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History 484 Globalization Capstone:

Resistance Movements Against the Foreign  
Expansion of Wal-Mart Inc.

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**Introduction:**

An important subject of globalization is multinational corporations (MNCs).

Multinational corporations rapidly spread across the world in the late 20<sup>th</sup> century, and have a large presence in several countries. The United Nations has stated that many multinational corporations have a gross domestic product larger than many of the world's developed nations.<sup>1</sup> Simply defined, MNCs are large companies that operate in more than one country.

According to the United Nations Conference on Trade and Development (UNCTAD), there are 60,000 multinational corporations and about 800,000 foreign subsidiaries in the world.<sup>2</sup> Throughout history MNCs have become larger and have exerted a degree of control over the countries into which they have expanded. Developing countries are particularly vulnerable to MNC influence due to the need for investment and jobs.<sup>3</sup> The growth in influence of MNCs has led to conflicts with the governments, culture and local populations of the countries they have expanded to. These movements against MNCs have occurred in a variety of forms, from boycotts and large protests, to violent confrontations between the corporation and the local population. These movements have occurred for different reasons, not simply because the population dislikes the intrusion of a foreign corporation into their country.

MNCs are the primary focus of the anti-corporate movement, a part of the anti-globalization movement. Like the anti-globalization movement itself, the anti-corporate

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<sup>1</sup> Chandler, Alfred, Mazlish, Bruce, "Leviathans: Multinational Corporations and the New Global History", (Cambridge, Cambridge University Press, 2005) 1

<sup>2</sup> Ira, Hobson Jr. United Nations Conference on Trade and Development, "The Unforeseen World of Transnational Corporations." Accessed March 3, 2014. [https://www.neumann.edu/academics/divisions/business/journal/Review\\_SPOG/pdf/transnational\\_corporations.pdf](https://www.neumann.edu/academics/divisions/business/journal/Review_SPOG/pdf/transnational_corporations.pdf).

<sup>3</sup> UN Committee on Trade and Development, "Multinational Corporations in Least Developed Countries" 1

movement is not a single movement. It is comprised of a variety of social movements such as human rights, anarchist, environmental, small businesses, labor unions and several others.<sup>4</sup>

Since the movement is really a movement of several movements, there are several aspects of how MNCs operate to which these movements object. Small businesses for example, disapprove of the ability of a large MNC to drive out local businesses or “mom and pop” shops from the local market.<sup>5</sup> Small businesses are important for developing nations whose economy is reliant on agriculture since these businesses usually buy their products from small farmers.<sup>6</sup>

Sovereignty movements are another faction of the anti-corporate movement. Many people in developed or developing countries see the penetration of foreign MNCs as a new form of colonialism and that they threaten their culture, heritage and way of life.<sup>7</sup> The movement questions the modernization and progress MNCs claim to bring to developed nations and criticizes the influence MNCs have over governments and local communities. When MNCs expand to foreign countries, they sometimes clash with local culture and the way of life that the people of that country seek to protect.

Labor unions and MNCs have also clashed many times. Labor unions have been important in many countries in advancing the rights and well-being of workers. Globalization has presented new challenges for labor unions. Globalization of corporations in a way has also resulted in a globalization of labor unions. Labor unions have progressed from advocating for the

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<sup>4</sup> Starr, Amory “Naming the Enemy: Anti-Corporate Movements Confront Globalization”, (London, Zed Books Ltd. 2000) X

<sup>5</sup> Starr, Amory “Naming the Enemy: Anti-Corporate Movements Confront Globalization”, (London, Zed Books Ltd. 2000) 127

<sup>6</sup> Starr, Amory “Naming the Enemy: Anti-Corporate Movements Confront Globalization”, (London, Zed Books Ltd. 2000) 127

<sup>7</sup> Starr, Amory “Naming the Enemy: Anti-Corporate Movements Confront Globalization”, (London, Zed Books Ltd. 2000) 134

rights of workers in their home country to elevating the status of workers abroad.<sup>8</sup> An example of this occurred in South Africa in 1988. During the anti-apartheid movement black union members were jailed by the South African government. Two U.S. based labor unions from the steel and mining industries pressured U.S. congressmen to negotiate with the South African government to secure their release which they eventually achieved.<sup>9</sup> Unions have been influential in ensuring that MNCs do not infringe upon the rights of workers in their country. In countries where unions hold influence in the government, they can block the entrance of an MNC until certain preconditions are met that protect workers.

The goal of this research paper is to describe the relationship between MNCs and the countries which they have expand into with four case studies. This paper will discuss the different movements against MNCs, why local populations formed resistance movements against them, how successful these movements were, how MNCs responded to these movements and some of the results of these responses.

To identify and discuss different resistance movements, this paper will examine the history of the international expansion of Wal-Mart Inc.. Wal-Mart's size and presence overseas makes the company an appropriate model for investigating the relationship between MNCs and foreign countries. Wal-Mart experienced widespread and rapid growth in the 1990s and now has stores in Mexico, South Africa, Brazil, China, Argentina, Canada, Chile, Japan, Mexico and the United Kingdom.<sup>10</sup>

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<sup>8</sup> Starr, Amory "Naming the Enemy: Anti-Corporate Movements Confront Globalization", (London, Zed Books Ltd. 2000) 88

<sup>9</sup> Gozner, Merrill, "U.S. Unions Aiding Jailed Activists in South Africa", *Chicago Tribune*, January 3, 1988.

<sup>10</sup> Wal-Mart "Our Story: Wal-Mart International", <http://corporate.walmart.com/our-story/our-business/international>, accessed February 12, 2014.

The next section will briefly review the history of Wal-Mart Inc. and its history of international expansion. Next, the paper will examine four examples of Wal-Mart's expansion into foreign countries (Germany, South Africa, India, and Mexico). These examples will describe different forms of resistance movements against Wal-Mart that emerged in each country, how Wal-Mart reacted to them, and the results for the movement and Wal-Mart.

In all of the examples, Wal-Mart believed it could simply transfer its U.S. business model to other countries with no changes. A common theme of these case studies is Wal-Mart's attempts to enter a foreign market did not make accommodations to local conditions. When Wal-Mart failed to adjust to the local conditions of a country (culture, heritage, history, laws, and customs) a backlash occurred in the form of different resistance movements. How Wal-Mart responded to the movements determined whether or not the attempted expansion was successful or a failure.

#### **A Brief History of Wal-Mart: From Bentonville to the World:**

Wal-Mart began as a small chain of stores called "Ben Franklin's" in Bentonville, Arkansas in the 1950s. Brothers Sam and Bud Walton built the stores in small towns and expanded outward to about 18 "Ben Franklin's" by the end of the 1950s.<sup>11</sup> Sam Walton then built his first Wal-Mart store in Bentonville in the 1960s which turned out to be enormously successful in the small rural towns.<sup>12</sup> Throughout the 1960s and 1970s Wal-Mart expanded rapidly. In 1970 Wal-Mart went public and continued to expand at a rate of 50 new stores a year along with a revenue growth of 40 percent a year.<sup>13</sup> Instituting lower prices than its competitors and establishing a supply chain for cheap products mostly from Asia helped Wal-Mart become

<sup>11</sup> Nelson Lichtenstein, "The Retail Revolution: How Wal-Mart Created A Brave New World of Business", (New York: Picador Publishing, 2009) 9.

<sup>12</sup> Nelson Lichtenstein, "The Retail Revolution: How Wal-Mart Created A Brave New World of Business", (New York: Picador Publishing, 2009) 41

<sup>13</sup> Nelson Lichtenstein, "The Retail Revolution: How Wal-Mart Created A Brave New World of Business", (New York: Picador Publishing, 2009) 42

successful in the United States and make a huge profit. These profits enabled Wal-Mart to quickly expand across the country.

From the 1990s to 2004, Wal-Mart's revenue expanded from \$25.8 million in profits with 1,528 stores to \$256 million and 4,906 stores.<sup>14</sup> Growth and expansion was imbedded in Wal-Mart's nature and eventually led to the company expanding beyond North American borders into foreign countries.

During its rapid expansion Wal-Mart created a supply chain that expanded the world, particularly in Asia where the majority of its products were produced. Around 40 percent of goods sold in Wal-Mart were imported goods in the 1980s.<sup>15</sup> Wal-Mart executives realized that in order for the company to maintain its growth, it would need to expand outside the borders of the United States.

International expansion began in the 1990s. A retired Wal-Mart executive once said "In going to Asia and then into China, department stores always beat us, a lot of people were there long before we were".<sup>16</sup> Wal-Mart set out to catch up with its competitors in the international consumer retail sector, in order to remain competitive and maintain increasing growth and profits. Wal-Mart also watched international retailers such as Carrefour expand with success, pushing the company further toward international expansion.

Wal-Mart first entered the international consumer market in Mexico in 1991 when it acquired local Mexican retailer Cifra (later renamed Wal-Mart de Mexico) and opened a store

<sup>14</sup> Soderquist, Don, "The Wal-Mart Way: The Inside Story of the Success of the World's Largest Company". (Thomas Nelson, 2005. Books24x7) <http://common.books24x7.com/www.libproxy.wvu.edu/toc.aspx?bookid=37708> (accessed March 1, 2014)

<sup>15</sup> Lichtenstein, Nelson, "Wal-Mart: The Face of 21<sup>st</sup> Century Capitalism", (New York: New Press, 2006) 128.

<sup>16</sup> Lichtenstein, Nelson, "Wal-Mart: The Face of 21<sup>st</sup> Century Capitalism", (New York: New Press, 2006) 128.

similar to an American Sam's Club called Bodego Aurrera.<sup>17</sup> Puerto Rico was next (1992), followed by Hong Kong (1993) and Canada through acquisition of Woolco in 1994.<sup>18</sup> In 1996 Wal-Mart expanded its retail operations to China where it had already established its supply chain. In 1997 Wal-Mart expanded to Germany by acquiring the retail chains Wertkauf and Interspar. In 1998 and 1999 Wal-Mart grew further by moving into Brazil, the United Kingdom and South Korea. Wal-Mart made a particularly successful move in 2002 when it acquired Japanese store chain SEIYU.

After establishing a presence in these countries, Wal-Mart shifted to expanding its presence further by acquiring more local retailers in these countries. Wal-Mart grew to become the largest retail corporation in the world. They did this by buying cheap goods from China for in-store sales and moving into foreign countries by acquiring already existing retail stores rather than opening brand new stores under the Wal-Mart logo.<sup>19</sup> In the late 2000s to 2011 Wal-Mart attempted further expansions. Wal-Mart expanded in Central and South America in 2005 through stores in Chile, Costa Rica, Guatemala, El Salvador, Argentina, Nicaragua, and Honduras. The most recent countries Wal-Mart targeted are India and South Africa. These countries will be discussed more extensively in the examples below.

As of 2013, Wal-Mart had 10,773 stores worldwide with 6,148 of these stores outside the United States.<sup>20</sup> In 2013, \$274 billion, 59 percent of total sales, occurred in the U.S. while \$135 billion, 29 percent of total sales, occurred abroad.<sup>21</sup> By the late 2000s Wal-Mart became larger

<sup>17</sup> Lichtenstein, Nelson, "Wal-Mart: The Face of 21<sup>st</sup> Century Capitalism" (New York: New Press, 2006) 128

<sup>18</sup> Biesada, Alexandra, "Wal-Mart Inc. History," Hoovers Pro Access for Academic Libraries, West Virginia University.

<sup>19</sup> Brunu, D Stanley, "Wal-Mart World: The World's Biggest Corporation in the Global Economy", (Routledge Tyler and Francis Group, New York, 2006. 13

<sup>20</sup> Biesada, Alexandra, "Wal-Mart Inc. Products and Operations Database: 2013 Stores" Hoovers Pro Access for Academic Libraries, West Virginia University.

<sup>21</sup> Biesada, Alexandra, "Wal-Mart Inc. Products and Operations Database: 2013 Sales" Hoovers Pro Access for Academic Libraries, West Virginia University.

than its biggest international rivals such as Carrefour, Metro AG and Tesco. In Mexico and Canada it surpassed local competitors and became the top retail store in these countries.

Even with this successful international growth, Wal-Mart experienced difficult challenges in several of the countries it entered. These challenges originated with Wal-Mart's attempt to export the business model that was highly successful in the United States into countries where it was not suitable. The following section will discuss the U.S. business model of the company.

#### **Wal-Mart's Business Model:**

Several characteristics make up Wal-Mart's business model. The most prominent characteristic is its "always low prices" philosophy. Wal-Mart maintains low prices through control over its supply chain and the sale of cheap products from manufacturers in Asia. This enables Wal-Mart to engage in "price wars" with competitors, a war it almost always wins.<sup>22</sup> Wal-Mart uses this to maintain an advantage over competitors, big and small, in order to draw in customers.

Another common characteristic is its ability to drive out competitors. Wal-Mart has been notorious for the manner in which small businesses disappear from the towns where it builds stores. During its early years, Wal-Mart only expanded into rural U.S. towns and later moved toward the larger urban centers. Small businesses in these towns have lost their customers to Wal-Mart's low prices, forcing them to inevitably close their business.

Perhaps the best known characteristic of Wal-Mart is its staunchly anti-union policies. In his book *Wal-Mart: The Bully of Bentonville* Anthony Bianco stated "there are two unforgivable

<sup>22</sup>

Anonymous, "The Wal-Mart Effect", *Business Europe Journal*, May 17, 2000), 1

sins at Wal-Mart, stealing from the company and consorting with a union.”<sup>23</sup> Wal-Mart’s anti-union policies originated with Sam Walton himself, who saw unions as unnecessary and created a division between management and regular employees.<sup>24</sup> Many previous employees have recalled how Wal-Mart used intimidation and threats of termination against those who attempted to organize a union at their store.<sup>25</sup>

The last characteristic is Wal-Mart’s in-store culture. Since its inception Wal-Mart has attempted to create a “team” atmosphere for its store employees. One method used was pre-shift chants, in which all the employees spell out WAL-MART in unison ending with “who is number one? THE CUSTOMER”.<sup>26</sup> This was followed by the employees practicing calisthenics in a circle. Another feature includes always smiling and presenting assertive customer service with the “ten foot rule” that states any customer within ten feet of an employee must be asked if they need assistance.<sup>27</sup>

### **Wal-Mart and Germany:**

Wal-Mart expanded to Germany in 1997. Germany comprised 15 percent of Europe’s total retail market (\$2 trillion) at the time.<sup>28</sup> This made Germany appealing to Wal-Mart executives for expansion. However, Wal-Mart in Germany endured substantial losses that forced

<sup>23</sup> Bianco, Anthony, “Wal-Mart: The Bully of Bentonville: How the High Cost of Everyday Low Prices is Hurting America: Chapter 5”, (New York, Doubleday Publishing, 2007) <http://common.books24x7.com/www.ilibproxy.wvu.edu/foc.aspx?bookid=27497>>

<sup>24</sup> Bianco, Anthony, “Wal-Mart: The Bully of Bentonville: How the High Cost of Everyday Low Prices is Hurting America”, (New York, Doubleday Publishing, 2007) <http://common.books24x7.com/www.ilibproxy.wvu.edu/foc.aspx?bookid=27497>>

<sup>25</sup> Bianco, Anthony, “Wal-Mart: The Bully of Bentonville: How the High Cost of Everyday Low Prices is Hurting America”, (New York, Doubleday Publishing, 2007) <http://common.books24x7.com/www.ilibproxy.wvu.edu/foc.aspx?bookid=27497>>

<sup>26</sup> Lichtenstein, Nelson, “The Retail Revolution: How Wal-Mart Created a Brave New World of Business”, (New York, Picador, 2009) 74

<sup>27</sup> Lichtenstein, Nelson, “The Retail Revolution: How Wal-Mart Created a Brave New World of Business”, (New York, Picador, 2009) 249

<sup>28</sup> Bruun, D Stanley, “Wal-Mart World: The World’s Biggest Corporation in the Global Economy”, (Routledge Tyler and Francis Group, New York, 2006. 263

Wal-Mart to sell its stores to Metro AG, a German retail group and leave Germany in 2006.<sup>29</sup> How could a company as large and powerful as Wal-Mart have been forced out of an entire country?

Wal-Mart faced many challenges from the very beginning of its entrance to Germany.

The first major problem was Wal-Mart's business model. Wal-Mart attempted to operate its German subsidiaries the same way it ran its U.S. stores. This proved disastrous for Wal-Mart's foray into Germany. Like in the United States, Wal-Mart attempted to drive out competitors by negotiating for the lowest prices from suppliers. Wal-Mart faced stubborn resistance from local German retailers. The most aggressive of all were the German companies Aldi, Lidl, and Metro AG. Wal-Mart at the time was the only American based retail company to have entered Germany and local retailers were not receptive to Wal-Mart's presence.

Wal-Mart's attempt to undercut the competition through low prices sparked a price war.<sup>30</sup> Local retailers were better able to counteract Wal-Mart's price cuts because they had already established relationships with suppliers long before the arrival of Wal-Mart. Metro AG went as far as to engage in "retail espionage". It had been reported that Metro AG had sent officials into Wal-Mart's first store in Dortmund to observe how they operated, what products they carried, prices for those products, and evaluated their customer service. They later reported back to Metro AG executives with their findings.<sup>31</sup>

Afterward Metro AG reorganized its operations to mimic Wal-Mart's. It changed its logo to resemble Wal-Mart's and instituted the same store hours. Metro also launched an advertising

<sup>29</sup>

Schaefer, Louis, "World's Biggest Retailer Wal-Mart Closes Up Shop in Germany", *Deutsche Welle Business*, July 28, 2006.

<sup>30</sup> <http://www.dw.de/worlds-biggest-retailer-wal-mart-closes-up-shop-in-germany/a-2112746-1>

Schmid, John, "In Germany, Wal-Mart Touches Off a Price War", (*New York Times*, November 11, 1998) <http://www.nytimes.com/1998/11/11/news/11iht-walmart.1.html>

<sup>31</sup>

Beck, Ernest, "As Wal-Mart Invades Europe, Rivals Rush to Match Its Formula" (*The Wall Street Journal*, October 6, 1999)

<http://online.wsj.com/news/articles/SB939165670962271375>

campaign against Wal-Mart's "Low Prices Everyday" slogan. Metro created its own slogans that included phrases such as "Honestly Low Prices" and "Permanently Reasonable Prices."<sup>32</sup> The other German rivals to Wal-Mart, Aldi and Lidl, counteracted Wal-Mart's low prices by issuing weekly sales ads for select items, a practice Wal-Mart did not use in either the United States or Germany at the time. Eventually, German consumers did not see low prices as a reason to shop at Wal-Mart instead of local German retailers.<sup>33</sup>

Wal-Mart also faced problems with the German government. In early 2000, the German Federal Cartel Office ended the price war instigated by Wal-Mart's arrival.<sup>34</sup> The government ordered Wal-Mart to raise its prices and made it mandatory for Wal-Mart to adopt weekly sales ads on a two week basis. The basis for the order was a German law established in 1909 called the Gesetz Gegen den Unlauteren Wettbewerb (German Unfair Competition Act) that prohibits retail corporations from selling certain products below wholesale (supplier) purchase prices.<sup>35</sup> This law prevented Wal-Mart from exploiting low prices to drive out competitors, a strategy it used frequently in the United States. Other laws in Germany prevented Wal-Mart from using selling strategies commonly practiced in the United States. For instance, law prevented retailers from offering additional items with the purchase of a first item. This was problematic for Wal-Mart which was accustomed to offering "buy one get one" deals with purchases in the United States.

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<sup>32</sup> Stanley D. Brunn, "Wal-Mart World: The World's Biggest Corporation in the Global Economy", (New York: Routledge Publishing, 2006) 280

<sup>33</sup> Stanley D. Brunn, "Wal-Mart World: The World's Biggest Corporation in the Global Economy", (New York: Routledge Publishing, 2006) 281

<sup>34</sup> Andrews, Edmund L., "Germany Says Wal-Mart Must Raise Prices", (The New York Times, September 9, 2000), <http://www.nytimes.com/2000/09/09/business/international-business-germany-says-wal-mart-must-raise-prices.html>

<sup>35</sup> Saarbrücken, Juris, "The Act Against Unfair Competition", (German Federal Ministry of Justice and Consumer Protection, 2010) Translation, [http://www.gesetze-im-internet.de/englisch\\_uwg/englisch\\_uwg.html#UWGengl\\_000P1](http://www.gesetze-im-internet.de/englisch_uwg/englisch_uwg.html#UWGengl_000P1)

Laws also prevented retailers from offering sale prices through mail-in rebates, another common U.S. practice.<sup>36</sup>

Labor unions were another source of Wal-Mart's problems in Germany. The companies Wal-Mart acquired to enter the German market, Interspar and Wertkauf, were unionized by the commercial unions HBV and DAG. When Wal-Mart acquired Interspar and Wertkauf, the company refused to accept collective agreements negotiated between the company and its workers before the Wal-Mart purchase. In response, union members and Wal-Mart employees picketed Wal-Mart stores in July 2000.<sup>37</sup> The pickets gained Wal-Mart widespread negative media attention throughout the country. Profits fell as the pickets resulted in the temporary closing of several Wal-Mart stores. The company eventually gave in to previously agreed collective agreements.

The final and most prominent of problems that Wal-Mart faced were the cultural differences between German and American consumers. These differences made Wal-Mart's transfer of its U.S. business model unfeasible. For instance, Wal-Mart's German CEO David Wild was from the United Kingdom and did not know how to speak German.<sup>38</sup> This complicated an already problematic language barrier between Wal-Mart and its German acquisitions.

Wal-Mart's hands-on approach to customer service was frowned upon by German shoppers. The "ten foot rule" requiring employees to ask customers if they needed assistance felt intrusive to many Germans. The friendliness of the staff was not something German shoppers

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<sup>36</sup> Stanley D. Brunn, "Wal-Mart World: The World's Biggest Corporation in the Global Economy", (New York: Routledge Publishing, 2006) 281

<sup>37</sup> Christopherson, Susan, "Barriers to US Style Lean Retailing: The Case of Wal-Mart's Failure in Germany" (Journal of Economic Geography, May 14, 2007) 461

<sup>38</sup> Schaefer, Louisa, "World's Largest Retailer Wal-Mart Closes Up Shop in Germany" (Deutsche Welle Business, July 28, 2006) <http://www.dw.de/worlds-biggest-retailer-wal-mart-closes-up-shop-in-germany/a-2112746-1>

were used. Many Germans feel it is awkward to smile at a complete stranger.<sup>39</sup> The packaging of purchased items by the staff turned many shoppers off as well. Many shoppers said that they felt angered when a stranger was touching the items they had just purchased.<sup>40</sup> One shopper recounting his experience said “I hate it when someone walks next to me carrying my stuff.”

“It’s like he’s my slave, my next thought is, do I have to tip him now or what?”<sup>41</sup>

Wal-Mart’s German employees were also unreceptive to the company’s corporate culture.

The Wal-Mart chant required of employees before they began their shift felt uncomfortable to many of the workers. The German employees felt it was foolish and embarrassing.<sup>42</sup> There were numerous reports of employees hiding in the restrooms before the start of their shift in order to avoid the pre-shift ritual.<sup>43</sup> The company also forbade romantic relationships among employees, which many felt was intruding into their personal lives. Wal-Mart policy also required its employees to report violations of rules to a corporate phone hotline, giving the impression workers were required to snitch on their coworkers.<sup>44</sup>

Wal-Mart eventually learned why its German expansion was not working but not soon enough. Wal-Mart exited the German market in 2006 with the sale of its stores to rival Metro AG.

Wal-Mart lost an estimated \$1 billion from its foray into the European retail market.<sup>45</sup> This was

<sup>39</sup> Maccary, David, “Why Did Wal-Mart Leave Germany?” (The Huffington Post, August 29, 2011) [http://www.huffingtonpost.com/david-maccary/why-did-walmart-leave-ger\\_b\\_940542.html](http://www.huffingtonpost.com/david-maccary/why-did-walmart-leave-ger_b_940542.html)

<sup>40</sup> Helm, Toby, “Germans Frown on Service With a Smile: Wal-Mart’s Foray into the cheerless arena of German retailing has been a disaster”, (The Gazette: Montreal Quebec, October 28, 2000)

<sup>41</sup> Rubin, Daniel, “Culture Clash Confounds Wal-Mart in Germany”, (The Philadelphia Inquirer, December 29, 2001).

<sup>42</sup> Maccary, David, “Why Did Wal-Mart Leave Germany?” (The Huffington Post, August 29, 2011) [http://www.huffingtonpost.com/david-maccary/why-did-walmart-leave-ger\\_b\\_940542.html](http://www.huffingtonpost.com/david-maccary/why-did-walmart-leave-ger_b_940542.html)

<sup>43</sup> Helm, Toby, “Germans Frown on Service With a Smile: Wal-Mart’s Foray into the cheerless arena of German retailing has been a disaster”, (The Gazette: Montreal Quebec, October 28, 2000)

<sup>44</sup> Norton, Kate, “Wal-Mart’s German Retreat” (Bloomberg Business Week, July 28, 2006) <http://www.businessweek.com/stories/2006-07-28/wal-marts-german-retreatbusinessweek-business-news-stock-market-and-financial-advice>

<sup>45</sup> Norton, Kate, “Wal-Mart’s German Retreat”, (Bloomberg Business Week, July 28, 2006) <http://www.businessweek.com/stories/2006-07-28/wal-marts-german-retreatbusinessweek-business-news-stock-market-and-financial-advice>

due to a flawed attempt to use Wal-Mart's U.S. business model in Germany. Resistance from local retailers, coupled with labor union issues, German laws, as well as German culture and customs inevitably led to a failed expansion.

Was Wal-Mart's entry into Germany doomed from the start? If Wal-Mart had taken more time to study the consumer habits, culture, and status of local retailers, perhaps the company would still be in Germany today. However, from this case study it is apparent Wal-Mart showed little consideration for the differences between German and American consumers.

### **Wal-Mart and South Africa:**

Wal-Mart executives saw South Africa as the starting point for a wider expansion throughout the African continent. In 2010, Wal-Mart engaged in talks with local retailer Massmart (South Africa's third largest retailer) for a possible merger.<sup>46</sup> South Africa's growing middle class, made the South African market an attractive starting point for Wal-Mart's African expansion plans. Economic growth rates estimated at 7.5 percent for South Africa made it one of the continent's fastest growing economies despite persistent problems with unemployment and poverty.<sup>47</sup>

Wal-Mart proposed a \$2.4 billion takeover of Massmart to enter South Africa.<sup>48</sup> While many economists from the U.S. and South Africa saw the entrance of Wal-Mart as a chance to help alleviate unemployment and poverty issues, the proposal met resistance from several groups in the government and labor unions. Wal-Mart's anti-union policies in the U.S. were well known

<sup>46</sup> Kollewe, Julia, "Wal-Mart in Talks to Buy South Africa's Massmart" (The Guardian, September 27, 2010)

<sup>47</sup> Baldauf, Scott, "Can Wal-Mart Bring Happy Days to Africa?" (The Christian Science Monitor, September 28, 2010) [http://www.lexisnexis.com/www.ilbiproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21\\_719610865924&format=GNBFI&sort=RELEVANCE&startDocNo=1&resultsURL/Key=29\\_T19610865913&cisb=22\\_T19610865912&treeMax=true&treeWidth=0&csi=79458d0cNo=1](http://www.lexisnexis.com/www.ilbiproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21_719610865924&format=GNBFI&sort=RELEVANCE&startDocNo=1&resultsURL/Key=29_T19610865913&cisb=22_T19610865912&treeMax=true&treeWidth=0&csi=79458d0cNo=1)

<sup>48</sup> Maylie, Devon, "Wal-Mart Gets Nod in Africa", (The Wall Street Journal, June 1, 2011) <http://online.wsj.com/news/articles/SB100014240527023030657404576357132239525222>

to South African union members, and government members worried over the impact on South Africa's manufacturing industry if cheap goods from Asia were brought into the country by Wal-Mart.

Wal-Mart did not understand the historical significance of labor unions in South Africa.

Since the 1940s labor unions have been influential in South Africa, especially during the movements against the apartheid government that ruled until 1994. The South African Nationalist Party took rule in 1948, establishing white rule and legalizing racial discrimination.<sup>49</sup>

The Nationalist Party was highly opposed to black labor unions, executing and imprisoning several black union members.

The labor unions retaliated with major strikes which gave birth to several new labor unions such as the South African Congress of Trade Unions (SACTU) in 1955, the South African Allied Workers Union (SAAWU) which rose during strikes in 1973 and the Congress of South African Trade Unions (COSATU) in 1980.<sup>50</sup>

Labor unions remained an important force in South Africa even in 2010. The problems of unemployment and poverty were a challenge for labor unions and still are in the modern day. Coupled with these problems, the prospect of opening up the country to foreign investment was another issue that concerned South African unions. On one occasion, labor unions pressured the government into passing a wage increase of 7.5 percent, showing the influence trade unions have in the South African government.<sup>51</sup> Wal-Mart's proposed merger with Massmart was met with

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<sup>49</sup> Mahlangu, Peter, "The Current Political and Legal Status of Unions in South Africa", (Journal of Law and Religion Vol. 5 No. 2) 502  
<sup>50</sup> Mahlangu, Peter, "The Current Political and Legal Status of Unions in South Africa", (Journal of Law and Religion Vol. 5 No. 2) 502.

<sup>51</sup> Mundy, Simon, "Wal-Mart Angers South African Unions" (London Financial Times, October 1, 2010)  
[http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21\\_T196209093333&format=GNBF1&sort=BOOLEAN&startDocNo=1&resultsUrlKey=29\\_T19620909343&cid=22\\_T19620909339&treeMax=true&treeWidth=0&csi=293847&docNo=1](http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21_T196209093333&format=GNBF1&sort=BOOLEAN&startDocNo=1&resultsUrlKey=29_T19620909343&cid=22_T19620909339&treeMax=true&treeWidth=0&csi=293847&docNo=1)

fierce resistance from these labor groups who feared job losses due to the company's anti-union policies.

Upon learning of Wal-Mart's proposed entry, labor unions such as COSATU and the South African Commercial, Catering, and Allied Workers Union (SACCAWU) voiced their opposition. Despite South Africa's unemployment and poverty issues, labor unions were still fearful of Wal-Mart. COSATU issued a statement saying "We call on urgent national action from the government to investigate this hostile move by Wal-Mart. Companies whose practice is to abuse workers' rights are not welcome in South Africa."<sup>52</sup> SACCAWU issued its own statement saying, "Wal-Mart is one of the worst and stubbornly anti-union companies in the world, fueled by the use of child labor and extreme low wage labor."<sup>53</sup>

As the government debated over whether to approve the Wal-Mart and Massmart merger, labor unions began staging protests. One of the first protests occurred in front of the Cape Town courthouse. Large crowds of protesters gathered outside of the courthouse wearing red shirts displaying the words "The Anti-Wal-Mart Coalition."<sup>54</sup> A spokesperson for SACCAWU present at the protest, Mike Abrahams, stated "We know from our experience internationally that where they (Wal-Mart) have moved, they have systematically eroded workers' rights, we don't want them here."<sup>55</sup>

<sup>52</sup> Mundy, Simon, "Wal-Mart Angers South African Unions" (London Financial Times, October 1, 2010) [http://www.lexisnexis.com/www.iliproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21\\_T196209093333&format=](http://www.lexisnexis.com/www.iliproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21_T196209093333&format=)

<sup>53</sup> Mundy, Simon, "Wal-Mart Angers South African Unions" (London Financial Times, October 1, 2010) [http://www.lexisnexis.com/www.iliproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21\\_T196209093333&format=GNBF&sort=BOOLEAN&startDocNo=1&resultURIkey=29\\_T19620909343&cisb=22\\_T196209093339&treeMax=true&treeWidth=0&csi=293847&docNo=1](http://www.lexisnexis.com/www.iliproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21_T196209093333&format=GNBF&sort=BOOLEAN&startDocNo=1&resultURIkey=29_T19620909343&cisb=22_T196209093339&treeMax=true&treeWidth=0&csi=293847&docNo=1)

<sup>54</sup> Kelo, Anders, "South Africa Reconsiders Wal-Mart's Bid for Retailer", (NPR Online, October 26, 2011) <http://www.npr.org/2011/10/26/141690739/south-africa-reconsiders-walmarts-bid-for-retailer>

<sup>55</sup> Kelo, Anders, "South Africa Reconsiders Wal-Mart's Bid for Retailer", (NPR Online, October 26, 2011) <http://www.npr.org/2011/10/26/141690739/south-africa-reconsiders-walmarts-bid-for-retailer>

The protests spread throughout the country. Protests occurred in front of Massmart's stores as well as in front of the building for the Competition Tribunal of South Africa which had to approve the proposed merger of Wal-Mart and Massmart. Tensions rose when Massmart announced cuts in work hours and the laying off of 1,500 employees. SACCACWU viewed this as an attempt to bypass unions in anticipation of the approval of the Wal-Mart proposal.<sup>56</sup> Massmart denied the accusations but SACCACWU pressed on with worker strikes throughout Massmart stores. SACCACWU issued a statement soon after the strike began, "Wal-Mart has already destroyed thousands of jobs in South Africa."<sup>57</sup> The statement continued saying "One of their (Wal-Mart's) propaganda weapons is to say they will create jobs, but we know now that they've already destroyed jobs ahead of their entry."

The anti-Wal-Mart coalition began to lobby government officials in the African National Congress as well as filing what was called a Section 77 application. Section 77 was a part of the South African Labor Relations Act which granted workers the right to protest if the motives were defense of their socioeconomic interests.<sup>58</sup> The protests showed no signs of stopping even after Massmart shareholders voted to approve the merger in January of 2011. The shareholders voted overwhelmingly (97 percent) to approve the merger, further angering the labor unions.<sup>59</sup> The unions responded by protesting at the homes of Massmart shareholders.<sup>60</sup>

<sup>56</sup> Enslin-Payne, Samantha, "Massmart Denies Wal-Mart Deal in Eye of Strike" (The Star South Africa, June 2, 2010)

[http://www.lexisnexis.com.www.libproxy.wvu.edu/inacl2api/results/docview/docview.do?docLinkId=true&risb=21\\_T19620992156&format=GNBF&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29\\_T1962099343&cisb=22\\_T1962099339&treeMax=true&treeWidth=0&csi=312452&docNo=3](http://www.lexisnexis.com.www.libproxy.wvu.edu/inacl2api/results/docview/docview.do?docLinkId=true&risb=21_T19620992156&format=GNBF&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29_T1962099343&cisb=22_T1962099339&treeMax=true&treeWidth=0&csi=312452&docNo=3)

<sup>57</sup> No author, "South Africa Business Report", (The Star South Africa, November 5, 2010)

<http://www.lexisnexis.com.www.libproxy.wvu.edu/hottopics/lnacademic/?>

<sup>58</sup> No author, "South Africa Business Report", (The Star South Africa, November 5, 2010)

<http://www.lexisnexis.com.www.libproxy.wvu.edu/hottopics/lnacademic/?>

<sup>59</sup> England, Andrew, "Massmart Shareholders Approve Wal-Mart Offer" (London Financial Times, January 18, 2011)

<http://www.lexisnexis.com.www.libproxy.wvu.edu/hottopics/lnacademic/?>

<sup>60</sup> Sapa, "COSATU Pickets Target Shareholders Zille and Ackerman", (Pretoria News, October 11, 2011). <http://www.lexisnexis.com.www.libproxy.wvu.edu/hottopics/lnacademic/?>

Wal-Mart's anti-union policies were not the only issues concerning South Africans. A South African woman named Margaret Kooy, submitted an article to the Cape Times newspaper, summarizing why she opposed the merger. She opposed not only Wal-Mart's impact on labor unions but its possible impact on the African continent as well. "There is the possibility of great wealth accruing to those who tap into the future African markets."<sup>61</sup> However, she doubted the wealth would fall into the hands of ordinary Africans, saying "The rest of the world plans to recover from their financial crisis by investment in Africa, but the question is whether anything will be left over for Africans themselves."<sup>62</sup> She also pointed out the fear among many South Africans of the impact cheap Chinese goods would have on the country, while also criticizing American consumerism. "Wafer-thin drinking glasses do not last long under my clumsy care, tacky toasters spew toast onto the floor, bargain shoes lose their straps and color in a matter of weeks." She continued by stating "I do not think Africa needs America's brand of consumerism, so many U.S. households have basements that are full of affordable but wasteful gadgets and clothing which were never needed in the first place."<sup>63</sup>

The unrest from the protests failed to persuade the government's Competition Tribunal, which approved the Massmart-Wal-Mart merger in June of 2011. However, the protests did pressure the government enough to force Wal-Mart to meet certain conditions before it could complete the merger. These addressed labor union fears as well as the government's concerns with Wal-Mart's impact on local manufacturers. The conditions required Wal-Mart to not cut staff for two years, adhere to labor union agreements for three years, and commit almost \$5

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Kooy, Margaret "Africa Will Not Gain From Wal-Mart's Foray Into Continent" (Cape Times, June 1, 2011) <http://www.lexisnexis.com.wwu.libproxy.wvu.edu/Hottopics/Inacademic/?>

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Kooy, Margaret "Africa Will Not Gain From Wal-Mart's Foray Into Continent" (Cape Times, June 1, 2011) <http://www.lexisnexis.com.wwu.libproxy.wvu.edu/Hottopics/Inacademic/?>

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Kooy, Margaret "Africa Will Not Gain From Wal-Mart's Foray Into Continent" (Cape Times, June 1, 2011) <http://www.lexisnexis.com.wwu.libproxy.wvu.edu/Hottopics/Inacademic/?>

million of investment to local manufacturers.<sup>64</sup> The protests continued, and Wal-Mart eventually approved the conditions.

Wal-Mart acquired Massmart, inheriting its nine wholesale and retail chains that spanned twelve different countries. The successful merger was not without its challenges however. Wal-Mart's anti-union policies clashed with South Africa's powerful labor unions. Many South Africans also protested Wal-Mart's low prices that came from cheap Chinese goods. The protests failed to block the takeover of Massmart but pressured the government enough to force Wal-Mart to adhere to certain preconditions for the merger. Wal-Mart could have made the acquisition less painful and may have been able to move into the country much sooner if it had adhered to the demands of the labor unions which it was eventually forced to do.

#### **Wal-Mart and India:**

India appealed to Wal-Mart due to an expanding middle class and its economy which was one of the largest in the world in the late 2000s. Wal-Mart entered India in 2007 through a joint venture with Indian wholesaler Bharti Enterprises. However the deal was only for Wal-Mart to sell wholesale items to other retailers due to India's strict foreign direct investment laws. These laws banned foreign retailers from selling directly to Indian consumers.<sup>65</sup>

Wal-Mart's entry still sparked fears among the Indian population despite it being illegal for Wal-Mart to sell directly to consumers. Wal-Mart's entry faced protests because of the structure of India's retail market. Retailing in India was not made up of large corporations but of

<sup>64</sup> England, Andrew, "Wal-Mart Gets Green Light in South Africa", (London Financial Times, June 1, 2011) <http://www.lexisnexis.com/www.ilbproxy.wvu.edu/ottotopics/inacademtc/?>

<sup>65</sup> Gentileman, Amelia, "Indians Protest Wal-Mart Wholesale Entry" (New York Times, August 10, 2007) [http://www.lexisnexis.com/www.ilbproxy.wvu.edu/nacui2api/results/docview/docview.do?doclinkkind=true&risb=21\\_T19651311804&format=GNBF1&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29\\_T19651309485&cisb=22\\_T19651309484&treeMax=true&treeWidth=0&csi=8357&d ocNo=1](http://www.lexisnexis.com/www.ilbproxy.wvu.edu/nacui2api/results/docview/docview.do?doclinkkind=true&risb=21_T19651311804&format=GNBF1&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29_T19651309485&cisb=22_T19651309484&treeMax=true&treeWidth=0&csi=8357&d ocNo=1)

small shop owners or “mom and pop” stores. 98 percent of Indian retailing consisted of what is known as “unorganized” retailing in 2005.<sup>66</sup> These family-owned shops were located in large market centers where many people could come and shop known as bazaars.

When it was announced that Wal-Mart planned to enter India, protests raged all over the country. While trade unions and farmers were among those protesting, the largest group present was the “mom and pop” shop owners. One of the first protests occurred at Chandni Chowk, a large bazaar in Delhi.<sup>67</sup> Several hundred shopkeepers and union members gathered, burning an effigy of a demon with heads that represented Wal-Mart and Bharti Enterprises. Signs were propped in the air with the words “Go Back Wal-Mart” and “Save Small Retailers.”<sup>68</sup> The protesters moved to the Indian capital of New Delhi, shouting the words “Quit Retail”, mimicking the slogan of Mohandas Ghandi “Quit India”.<sup>69</sup> One protester named Armit Prakash said “the earnings for our small store keep me, my younger brother and sister, and my parents alive.” He continued by stating “if Wal-Mart comes, they will sell goods at wholesale prices, which will be cheaper, and I will have no customers, what will happen to me and my family? I’m worried we’ll end up on the streets.”<sup>70</sup> The protests turned violent when protesters overran barricades set up by riot police.

<sup>66</sup> Mohan Guruswamy, Kamal Sharma, Jeewan Prakash Mohanty, Thomas Korah, “FDI in India’s Retail Sector: More Bad Than Good?” (Economic and Political Weekly Vol. 40, No. 7, February 12, 2005), 619

<sup>67</sup> Gentileman, Amelia, “Indians Protest Wal-Mart Wholesale Entry” (New York Times, August 10, 2007)

<http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=58>

<sup>68</sup> Reuters, “Wal-Mart’s Welcome to India Includes Demonstrations.” (New York Times, February 23, 2007).

[http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21\\_T19651311804&format=GNBF&sort=RELEVANCE&startDocNo=1&resultsUriKey=29\\_T19651309485&disb=22\\_T19651309484&treeMax=true&treeWidth=0&csi=6742&docNo=10](http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21_T19651311804&format=GNBF&sort=RELEVANCE&startDocNo=1&resultsUriKey=29_T19651309485&disb=22_T19651309484&treeMax=true&treeWidth=0&csi=6742&docNo=10)

<sup>69</sup> No Author, “Indians Rally to Resist Foreign Retail Giants Entering Market” (Morning Star, August 10, 2007)

[http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21\\_T19651311804&format=GNBF&sort=RELEVANCE&startDocNo=1&resultsUriKey=29\\_T19651309485&disb=22\\_T19651309484&treeMax=true&treeWidth=0&csi=246278&docNo=5](http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21_T19651311804&format=GNBF&sort=RELEVANCE&startDocNo=1&resultsUriKey=29_T19651309485&disb=22_T19651309484&treeMax=true&treeWidth=0&csi=246278&docNo=5)

<sup>70</sup> Reuters, “Wal-Mart’s Welcome to India Includes Demonstrations.” (New York Times, February 23, 2007).

[http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21\\_T19651311804&format=GNBF&sort=RELEVANCE&startDocNo=1&resultsUriKey=29\\_T19651309485&disb=22\\_T19651309484&treeMax=true&treeWidth=0&csi=6742&docNo=10](http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21_T19651311804&format=GNBF&sort=RELEVANCE&startDocNo=1&resultsUriKey=29_T19651309485&disb=22_T19651309484&treeMax=true&treeWidth=0&csi=6742&docNo=10)

Many opponents of Wal-Mart's entry saw it as a ploy to pressure the government to relax its FDI laws. Protests continued following the announcement of Wal-Mart and Bharti's joint venture. In October of 2007 a large group of more than 10,000 activists ignited a protest in Mumbai. Protesters demanded the government uphold FDI laws, and deny Wal-Mart's entry into the country. Protesters also voiced their concern that 40 million shopkeepers could lose their stores with Wal-Mart's entry.<sup>71</sup>

In 2007 the subject of India's FDI laws became more heated. President Manmohan Singh ordered the Commerce Ministry to investigate the potential impacts of allowing foreign retailers to sell directly to Indian consumers.<sup>72</sup> Protests intensified after the news of the studies went public. The protesters argued that the study was a cover for making it easier for Wal-Mart to make its way into the Indian economy. The study consisted of a survey of small businesses, small shopkeepers, consumers and large companies. Mobs trashed some of Bharti's stores in response to the study.<sup>73</sup>

The study found that although small retailers would be impacted by sales losses, allowing big retailers into the country would benefit average Indian consumers with cheap prices as well as local farmers who could sell their goods to a large retailer.<sup>74</sup> Opponents argued the study did not include average street vendors in the survey. From 2009-2012, the government argued over

<sup>71</sup> Orange, Richard, "Tesco Can Smile as Protests Grow Over Retail Giants' India Invasion" (London Evening Standard, October 11, 2007).

<sup>72</sup> Lee, Amy, "India Studies Impact of Multinational Retail Groups", (London Financial Times, March 7, 2007),

[http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?doclinkind=true&risb=21\\_T19674779188&format=GNBF&sort=BOOLEAN&startDocNo=1&resultsUriKey=29\\_T19674779192&disb=22\\_T19674779191&treeMax=true&treeWidth=0&csi=293847&docNo=6](http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?doclinkind=true&risb=21_T19674779188&format=GNBF&sort=BOOLEAN&startDocNo=1&resultsUriKey=29_T19674779192&disb=22_T19674779191&treeMax=true&treeWidth=0&csi=293847&docNo=6)

<sup>73</sup> Leahy, Joe, "Delhi Dithers as Big Retail Rattles the Gates", (London Financial Times, May 29, 2008),

[http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?doclinkind=true&risb=21\\_T19674779188&format=GNBF&sort=BOOLEAN&startDocNo=1&resultsUriKey=29\\_T19674779192&disb=22\\_T19674779191&treeMax=true&treeWidth=0&csi=293847&docNo=4](http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?doclinkind=true&risb=21_T19674779188&format=GNBF&sort=BOOLEAN&startDocNo=1&resultsUriKey=29_T19674779192&disb=22_T19674779191&treeMax=true&treeWidth=0&csi=293847&docNo=4)

<sup>74</sup> Leahy, Joe, "Delhi Dithers as Big Retail Rattles the Gates", (London Financial Times, May 29, 2008),

[http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?doclinkind=true&risb=21\\_T19674779188&format=GNBF&sort=BOOLEAN&startDocNo=1&resultsUriKey=29\\_T19674779192&disb=22\\_T19674779191&treeMax=true&treeWidth=0&csi=293847&docNo=4](http://www.lexisnexis.com/www.ilbproxy.wvu.edu/inacui2api/results/docview/docview.do?doclinkind=true&risb=21_T19674779188&format=GNBF&sort=BOOLEAN&startDocNo=1&resultsUriKey=29_T19674779192&disb=22_T19674779191&treeMax=true&treeWidth=0&csi=293847&docNo=4)

proposals to ease FDI restrictions on foreign retailers. A bill advocating raising funding for allowing FDI into India was pushed by the United Progressive Alliance (UPA) of parties but was opposed by the Bahujan Samaj Party and the Communist Party of India. The bill would need to be passed by the Indian Parliament to become law.

The debate over whether to open India to FDI or uphold restrictions was a divisive issue among the Indian public. Many argued that allowing large retailers into India would benefit consumers with low cost food and other goods. Opponents however feared Wal-Mart's impact on the "mom and pop" stores that made up the majority of India's retail sector. Some liberalization occurred however as the UPA was able to push through legislation that allowed some opening of India to FDI in retailing in 2012. The law allowed for 51 percent of FDI in retailing to go to foreign, multi-brand companies.<sup>75</sup>

The largest protests since Wal-Mart and Bharti's announcement of its joint venture occurred in response to the legislation. The protests occurred nationwide as protesters burned effigies of government officials as well as pictures of Indian President Monmohan Singh.<sup>76</sup> Some of the protesters even blocked train routes that transported goods across the country.

Despite the opening of India to FDI, Wal-Mart announced in 2013 that it was ending its venture with Bharti Enterprises.<sup>77</sup> The new FDI laws, while more open than before, included a new condition that made it mandatory that 30 percent of a foreign retailer's products be sourced

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Badkar, Manita, "Huge Protests Erupt in India Over Latest Economic Plan", (Business Insider, September 20, 2012) <http://www.businessinsider.com/indian-protests-fdi-wal-mart-fuel-subsidies-23-billion-2012-9>

<sup>76</sup> Badkar, Manita, "Huge Protests Erupt in India Over Latest Economic Plan", (Business Insider, September 20, 2012) <http://www.businessinsider.com/indian-protests-fdi-wal-mart-fuel-subsidies-23-billion-2012-9>

<sup>77</sup> Kapur, Saranya, "Wal-Mart Pulls Plug On Its Controversial Joint-Venture in India", (Business Insider, October 9, 2013) <http://www.businessinsider.com/wal-mart-splits-from-indian-partner-2013-10>

from the small, local retailers that made up the majority of India's retail sector.<sup>78</sup> Wal-Mart refused to adhere to the mandate and announced its breakup with Bharti, restricting its operations in India to wholesale only.

Wal-Mart's venture into India resulted in some of the most intense protests it had seen yet. Wal-Mart did not consider the strength of the small, traditional "mom and pop" stores that dominated India's retail sector. Wal-Mart's lobbying of the government to relax FDI laws angered protesters further, resulting in more widespread unrest throughout the country. Despite achieving some FDI liberalization, the Indian Government still looked to protect small retailers with the 30 percent mandate. Wal-Mart's model of using and controlling its own supply chain to ensure low prices conflicted with the mandate, which contributed to the company abandoning its hopes to open stores directly to Indian consumers.

#### **Wal-Mart and Teotihuacan, Mexico:**

This example differs significantly from the previous ones because it does not deal with Wal-Mart moving into a country it had never expanded into before. Wal-Mart moved into Mexico in 1991, as its first foreign operation. This study deals with the later opening of another store that caused a widespread and violent reaction from the town of Teotihuacan.

Teotihuacan is a small town northeast of Mexico City. The town draws thousands of tourists from all over the world to see its ancient temple ruins that are over two thousand years old. These temples were declared a World Heritage Site by the United Nations Educational, Scientific and Cultural Organization (UNESCO) in the 1987.<sup>79</sup> In 2004 Wal-Mart already

<sup>78</sup> Riley, Charles, "Wal-Mart Breaks Up With Indian Partner Bharia Enterprises" (CNN Money, October 9, 2013) <http://money.cnn.com/2013/10/09/news/wal-mart-bharti-india/>

<sup>79</sup> No Author, "Pre-Hispanic City of Teotihuacan", (UNESCO World Heritage Website, Accessed 3-18-14), <http://whc.unesco.org/en/list/414>

established itself as the number one retailer in Mexico. Despite this, Wal-Mart was pressing forward to expand further into the country. Teotihuacan was extremely alluring to the company due to it being a popular tourist destination.

An alfalfa field about a mile away from the pyramids was targeted by Wal-Mart as a potential site for a new store. Wal-Mart began setting up construction zones near the pyramids in 2004. Despite being initially denied permission to build, Wal-Mart justified the construction by saying the construction zone was outside the area protected by the United Nations.<sup>80</sup> The townspeople were outraged, citing the damage from the construction to the pyramids as well as fearing for the fate of several small businesses in the popular tourist town. A protest movement began to form, with many of its leaders accusing Wal-Mart of destroying Mexican culture.

Emmanuel D'Herrera, while leading a hunger strike in protesting the construction said "This is a trampling of the cultural patrimony of humanity. This business comes to threaten values that are transcendentially spiritual and traditional."<sup>81</sup>

The protests intensified as the construction of the store's future parking lot began. Graves and skeletons were uncovered at the sight.<sup>82</sup> Remains of a wall and pieces of pottery were also found on the construction site.<sup>83</sup> The protests moved from outside the temple and into the ruins

<sup>80</sup> Hayward, Susana, "Ancient City of Teotihuacan a Modern Battleground Between Conservationists, Wal-Mart", (Knight Ridder, October 25, 2004), [http://www.lexisnexis.com:www.litiproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21\\_T19686136015&format=GNBFB&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29\\_T19686096695&cisb=22\\_T19686096694&Max=true&treeWidth=0&csi=411024&docNo=6](http://www.lexisnexis.com:www.litiproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21_T19686136015&format=GNBFB&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29_T19686096695&cisb=22_T19686096694&Max=true&treeWidth=0&csi=411024&docNo=6)

<sup>81</sup> Dellios, Hugh, "Town Split on Wal-Mart Store Built Near Historical Site", (Herald News New Jersey, November 7 2004), <http://www.lexisnexis.com:www.litiproxy.wvu.edu/hottopics/inacademic/>

<sup>82</sup> Lou Picket, Mary, "Wal-Mart Seen As Ruining Ruins, Some Mexicans Eager For Lower Prices", (Atlanta Journal Constitution, October 6, 2004)

[http://www.lexisnexis.com:www.litiproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21\\_T19686136015&format=GNBFB&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29\\_T19686096695&cisb=22\\_T19686096694&treeMax=true&treeWidth=0&csi=8379&docNo=3](http://www.lexisnexis.com:www.litiproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&risb=21_T19686136015&format=GNBFB&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29_T19686096695&cisb=22_T19686096694&treeMax=true&treeWidth=0&csi=8379&docNo=3)

<sup>83</sup> Barstow, David, Xanic Von Bertrab, Alejandra, "How Wal-Mart Used Payoffs to Get It's Way in Mexico", (New York Times, December 17, 2012. [http://www.nytimes.com/2012/12/18/business/walmart-bribes-teotihuacan.html?\\_r=0](http://www.nytimes.com/2012/12/18/business/walmart-bribes-teotihuacan.html?_r=0)

when over 300 protesters climbed to the top of the central pyramid, the Pyramid of the Sun. The protesters carried heavy signs and banners critical of Wal-Mart all the way to the top of the pyramid.<sup>84</sup> One woman at the top of the pyramid said “It is an attack on our heritage; it is an attack on our cosmic equilibrium.”<sup>85</sup> Some of the protesters dressed in headdresses and loinclothes resembling the ancient Aztecs who once visited the city thousands of years ago. Many of them called to the Gods to divinely stop the construction as they danced around fires.<sup>86</sup> Sixty-three Mexican intellectuals, academics, and artists voiced their disapproval by signing a petition demanding Mexican President Vicente Fox halt the construction.<sup>87</sup>

Despite widespread, furious resistance Wal-Mart completed construction of the store in November of 2004.<sup>88</sup> In May of 2009, almost six years after the stores construction, anger still resonated with the local residents against Wal-Mart. Manuel D’Herrera, the leader of the hunger strikes, still pressed on with his opposition. In May of 2009, D’Herrera walked into the store and exploded a crude, homemade bomb in a shopping cart.<sup>89</sup> D’Herrera hoped to kill himself and

<sup>84</sup> No Author, “Wal-Mart Protest at Pyramid of the Sun”, (Edmonton Journal, October 25, 2004)

[http://www.lexisnexis.com/www.libproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&rsb=21\\_T19686136015&format=GNBFI&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29\\_T19686096695&cisb=22\\_T19686096694&treeMax=true&treeWidth=0&csi=397186&docNo=4](http://www.lexisnexis.com/www.libproxy.wvu.edu/inacui2api/results/docview/docview.do?docLinkId=true&rsb=21_T19686136015&format=GNBFI&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29_T19686096695&cisb=22_T19686096694&treeMax=true&treeWidth=0&csi=397186&docNo=4)

<sup>85</sup> Tuckman Jo, “Wal-Mart Upsets Cosmic Balance of Ruins”, (The Guardian London, September 2004)

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<sup>86</sup> Hayward, Susana, “Ancient City of Teotihuacan a Modern Battleground Between Conservationists, Wal-Mart”, (Knight Ridder, October 25, 2004),

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<sup>87</sup> Observer, “Wal-Mart’s Pyramid Scheming”, (London Financial Times, October 26, 2004),

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<sup>88</sup> Barstow, David, Xanic Von Bertrab, Alejandra, “How-Wal-Mart Used Payoffs to Get It’s Way in Mexico”, (New York Times, December 17, 2012. [http://www.nytimes.com/2012/12/18/business/walmart-bribes-teotihuacan.html?\\_r=0](http://www.nytimes.com/2012/12/18/business/walmart-bribes-teotihuacan.html?_r=0)

<sup>89</sup> Barstow, David, Xanic Von Bertrab, Alejandra, “How-Wal-Mart Used Payoffs to Get It’s Way in Mexico”, (New York Times, December 17, 2012. [http://www.nytimes.com/2012/12/18/business/walmart-bribes-teotihuacan.html?\\_r=0](http://www.nytimes.com/2012/12/18/business/walmart-bribes-teotihuacan.html?_r=0)

reignite the debate over Wal-Mart in Teotihuacan.<sup>90</sup> Luckily, the bomb did not injure or kill anyone and only did minor damage to merchandise. D'Herrera was arrested at the scene.

Many people in Mexico and the United States wondered how Wal-Mart could have gained permission to build on ground so cherished and sacred to Mexicans. In 2005, a former Wal-Mart lawyer, Sergio Cicero Zapata, began leaking information to other lawyers about massive bribes paid to government officials and officials of the historical society (INAH) of Teotihuacan.<sup>91</sup> An investigation by New York Times reporters David Barstow and Alejandra Von Bertrab broke a story in 2012 accusing Wal-Mart of bribery, which gained the attention of major news outlets in the United States and Mexico. Emails were released by Sergio Garcia Zapata that indicated Wal-Mart executives in the United States knew of the bribes, and halted an internal investigation launched by the company.<sup>92</sup>

The New York Times article, combined with the leaking of emails by Zapata became widespread and gained the attention of U.S. lawmakers. Representatives Elijah Cummings (Democrat, Maryland) and Henry Waxman (Democrat, California) launched their own investigation into the bribery allegations soon after the release of the New York Times article.<sup>93</sup>

The bribes were cited as violations of the Foreign Corrupt Practices Act passed in 1977 that

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<sup>90</sup> Barstow, David, Xanic Von Bertrab, Alejandra, "How-Wal-Mart Used Payoffs to Get It's Way in Mexico", (New York Times, December 17, 2012. [http://www.nytimes.com/2012/12/18/business/walmart-bribes-teotihuacan.html?\\_r=0](http://www.nytimes.com/2012/12/18/business/walmart-bribes-teotihuacan.html?_r=0))

<sup>91</sup> Barstow, David, Xanic Von Bertrab, Alejandra, "How-Wal-Mart Used Payoffs to Get It's Way in Mexico", (New York Times, December 17, 2012. [http://www.nytimes.com/2012/12/18/business/walmart-bribes-teotihuacan.html?\\_r=0](http://www.nytimes.com/2012/12/18/business/walmart-bribes-teotihuacan.html?_r=0))

<sup>92</sup> Barstow, David, "Vast Mexico Bribery Case Hushed Up by Wal-Mart After Top-Level Struggle", (New York Times, April 21, 2012)

<sup>93</sup> <http://www.nytimes.com/2012/04/23/business/at-wal-mart-in-mexico-a-bribe-inquiry-silenced.html?pagewanted=all>  
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prohibits American companies from using bribes or other corrupt practices in foreign countries. In 2013, Wal-Mart CEO Mike Duke stepped down amid the bribery investigations.<sup>94</sup>

This example in particular, shows Wal-Mart's most blatant disregard for local conditions. Despite being initially denied permission to build its Teotihuacan store, Wal-Mart pressed on by means of payoffs that eventually opened the way for the construction of a store on one of Mexico's most historic, sacred, and culturally significant sites. The construction instigated a massive protest movement from angered citizens who saw the store as an assault on Mexican heritage. The bombing of the store years after its construction underscores the deep resentment held by the local citizens against Wal-Mart. The manner in which Wal-Mart orchestrated the construction project not only caused tensions with the local population but landed it in legal trouble with the Mexican and U.S. governments, as the payouts to Teotihuacan officials was exposed in 2012.

#### **CONCLUSION:**

The role of multinational corporations is one of the most important topics in the study of globalization. Expanding into a foreign can bring great benefits to a MNC but can also result in several negative consequences if not done properly. The paper has shown what some of these consequences can be by using Wal-Mart as an example. It is crucial for multinational corporations to take into consideration the heritage, customs, culture, and history of a foreign country it is bringing its business into.

The paper's examples show the consequences of not taking these local conditions into consideration. In each country, Wal-Mart attempted to transfer a business model that brought it

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Barr, Alistair, McCoy, Kevin, "Wal-Mart Replaces its CEO With Company Insider", (USA Today, November 25, 2013) <http://www.usatoday.com/story/money/business/2013/11/25/wal-mart-ceo/8696819/>

success in the United States but did not make adjustments to this business model when bringing it into a foreign market. In Wal-Mart's venture into Germany, cultural differences, labor unions, local retailer resistance and German laws eventually forced a complete pull out of Wal-Mart from the country. In South Africa, historically powerful trade unions clashed with Wal-Mart's anti-union policies making its entry into the African continent difficult. In India, small shop keepers who held major influence in India's retail sector as well as the government were able to limit Wal-Mart's operations to wholesale only. Teotihuacan was an example of a complete disregard for Mexican culture, that resulted in large scale protests that brought Wal-Mart infamy when it was revealed that the city's store was built by bribes and payoffs. Any corporation that plans to expand its business overseas should examine these cases and use them as examples of how *not* to expand into a foreign country.





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