

OLENA KANISHCHENKO

okanisch@ukr.net

### *International Marketing under Geopolitical Confrontation*

---

Marketing międzynarodowy w warunkach geopolitycznej konfrontacji

**Keywords:** international marketing, international economic sanctions, international trade disputes, social and cultural contradictions, economic identity, conflict identification, trade war.

**Słowa kluczowe:** marketing międzynarodowy, międzynarodowe sankcje ekonomiczne, międzynarodowe spory handlowe, sprzeczności społeczne i kulturowe, osobowość ekonomiczna, wojna handlowa.

**JEL Code:** F130, M140, D810

#### **Introduction**

The contemporary active internationalization significantly affects the international market players' business behavior. Under the intense globalization, the management priorities are transforming from the isolated ethnocentrism towards the transparent geocentrism. It leads to creation of a single economic space with standardized management and unified customer needs. However, in today's world economy there are two opposite tendencies: centripetal, which stimulates a positive, effective development of international cooperation, and centrifugal, which influences the polarization of economic interests and affects it negatively, breaking the development of civilized international economic relations, reducing the possibility of economic systems' peaceful coexistence, instigating the growth of cultural contradictions and military conflicts.

The main problem of international marketing under geopolitical confrontation is a deep contradiction between the potential of doing successful business in an international environment and the possibility for real use of marketing tools in an extremely critical and risky period of application of international economic sanctions.

### **1. The nature of the world economic contradictions**

The modern world exists within the contradiction of the geocentric and ethnocentric tendencies. The motivations for geocentric orientation include: geopolitical interests of international markets players, negative effects of increased international competition, standardization of industrial and management technologies, globalization of consumer needs and motivations, unity of national macroeconomic expectations and socio-cultural values, aspiration to optimize the balance of payments and strengthen national position in the international economic environment, integration and development of transport and telecommunications networks, as well as creation of international alliances that promote unification of production and marketing activities (European Union, 2015). In addition, the important factors of geocentric management in the context of globalization are the internal corporate aspirations and ambitions aimed at, firstly, forming the consumers' internationalized needs and demands, and, secondly, improving the management technologies.

However, today there are many driving forces for ethnocentrism that motivate countries and certain types of businesses to defend their national priorities and to strengthen the international competitive position. National specifics of marketing management, dominants and ethnocentric consumer motivations spread in most countries, significantly inhibiting the globalization trends of the world market. Among the most influential circumstances is the economic isolation of certain nations and regions that increases conflicts and makes the adequate perception of international cooperation and distribution operations in the world economy impossible. Striving for ethnocentrism reflects and simultaneously reproduces the ethnic groups in both real and imaginary (thought up) threats of the outside world. Economic ethnocentrism is associated with the opposition "us – them" underlying national identity (Hufbauer, Schott, Elliott, Oegg, 2009). Every nation fixes its authentic features that separate it from others on a basic principle "we are special" and accepts everything national with more confidence and concreteness. Such position reflects an emotional expression of national identity and also creates a good background for dissemination of protectionism and its inseparable component – the appeal to support domestic producers and to promote the benefits of national products.

The existence and deepening of the contemporary world economy's contradictions are caused by ambiguity of economic globalization and aspirations of some market players to reshape the world market (Louati, Whalen, 2012). The effective method of combating economic aggression is the use of international economic sanc-

tions, which in turn causes a number of positive and negative consequences for the conflict participants. The correlation of ethnocentrism with socio-economic stereotypes accepted during the social development is manifested mostly in the elements of political and economic nationalism, which exacerbates the contradictions and limits the possibility of civilized resolution of trade conflicts. Therefore, the management orientation in business under globalization may vary in relation to specific historical and socio-economic conditions. Desired internationalization depends on the context and intensity of international economic partnership, its maturity, capabilities in combining socio-cultural values and legal forms of overcoming contradictions (Rules and Regulations, 2015).

This problem needs to be investigated: the theoretical foundations and potential effects of the international economic sanctions must be determined. It is important to understand how certain sanctions (restrictive practices) are displayed on the enterprise's activities and change management mechanisms, in particular:

- What sanctions (restrictive practices) have actually affected the business development, the international trade, the global market?
- What business activities are the most vulnerable during the application of international economic sanctions?
- How soon may certain sanctions affect business development (how much time has passed between the sanctions' application and the first business reaction)?
- How to estimate the impact scale and intensity of sanctions: bankrupted, closed (restructured activities), reduced sales (product lines), left unchanged, expanded sales (product lines), found new markets, or experienced the outstanding and rapid development ("finest hour")?
- What intra-country measures have been used to enhance the stability (salvation) of the company, business?
- What government measures helped to stabilize the business?

The research of the question in this perspective allows to identify the underlying determinants of international economic sanctions and to justify the appropriateness of their use in a particular economic situation. It also allows to identify the most influential economic instruments of resistance to aggression or unfair competition.

## 2. The theory of geopolitical confrontations

Recently, the world economic and political confrontations caused by the contradictions of contemporary globalization have intensified the flash interest in the problem of economic conflict that has been actively discussed in the professional literature. Western and Ukrainian scientists – economists, lawyers – and business practices are trying to find out the economic essence of international economic sanctions. The main and generalizing conclusion is: “**Trade disputes** between countries happen because one or more parties either believe that trade is being conducted un-

fairly, on an uneven playing field, or because they believe that there is one or more economic or strategic justifications for import controls” (Riley, 2012). However, not all believe that the resolution of international economic conflicts is only a problem of insufficient economic negotiations and some restrictive measures.

Based on their statistics, some Russian theorists are confident that classical interstate war can be considered obsolete. According to them, despite the revolution in high technology, a major factor for successful economic development is control over the key natural resources. The main factors they recognize are the revolutionary development in the improvement of nuclear weapons and also in modern conventional weapons. In addition, they believe that some countries now reserve the right to use force to protect or capture disputed territories (Panova, 2014).

Until recently there was no civilization precedent of applying sanctions at all possible levels: mega, macro, micro. This issue has been covered mainly in terms of legal science in the process of solving local trade disputes: legality, intensity, regional or sectorial coverage, legal casus and its implication. In the peaceful coexistence, the problem has been focused mainly on determining the nature and extension of the restrictive trade sanctions (Johnson, 2009), in particular: direct protectionism; hidden protectionism (abuse with national standards or discriminatory application of national tax to reduce the competitiveness of imported products in comparison with domestic); differences in agreed rules and definitions used in special cases; attempt to impose national standards abroad; violations in regime of the Most Favored Nation; trade distortion by subsidizing certain types of production; abuse in the anti-dumping rules allowed by WTO; conflicts between national regulatory norms and standards appropriate for foreign trade partner; unjustified encroachment and international claims. Going out of the legal interpretation, the civilized international economic sanctions are the legal instruments of individual, collective or global impact in the case of: real threat to peace, breach of the peace or act of aggression, including economic aggression, and/or recognition of threat or illegal (unregulated) actions of individual entities against others.

And despite the fact that international economic sanctions are essentially coercive measures of not only economic directionality, but, in critical situations, of armed character, the main purpose of their application is to stop the offense and to ensure redress and responsibility of the offender. International economic sanctions should be adopted by international law, and could be used in the procedural form only in response to the offense (Baimuratov, 2008). The practice of international economic relations shows the great diversity of instruments. That depends on the depth and aggressiveness of international economic crime, as well as of the intensity of the previous relationship between the parties of the conflict, the quality of their socio-cultural priorities etc. The most frequently applied measures are (Sanctions, 2015):

- embargoes on exporting or supplying arms and associated technical assistance, training, and financing;

- bans on exporting equipment that might be used for internal repression;
- financial sanctions on individuals in government, government bodies and associated companies, or terrorist groups and individuals associated with those groups;
- travel bans on named individuals;
- bans on imports of raw materials or goods from the sanctions target;
- other measures applied according to individual circumstances.

Until recently there has been a general positive trend of reducing the amount of international economic sanctions that were applied for self-help, self-defense, negative consequences, reprisals, mirror reflection sanctions, termination or suspension of diplomatic or consular relations, etc., given under the growing volume of international trade. It could be defined as a major achievement of human civilization, when economic and socio-cultural priorities have become the dominant factor in world development (Figure 1).

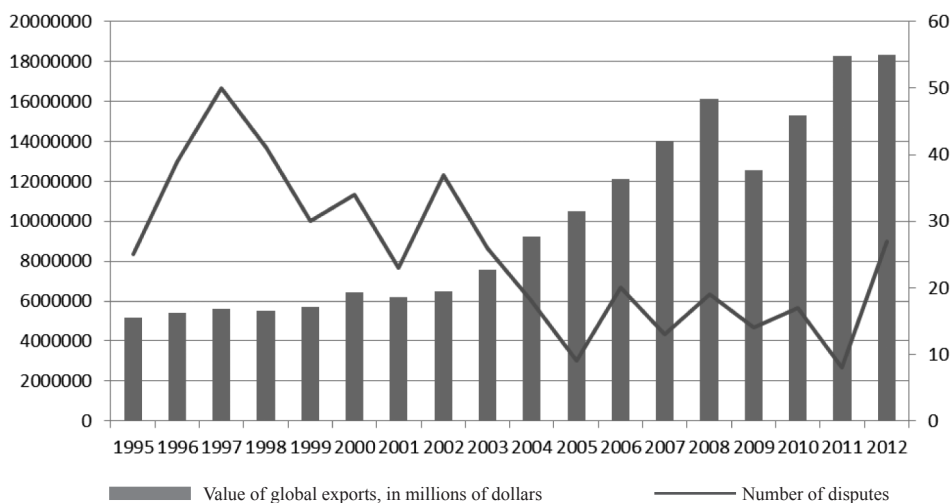


Figure 1. The volume of global exports and the number of international trade disputes reported in the WTO between 1995–2012 (Gordeeva, 2013)

However, during the last years a serious precedent of crucial economic conflict that was continued in an aggressive form of military intervention has been created and added with property expropriation in the occupied territories, socio-cultural invasion and speculations. This led to an escalation of tension at the local, regional, and global levels and created the background for recovery and intensification of international economic sanctions. That influenced the development of entrepreneurship and the management restructuring accordingly.

The conventional wisdom is that economic sanctions do not work in international affairs. If so, why do countries wield them so often? Daniel Drezner argues that,

paradoxically, countries will be most eager to use sanctions under conditions where they will produce the feeblest results. States anticipate frequent conflicts with adversaries and are, therefore, more willing to use sanctions. However, precisely because they anticipate more conflicts, sanctioned states will not concede, despite the cost. Economic sanctions are thus far less likely to be effective between adversaries than between allies (Drezner, 1999).

### 3. Objectives of international business

The research conducted with a purpose to determine the motivations and preferences of international business under the international economic sanctions found out some interesting consequences (Johnson, 2009). Changes in business activity appear as follows:

- Restructuring of global markets and emergence of new centers.
- Appearance of new possibilities go beyond the conflict zone (new markets opening).
- For example, in 2014 Ukrainian enterprises have intensified their export to the Netherlands, increasing the share to 23% (Ukrainian export, 2015).
- Opening additional abilities for victims: resources (for example, gas reverse); economic support, partners' loyalty; destruction of traditional tariff and non-tariff restrictions; support in purchasing power assistance, loans; psychological openness, recognition of the country; legal transparency.

For example, in today's Ukrainian-Russian conflict the Belarusian government has recognized the necessity to enter new markets for domestic products. This was stated by the Belarusian President A. Lukashenko: "We cannot always pray for single Russia, although it's our brotherly country. For years we exported more than 85% of our products to Russian market but then needed to reduce it to 40–45%. Belarus has to reduce its dependence from the single Russian market. That is why we have to look for new markets anyway" (Lukashenko, 2014).

- Strengthening internationalization as a result of lower mono-dependence.
- Unification cultural features: the contradictions in national values.
- Informational war.
- Aggressive "self-promotion" (support the domestic products).
- New quality of leadership: formation of international competitive advantage under the escalation of economic and political confrontation.

In fact, the main question is in solving the problem of contradiction between the development potential of marketing management and opportunities for real use of marketing management technologies under sanctions, which redound a lot of contradictions in trade beginning from the trade disputes and finishing with trade wars and military conflicts (Figure 2).

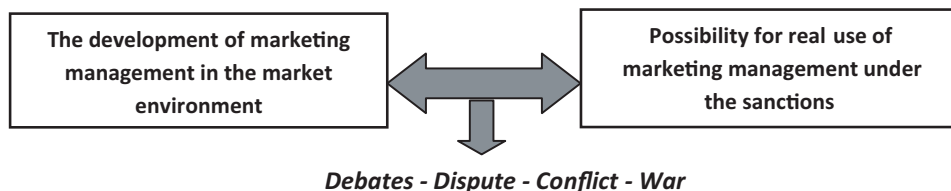


Figure 2. The main contradiction which causes trade conflicts

Source: author's own study

The aggravation of interstate conflict causes a decrease in customer loyalty, problems with suppliers and intermediaries, activation of competitors, market restructuring, and intensive search for new forms of marketing activities and competitive behavior. The specific objectives of international marketing in terms of international trade disputes are:

- to identify specifics and priorities in motivations of the parties to the conflict;
- to evaluate controllable and uncontrollable factors of loyalty and enhance cooperation restoration;
- to define the conditions of marketing activities stabilization on the basis of multivariate decision making;
- to consider the expected and unexpected positive and negative effects of sanctions for all stakeholders.

So, in the situation of international conflicts and economic sanctions there is a complication of marketing procedures, in particular, increasing the quantity of instruments in order to enhance the intensity of response on dynamic market environment, expansion of marketing influence on traditional marketing activities, the transition to a more active marketing mechanisms influence to their own business.

## Conclusions

The contemporary development of international economic relations is characterized by a splash of ethnic and interstate conflicts which is characterized by various intensity, quality, and coverage. The reason for such conflicts is a permanent emergence of economic, social and cultural differences which provoke economic and military aggression of some countries against others. The result of the aggravation of various economic conflicts beginning from the simple economic disputes to full-scale trade wars and even military incursions, is the application of international economic sanctions.

Under such circumstances, the new emerging business management mechanism uses the tools of double impact: positive, which support the international cooperation, or negative, which inhibits the normal international economic relations development. Therefore, the content of management under contradiction of globalization diver-

sifies in accordance to the specific socio-historical and economic conditions in the market and capabilities in overcoming contradictions of numerous socio-cultural values and legal forms.

## References

1. Baimuratov M.O., *International Public Law – Handbook*, Kharkiv Odysseus, 2008.
2. Crimea region of Ukraine, § 746.6. Rules and Regulations. Federal Register, Vol. 80, No. 19, January 29, 2015.
3. Drezner D.W., *The Sanctions Paradox: Economic Statecraft and International Relations*, Cambridge Studies in International Relations, 1999.  
<http://dx.doi.org/10.1017/CBO9780511549366>
4. European Union. Restrictive measures (sanctions) in force. European Commission (Article 215 TFEU), [http://eeas.europa.eu/cfsp/sanctions/docs/measures\\_en.pdf](http://eeas.europa.eu/cfsp/sanctions/docs/measures_en.pdf) [Date of access: March 19, 2015].
5. Gordeeva T., *International trade disputes in modern regulatory paradigm*, International economic policy, 2013, Vol. 19, No. 2.
6. Hufbauer G.C., Schott J.J., Elliott K.A., Oegg B., *Economic Sanctions Reconsidered*, Peter W. Peterson Institute for International Economics, Washington, 2009.
7. Johnson M.D.C., *US-EU Trade Disputes: Their causes, resolution and prevention*, European University Institute, The Robert Schuman Centre for Advanced Studies, 2009, <http://www.iue.it/RSCAS/Research/Transatlantic/Johnson.pdf>
8. Louati C., Whalen A., “*EU-US trade relations: towards a free trade agreement*”, Nouvelle Europe (en ligne), November 5, 2012, <http://www.nouvelle-europe.eu/node/1562>
9. Lukashenko ordered to seek new markets for Belarusian equipment, AgroPravda, <http://agropravda.com/news/agrobiznes-life/2252-lukashenko-prikazal-iskat-novye-rynki-dlja-belorusskoj-tehniki>, [Date of access: December 16, 2014].
10. Panova V., *The contemporary Western study of international conflict. International Trends.*, Journal of International Relations Theory and World Politics, Vol. 12, No. 1–2 (36–37), 2014, <http://www.intertrends.ru/seven/005.htm>
11. Recently Published Regulations, The U.S. Department of Commerce by the Bureau of Industry and Security, 2015, <http://www.bis.doc.gov/index.php/about-bis>
12. Riley G., *Protectionism & Barriers to Trade*, 2012, <http://tutor2u.net/economics/revision-notes/a2-macro-protectionism.html>
13. Sanctions list COUNTRIES, Business and Sanctions Consulting Netherlands <http://www.bscn.nl/sanctions-consulting/sanctions-list-countries> [Date of access: March 5, 2015].
14. Sanctions Programs and Information, The Office of Foreign Assets Control (“OFAC”) of the US Department of the Treasury, <http://www.treasury.gov/resource-center/sanctions/Pages/default.aspx> [Date of access: March 5, 2015].
15. Sanctions, embargoes and restrictions, Department for Business, Innovation & Skills and Export Control Organization, <https://www.gov.uk/sanctions-embargoes-and-restrictions>, [Date of access: February 27, 2015].
16. Ukraine: list of persons subject to restrictive measures in view of Russia’s actions destabilizing the situation in Ukraine. <https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/ukraine-list-of-persons-subject-to-restrictive-measures-in-view-of-russias-actions-destabilising-the-situation-in-ukraine> [Date of access: March 10, 2015].
17. Ukrainian export, Ukrainska Pravda. <http://www.epravda.com.ua/news/2015/01/7/520140/> [Date of access: January 7, 2015].



### **International Marketing under Geopolitical Confrontation**

**Abstract.** The article is devoted to the analysis of business peculiarities under conditions of administrative impact of international economic sanctions under globalization. The principal purpose of such limits is usually to change the behavior of the target countries, certain businesses, or individuals in a direction which will improve the situation in the market. The main problem of international marketing under geopolitical confrontation is a deep contradiction between the potential of doing successful business in international environment and possibilities for real use of marketing tools in extreme crisis and risky period of application of international economic sanctions.

### **Marketing międzynarodowy w warunkach geopolitycznej konfrontacji**

**Abstrakt.** Artykuł analizuje cechy działalności biznesowej w odniesieniu do wpływu zarządzania międzynarodowych sankcji gospodarczych w kontekście globalizacji. Podkreślono charakter i różne aspekty funkcjonalne oraz konsekwencje takich ograniczeń, przeznaczonych do zmiany zachowania poszczególnych krajów, firm i osób fizycznych w kierunku, który przyczyni się do poprawy sytuacji na rynku. Stwierdzono, że głównym problemem marketingu międzynarodowego w warunkach konfrontacji geopolitycznej jest głęboka sprzeczność między potencjałem udanego biznesu w środowisku międzynarodowym i możliwościami rzeczywistego wykorzystania narzędzi marketingowych w bardzo ryzykownym okresie kryzysu i wdrażania międzynarodowych sankcji gospodarczych.