUS 2021)

Ans. Negotiation refers to bargaining between two or more parties to arrive at a mutually acceptable agreement. It involves a formal discussion and is the process of give and take. In business, negotiations take place between buyers and sellers regarding the price, terms of payment, etc. International business negotiations also relate to quantity and quality of product, price, terms of payment, delivery schedule, mode of transportation, insurance, exchange rate, etc. But international negotiations are complicated because the two parties belong to different countries. The mode of negotiation and expectations of parties differ from country to country.

Steps in the Negotiation Process

The process of international business negotiations typically involves the following steps.

(i) Planning: Though preparation and advance planning are essential for success in international business negotiations. Both the parties have to do considerable preliminary work before the actual negotiation starts. Each side must decide its objectives and available to reach these objectives. The identification of options enables the negotiator to change his strategy during negotiations s o as to meet the cultural requirements. Once the objectives and options are determined, each side collects information and thinks out the probable decisions on key issues such as:

(a) deciding limits on goals

(b) short term and long term considerations

(c) key issues to be taken up during negotiations

(d) objectives and limitations of the opposite side
(e) strengths and weaknesses of the other party
(f)sequence of discussions
(g) action plan and back up plans

(ii) Building Relationship: In several cultures, it is necessary to build personal relationship between the parties before starting negotiations. This is considered a 'warm up phase before the parties begin serious negotiations. Each side attempts to know the other side, to ascertain its reasonableness, and to establish personal bond if found trust worthy. In countries like Japan, Saudi Arabia, etc. people do business with partners they know and can trust. Starting business discussion before establishing personal relationship may be considered an insult.

In countries like the USA, on the other hand, negotiators want to start negotiations quickly and draw up precise legal contracts. Therefore, a US firm may be frustrated by the long-time taken in beginning negotiation in Japan.

(iii) Exchange of Information: The negotiation process actually begins when each side makes known to the other side its position on the key issues and makes the first offer. At this stage, the negotiators try to understand what the other side wants.

The nature and extent of information given out and sought from the other side depends upon the cultural background of the negotiators. In some cultures, negotiators seek in-depth technical details while in other cultures negotiators overlook such details and focus on relationships.

(iv) Persuasion: At-this stage, each party attempts to convince the other party that the later should improve its offer. Each party tries to extract the maximum benefits from the other party and wants to give away the least. Therefore, this is the most important step in the negotiation process. This stage can be successful provided:
(a) each party understands the other's position
(b) the two parties are able to create new options, and
(c) they are willing to work towards a mutually acceptable solution.

During persuasion, the parties may use certain desirable and undesirables behaviour and tactics which are described later in this chapter.

(v) Concessions: In their attempt to find a mutually acceptable agreement each party offers some concession from the first offer. These concessions are ceded in two ways - sequential, and holistic.

(a) Sequential Approach: Under this approach, the two parties work through the contract item by item. The concessions are made in a piecemeal manner. As one issue is resolved, the parties shift their focus on the next issue. The sequential approach to concession making is followed in North America.

(b) Holistic Approach: Under this approach, the parties first work their way through the entire proposed agreement. Thereafter, they discuss the total agreement and make proposals and counter proposals. The holistic approach is followed in most Asian countries. A negotiator used to sequential approach may be confused under the holistic approach thinking that issues are unnecessarily cropping up again and again.

(vi) Agreement: The last step in negotiation process is the signing of the mutually acceptable and legally binding contract. In different cultures the contract is viewed differently. In America, the contract is considered a legal document that spells out the mutual obligations of the parties. In China and Japan the contract is viewed as a written recognition of personal commitments by the two sides. It is considered as the beginning rather than the end to working together. The contract is written in general terms to permit changes in future required by changes in the circumstances.

3. Explain the Behaviour and Tactics used in International Negotiations

Ans. In order to achieve their objectives, negotiators adopt different verbal and nonverbal behaviour during the negotiation process. They may even adopt undesirable postures and tactics to gain advantage over each other. A good negotiator should clearly understand nature and purpose of these postures and tactics and develop appropriate strategies to counter them.

(i) Verbal Behaviour: Promises, threats, rewards, etc. used to influence the other side in negotiations is known as verbal behaviour. Graham has listed the verbal behaviours of negotiators as follows:

(a) Promise: One party offers something pleasant, positive or rewarding to the other party in return.
(b) Recommendation: The party foresees a beneficial environmental outcome, but its occurrence is beyond the party's control.
(c) Threat: One party indicates to the other party that the first party will react with something noxious, unpleasant or punishing to the latter.
(d) Warning: The party foresees an unpleasant environmental outcome, the occurrence of which is beyond the party's control.
(e) Reward: A statement by one party that is thought to create a pleasant consequence to the other party.
(f) Punishment: A statement by one party that is thought to create unpleasant consequence to the other party.
(g) Positive Normative Appeal: One party appreciates that the other party's past present or future behaviour is or will be in conformity with social norms.
(h) Negative Normative Appeal: One party deprecates that the other party's behaviour violates social norms.
(i) Commitment: One party affirms that its future bids will not go above or below a certain level.
(j) Self-disclosure: A statement in which a party reveals information itself.
(k) Question: A statement in which a party seeks information about the other party.
(l) Command: One party suggests that the other party perform certain behaviour.
(m) Rejection: The word 'no' is used during bargaining.

Graham found during his research that the frequency of the type of verbal behaviour used differed widely among Americans, Japanese and Brazilian negotiators,

(ii) Nonverbal Behaviour: What people do rather than what they say is called nonverbal behaviour. Such behaviour mainly includes the followings:
(a) Silence: the negotiator remains silent during conversations.
(b) Facial Glazing: one party stares at the other party's face or at the roof.

(c) Touching the other party during conversation.
(d) Conversational ones lap: where in two or more persons talk at the sometime.

(iii) Dirty Tactics: These mean the unfair, deceitful or unethical tactics used by negotiators to win a situation.
Michael Kublin' has listed the following questionable tactics used by negotiators:
(a) Deliberate Deception: deliberately misrepresenting the facts on offer to make it look better than it is.
(b) Stalling: delaying negotiations and pushing for concessions to cl ose a deal prior to the opponents's departure.
(c) Escalating Authority: agreeing to a deal but-then claiming it must be approved by superiors, hoping to extract further concessions,

(iv)Extreme Behaviour: Another tactic used by negotiators is to make extreme offers or requests. For example, a party may make an initial demand of S 80 million though the contract is expected to yield $ 20 million. Contrary to the popular impression such extreme behaviour does not obstruct the negotiation process. The party showing extreme behaviour may secure better results due to the psychological pressure created on the other party. The other party may perceive the aggressive position as an indication of the first party's strength. Moreover, the party using extreme behaviour is able to gain time and deliberate on the other party's moves until the other party responds.

4. Explain the developments and issues in international business.

Ans. Developments in international business

(i)Growing emerging markets: Globalisation has promoted development of emerging countries with their growing integration of international market. This rapid and intense integration of emerging economies with the global market has supported these emerging industrialised countries to compete world market and also posed an opportunity to grow and deve lop. Which these changes, international business is giving a parallel platform to the upcoming countries to participate in global trade that is highly impacting FDI, population migration, technology transfer and up-gradation.

(ii) More informed buyers: Today's customer is aware and well informed. Intense and rapid communication allows the customers to purchase products produce anywhere around the globe and also to access information about what to buy. Today the consumers are more informed and learned about various products and market attributes due to technological revolution. This technological revolution has further educated the customers in terms of pricing, distributional network, promotional strategies etc.

(iii) Increased business competition: Increased business across the world has also inte nsified the competition. International business has facilitated the countries to take advantage of specialized expertise to deliver goods and services and integrate with the rest of the world by participating in the international marketplace. Increased competition introduces new opportunities to the emerging economies to serve foreign markets and enable them to make effective exploitation of world resources.

Issues in international business

(i) Political and legal differences: The political and legal environment of foreign market differs from the domestic market. As the businesses have geographically expanded, complexities of the company that operates international have also increased. Different countries have different political structure such as multi-party democracies, one-party states, dictatorships, and constitutional monarchies. This demands a detailed study on the part of the organisation on the political sphere of that particular country in which the organisation is conducting its operations. The political structure of foreign government should be taken into consideration. Political instability, Poor governance, extreme levels of corruption and civil unrest are among the political challenges confronted international business operations.

(ii) Cultural differences: The cultural differences are one of the most significant problems that an organisation faces when it operates in international sphere . Understanding cultural diversity while doing international business in essential. Therefore the business that operates overseas has to understand the cultural differences of different countries. Even communication is influenced by the culture. Businesses that are looking to function international need to be aware of language barriers, value system, etc.

(iii) Economic differences: The economic environment may vary from country to country; Exporters are also advised to protect themselves against late and non-payment situations. A thorough analysis of economic situations of foreign countries is inevitable.

(iv) Differences in the currency unit: The currency unit varies from nation to nation. This may sometimes cause problems of currency convertibility. Besides the problem of exchange rate fluctuations, monetary system and financial regulations must also be considered while extending business overseas.

(v) Differences in the marketing infrastructure: The availability and nature of the marketing facilities in different countries may vary widely. For example, an advertising medium which is very effective in one market may not be effective in another one. At the same time the promotional techniques applicable in one national may not be suitable in the other nation. This can be challenge to the firm planning to go international.

(vi) Trade restrictions: A trade restriction, particularly import control is a very crucial problem which an international marketer faces. Many businesses depend upon import of raw material, spare parts, components etc. manufacturing products for exports. They have to rely on imports to such essential resources. But problems of trade restriction can be major challenge in international business.

(vii) High costs of distance: When the markets are far by distance, the transport cost be high and the time required for affecting the delivery tends to become longer. Distance tends to increase certain other costs also. This can impact price, promotion, distribution and other aspects international marketing.

5. What is Global Outsourcing/Offshoring? What are its advantages?

Ans. Rapid progress in IT and increasing communication networks have enabled global firms to get some of their activities performed by an outside service provider and concentrate on their core functions. Such an arrangement is known as Business Process Outsourcing (BPO). When the service provider is located in a foreign country, it is called offshore BPO and global outsourcing

Global outsourcing may be defined as getting the repetitive and non-core business functions performed by a foreign service provider. The processes outsourced are non-core but essential for smooth functioning of the firm. Customer relationship management, human resource activities (e.g. recruitment, selection, training etc.) financial accounting etc. are examples of these process which are often outsourced.

There are many advantages of outsourcing

(i)One of the biggest advantages of outsourcing is cost and time saving

(ii) The firm can focus on core business activities by giving the less important work to the specialist vendors.

(iii) The firm can get the work done from outside vendor at lower cost

(iv) Outsourcing generates employment

(v)Get access to skilled expertise

(vi)Profit maximisation, efficiency and competitive advantage

(vii) Staff flexibility

(viii)Improve service and delight the customers

(ix)Business growth and enhancement

6. Explain the services which international firm often outsource abroad.

Ans. There are two forms of Offshoring:
(i) Captive Offshoring through the establishment of foreign affiliates.
(ii) Offshore outsourcing through a third party service provider.

Captive Offshoring is preferred when strict control is essential as in case of R & D, information is sensitive, internal interaction is necessary or when the interaction is necessary or when the firm wants savings. Back office and front office activities are more likely to be offshored as these can be easily standardised and separated from the core activities.

There is a wide range of services that can be outsourced. Some of these are given below:

1. Administrative Support: Data entry, document conversion, document scanning, form processing, indexing, secretarial support, etc.

2. Customer Relationship Management: Customer support, order taking, customer services, technical help desk, market research, etc.

3. Finance and Accounting: Internal auditing, time and expense management, credit and debit analysis, travel expenses, invoicing, accounts payable and receivable, billing dispute resolution, etc.

4. Human Resources: Recruitment, training, database management, contract labour.

5. Legal Services: Consulting, research transcription, documentation, regulatory compliance, translation, legal risk evaluation.

6. Intellectual Property Research and Documentation: Drafting and filing patent applications, licensing support, patent portfolio analysis.

7. Medical Transcription: Writing down patient history, lab reports, clinic notes therapeutic procedures, diagnosis, prognosis, discharge summaries, etc.

8. Research and Analysis: Data analytics, financial analytics, R & D, industry review, competitive intelligence, etc.

9. Marketing and Sales: Cold calling, e-mail pitches, telephone surveys, lead generation and qualifying, sales team management, stock trade processing, etc.

10. Publishing: Book design, book digitisation, e-publishing, graphics and drawings, indexing, etc.

11. Payroll Maintenance: Payroll accounting, credit and check, mortgage loans and insurance claims.

12. Security: Investigative services, physical security, electronic security, computer and network security, etc.

13. Supply Chain Management: Procurement, logistics, warehousing, supply chains relationship, etc.

7. Explain the risks (disadvantages) involved in offshoring. What steps can be taken guard against these risks?

Ans. International firms which outsource face several risks:

(i) Over time, the firm may lose knowledge and expertise of carrying out the outsourced functions.

(ii) The firm may lose control over the outsourced processes.

(iii) The firm may not get the work done in time and quality of work may suffer when key personnel in the service provider leave the job.

(iv) The firm faces risk due to financial instability of the service provider. (v) In case the service provider does not maintain strict security, data of the firm may not be secure

(vi) Employees of the firm may resent outsourcing owing to the fear of loss of jobs and career.

Outsourcing firms may take the following steps to guard against the risks given above:

(a) Only non-core processes that are not critical or strategic to the firm are outsourced.

(b) Before deciding to outsource the firm consults its employees and shareholders.

(c) The firm takes advice of sourcing advisors before negotiating the deal with the service provider.

(d) The cost, quality, security, transparency, etc. of the service provider are thoroughly assessed before selection.

8. Explain the potential of outsourcing for India. Explain the challenges faced by BPO sector in India.

Or

"India has emerged as a leading destination for global outsourcing". Explain the reasons. Also explain the challenges faced by BPO sector in India.

Ans. India has emerged as one of the most preferred locations for outsourcing by global firms due to the following reasons:

1. Abundant Talent: India's young demographic profile is a unique and inherent advantage. More than half of the country's population is aged less than 30 years. We have unmatched number of English-speaking young persons. Firms, industry and government have created a vast infrastructure for education and training.

2. Cost Advantage: India has a strong track record of delivering services at very low cost. Clients report savings of 25-50 per cent over the original cost. India has an absolute cost advantage due to low cost labour. Cost of infrastructure and overheads can be further reduced. There is scope for increasing efficiency through leveraging leading to further decline in costs.

3. Focus on Quality and Security: India has acquired reputation for quality and expertise in global service delivery. Over the years BPO firms have built robust processes and procedures to provide world class IT software and technology related services. They have aligned themselves with international standards. About 500 Indian companies have acquired global quality certifications with 90 of them certified at SEI CMM level which is 5 per cent higher than any other country in the world.

In order to acquire unmatched reputation in information security, India's BPO industry is working on a four-phased programme. This programme consists of:

(a) engaging key stakeholders to develop a common understanding on key issues concerning information security;

(b) educating industry participants about developments in policies and practices relating to information security;

(c) enactment of policy reforms needed to ensure compliance; and

(d) assisting in the effective implementation of policies and practices through periodic security audits and certification, developing and maintaining an incident response database and facilitating better cooperation with enforcement agencies.

4. Sound Infrastructure: There has been rapid growth in high quality telecommunications connectivity throughout India.

Affordability has increased due to declining costs and increasing access has penetrated even remote areas. As a result there has been significant improvement in both international connectivity and service quality. Steady growth of world class office facilities, hotels, and other sporting infrastructure has supplemented strong telecoms links.

5. Helpful Regulator Environment: Business friendly government policies and regulations have driven rapid growth of IT-BPO sector in India. Our policymakers have recognised the significance of this sector as a source of foreign exchange and a mechanism for transfer of technology. Therefore, IT-BPO firms face minimum regulations and enjoy fiscal incentives both at Central and State level. The Software Technology Parks of India (STPI) scheme has also catalysed the growth of IT-BPO sector. The tax-holiday scheme has boosted foreign investments in this sector.

According to NASSCOM, India's IT-BPO sector has been growing more than 25 per cent per annum. The total revenue now exceeds $50 billion per year India's share in global sourcing is estimated to exceed 65 per cent for IT and 45 per cent for BPO

BPO industry in India, however, faces several challenges:

(i) High Attrition: IT-BPO firms face high rates of employee turnover, which is a matter of concern for both clients and service providers. High attrition increases recruitment and training costs and spoils both service quality and data security.

(ii) Inadequate Infrastructure: India has no doubt made rapid progress in telecommunications. But inadequate roads, poor airport facilities and unreliable power supply are the major bottlenecks.

(iii) Mushrooming of Firms: Desire to make quick money has led to rapid growth of firms. Several of them close down due to competition and lack of expertise. This situation is not conducive to the long term health of the BPO sector.

(iv) Unemployability: A large number of graduates in IT are not employable. Therefore, IT firms have to provide in-house training to new recruits. There is also a talent crisis in some firms.

(v) Keen Competition: India's BPO industry is facing stiff competition from China and other developing country.

(vi) Rising Costs: Labour and other costs are increasing rapidly. Rising costs of operations affect international competitiveness of Indian firms.

9. Explain the role of IT in International Business.

Ans. IT plays a vital role in international firms. These firms can coordinate and control the activities of their branches and subsidiaries spread across national boundaries in remote places with the help of networking and connectivity. At the same time, they can respond quickly to local needs and maintain flexibility of operations. Due to satellite television needs and wants of customers converge enabling firms to develop global products and strategies.

Organisational learning and knowledge management have become major sources of competitive advantage in international business. It facilitates organisational learning and knowledge management. It has become essential for speedy, low cost and accurate processing, storage and transmission of information. It is an important tool for generation of organisational knowledge.

IT helps in building cooperative business networks in which participants pool their core competencies leading to synergy. Integration of network activities in an efficient and effective manner through IT has given rise to virtual organization. A virtual corporation is composed of several business partners, each with a special advantage. They share their resources and cost to produce a product or render a service.

IT has led to the growth of electronic commerce (e-commerce). Such commerce is carried out through internet, telephone, fax, television, electronic payment systems, electronic dat. interchange and other electronic channels.

IT not only facilitates international business. Rather IT products themselves are an important part of international trade. At the first WTO Ministerial Conference held in December 1996 in Singapore, 23 economies signed the Informational Technology Agreement (ITA). The objectives of the ITA are:
(a) to encourage the continued technological development of the IT industry on a worldwide business;
(b) to achieve maximum freedom of world trade in IT products; and
(c) to spread the positive contribution of IT to global economic growth and welfare.
During 1997-2007, 33 more economies joined the ITA. Now the information and communication industry is seen as a major engine of the globalisation process. Users of internet exceed 5 billion and mobile subscribers are more than 10 billion.

IT products now account for about 25 per cent of world merchandise exports. World exports of IT products grew about 10 per cent during 1996-2006. Asian countries account for more than half of world exports of IT products. Computers, semiconductors and telecom equipment are the major IT products in world trade.

10. Discuss the ecological considerations in international business.

Ans. Globalisaiton is opposed on the ground that it is causing irreparable damage and speedy degradation of the environment. Increasing levels of industrialisation, urbanisation and intensification of agriculture are destroying ecological balance. Population explosion and modern technology are also adding to environmental pollution. Indiscriminate increase in the consumption of throwaway products such as napkins, towels, cans, plastic toys, etc. leads to the problems of solid waste.

Developing countries are at a disadvantage in this respect. Multinationals shift polluting industries to these countries. They dump nuclear and hazardous wastes in these countries. They exploit natural resources of developing nations. Multinationals transfer polluting and obsolete technologies to developing countries. Developed nations sometimes raise environmental issues as a trade barrier.

Multinational corporations pollute the environment both directly and indirectly.

(i) Direct Affect: In order to avoid the cost of complying with higher environmental standards, in home countries, multinationals shift production to developing countries where environmental standards are less stringent

(ii) Indirect effect: Shifting production leads to loss of investments and jobs in developed countries. As a result governments are under pressure to relax the laws and policies relating to environment.

International business also has adverse effects on environment in the following ways:

(i) Rapid and increased exploitation of natural resources due to globalisation causes environmental degradation. For example, international trade involves longer journeys thereby increasing fuel consumption and greenhouse gas problem.

(ii) In order to survive in a highly competitive environment, firms have to control costs. They compromise with environmental concerns.

(iii) Environmental costs, also known as externalities, are often overlooked in evaluating corporate performance.

Opponents argue that free and increased trade has favourable effects on environment.

(a) Free trade encourages specialisation so as to secure economies of scale. As a result labour-intensive industries tend to concentrate in developing countries. These industries are less polluting.

(b) In order to make better use of resources, international firms innovate and develop less polluting technology.

(c) Governments control pollution through strict laws and policies such as ecolabelling, emission norms, eco-taxation, etc.

(d) Free trade spreads environmental services and clean technology

(e) Increase in trade leads to increase in incomes and living standards which in turn encourage demand for cleaner environment.

11. How does international business cause damage to environment? Also suggest measures for protection of environment.

Ans. For 1st Part See 1st Part of Question No. 10

Suggestion for protection of environment:

WTO has been concerned with adverse impact of international business on environment. The environmental issues have been addressed in different agreements of WTO. The Stockholm Conference on Human Environment suggested the following measures for protection of environment:

(i) The natural resources of the earth including the air, water, land, flora and fauna and especially representative samples of natural ecosystem must be safeguarded for the benefit of present and future generations through careful planning or management as appropriate.

(ii) The capacity of the earth to produce vital renewable resources must be maintained and wherever practicable restored or improved.

(iii) The non-renewable resources of the earth must be employed in such a way as to guard against the danger of their future exhaustion and to ensure that benefits from such employment are shared by all mankind.

(iv) States shall take all possible steps to prevent pollution of the sea by substances that are liable to create hazards to human health, to harm living resources and marine life, to damage amenities or interfere with other legitimate uses of the sea.

(v) For the developing countries, stability of prices and adequate earnings for primary commodities and raw materials are essential to the environment management since economic factors as well as ecological processes must be taken into account.

(vi) Resources should be made available to preserve and improve the environment, taking into account the circumstances and particular requirements of developing countries and any costs which may emanate from their incorporating environmental safeguards into their development planning and the need for making available to them upon their request, additional international technical and financial assistance for this purpose.

(vii) Rational planning constitutes an essential tool for reconciling any conflict between the needs of development and the needs to protect and improve the environment.

(viii) States shall cooperate to develop the international law regarding further liability and compensation for the victim of pollution and other environmental damage caused by the activities with the jurisdiction of such states to areas beyond their jurisdiction.

(ix) States shall ensure that international organisations play a coordinated, efficient and dynamic role for the protection and improvement of environment.