

### Totalitarianism

Totalitarian system subordinates the individual to the interests of the collective

Dissent is eliminated through indoctrination, persecution, surveillance, propaganda, censorship, and violence

#### Types of totalitarianism

**Authoritarianism** Tolerates no deviation from state ideology. Deviation = punishment. Officials reg politics, pay less attention to social and economic structure of society.

**Fascism** Organises nationed using corporatist perspectives, values and systems. Controls, using force and indoctrination, minds, souls and daily existence. North Korea, Burma.

**Secular** Single party controls elections, tolerates dissent as long as does not challenge state, suppresses other ideologies.

**Theocratic** Gov is an expression of preferred deity. Leaders claim to represent its interests on earth. Applies ancient dogma rather than modern beliefs. Strict social and gender reg. Iran, Afghanistan, Saudi Arabia.

**Engines of totalitarianism** Economic development, inconsistencies, economic problems, standards of democracy

Monopolises power and uses it to regulate most / all areas of life.

### Wide world of legal systems

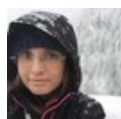


### Why are legal systems important?

Regulate business practices

Defines business policies, rights and obligations involved in business transactions

Because government of a country make laws they differ from country to country



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Page 1 of 2.

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### Why are legal systems important? (cont)

Different countries have different laws and regulations, knowledge of common law, civil law, contract laws, laws governing property rights, product safety and liability for a country helps in business decisions.

### Common law

Relies upon Judge made precedents

How are decisions made Referring to previous judgements, custom, reasoning. Only considers legislation after considering these factors.

Countries US, Canada, HK, NZ, England, India, Australia

### Civil law summary

Relies upon Systematic codeification of accessible, detailed laws. Political officials translate legal principles into statutes.

How are decisions made Judges apply statutes to resolve disputes. Unbound by precedent. Judges are constraining in interpretation of law.

Countries Approx 150: Germany, Japan, France, Mexico.

Most widespread type of law

### Theocratic law summary

Relies upon Religious doctrine, precepts and beliefs. Legal authority is placed in religious leaders. They regulate business transactions and social relations based on sacred text. No separation of church and state.

How are decisions made Based on sacred text.

Countries Muslim and Islamic are the most prevalent

### Customary law summary

Relies upon Norms of behaviour practiced over a long time

How are decisions made Individuals recognising benefits of conforming to community standards

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### Customary law summary (cont)

Countries Plays a role in countries with mixed legal systems

Indigenous law

### Democracy summary

Equality: All citizens are politically and legally equal

Entitled to freedom: Yes. Thought, opinion, belief, speech, and association

Power: Equally command sovereign power over public officials

Individualist Refers to the primacy of the rights and role of the individual.

#### Types of democracy

Representative Originates in a constitution that protects individual freedoms and liberties. Elected reps hold ultimate sovereignty, but must act in peoples interests. Officials rep voters. US, Japan

Multiparty 3 or more parties govern. Leadership can not legislate without neg with opposition. Canada, Germany, Ital, Israel

Parliamentary Citizens elect reps to a leg branch called parliament

Social Applies democratic means to power transition from Capitalist to Socialism. Giv regs capitalism to control tendency towards injustice. Norway. Sweden.

Third Wave of Democratization number of democracies doubled in two decades

Engines of Democracy failure of totalitarian regimes to deliver economic progress, Improved communication tech, economic dividends offered by increasing political freedom

Democracy's retreat Only 26 democracies are full democracies.

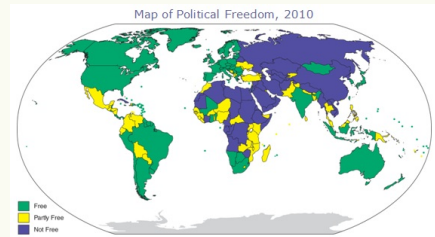
A government of the people, by the people, for the people.

### Political risks

Political risk refers to the risk that political decisions or events in a country negatively affect the profitability or sustainability of an investment

Types Systemic, procedural, distributive, catastrophic

### Map of Political Freedom, 2010



### Trends in legal systems

Rule of man (totalitarian ) Legal rights derive from the individual who commands the power to impose them

Rule of law (democratic) Systematic / objective laws applied by public officials who are held accountable for their administration

### Implications for managers

Strategic issues

Country of origin and local content

Marketplace behavior

Product safety and liability

Legal jurisdiction

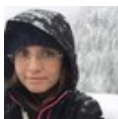
Intellectual property

Uncertainty of law challenges decision making. Few developing countries have decent legal systems.

### Operational Concerns

Issues Starting business, contracts, hiring and firing, closing the business

Regulation Rich = less, poor = more



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