

THESIS

THE COVID-19 PANDEMIC EFFECT ON TRADE VIA THE  
SAMPLE OF AMAZON.COM INC.

**Sándor Papp**

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BUDAPEST BUSINESS SCHOOL  
FACULTY OF INTERNATIONAL MANAGEMENT AND BUSINESS  
INTERNATIONAL ECONOMY AND BUSINESS MAJOR  
Correspondence course

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SAMPLE OF AMAZON.COM INC.**

Internal Consultant: Dr Éva Radvány

Author: Sándor Papp

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## INTRODUCTION

Today, there is no country that would not be affected by the coronavirus epidemic starting in China in 2019, the COVID-19. The epidemic, which affects the political, economic and social life of nations and countries alike, is effecting countries even more than 1 year after its onset, and the epidemic is not over yet, as more and more news is emerging about the epidemic, so governments measures and restrictions taken must be maintained.

2020 and 2021 have radically changed the way the global economy works. Therefore, there are complete changes in the sphere of business, for example: almost every café, bar, restaurant, shop and hotel faced huge losses in their income, because of a decrease in the tourism and the requirements from the government. Moreover, due to these losses from businesses, the micro and macroeconomics of different countries have also diminished. However, the online businesses on the contrary have increased their profits.

The recent outbreak has had serious economic consequences worldwide. The whole world is perfectly acknowledged what the coronavirus is and which changes did it, actually, bring, although its final effects are not yet known. Therefore, my thesis contains a research that is exploratory and descriptive in nature. My thesis is looking for the answer on

### **How the 2020-2021 COVID 19 pandemic situation have changed the global trade?**

To my way of thinking, the topic which I have chosen to develop is very widespread at the current times. I focus on online trading which has generated and continuously generate an outperforming success. In addition, I examine, how the consumer behavior changed? I have selected to introduce Amazon.com Inc.as an employee of this corporation and, thus it could deliver insight. Accordingly, as an observer, I can participate directly in the research and provide credible information for the research. I am also looking for the answer on whether these businesses were better prepared for the pandemic, or there are any other factors to consider when reviewing their successfulness? On the other hand, I chose Amazon as the sample of the research, because a case study strategy that allows for a more detailed presentation of an organization that provides an explanation and at the same time an answer to the research question.

**As mentioned, there has been an increase in online commerce and trade due to the pandemic, so I also expect the results of my research to confirm this.**

**My thesis is a compilation containing *only* publicly available information.<sup>1</sup>**

My thesis reviews the effect of the COVID-19 pandemic considering their effects on the society and the consumer behavior. I will summarize how the international markets reacted on the pandemic and the effects. As an analysis of the Global Trade in the 2020 and 2021 pandemic situation, first I review the rationalism of the Multinational Enterprises (MNE) and I introduce the FDI and its effects. I provide information about Trade globalization via FDI and MNE's. I present the International Trade regulation bodies, their achievements and evolution (ITO/GATT/WTO). Focusing on Amazon.com Inc, I introduce the entity evolution from the start, and explaining the various business segments and geographies the entity has activities with. The research consists of information from web sources, Amazon publication from Amazon.com, and books read about Amazon.com Inc. I analyze the financial data of Amazon.com Inc considering the volume changes related to the Pandemic period. The financial information taken and analyzed from Amazon.com Inc from the following sources:

- Annual Reports and shareholder letters published on Amazon.com
- Quarterly results published on Amazon.com
- Sec filings published on Amazon.com
- Press releases published on Amazon.com
- Online public events: Q2/Q3/Q4 Amazon.com, Inc. earnings conference calls

**The summary of my thesis is looking for an answer for the trade reconsideration from offline to online space, considering the competitiveness of global companies, and already had solutions in place to run their operations in a remote mood. In my thesis I analyze if the successfulness of the global online trade is only a luck of the circumstances or if the global entities could have a benefit about these experiences?**

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<sup>1</sup> The thesis only contains publicly available information. No classified, critical or restricted business information shared considering the signed non-disclosure agreement related to my employment with Amazon.com Inc. or its subsidiaries.

# THE COVID-19 PANDEMIC

## Introduction of COVID-19 pandemic

As the Earth's population continues to grow and the environment around us undergoes more and more effects, biological phenomena also occur, sometimes in a repetitive manner. Such is the case with the pandemic, which has a long history, as it is not the first. There are always new and new types of viruses for which medicine is not yet prepared, and their prevention is inevitable. Although lessons can be learned from previous epidemics and consequences drawn, in order to prevent them with preventive measures, it is not possible to prepare in advance for all of them. Based on the study of McKibbin and Fernando epidemics can have a number of effects on the life of an economy. In such cases, economies have to bear additional costs in order to be able to take the necessary health measures. A more detailed study of previous epidemics points out that during these times, consumption may fall significantly, business operating costs may increase and there could be disruptions not only within borders but also in international relations and trade. As a result, open economies are typically more exposed to international shocks. However, in the current epidemic, we also have to face the fact that in order to maintain health, people are even obliged to maintain social distance, which makes it difficult otherwise and difficult social and business relationships and activities. Adequate health care is an additional challenge for poorer developing countries.<sup>2</sup>

Nowadays, we are right in the middle of a pandemic that we cannot estimate how long it will last and what the medium and long-term effects will be. Nor can we accurately estimate - we have only conjectures - how human behaviors and relationships change from a social perspective. From an economic point of view, we can only rely on the results of recent months, how it has affected households, companies, the financial sector, but even the entire economy of a country, and what the end result will be if the epidemic ends.

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<sup>2</sup> McKibbin, W. J., and Fernando, R. (2020) The global macroeconomic impacts of COVID-19: Seven scenarios, Australia Research Council Centre of Excellence in Population Ageing Research (CE170100005)

For this recent period, it can be said that people were less interested in investing, more in savings, and this, as in all crises, led to a decline in demand in the economy. Jobs have disappeared, making people pay even more attention to their consumption, so instead of spending on convenience products, many have spent on basic necessities, both food and hygiene. Also in the business sector, many were forced to close temporarily or permanently, so the limited operation did not require the retention of the workforce, which led to the said job loss.

Market participants who continued to provide or were able to secure their business activities faced additional challenges in addition to restrictive measures. Almost everyone had to put a lot of emphasis on health and safety, despite the fact that physical contact was limited. Many faced problems due to supply chain disruptions, e.g., they did not receive raw materials, did not receive the finished product to be marketed, there were jams and delays in deliveries.

The health sectors, on the other hand, had to go beyond having to work, and those working in the sector had to work long hours, so they have to work to this day. In contrast, hospitality and tourism, which have fallen to such an extent due to austerity, both demand and supply, will find it difficult for these sectors, and thus their economies, to return to pre-epidemic levels. However, job losses not only worsen people's financial situation, but also worsen social standards, increasing insecurity, stress and feelings of insecurity.<sup>3</sup>

The epidemic caused by Covid-19 has harmed every economy in the world, regardless of income levels. It has significantly affected both low- and higher-income nations. According to a study by UNIDO<sup>4</sup>, there is considerable inequality and asymmetry in the spread of the epidemic and in severe cases. For example, there are African countries with very low-income levels and poverty, yet the pandemic has not had such a severe impact. But a low case rate does not necessarily mean that the virus has a low economic impact in a given

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<sup>3</sup> Donthu, N. and Gustafsson, A. (2020) Effects of COVID-19 on business and research, *Journal of Business Research*, Vol. 117, September 2020, pp 284-289

<sup>4</sup> UNIDO (2020) Coronavirus: the economic impact – 10 July 2020 A health pandemic or a pandemic for the economy? April 2020 and some early evidence of firms' perceptions [Online] Available at: <https://www.unido.org/stories/coronavirus-economic-impact-10-july-2020> (Accessed: 19 April 2021)

country. According to the Hall-Smith, senior financial writer<sup>5</sup>, while in developed countries, including the UK, the United States is expected to contract GDP around 7%, while in developing countries and emerging markets it is around 2.5%. Given the global presence of the epidemic, there is a setback and recession in many countries, regardless of whether the countries are less affected. Low-income countries are already vulnerable due to their social and economic circumstances and are less able to respond to a crisis. At the same time, the epidemic is hampering international relations and the global supply chain, and problems or shortcomings are constantly emerging. The epidemic thus affects exports, imports, production, employment, and so on.<sup>6</sup>

Of course, each government has tried and is trying, in accordance with its own capacities and discretion, to take measures to curb the epidemic and provide support to sectors in difficulty. But each country's action is thus trying to push the epidemic into the background and provide support to economic operators, using different approaches. However, like many other crisis situations and thus the current pandemic, it is forcing people to change their habits so far. Thus, societies need to adapt, which leads to the formation and acceptance of the new normal.<sup>7</sup>

### **Consumer behavior during the epidemic**

From a social point of view, societies and members are cut off from each other at the moment, with the goal of staying home to reduce the number of physical contacts and thus, distance must also be respected for health reasons. However, people are social beings, so confinement and isolation have a negative effect on people's feelings, possibly even leading to depression. In some severe cases, violence within the family also appears. Though, the

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<sup>5</sup> Hall-Smith, W. (2020) The economic impact of coronavirus across the globe [Online] Available at: <https://www.ig.com/en-ch/news-and-trade-ideas/the-economic-impact-of-coronavirus-across-the-globe-200807> (Accessed: 19 April 2021)

<sup>6</sup> UNIDO op. cit. (page 9)

<sup>7</sup> Donthu, N. and Gustafsson, A. op. cit. (page 9)

positive effect is that there may be more time left to possibly develop new skills, people can relax more, read, learn new things that are just the focus of their interest.

Another significant feature of society and people's behavior is that their shopping habits have also changed. With the onset of the crisis, people mainly bought basic food and cleaning products and vitamins; panic shopping began in some places. Although, contrary to people's expectations, stores selling basic products have not closed, panic shopping declined over time. Another characteristic and shows soaring growth trend in shopping habits is online shopping. Although an increase in the use of social media is also typical, and in some cases, it has a negative impact on people because virtual connections have a distorting effect instead of physical connections. However, the necessary products and tools to purchase online, virtual space provides extraordinary opportunities for people today.<sup>8</sup>

In the case of today's crisis, it can be said that from the customer side, therefore customers are today more conscious, able to differentiate between good and bad decisions for them. And in all of this, they are now greatly helped by the technology, which shows a jump in usage activity compared to previous years, and consumers are also taking advantage of the available options.<sup>9</sup> Worldwide, still, a novel customer is evolving, as these transformations that are now taking place are not short-term but long-term. New shopper segments are developing, but the supply side is also changing based on these. New clients are digitally competent and have earlier practices, and organizations and businesses reply with higher innovation.<sup>10</sup> According to the KPMG survey the key drivers in the alteration of the customer customs because of the Covid-19 are the following: value for money (63%), easy of buying (42%), trust in the brand (41%), safety (40%), range of products and services (37%), customer experience (35%), staff policy (19%), direct communication (19%), brand's value (18%), support for local communities (18%), brand's social conscience (18%), brand's approach to the environment (17%), personalization (14%). With the income

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<sup>8</sup> Donthu, N. and Gustafsson, A. op. cit. (page 9)

<sup>9</sup> Pwc (2020a) COVID-19 and the banking and capital markets industry [Online] Available at: <https://www.pwc.com/us/en/library/Covid-19/coronavirus-banking-and-capital-markets.html> (Accessed: 20 April 2021)

<sup>10</sup> KPMG (2020) Consumers and the new reality [Online] Available at: <https://assets.kpmg/content/dam/kpmg/xx/pdf/2020/09/consumers-and-the-new-reality.pdf> (Accessed: 22 April 2021)

of the population declining, it also has a psychological impact on people, but in addition, existing income needs to be regrouped so that they can buy the most necessary goods and services. This creates the new segments. Considering the digital banking, the key factors are the followings globally. The most customers expect the digital security, their rate is 41%. It is followed by prioritization of vulnerable (34%), advice to avoid online fraud and scams (33%), better functionality on website and app (31%), proactive communication (30%).

According to a global survey of EY, 57% of consumers use less cash, credit card use has increased 7%, online payment instruments have increased 14%, and debit card use has increased 10% since the outbreak. In cases where shoppers still opted for physical appearance and contact, contactless pay increased by 34%. In addition, 20% of respondents of the survey will continue to prefer the cashless payment option. As with purchases, consumers will look at the opportunities offered by these banks when using banking services.<sup>11</sup>

### **International Markets during the epidemic**

According to the McKibbin and Vines, the influence of coronavirus on the global economic activity is the greatest one since the South Sea Bubble in 1720. Therefore, first of all, there are several results of infections and deaths in different countries of the world. Considering the performance of the economies, the following can be stated.<sup>12</sup>

According to Jackson et al., the global growth slowed to -4.5% in 2020, and by 2021 the rate of partial recovery will be between 2.5% - 5.2%. By 2024, significantly developed countries, which account for 60% of the global world, will still operate below potential productivity. Although there was a significant global recovery in the second half of 2020, the recovery from the crisis will take years to come due to the drastic decline in the first half

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<sup>11</sup> Bellens, J. (2020) Four ways COVID-19 is reshaping consumer banking behavior [Online] Available at: [https://www.ey.com/en\\_gl/banking-capital-markets/four-ways-Covid-19-is-reshaping-consumer-banking-behavior](https://www.ey.com/en_gl/banking-capital-markets/four-ways-Covid-19-is-reshaping-consumer-banking-behavior) (Accessed: 21 April 2021)

<sup>12</sup> McKibbin, W. J., and Fernando, R. op.cit. (page 8)

of the year.<sup>13</sup> The report of the United Nations<sup>14</sup> also confirmed that the global downturn and interruptions in the global supply chains have resulted in a significant economic downturn. According to the study, world output fell by 4.3%, economic growth in developing countries fell by 2.1%, while that of developed countries fell by even more, by 5.8% due to the pandemic's enormous consequences for trade and development.

On the other hand, there was a huge influence of COVID-19 on the global trade, including export and import. The average decrease of agricultural export in agricultural countries was 21,15%. Moreover, 74,51% of companies faced a cancellation of the orders.<sup>15</sup> Nonetheless, such decline in export was, indeed, motivated by the governmental restrictions and regulations. Taking into consideration the global trade, according to the WTO<sup>16</sup>, in 2020 the global trade declined by 9.2%, but 7.2% increase can be expected in 2021 on global level. In Europe, the export volume decreased by 11.7%, and the expected increase is 8.2% by 2021. In North America, these values are -14.7% and +10.7%. The Asian region has experienced the slightest change, -4,5% decline in 2020 and +5.7 increase in 2021. Considering the values of the imports, in Europe 10.3% decrease was reported in 2020 and expected 8.7% increase in 2021. In North America, the decline in 2020 was 8,7%, 6.7% growth is expected in 2021. The Asian region has had 4.4% decrease, and +6.2% increase is predicted for 2021.

With the disruption of global chains, the economies of many of their countries, and within that, their production, manufacturing and service units, have found themselves in a difficult situation, so it is natural that this has caused a slowdown in the economy. However, with the restrictions, the authorities have also made the situation of business and international

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<sup>13</sup> Jackson, J. K., Weiss, M.A., Schwarzenberg, A.B., Nelson, R.M., Sutter, KM. and Sutherland, M.D. (2021) Global economic effects of Covid-19. Congressional Research Service, CRS Report R46270

<sup>14</sup> UN (2020) Impact of Covid-19 Pandemic on Trade and Development, United Nations: Geneva

<sup>15</sup> Lin, B. X., and Zhang, Y. Y. (2020). Impact of the COVID-19 pandemic on agricultural exports. *Journal of Integrative Agriculture*, Vol. 19. No. 12 pp. 2937-2945.

<sup>16</sup> WTO (2020b) Trade shows signs of rebound from COVID-19, recovery still uncertain, World Trade Organization [Online] Available at: [https://www.wto.org/english/news\\_e/pres20\\_e/pr862\\_e.htm](https://www.wto.org/english/news_e/pres20_e/pr862_e.htm) (Accessed: 19 April 2021)

trade more difficult by closing borders. Nevertheless, there are some industries that have come out profitably as a result of the epidemic.<sup>17</sup>

## **The winners of the pandemic**

Within the countries, too, many industries were damaged by the epidemic, and major brands also went bankrupt, with the economy shutting down and shoppers not buying in person as before. In the U.S., for example, there has been extreme financial pressure on well-known brands such as Sears, Hertz, J. Crew, and so on.<sup>18</sup>

In terms of sectors, there are sectors that have perceived the effects of the epidemic very negatively. The hotel, catering and tourism sectors have introduced nearly 80-90% workforce reductions in some locations, and their revenues in 2020 have lagged far behind those of previous years. There were downturns and backlogs in other sectors, such as various residential services, hairdressing, cosmetics, gyms, entertainment industry (museums, cinemas). In many places, the automotive and electronics industries collapsed. These companies have not been able to prepare and could not have prepared very much for this emergency, and these businesses still face serious challenges today.

However, Internet businesses that engage in online activities, commerce, services, education have opened up new opportunities for them. The growth of these services has shown that digital activities have a lot of potential and that the market is extremely dynamic, able to change and adapt quickly to change. Within a limited time, these virtual units were able to respond extremely quickly and provided an immediate solution to the problem.<sup>19</sup> Thus, digital opportunities have also contributed to the reduction of physical contacts.

As a result of increased online purchases, there has been a greater demand for another sector, the supplier, delivery sector. Although previous experience has shown that there has been

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<sup>17</sup> Pwc (2020b) Overtime instead of mandatory leave - Who are the winners of COVID-19? [Online] Available at: [https://www.pwc.com/hu/en/kiadvanyok/assets/pdf/PwC\\_elemzes\\_covid\\_nyertesek\\_EN.pdf](https://www.pwc.com/hu/en/kiadvanyok/assets/pdf/PwC_elemzes_covid_nyertesek_EN.pdf) (Accessed: 19 April 2021)

<sup>18</sup> Donthu, N. and Gustafsson, A. op. cit. (page 9)

no typical demand to buy food online, the epidemic has changed this demand for consumers. Previously, food was not purchased online for two reasons:

1. customers did not trust, especially in the case of fresh products, that someone else would choose the right and fresh product for them
2. buyers are reluctant to pay for shipping.

With the outbreak, this was no longer such a problem for shoppers, and in many households, buying food online has become the preferred mode.<sup>20</sup>

**To understand the effects of COVID-19 on international trade it is necessary to understand the participants and the environment of international trade, including the multinational enterprises (MNE), the structure regulating International Trade or the International Trade regulators (GATT, WTO), and the various metrics which are representing the global trade such as Foreign Direct Investment (FDI).**

## **MULTINATIONAL ENTERPRISES**

### **Foreign Direct Investment**

To understand the role of an Entity in the international or global trade this is essential to review the interconnections between international trade and foreign direct investment (FDI), multinational enterprises (MNE) strategy and structure, and the impact of FDI on the competitiveness, growth and development.

Historically the territorial expansion of a company production outside its national boundaries have been achieved by FDI. FDI from an entity point of view typically means

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<sup>20</sup> Pwc (2020b) op. cit. (page 14)

the transfer of assets, intermediate products but this is not only materialized but could mean financial capital, management and organizational expertise, technology, processes, structure, cultural norms, further could mean brand, reputation. The transfer of this FDI's does not involve any change in the ownership, the power of control and the decision making over the use of the transferred resources remain in the hand of the investing entity.

Boundaries of an MNE are defined by its ownership. In case we are talking about shared ownership of a MNE with another entity or another organization regardless of if it is private or public, the majority of the shares provide the legal right to control the decisions taken by the joint venture.

MNE's participation in the global economy could be analyzed via various data sources available, such as:

- IMF – Balance of Payments Statistics Yearbook
- UNCTAD – United Nations Conference on Trade and Development – World Investment Report / World Investment Directory
- OECD/Eurostat/World Bank publications
- Bureau of Economic Analysis (United States)

We have to differentiate inward and outward FDI's. Outward FDI in most of the case targeting to invest into neighboring territories – to use their competitive advantages, or those territories that their home country have the closest economic, political linguistic and cultural background.

Samples for outward FDI's:

- Canadian investments targeting the Americas
- Indian investments targeting the Asian markets
- Spanish and Italian MNE's have a higher propensity in Latin America than any other European MNE's
- Austrian entities are targeting Central-Eastern Europe

The Inward FDI approaching differently, FDI received by developed countries are originated from other developed countries, whereas FDI in developing countries are mostly originated from developing countries within the same territory.

To understand the footprint of the MNE's globally and the global FDI inflow and outflow we should review the global FDI flow data.<sup>21</sup>

Table I. FDI inflows by region and selected economy (1990-2019)

(Millions of dollars)

Region/economy	1990	2000	2010	2015	2019
<b>World</b>	204 886	1 356 611	1 396 203	2 041 770	1 539 880
<b>Developed economies</b>	170 167	1 119 100	710 394	1 274 405	800 239
<b>Europe</b>	102 630	707 413	441 247	719 505	429 213
<b>European Union</b>	95 561	680 297	394 082	645 446	446 896
Austria	653	8 501	2 576	1 488	4 643
Belgium	-	-	57 583	28 331	9 707
Belgium / Luxembourg	8 047	88 739	-	-	-
Bulgaria	4	1 016	1 549	2 220	1 223
Croatia	-	993	1 172	91	1 365
Cyprus	127	838	33 430	23 946	24 248
Denmark	1 132	33 823	-8 977	3 616	930
Estonia	-	391	1 509	36	3 044
Finland	645	8 834	7 359	2 109	8 170
France	16 506	27 495	13 890	45 365	33 965
Germany	2 962	198 279	65 643	30 541	36 359
Greece	1 005	1 108	330	1 268	4 631
Hungary	554	2 764	2 353	-14 537	5 205
Ireland	622	25 779	42 804	217 869	78 234
Italy	6 345	13 375	9 178	19 635	26 569
Latvia	-	328	420	734	789
Lithuania	-	379	1 020	1 054	975
Luxembourg	-	-	39 129	12 500	-11 421
Malta	46	582	5 409	5 069	3 573
Netherlands	11 063	63 855	-7 184	178 990	84 216

<sup>21</sup> Dunning, J.H. and Lundan, S.M. (2008) *Multinational Enterprises and the Global Economy*, 2nd Edition, Cheltenham: Edward Elgar

Poland	88	9 445	12 796	15 271	13 220
Portugal	2 363	6 560	2 912	7 630	8 234
Romania	0	1 057	2 997	3 840	5 971
Slovakia	93	2 720	1 770	106	2 449
Slovenia	4	137	105	1 675	910
Spain	10 797	39 575	39 873	8 558	12 406
Sweden	1 971	23 433	97	8 390	20 568
United Kingdom	30 461	115 304	58 200	39 186	59 137
Czech Republic	72	4 985	6 141	465	7 577
<b>Other developed</b>					
<b>Europe</b>	7 070	27 116	47 165	74 059	-17 683
<b>North America</b>	56 004	380 802	226 449	511 461	296 547
Canada	7 582	66 795	28 400	43 836	50 332
United States	48 422	314 007	198 049	467 625	246 215
<b>Other developed economies</b>	11 532	30 885	42 698	43 439	74 479
<b>Developing economies</b>	<b>34 649</b>	<b>231 586</b>	<b>622 011</b>	<b>729 889</b>	<b>684 723</b>
<b>Africa</b>	2 845	9 651	46 578	57 564	45 368
<b>North Africa</b>	1 155	3 250	15 746	12 327	13 679
<b>Other Africa</b>	1 690	6 401	30 832	45 238	31 689
<b>Asia</b>	22 973	142 031	412 815	514 308	473 898
<b>East and South-East</b>	21 964	133 547	314 806	431 871	388 554
<b>East Asia</b>	9 143	111 795	201 800	317 636	232 753
<b>South-East Asia</b>	12 821	21 751	113 006	114 235	155 801
<b>South Asia</b>	213	4 866	34 863	51 221	57 429
<b>West Asia</b>	796	3 618	63 146	31 215	27 915
<b>Latin America and the Caribbean</b>	8 537	79 787	160 670	156 412	164 236
<b>South America</b>	5 044	57 059	124 022	106 505	117 185
<b>Central America</b>	3 056	20 612	33 669	46 495	43 069
<b>Caribbean</b>	437	2 116	2 979	3 412	3 983
<b>Oceania</b>	293	116	1 948	1 604	1 221
<b>Transition Economies</b>	<b>71</b>	<b>5 924</b>	<b>63 798</b>	<b>37 476</b>	<b>54 917</b>
<b>South-East Europe</b>	67	557	4 604	4 937	7 213
<b>CIS</b>	4	5 236	58 349	30 810	46 437

(Source: UNCTAD<sup>22</sup>)

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<sup>22</sup> UNCTAD (2021) FDI/MNE database [Online] Available at: [www.unctad.org/fdstatistics](http://www.unctad.org/fdstatistics) [Accessed: 19 April 2021)

Foreign direct investment inflow is the value of an investment flowing into the economy of a given country, thus coming from foreign investors. These foreign equity investments include, in addition to the financial assets of foreign investors, assets and liabilities transferred, including the assets of foreign parent companies in the case of subsidiaries in the host countries.

FDI inflows includes investments that are cross-border and have significant control and influence in the given organization in the host country. This is what distinguishes it from passive foreign portfolio investment. The value is 10%, but there are cases or countries where the 10% threshold is not applied. For example, there are cases where some companies, although having a smaller proportion of voting shares, still have extensive control and influence in the host country, thus qualifying as FDI.

In many cases, FDI is used because it benefits the investor and also provides incentives from the host country. Benefit can be market diversification, subsidies and tax breaks in the host country, low labor costs. Of course, the host country can also benefit from FDI, as it has a positive impact on economic development, increases employment, and foreign technology can provide new technology and expertise and skills.

On the other hand, the negative thing for the host country is that the profits generated are taken away from the country, and at the same time, as the number of market participants increases, the competitive situation also intensifies, and local businesses are crowded out. However, the removal of profits is already considered an outflow of capital.<sup>23</sup>

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<sup>23</sup> CFI (2021) What is Foreign Direct Investment (FDI)? [Online] Available at: <https://corporatefinanceinstitute.com/resources/knowledge/economics/foreign-direct-investment-fdi/> (Accessed: 19 April 2021)

Foreign capital investment has a significant impact on a country's economy. There is a linear relationship between a country's economy and FDI. The larger the amount of investment made in a country over a given period, the more it contributes to the country's growth, it has a GDP-increasing effect, that support the economic growth.

From the FDI data above we can realize that FDI inflow have constantly grown until 2015. The worldwide FDI inflow level compared to 1990 have grown by 662% to 2000, and by 997% by 2015.

After reviewing the FDI inflow direction we can recognize that still marginal FDI flowing into Transition economies (less than 3%) but directed into developed and developing economies. Whereas in the 1990's and in the 2000's the FDI inflow targeted the developed economies (1990 – 83.1%, 2000 – 82.5%) the trend has changed after 2000 and targeted developing economies (2010 - 44.6%, 2015 - 35.7%, 2019 - 44.5%).

The following table present the FDI outflows.

Table II. FDI outflows by region and selected economy,(1990-2019)

(Millions of dollars)

Region/economy	1990	2000	2010	2015	2019
<b>World</b>	243 875	1 163 731	1 396 034	1 708 088	1 313 770
<b>Developed economies</b>	<b>230 767</b>	<b>1 071 786</b>	<b>988 493</b>	<b>1 275 585</b>	<b>916 879</b>
<b>Europe</b>	140 955	846 102	591 298	806 049	474 994
<b>European Union</b>	132 184	791 534	484 244	684 898	455 245
Austria	1 701	5 509	9 585	7 029	10 578
Belgium	-	-	576	55 199	19 707
Belgium / Luxembourg	6 314	86 362	-	-	-
Bulgaria	-3	3	313	167	332
Croatia	-	4	99	-142	231
Cyprus	5	169	33 872	39 280	14 053
Denmark	1 482	26 549	1 372	9 420	16 045
Estonia	-	61	167	182	1 967
Finland	2 217	24 030	10 167	-16 084	4 569
France	38 302	161 948	48 155	53 218	38 663
Germany	24 235	57 086	125 451	99 025	98 700
Greece	11	2 137	1 557	1 578	438
Hungary	-	620	1 233	-16 110	2 626
Ireland	364	4 629	22 348	168 480	18 103
Italy	7 614	6 686	32 685	21 644	24 934
Latvia	-	10	19	68	-161
Lithuania	-	4	42	369	153
Luxembourg	-	-	23 253	17 314	1 482
Malta	-	20	-410	-5 163	-7 163
Netherlands	14 372	75 634	68 358	247 737	124 652
Poland	5	17	6 147	4 996	2 132
Portugal	148	8 055	-9 456	5 226	-470
Romania	18	-13	-50	562	38
Slovakia	-	41	946	6	153
Slovenia	-	66	-18	267	135
Spain	2 685	58 213	37 844	41 926	24 135
Sweden	14 746	40 907	20 730	13 037	22 814
United Kingdom	17 948	232 744	48 092	-66 821	31 480
Czechia	-	43	1 167	2 487	4 918
Czechoslovakia (former)	20	-	-	-	-
<b>Other developed Europe</b>	8 770	54 568	107 054	121 151	19 749
<b>North America</b>	36 219	187 304	312 502	331 799	201 501
Canada	5 237	44 678	34 723	67 440	76 602
United States	30 982	142 626	277 779	264 359	124 899
<b>Other developed economies</b>	53 593	38 380	84 693	137 737	240 384

<b>Developing economies</b>	13 108	88 778	357 035	400 401	373 102
<b>Africa</b>	658	1 548	10 514	6 444	5 337
<b>North Africa</b>	135	248	4 781	1 364	1 887
<b>Other Africa</b>	523	1 300	5 733	5 080	3 449
<b>Asia</b>	11 076	78 998	291 698	372 364	327 588
<b>East and South-East Asia</b>	11 982	75 534	257 806	324 000	279 798
<b>East Asia</b>	9 654	66 538	194 475	255 020	223 758
<b>South-East Asia</b>	2 328	8 996	63 330	68 980	56 039
<b>South Asia</b>	65	540	16 291	7 816	12 284
<b>West Asia</b>	-972	2 924	17 602	40 548	35 506
<b>Latin America and the Caribbean</b>	1 364	8 212	54 697	21 703	41 598
<b>South America</b>	1 109	8 020	39 822	9 669	30 930
<b>Central America</b>	226	93	14 817	11 872	9 916
<b>Caribbean</b>	29	99	58	163	752
<b>Oceania</b>	10	20	127	-110	-1 421
<b>Transition Economies</b>	-	3 167	50 507	32 102	23 788
<b>South-East Europe</b>	-	1	321	525	568
<b>CIS</b>	-	3 163	50 051	31 267	22 939

(Source: UNCTAD<sup>24</sup>)

FDI outflows go in the opposite direction to the aforementioned process, i.e., foreign direct investment, which is a payment to external economies. Includes transferred liabilities and assets that are the outward values of domestic direct investors outside the financial asset. In this case, too, it must be true that there must be a direct relationship between the parent company and the subsidiary where control and influence are significant.

FDI Outflows follow similar trend to FDI inflow, with a peak in 2015. Although developing economies FDI outflows increasing, but over the period reviewed, the FDI outflow departed from developed economies (1990 – 94.6%, 2000 – 92.1%, 2010 – 70.8%, 2015 – 74.7%, 2019 – 69.8%).

The foreign activities thru FDI of domestic MNE's are becoming increasingly important component of the GDP in the countries globally. In 1967 the value of the inward and

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<sup>24</sup> UNCTAD (2021) FDI/MNE database [Online] Available at: [www.unctad.org/fdstatistics](http://www.unctad.org/fdstatistics) [Accessed: 19 April 2021)

outward FDI of all countries was only 7.8% of the world GDP. By 1980 it was growth to 11.5%, by 1990 to 17.3% and by 2005 46.6%

Table III. The world's top 10 non-financial MNEs, ranked by foreign assets, 2019

Ranking by:				(Millions of dollars and number of employees)						
				Assets		Sales		Employment		TNI (%)
Foreign assets	TNI <sup>25</sup>	Corporation	Home economy <sup>26</sup>	Foreign	Total	Foreign	Total	Foreign	Total	
1	19	Royal Dutch Shell plc	GB	376 417	402 681	276 518	331 684	59 000	83 000	82,6
2	46	Toyota Motor Corporation	JP	307 538	485 422	187 768	275 390	227 787	359 542	65
3	22	BP plc	GB	259 860	295 194	215 203	278 397	58 900	72 500	82,2
4	41	Softbank Group Corp	JP	253 163	343 306	29 286	56 910	55 272	74 953	66,3
5	27	Total SA	FR	249 678	273 865	137 438	175 985	71 456	107 776	78,5
6	54	Volkswagen Group	DE	243 469	548 271	227 940	282 776	374 000	671 000	60,3
7	17	Anheuser-Busch InBev NV	BE	192 138	237 142	44 352	52 251	148 111	171 915	84
8	29	British American Tobacco PLC	GB	184 959	186 194	25 232	32 998	31 196	53 185	78,2
9	56	Daimler AG	DE	179 506	339 742	163 875	193 357	124 842	298 655	59,8
10	60	Chevron Corporation	US	172 830	237 428	75 591	140 156	22 800	48 200	58
59	83	Amazon.com, Inc.	US	67 166	225 248	85 384	280 522	237 953	798 000	30

(Source: UNCTAD<sup>27</sup>)

The TNI – Transnationality index is published by UNCTAD since 1995. The index consists of the average of 3 ratios:

- Foreign sales to total sales;
- Foreign assets to total assets;
- Foreign employment to total employment.

The TNI well represent the FDI of the given MNE's. The highest TNI % values are in the sector of mining, paper and building materials industry with an average level of 80% of TNI.

<sup>25</sup> TNI, the Transnationality Index, is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment

<sup>26</sup> Country 2 letter ISO code

<sup>27</sup> UNCTAD data source - Preliminary results based on data from the companies' financial reporting; corresponds to the financial year from 1 April 2019 to 31 March 2020.

The motivation behind the MNE's global expansion via FDI is led by various reasons. MNE's reason for FDI:

- a. Natural resource availability
- b. Seeking for foreign markets
- c. Seeking for efficiency via synergies
- d. Asset and capability advantages of the foreign market.<sup>28</sup>

The natural resource seekers prefer to purchase particular or specific resources, or a higher quality resources for a lower price than in their home country. This is generally increasing the MNE profitability and provide competitive advantage in the markets its serve.

The primary focus of the resource seekers includes minerals, fossil fuels, industrial minerals, metals and agriculture products which require the complementary capabilities and markets that the MNE primarily serves. Some FDI also correlated to the location-bounded resources such as fossils – oil, coal and gas, metals where it is correlated to the natural resources, or by the location bounded agriculture and agriculture related products such as rubber, tobacco, sugar, palm oil, coffee and tea. Once this FDI have been made, it is location bounded.

The resource seeker MNE's not only seeking for natural resources or location bounded physical capabilities. The resource seeking MNE's also seeking for cheap unskilled and semi-skilled labor. This is primarily taken from MNE's home countries which having high real labor cost or provide or supply labor intensive intermediate of final products.

These countries include but not limited to Mexico, Taiwan and Malaysia, but we can find this countries Eastern-Europe such as Romania, Bulgaria. If the labor cost rise, the production is easily shifted further to China, Vietnam, Turkey or Morocco.

An additional resource seeker type is when the MNE require technological capability, management and organizational skills. We can find some good samples or the Korean or

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<sup>28</sup> Taxonomy by Jack Behrman (1972) mentioned in book of Dunning and Lundan (2008) Multinational Enterprises and the Global Economy

Indian entities which have placed their Research and Development activities in Germany or in the United Kingdom.

The market seekers have approach the FDI differently. In most of the case this is developed from an export situation where the MNE provided goods and services from their home country. When the tariff or other cost raising elements are negatively affect the export from the home country, or the size of the market activity justify the local production this may become the justification of the FDI. Sometimes the FDI of an MNE related to local production also generate the need for the suppliers and the customers to set-up a local manufacturing subsidiary to support their partners which have decided to move their production to a different location.

An additional reason for the market seekers local production is to set a product which support the local needs or local capabilities, or it is important to build a global presence or global brand including major markets.

### **Multinational Enterprises' strategy and structure**

Multinational Enterprises – MNE-s are creator, accessor and transferor of a bundle of resources and competencies, which are typically includes financial capital as well as technology – such as Research and Development capacity as well as processes or organizational skills.

MNEs, for example, play a major role in their decisions as to whether to enter a market abroad, to what extent they can take advantage of them. But it also depends on how effectively MNEs can organize their processes and activities, how effective the hierarchical and structural organization of the firm is. It should be questioned and examined to what extent it can integrate in the target market, whether it is necessary to enter the new market at all, how successful it is to establish a valuable relationship system with customers and suppliers in the foreign market, and how well it can comply with legislation and regulatory challenges. They should expect that incentives may be dampened, meaning that an incentive can only be enforced after some condition or goal has been met. The goals may not be

achieved as planned, or there may be differences in cost and efficiency; these also can be obstacles and challenges for the enterprise.

There is a growing trend in the implementation of some activities in the form of outsourcing, which initially started mostly with services, but over the years other sectors have also started to use the method of outsourcing, such as transport, logistics, manufacturing, customer service. This is also beneficial for MNEs, as these companies outsource tasks and activities to competent, capable organizations, and there may even be cost-effective solutions in the relevant market, so it is worth assessing them thoroughly in advance.<sup>29</sup>

According to the publication of Dunning and Lundan, in their book they also cover the management possibilities of MNEs. Companies need to take into account that not only the right choice of market technique is crucial, but also the manufacturing market has significant effects. One typical approach is the resource-based approach, which considers the availability of resources to be authoritative. Not only does this mean owning the resources, that is, the necessary assets, and it keeps them considering it, the approach is that it can even give the company a competitive advantage. In addition, the accumulation of resources and the optimal use of the capacities of the assets can be considered important.

The other significant approach is knowledge based - theory, i.e., the creation, transfer and development of knowledge within the company. The more efficient this process, the more efficient the execution of tasks. Having the right communication tools available will help in the process of knowledge transfer and misunderstandings can be avoided. Although the production of knowledge involves a relatively new thing, it also brings with it uncertainty. It raises further doubts as to whether the recipient of the knowledge is willing to accept, acquire, and apply the knowledge effectively.

MNEs and their activities have undergone significant changes in recent years, but at the same time have developed rapidly. According to Raluca<sup>30</sup>, the strategy and structure of MNEs provide an opportunity to achieve their goals. According to Lekkerkert<sup>31</sup>, the set and

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<sup>29</sup> Dunning, J.H. and Lundan, S.M. op. cit. (page 17)

<sup>30</sup> Raluca, D. R. (2015). Growth strategies of multinational companies. *Economic Insights Review*, Vol. 4 No. 67. pp. 143-141.

<sup>31</sup> Lekkerkert, L.J. (2015) Structure and strategy; *Research Gate Review*, Vol. 4. No. 9.

implemented strategy itself determines the structure of MNEs. Wheelen and Hunger<sup>32</sup> also confirmed that structure plays a prominent role in the successful implementation of a strategy.

A well-designed strategy can help MNEs achieve their goals and also provide a competitive advantage over competitors. On the other hand, it shapes and forms the rate and pace of growth, especially in the case of a cross-border activity, but it also affects the complexity between the tactics, goals and activities used. MNEs can also gain experience in international arenas, whether in management, distribution or implementation.<sup>33</sup>

Blackwell has defined 5 organizational structures for MNEs, these are: international division structure, product class structure, territorial division structure, matrix or mixed structure, and worldwide functional structure, where their name also shows what the structure is based on. The international division structure is used by cross-border MNEs, which determines the relationship between their home and host companies. In the case of a product class structure, the variants of the product provide the basis, and the structure is decided on the basis of their development and production. The territorial-division strategy is determined from the geographical location and the operational tasks. The matrix strategy already focuses on several aspects, in addition to the efficiency of production, e.g., local and operational tasks play an important role. And the global functional structure is the basis of the structure of global companies. This explains why, in the case of MNEs, strategy and structure are closely related. In the case of MNEs, of course, several factors need to be considered for success, with internal and external values, capacities, and tasks all playing a prominent role in accurately defining strategy.<sup>34</sup>

As a result of globalization, cross-border strategies and goals have also evolved and a number of terms have been defined in relation to the strategies of MNEs. According to this, MNEs can be global businesses, multinational companies, transnational firms, international

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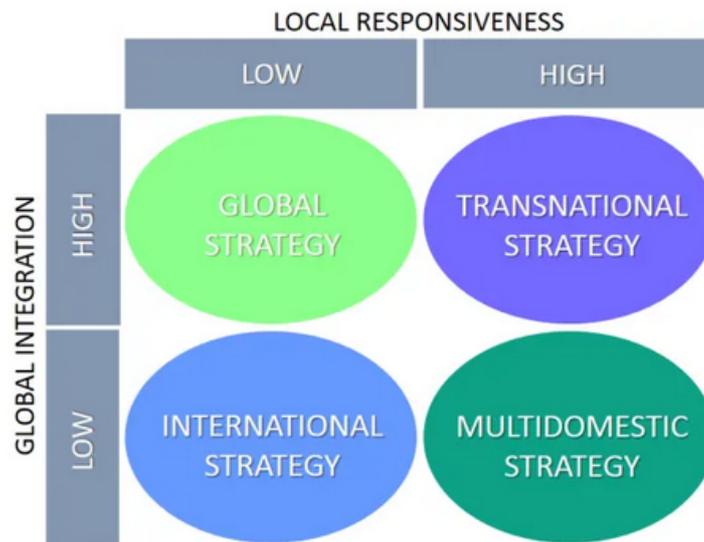
<sup>32</sup> Wheelen, T.L. and Hunger, J.D. (2006) Strategic management and business policy, 10th Edition, New Jersey: Pearson, Prentice Hall.

<sup>33</sup> Sanjo, O.M., Eze, B.U. and Akanni, K.A. (2019) Structure and Strategies of Multinational Enterprises in Nigeria, EMAJ Emerging Markets Journal, Vol. 9. No. 1.pp. 63-68

<sup>34</sup> Blackwell, R.D. (1997) Strategy, structure and performance of U.S-based multinational organization: A fit theory study. Doctoral dissertation, University of North Texas, USA

companies, and so on. Whereas in the past there was a view that a business is either trying to adapt only to local conditions or only trying to survive in the international market, nowadays this view no longer gives the real picture. The two activities cannot be mutually exclusive, their simultaneous application is feasible. Thus, four accepted strategies are currently applied to local and global strategies (Figure 1).<sup>35</sup>

Figure 1. Typology of Multinational Companies



(Source: Bartlett, C.A. and Ghoshal, S., 2017)

- Multidomestic strategy is characterized by low integration and high responsiveness. These companies seek to promote local needs worldwide by customizing the products and services they offer. They try to serve local needs everywhere, using unique marketing and sales tools. Mostly decentralized companies and the relationship between the parent company and its subsidiaries is loose, so the subsidiaries have more autonomy and are able to adapt to local needs.
- Global strategy is characterized by high integration and low responsiveness, which means that standardized products and services are sold worldwide. This is mostly due to cost minimization. The relationship between the parent company and the

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<sup>35</sup> Bartlett, C.A. and Ghoshal, S. (2017) International Business Strategy, [Online] Available at: <https://www.business-to-you.com/international-business-strategy/> (Accessed: 20 April 2021)

subsidiary is extremely supervised, the processes are centralized, everything is decided by the parent company.

- Transnational strategy is based on high integration and high responsiveness. It seeks to meet both global and local needs by considering the entire value chain. They are flexible and adaptable in marketing and sales activities. The relationship between the parent company and its subsidiaries is an interdependent, integrated network; the activities of the subsidiaries are the basis of the strategy. It operates as a kind of center where the company can exchange knowledge efficiently.
- International strategy is characterized by low integration and low responsiveness. It is also mostly referred to as an exporting strategy because products in the country of the parent company are passed on to subsidiaries across borders. It is less adapted to local and global needs. Subsidiaries thus have an intermediary role in the mainland and final consumer transactions.

**After the detailed review of Multinational Enterprises, it is necessary to review the environment where the MNE's operate. In the next chapter we review the international trade regulators.**

# INTERNATIONAL TRADE REGULATIONS

## Trade regulation institutions

Trade regulations, which focus on supporting cross-border trade and arranging friction, enable economic organizations to operate smoothly through economic integration and trade. Although some jurisdictions believe that these regulations impose additional costs on businesses and hinder free trade, the OECD is of the view that regulated trade and its oversight are important for creating, recognizing and reaping commercial, social and economic benefits. The development of regulatory policy, with the involvement of the parties and the control of activities, ensures better results and supports the implementation of international cooperation in a regulated manner.<sup>36</sup> International trade historically has been regulated by bilateral agreements between countries. In the past 20 years, globalization have generated the need for organizations which oversee and provide general guideline correlated to international or global trade. Developing countries have also opened up their economies to globalization and rapid technological development, but regulations to reduce trade barriers are already in place for them to create the right conditions and circumstances for them. Joining world economic integration seems to be an effective tool for many countries to get their economies to develop and living standards to rise, falling into poverty.<sup>37</sup>

The primary institutions which have been formed to handle international trade, which are now discussed in the present thesis:

- The General Agreement on Tariffs and Trade (GATT), and the successor is
- The World Trade Organization (WTO).

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<sup>36</sup> Basedow, R. and Kauffmann, C. (2016) International Trade and Good Regulatory Practices: Assessing The Trade Impacts of Regulation, OECD publication, OECD Regulatory Policy Working Papers No. 4 [Online] Available at: <https://www.oecd-ilibrary.org/docserver/5jlv59hdgtf5-en.pdf?expires=1618890948&id=id&accname=guest&checksum=44116EB1EC86F7889A7C029876C0BB> C4 (Accessed: 20 April 2021)

<sup>37</sup> IMF (2001) Global Trade Liberalization and the Developing Countries, International Monetary Fund [Online] Available at: <https://www.imf.org/external/np/exr/ib/2001/110801.htm> (Accessed: 20 April 2021)

## The General Agreement on Tariffs and Trade (GATT) – The International Trade Organization

After the second world war, the global economy development needed internationally accepted regulations. The reason was the export, which would support countries to increase their market size by having reduced the trade barriers. The agreement was created to set rules, and to end and restrict the quantitative trade limitations, including trade controls and quotas. The agreement also was created to help to eliminate legal disputes among nations, fostering multilateral negotiations for tariff barriers elimination.<sup>38</sup>

The General Agreement on Tariffs and Trade was originally signed on 30<sup>th</sup> of October 1947 by 23 countries at the United Nations Conference about Trade and Employment in Havana, Cuba. The draft agreement of ITO has included rules on employment, goods movement, business practices to limited or restricted, international investment definition and services regulations. As many nations have rejected to ratify ITO, only the GATT went live which was an agreement governing international trade.

During the 20<sup>th</sup> century GATT have concluded several adjustments, so called trade rounds.

The major modification elements of GATT, during trade rounds:

- 1950's: reducing tariffs on manufactured goods
- 1960's (Kennedy round): anti-dumping agreement, regulation on developments
- 1970's (Tokyo round): setting non-tariff barriers
- 1980's (Uruguay round): focusing on liberalization of agricultural trade, addressing services – which was not part of the initial concept, textiles and clothes sector. The modification of GATT was also introduced policies about intellectual property.
- 1995 – The WTO have created<sup>39</sup>

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<sup>38</sup> WTO (1998) General Agreement on Tariffs and Trade, WTO Agreements Series [Online] Available at: [https://www.wto.org/english/res\\_e/booksp\\_e/agrmtseries2\\_gatt\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/agrmtseries2_gatt_e.pdf) (Accessed: 20 April 2021)

<sup>39</sup> Love, P. and Lattimore, R. (2009) Trade Rounds and the World Trade Organization in International Trade: Free, Fair and Open, OECD Publishing, Paris.

## The World Trade Organization (WTO)

The WTO was created on 1<sup>st</sup> of January, 1995. The former GATT become the integrated part of the WTO. Other developments are the General Agreement on Trade in Services (GATS) which initiated to supervise and liberalize trade, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

The official definition of the WTO, the only organization that summarizes, coordinates, and oversees the rules of international trade. The goal of the organization is to allow trade to flow safely and smoothly between nations. It operates a set of rules that support the conclusion of trade agreements, which are decided by the governments and ministers of the countries. The WTO considers it a fundamental goal to make this form of trade accessible to all, and thus the principle of the multilateral trading system.<sup>40</sup>

The WTO have 6 objectives:

- To set and guarantee rules for international trade
- To be a forum for negotiating and monitoring further trade liberalization
- To be a forum to find solution for trade disputes
- To increase transparency in global trade and decision-making process
- To cooperate with other international organizations involved in global economic management
- To help developing countries to benefit from the global trading system.

WTO principles:

- Trade without discrimination: On the one hand, equal treatment of all people, which applies not only to people but also to trading partners. In the case of the most popular countries (MFN), it is also called the most-favored-nation treatment, which thus takes precedence under certain agreements. For example, an agreement between some countries that already excludes other countries from the benefits they define

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<sup>40</sup> WTO (2021a) The WTO [Online] Available at: [https://www.wto.org/english/thewto\\_e/thewto\\_e.htm](https://www.wto.org/english/thewto_e/thewto_e.htm) (Accessed: 20 April 2021)

may be allowed. On the other hand, this principle deals with national treatment, i.e., equal treatment of locals and foreigners. This means that whether it is an exported or an imported product, it is subject to the same rules as local products.

- Freer trade gradually, through negotiation. Defining the principle is that barriers to trade must be gradually reduced as a result of negotiations. As liberalization is gradual, there is time to adapt to change.
- Predictability through binding and transparency. In order to encourage investment, transparency and stability are needed in a given country, on which it can be based in the future, so that the business environment is predictable and not risky.
- Support of the fair competition, which allows tariffs and tariffs to be applied for defense purposes, but these restrictions must therefore apply to everyone in order to avoid distortions of competition on fair terms.
- Encouraging development and economic reform, which is a goal for all countries. In recent years, there have been examples of developed countries starting to export duty-free products from developing countries to help them, as well as they provide technical assistance for smoother trade.<sup>41</sup>

The WTO agreements cover the two largest areas, products and services, and the original 1995 conceptual framework is shown in Table IV.

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<sup>41</sup> WTO (2021b) Principles of the trading system [Online] Available at: [https://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/fact2\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm) (Accessed: 20 April 2021)

Table IV. The basic structure of the WTO agreements

	<b>Goods</b>	<b>Services</b>	<b>Intellectual property</b>	<b>Disputes</b>	<b>Trade policy reviews</b>
<i>Basic principles</i>	<b>GATT</b>	<b>GATS</b>	<b>TRIPS</b>	<b>Dispute settlement</b>	<b>TPRM</b>
<i>Additional details</i>	Other goods agreements and annexes	Services annexes			
<i>Market access commitments</i>	Countries' schedules of commitments	Countries' schedules of commitments (and MFN exemptions)			

(Source: WTO, 1998)

The WTO agreements first start with the basic principles, i.e., which category of GATT, GATS or TRIPS agreements they fall into. This is followed by a further agreement and annex specifying the sector, topic, category. In the case of goods, such as agricultural products, textiles and clothing, etc. In the case of services, such as telecommunications, financial services, transportation, etc. Finally, the detailed roadmaps, which are country-specific specifications for commitments and rights.

# AMAZON

## Overview of Amazon Inc

Amazon is one of the world's largest Internet businesses in terms of revenue, inspired in 1994 by Jeff Bezos' online book sales. Nowadays, the company sells all kinds of products from food to delivery of container houses. So, the company was started by Bezos and his then wife. After registering several domain names, we found Amazon as one of our most appropriate names, so we registered Amazon.com in 1994. According to his original plans, for the time being, he was just trying to start selling something online. However, after much research, he decided to sell the books online as the sources, storages, packages of the books seemed to be easy.<sup>42</sup>

In the 1990s, the U.S. was characterized by a fragmentation of the entire book trade. Two major chains (Barnes & Noble and Borders) engaged in the book trade, which had a total of over 2,000 stores in the U.S.<sup>43</sup> Another characteristic of the book trade was that they reached the sales store from the author of the book through at least 4 intermediaries. In the 1990s, as a result of the activities of the two large chain stores and the sales of Wal-Mart and Kmart, the number of book retailers began to decline as competition intensified.<sup>44</sup>

In addition to Amazon, Computer Literacy was still involved in online sales in the 1990s, but Bezos' strategy proved that Amazon could be more convenient for people as the company ships books ordered anywhere in the world. Basically, Bezos did not necessarily aim for online book sales, but wanted to show the simplicity of online transactions to clients, that was his original idea.<sup>45</sup>

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<sup>42</sup> McFadden, C. (2021) A Very Brief History of Amazon: The Everything Store [Online] Available at: <https://interestingengineering.com/a-very-brief-history-of-amazon-the-everything-store> (Accessed: 20 April 2021)

<sup>43</sup> Kawaguchi, K (2000) Feminist Feast and Famine. Publishers Weekly, [Online] Available at: <https://www.publishersweekly.com/pw/print/20000724/37760-pw-feminist-feast-and-famine.html> (Accessed: 20 April 2021)

<sup>44</sup> Singer, P. (1999) Independent Bookstores Harvest Their Zeal. The New York Times, [Online] Available at: <https://www.nytimes.com/1999/01/17/nyregion/independent-bookstores-harvest-their-zeal.html> (Accessed: 20 April 2021)

<sup>45</sup> McFadden, C. op. cit. (page 35 – see above)

## Entry of Amazon to the book market

In 1994, Bezos moved to Seattle, abandoning his former job and life. His choice of Seattle was expedient because wherever he sent a book from the city of Seattle, he was exempt from sales tax, so he was already in a better position than traditional bookstores paying sales tax. This is approximately the value corresponds to 6% of the average revenue. Amazon initially consisted of a team of 10, so a year later, as a result of a software development, Amazon launched in July 1995.<sup>46</sup>

Amazon's 1997 letter to shareholders also confirms that the company wanted to achieve convenient and secure online shopping from the start, requiring only the customers' email address, payment card and a password. At the same time, the company already provided constant availability at that time, meaning that Amazon's online book shopping service was available any day of the year, at any time of the day. Already in the first year, the recorded customer data in the database exceeded 1 million, and the value of the books distributed was often underpriced compared to traditional booksellers.<sup>47</sup>

In the first year, Amazon reached a weekly revenue of \$ 20,000, annual revenue that year was \$ 511,000. Over time, the company was able to open an office in downtown Seattle. Launched in 1966, Amazon Associates allowed links to Amazon to be used and embedded, and those who shared, wrote reviews, or recommended to others could receive a 3-8% commission on their book purchases. There was no extra cost to this registration, so anyone who wanted to could join this program for free. By using the links, the clients thus also contributed to the generation of traffic, and this was a great opportunity for the company in terms of marketing. By 1996, the company had achieved sales of \$ 15.7 million.<sup>48</sup>

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<sup>46</sup> Applegate, L.M. (2002) Amazon.com: 1994-2000, HBS No. 801-194, Boston: Harvard Business School Publishing

<sup>47</sup> Amazon.com, (1997) Letter to Shareholders, [Online] Available at: <http://www.sec.gov/Archives/edgar/data/1018724/000119312514137753/d702518dex991.htm> (Accessed: 20 April 2021)

<sup>48</sup> Amazon.com (1997) Form S-1 (filed March 24, 1997) Available at: <https://www.sec.gov/Archives/edgar/data/1018724/0000891618-97-001309.txt> (Accessed: 20 April 2021)

## Amazon between 1997 and 1999

In the first half of 1997, the company was valued at \$ 438 million with a share value of \$ 18. By the end of 1997, the company's stock was already worth \$ 59, with total annual sales of \$ 148 million.<sup>49</sup> By 1997, however, it had become typical that more and more companies were dealing with the possibility of selling online. According to CNN, around 1997, investors were already willing to invest in anything that was an Internet-related activity.<sup>50</sup>

Taking advantage of the spread of the Internet, Amazon issued 1.25 billion worth of bonds, which provided significant reserves and resources for the company. The advent and use of social channels by Yahoo, American Online, and more has provided Amazon with even more support and advertising. In addition to Amazon Associates, Amazon.com Kids has been launched to meet the needs of children. In 1998, UK Bookpages and German Telebook companies were also acquired by Amazon. He expanded his range earlier this year, and after acquiring IMDB, he was already working on videos using the Internet Movie Database. It also became a leading company in this category by the end of the year.

Since 1998, more and more products have been added to its range, including home furnishings, electronics, games and software, etc. The application of zShops provided storage space for smaller sales companies and was rented from Amazon for a monthly fee. They even paid a commission for the purchases made. Although Dow Jones analysts have stated in a statement that Amazon is not the only place to rent its own site to others. However, it can still be distinguished from other companies because Amazon explicitly attracts customers, attracting more than any similarly online company.<sup>51</sup> In 1998, the company achieved annual sales of \$ 600 million, and in 1999, Bezos was named Person of the Year by Time magazine. In 1999, sales reached \$1.6 billion.<sup>52</sup>

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<sup>49</sup> Amazon.com (1997) December 31, 1997 Form 10-K (filed March 30, 1998), Available at: <https://www.sec.gov/Archives/edgar/data/1018724/0000891020-98-000448.txt> (Accessed: 21 April 2021)

<sup>50</sup> Kleinbard, D (2000) The \$1.7 trillion dot.com lesson. CNN Money, [Online] Available at: <https://money.cnn.com/2000/11/09/technology/overview/> (Accessed: 20 April 2021)

<sup>51</sup> Amazon.com (1999) Anyone sell their products on its website. Dow Jones News Service, September 29, 1999.

<sup>52</sup> McFadden, C. op. cit. (page 35)

## The operation of Amazon between 2000 and 2003

By the turn of the millennium, Amazon had also made a number of investments, so by 2000 it also had 10 distribution offices in the United States and Europe.<sup>53</sup> In addition, it already had 6 customer service centers at the time. The connection between the distribution and customer service centers was resolved digitally, so this kind of infrastructure already existed for Amazon, which connected the different continents. Amazon reported in its 1999 annual report that the company handled holiday deliveries with 99% success. As early as the turn of the millennium, it was true on Bezos's briefing that the Amazon platform allows for infrastructure connections both physically and digitally. The company can provide users with high quality, works at low prices, and its digital interface contributes to a comfortable, satisfying shopping experience, while the company's profitability is also on an ever-increasing trend. By the turn of the millennium, the total number of Amazon customers had reached nearly 17 million, with consumers worldwide choosing Amazon to purchase products online. Amazon Toys has been repeatedly voted the best online gaming retailer, and in terms of popularity and rankings, European Amazon (Amazon.de, Amazon.uk) also finished in first place as the most popular and sought-after domains.<sup>54</sup>

In 2000, Amazon realized that not only was it worth standing on its own feet, but partnerships with other companies could further increase their popularity. In addition to financial considerations, it has also embarked on a special operation and has also launched Drugstore.com Inc. healthcare products. With this agreement, additional customer resources appeared for the company. Additional agreements were signed with the Living.com, Greenlight, HomeGrocer.com, Kozmo.com, Pets.com. As the article of Wall Street Journal mentioned the Amazon, it became the granddaddy of Internet shopping and as a patron of many other businesses.<sup>55</sup>

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<sup>53</sup> Amazon.com (1999) December 31, 1999 10-K (filed March 29, 2000) [Online] Available at: <https://www.sec.gov/Archives/edgar/data/1018724/000089102000000622/0000891020-00-000622.txt> (Accessed: 21 April 2021)

<sup>54</sup> Amazon.com (2000) Annual Report 1999 [Online] Available at: [https://s2.q4cdn.com/299287126/files/doc\\_financials/annual/123199\\_10k.pdf](https://s2.q4cdn.com/299287126/files/doc_financials/annual/123199_10k.pdf) (Accessed: 19 April 2021)

<sup>55</sup> Wingfield, N. (2000) Amazon Restructures Its Deals with E-Tailers. The Wall Street Journal, August 24, 2000 [Online] Available at: <https://www.wsj.com/articles/SB967079627107929908> (Accessed: 18 April 2021)

Table V. Cooperation between Amazon and other companies

Company	Stake	Original Deal	Status
Living.com	+18%	Agreed to pay Amazon \$145 million over five years. Amazon invested \$10 million	Filed for bankruptcy protection, shuttered its Web site
Drugstore.com	+28	Agreed to pay Amazon \$105 million over three years. Amazon invested \$44.7 million	Stock (DCSM) trades at \$6.31 a share, down from a high of \$67.50
HomeGrocer.com	+28	Amazon invested \$62.5 million	Plans to merge with competitor WebVan Group
Kozmo.com	+32	Struck a 3-year alliance with Amazon, which invested \$60 million in the company	Recently pulled plans for an IPO, citing market conditions
Pets.com	+30	Received \$57.8 million investment from Amazon	Stock (IPET) trades at \$0.75 a share, down from a high of \$14

(Source: Wingfield, 2000)

According to Wells et al.<sup>56</sup>, back in the summer of 2000, Living.com went bankrupt and was forced to close its website as well. There have been some attempts by Amazon to renegotiate individual contracts with more or less success. As for Greenlight's negotiations, it made a significant payment commitment with Amazon, so it managed to negotiate 15.25 million instead of the 82.5 million deposit. Drugstore also managed to bargain its \$ 40 million pay commitment to \$ 15 million.

After that, Amazon's chances of survival became doubtful, which also reduced the value of their shares by 20%. From \$ 100 by the end of the year, it was only \$ 20. Despite the downturn and the dotcom crash, it still managed to increase the number of customers, as it expanded its activities beyond the borders, so it also appeared in France and Japan. The launch of the Amazon Marketplace also proved successful and it has continuously developed and expanded its product offering. With a \$ 100 purchase threshold, it provided the opportunity for customers free shipping, thus changing its marketing strategy to retain the customer. Bezos thus admitted that before 2000, they could not always satisfy customers and their strategy was too formal, so it had to be changed.

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<sup>56</sup> Wells, J.R., Danskin, G. and Ellsworth, G. (2018) Amazon.com 2018 [Online] Available at: <https://www.uwp.edu/learn/departments/business/upload/MBA-PLLG-6-Amazon-Case.pdf> (Accessed: 20 April 2021)

As a result of the strategic change, there was also a change in the structure. 15% of the employees, 1,300 employees were laid off from the company and started the Get the Crap out approach. Which was a loss to the company, it partially or completely discontinued its distribution. The sale of kitchen utensils, tools and electronic products was considered unprofitable; these categories generated losses in excess of 10%. The books, video and music categories showed a 5% loss. The company thus tried to focus on those products that generate profits and revenue. It also reorganized its logistics, such as introducing sales in packages. 4 segments were transformed in 2001:

- U.S. Books, Music, and DVD / Video, which generated nearly \$ 1.7 trillion in revenue from the trade of used and new products.
- U.S. Electronics, Tools, and Kitchen, which included former home furnishings and kitchen appliances, electronic appliances, video games, cameras, computers. Its revenue reached \$ 547 million
- Services Segment, which included commissions and fees from other auctions; revenue from these reached \$ 255 million.
- International sales with 4 international websites with revenues of \$ 661 million in 2001. Customer services and their activities in the UK, Japan, Germany and France have supported international processes.

However, as of 2003, Amazon only designates North American and International segments in its financial statements. Later they were complemented with the Amazon Web Services (AWS) segment.<sup>57</sup>

Amazon also sold it to traditional merchants in digital form. The Merchant form provided the solution for retailers to offer their products on Amazon and to make purchases through Amazon. Amazon took over the warehousing and shipping responsibilities, but in return Amazon charged a commission on the sale. However, in the case of the Syndicates Stores program, Amazon used a third-party site to advertise Amazon's full offering, but it is still Amazon's job to verify performance and payment. Although these types of sales and their

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<sup>57</sup> Wells, J.R., Danskin, G. and Ellsworth, G. op. cit. (page 39)

amount were not published by the company, it is estimated that 14% of revenue in 2002 came from partnerships with other parties.

For 2003, however, the first half of the year was unprofitable, the results improved significantly in the second half of the year. The revenue was \$ 5.2 billion, and the value of its shares rose from \$ 20 to \$ 55 by the end of the year.<sup>58</sup>

### **Main activities of Amazon after 2003 till today**

In terms of Amazon's expansion and core activities, highlighting a few milestones can be presented below to date. It opened a jewelry store in 2004 and appeared in China in 2005. It introduced Amazon Prime, which provides free shipping for an annual fee, and Amazon Wedding has also been released. It also opened the Grocery Store, which competed with Walmart for dry food, and later introduced AmazonFresh. Through an acquisition, it became owned by Shopbop.com and then gained new customers with Amazon Unbox by downloading digital video in 2006.

The shoes and handbag website Endless.com launched in 2007 and then launched the Kindle later that year. It was acquired in 2008 by Audible.com for a purchase value of \$ 300 million. In 2009, it acquired Zappos, launched its Local Delivery Express service, and announced further expansion toward Asia.

In 2010, Amazon acquired Diapers.com, an online baby supplies company, introduced Price check and invested in the Living Social site in value of \$175 million. In 2011, it excelled mostly in video and film activities, and the Kindle Fire, Touch and Touch 3G services were launched. However, Amazon Cloud Drive, Cloud Player, Appstore for Android was a major innovation.

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<sup>58</sup> Wingfield, N. (2004) Amazon Reports Annual Net Profit for the First Time. The Wall Street Journal, January 28, 2004. [Online] Available at: <https://www.wsj.com/articles/SB107523879334513159> (Accessed: 20 April 2021)

Between 2012 and 2015, the period was mostly characterized by the launch of video devices as well as the first TV series. It has further expanded its cloud-based applications and the services it provides, and has also launched Amazon Business for its business customers. Amazon Prime also launched in China in 2016, forming additional partnerships in 2018 with JPMorgan and Berkshire Hathaway for health purposes. The activities listed are, of course, only part of their activity in recent years, and they do not provide complete information because they also dealt with many other industries, continuously innovated products and services, and appeared in several new markets in recent years.<sup>59</sup>

## Logistics

Given Amazon's worldwide presence, one of the key issues for the company is the efficient operation of its logistics. According to 2018 data, there were already 265 delivery centers in 17 countries and a further 49 were included in its plans. The number of facilities operated exceeded 470, in addition to which it had additional delivery stations and fulfillment centers. India's presence is notable not only because of the size of the country, but also because of the number of centers operated, as it had 42 fulfillment and 25 separation establishments in the country as early as 2018. In addition, the number of delivery stations reached 150.

In order to keep its logistics operations running smoothly, it acquired the robot manufacturer Kiva Systems and there were also negotiations to lease aircraft in 2015 in order to be able to run its air traffic efficiently. And its first aircraft appeared in 2016, named Prime Air, and leased an additional 40 aircraft.<sup>60</sup> By trying to solve the shipment within Amazon, on the one hand, it wins customers in the shipping fee because FedEx, UPS have higher shipping costs, and on the other hand, there is more control and supervision over shipping within the company, it can better optimize shipping capacities.<sup>61</sup>

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<sup>59</sup> Wells, J.R., Danskin, G. and Ellsworth, G. op. cit. (page 39)

<sup>60</sup> MWPVL (2021) Amazon Global Fulfillment Center Network, [Online] Available at: [http://www.mwpvl.com/html/amazon\\_com.html](http://www.mwpvl.com/html/amazon_com.html) (Accessed: 20 April 2021)

<sup>61</sup> Shcoolov, K. (2019) Amazon is rapidly expanding its air fleet to handle more of its own shipping [Online] Available at: <https://www.cnbc.com/2019/02/15/amazon-will-compete-with-fedex-and-ups-to-become-logistics-company.html> (Accessed: 20 April 2021)

# ANALYSIS OF THE IMPACTS OF COVID ON GLOBAL ONLINE TRADE

## Reactions of online trade in response to the crisis

UN has produced a comprehensive report on how today's pandemic affects online, digital trade and e-commerce. Both small and medium-sized enterprises have started to use the tools of digital commerce, as long as they have the opportunity and capacity to do so. Those who used to sell only in the traditional way now needed a greater effort to transition to digital processes if they wanted to stay afloat. The UN found that it is therefore vital to support the digital switchover of these businesses, both to ensure their continued survival and to play a significant role in recovery. Global trade in goods fell by 9% from 2019 to 2020 and trade in services by 15% as a result of the epidemic. However, e-commerce in retail has grown from 14% to 17%.

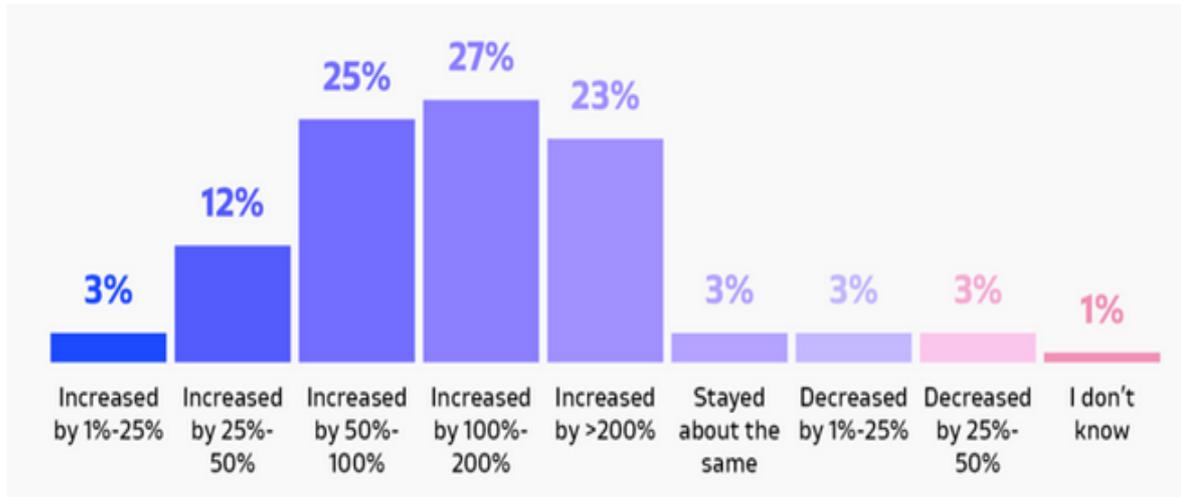
Though, in order for e-commerce to gain ground, it was necessary to relax the existing e-commerce rules so that these activities could be launched and they could remain on the market in digital form even after the epidemic. These rules cover online consumer protection, access to government data, paperless commerce, electronic signatures and authentication processes. However, these rules are still regulated within the WTO framework, so e-commerce is regulated by a unified structure.<sup>62</sup>

Of course, those who have been present in the world of e-commerce for a long time and sell globally, this type of sales was not a novelty. On the one hand, they have had a well-established system and an existing infrastructure, well-established associates and relations and on the other hand they have had already existing customer base, so they have had the advantage to react to changes sooner. Figure 2. presents the answers of the respondents on their online revenue during the lockdown period in spring 2020.

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<sup>62</sup> UN (2021) UNCTAD Reviews COVID-19 Impact on E-commerce, Digital Trade [Online] Available at: <https://sdg.iisd.org/news/unctad-reviews-covid-19-impact-on-e-commerce-digital-trade/> (Accessed: 21 April 2021)

Figure 2. Online revenue during the lockdown in spring, 2020



(Source: Ecommerce News, 2021)

In terms of online profit margin, under the restrictions it increased by 38%. Online traders also had to face some difficulties such as in some cases the supply chain was disrupted. Only 15% of respondents claimed a decrease in online profit margins. What was interesting was that among merchants who use omnichannel channels, i.e., sell online and offline, use multiple platforms, in addition to their online sales, 23% said their offline sales also increased.<sup>63</sup>

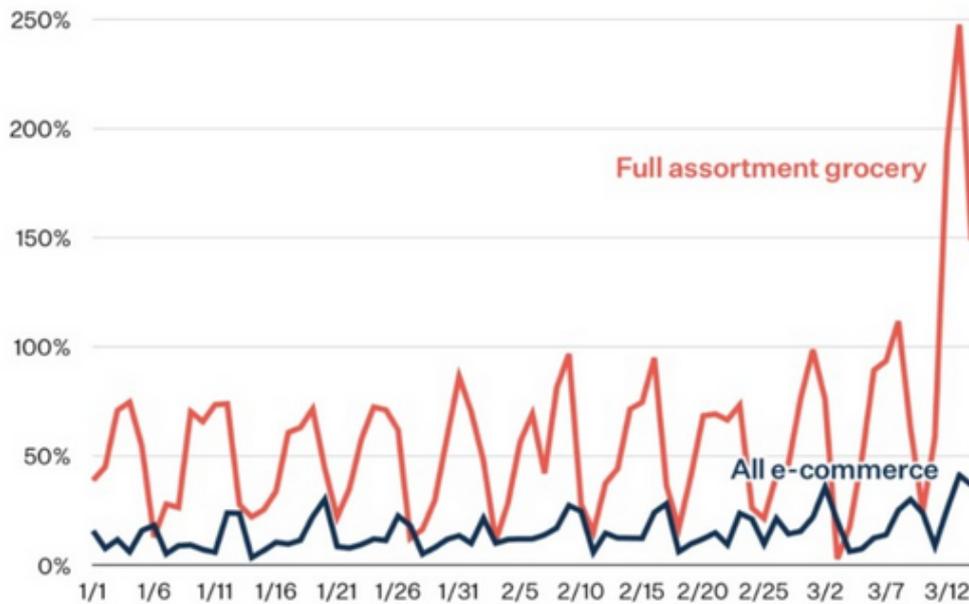
Because people were forced to make their physical purchases less often due to keep the physical distance, it was clear that online traders' revenues would increase and people would shop online, which they had done in person in the past. However, some e-commerce products do not necessarily show spectacular growth, such products are not every day needs, non-essential products. But there has been a sharp increase in household goods and food.

According to a survey, during the epidemic period, people spent 10-30% more on online shopping. The largest increase was thus in the case of Grocery ecommerce, as Figure 3 shows.

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<sup>63</sup> Ecommerce News (2021) The impact of Covid-19 on ecommerce [Online] Available at: <https://ecommercenews.eu/the-impact-of-covid-19-on-ecommerce/> (Accessed: 21 April 2021)

Figure 3. Change in the online shopping in grocery e-commerce (compared to the previous year's daily data)



(Source: Meyer, 2021)

In the e-commerce categories, the 4 main increases in demand were observed in the Medical, Baby Product, Cleaning, Food and Beverages categories, according to data from the Common Thread Collective. In the area of services, there was also a spectacular increase in some cases, mostly in the case of convenience services and subscription services. According to a survey by the research company Nielsen, the reasons for the category changes and shifts were mostly due to the following reasons: health-conscious shopping, health preservation, stockpiling, limited shopping opportunities, the “new normal”.

While for some basic products, the demand for and purchase of online products has increased, however, there are online products that were less in demand by consumers during the pandemic. Examples are luxury products. According to Vogue Business, the biggest losers of 2020 for online traders are those selling luxury products, with an estimated loss of \$ 10 billion in 2020. Examples of such online traders are Versace, Hermes, Burberry, Gucci, Ralph Lauren. The other category that peoples were less interested in during the pandemic was clothing and fashion. Although dressing is not always a luxury, Nike, Patagonia,

Abercrombie & Fitch etc. ended the previous year with declining revenue and losses, both offline and online.<sup>64</sup>

But many online traders have seen unprecedented growth. JD.com, one of China's most significant online traders, saw a fourfold increase in 2020 compared to 2019, its revenue growth was nearly 30% with value of \$34 billion. Walmart's data for the second quarter of 2020 showed a 97% increase, while Target Corp. was also able to record a 200% increase over that period. The mix breakdown of the overnight services channel showed a 279% increase, with the Shipt retailer up more than 350%. To increase Walmart's popularity, it introduced a plus program for its members, while Shipt provided holiday passes.

In the case of Walmart, as the epidemic increased the number of goods receipts and deliveries by 300%, it uses robots to assemble goods in their stores in Salem, New Hampshire, Texas, Utah and Arkansas, in addition to building additional warehouses. Thus, in addition to multiplying its revenues, it also distributes and develops its own sites in a geographical sense, so that the epidemic situation not only generated revenue and growth, but also contributed significantly to improvements within the company.<sup>65</sup>

Nonetheless not only online traders but also the online interfaces of food companies provided high quality services to the customers. Of these, sales were solved using PepsiCo, Unilever, Nestle, Impossible Food, Direct-to-Consumer models, and PantryShop.com expanded its product offering with product packages. Snack.com has also created a snack brand corporate package.<sup>66</sup>

In addition, there were e-commerce businesses that weren't on the shopping charts before or were less known, visited, but the pandemic also changed their situation. Kroger also topped the list with \$ 11 billion in online revenue, with sales volume up 79% from 2019.

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<sup>64</sup> Meyer, S (2021) Understanding the COVID-19 Effect on Online Shopping Behavior [Online] Available at: <https://www.bigcommerce.com/blog/covid-19-ecommerce/#understanding-panic-buying-and-coronavirus> (Accessed: 21 April 2021)

<sup>65</sup> Davis, S. and Toney, L. (2021) How Coronavirus (COVID-19) Is Impacting Ecommerce [April 2021] [Online] Available at: <https://www.roirevolution.com/blog/2021/04/coronavirus-and-ecommerce/> (Accessed: 21 April 2021)

<sup>66</sup> Nunes, K. (2020) E-commerce emerges as top trend during the pandemic [Online] Available at: <https://www.bakemag.com/articles/14172-e-commerce-emerges-as-top-trend-during-the-pandemic> (Accessed: 21 April 2021)

This is also due in part to the fact that the online form of interest in food has come to the fore, and perhaps people are already less insecure about online food purchases. Although Macy's is already on the top list as an online store chain, it was able to record a 32% increase in 2020 compared to 2019. However, Amazon still leads the Top list, ranking first with \$ 309.58 in the billion-dollar sales list. Amazon is followed by Walmart with \$ 46.20 and eBay with \$ 38.61. Apple, Best Buy, Target are also involved in the top list.<sup>67</sup>

According to Novicio<sup>68</sup> among the top 15 growing e-commerce companies is China's leading online retailer, Alibaba Group Holding. Alibaba has 780 million Chinese registered customers and an additional 180 million non-domestic customers, with total revenues reaching \$ 78 billion at the end of fiscal 2020, bringing revenue up 35% in 2020. Shenzhen-based Tencent achieved 29% revenue growth in 2020, with \$ 18 billion in revenue in the third quarter. Although electronics product sales Suning.com Co. has seen a decline in revenue in recent months, its annual growth was 52%, and the cloud platform generated 33% growth. California-based eBay had revenue of \$ 10.2 billion in 2020, a 19% revenue increase for the company. The number of customers increased by 11 million during the restrictions, so by the end of 2020, it already had 185 million active customers. Compared to 2019 and 2020, the value of digital transactions increased globally by nearly 10% to \$ 9.9 trillion. Typically, food sales increased online, at a rate of 54%, and this value accounted for 12% of all food purchases (i.e., traditional purchases). According to further surveys, 56% of shoppers tried new online shopping and retailers in 2020 due to the pandemic situation. By 2021, online food purchases are projected to grow more moderately, by about 17%, reaching nearly \$ 113 billion in revenue. Consumers will continue to use the opportunities offered by online shopping in the near future, with 58% feedback, however, mostly Millennium and Gen Z will be 70% of the customer base.<sup>69</sup>

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<sup>67</sup> Stych, A. (2020) Kroger breaks into top 10 list of e-commerce companies by sales [Online] Available at: <https://www.bizjournals.com/bizwomen/news/latest-news/2020/12/kroger-breaks-into-top-10-list-of-e-commerce-compa.html?page=all> (Accessed: 21 April 2021)

<sup>68</sup> Novicio, T. (2021) 15 Fastest Growing E-Commerce Companies in 2020 [Online] Available at: [https://finance.yahoo.com/news/15-fastest-growing-e-commerce-141031471.html?guccounter=1&guce\\_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce\\_referrer\\_sig=AQAAAG1U5uHpLSzWKIDTIKjDqhE8ypFzTEsafROgRBCMLWBW3B5mQKEEmV8aJPMEL3oixKVRDUgLlj6Dx1TN3eXnBEz9\\_kTevGjObAwxzkLH0hpybEPInYWodbBDaf8ngbvXabX3iUJpOhEianAkocoChgND8VMa-O9uC5l3w3AYNYiZ](https://finance.yahoo.com/news/15-fastest-growing-e-commerce-141031471.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAG1U5uHpLSzWKIDTIKjDqhE8ypFzTEsafROgRBCMLWBW3B5mQKEEmV8aJPMEL3oixKVRDUgLlj6Dx1TN3eXnBEz9_kTevGjObAwxzkLH0hpybEPInYWodbBDaf8ngbvXabX3iUJpOhEianAkocoChgND8VMa-O9uC5l3w3AYNYiZ) (Accessed: 21 April 2021)

<sup>69</sup> Davis, S. and Toney, L. op.cit. (page 46)

## WTO regulation on e-commerce in 2020

According to the WTO 2020 report, digital innovations have not only improved processes but also changed innovation. Innovation and digital development also stimulate economic development, thus enabling the modernization of industries. On the one hand, digital opportunities also indicate the need for openness, and transnational cooperation contributes to the effectiveness of policies, improves the business environment and promotes competition. Transnational policies have both negative and positive effects, but in order to reduce these negative effects, it is important for the WTO to set central goals. As transnational and cohesive digital markets create a competitive situation, dominance, monopoly and anti-competitive behavior must be kept in check and harmful acquisitions and mergers must be prevented. Another substantive feature is that while economies of scale can be observed in traditional commerce, this is typically not measured at the same level in the digital market. For example, creating a virtual, online company does not require as much physical effort as creating a traditional physical company. It does not require as much physical investment and capital. Of course, there are digital products that have an investment cost, but producing an additional copy of a piece of software doesn't cost huge amounts. Another feature is that, for example, the presence of digital data can even give a company a competitive advantage. Therefore, the dominant digital actors are already known to each other. For example, 90% of internet searches are related to Google. Alibaba owns nearly 60% of the digital market in China. And so, for example, Amazon has about 40% of the global market.<sup>70</sup>

Because of social alienation and isolation, governments are encouraging online shopping. Not only governments, but also operators and companies have needed to adjust network capacities or move to a new model. The epidemic has changed the demand and supply side of both business-to-consumers (B2C) and business-to-business (B2B). For example, the demand for basic foods, medical devices, but online communication tools have increased for B2C, but certain products and services e.g., demand for tourism services has fallen

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<sup>70</sup> WTO (2020c) World Trade Report 2020 Government policies to promote innovation in the digital age [Online] Available at: [https://www.wto.org/english/res\\_e/booksp\\_e/wtr20\\_e/wtr20\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/wtr20_e/wtr20_e.pdf) (Accessed: 24 April 2021)

drastically. Challenges in both segments include late deliveries, cancellation of orders, or price gouging, i.e., in some cases, sudden price increases. At the same time, it is to be expected that many people will try to profit by deceiving customers, or that cyber security threats will arise as a result of the increased use of digitization.

Less developed countries are also digitally backward and their participation in e-commerce is less typical, even if the crisis of today would require it. In these countries, governments are responsible for providing the right infrastructure and supporting technology. They are also tasked with reducing the cost of digital payments, mobile payments, and promoting digital services.

The advent of the pandemic has provided an incentive for e-commerce as both a solution and an important tool for making purchases. However, the use of e-commerce can also get small businesses out of today's predicament because not only can the company survive the current crisis, but it can also gain a significant competitive advantage by selling online. It also facilitates cross-border trade and shopping, which can lead to even greater cooperation between different nations.

The B2B and B2C sectors have responded to the pandemic in many cases with inventory to meet customer needs. Larger quantities of fast-moving and high-demand products were stored if they had the opportunity to do so besides the delivery delays. Given the shift in e-commerce, the availability of manufacturing and transportation activities on the one hand, and service on the other, has become a determining factor in e-commerce.

To facilitate e-commerce, the development of the service was often successful without much intervention, and proactive action by the government was needed in developing countries. In Africa, for example, the government collected various demands from the public on social media and by telephone, which could be settled at the supplier, mostly using a mobile banking application. The suppliers were mostly motorcycle or bicycle taxis, for example with the help of Uber. Other authorities have also encouraged mobile payments instead of cash purchases. These measures have partly encouraged the public to trust online shopping as well, and as is currently the case, this is the solution.

Due to logistical disruptions caused by the pandemic, in many cases production stopped, production decreased, and labor shortages occurred. E-commerce has also been affected by closures, mostly for cross-border transactions. Not only have air, land and sea transport declined, but they have been constrained by significant administrative and regulatory bottlenecks. On the one hand, quarantine conditions and health rules, on the other hand, the reduction of transport capacities and increased transport charges for cross-border shipments.

Social media also provided support to promote online shopping. Thus, during the epidemic, the demand for audiovisual activities also increased, which also burdened the telecommunications structure and even led to network congestion.

Apparently, then, not only traditional commerce but also e-commerce had challenges. One of the most important challenges associated with the epidemic was consumer protection. Due to the increased demand for medical masks, gloves and other equipment linked to epidemic prevention, many have abused the offer of counterfeit or unsafe products. On the other hand, the health and safety regulations also had to be complied with by the package handlers, as they did their work in person, but the duration of the handling, checking of the goods thus became longer. It has also become an increased task for border authorities to check packages, as WTO-certified products must be handled in a traceable manner.

The WTO's e-commerce program called for a review during the pandemic. Nonetheless, he pointed to the importance and support of e-commerce, but it must ensure accessibility for all, increase the progress of digital processes and address challenges, all while protecting consumers.

By further developing the 2017 provision of the WTO Trade Facilitation Agreement (TFA), the WTO has made it possible to:

- Submission of certain documents in electronic form;
- It allowed certain duties and charges as well as import and export costs to be paid electronically;
- It provided a minimum tax liability or duty exemption for a given delivery value;
- In the case of border control, traders are notified of the decision to enter and release the goods;

- In some cases, the use of electronic certificates is also allowed;
- It introduced a new regulation and standard for handling accidents and product recalls related to goods.<sup>71</sup>

## Amazon and the pandemic

Amazon has delivered tremendous performance since the outbreak and, like many other companies, has focused on initiatives that have focused on the interests of customers and sought to provide a solution to the chaos caused by changed shopping habits. This, of course, has been a challenge everywhere in the world and many industries and companies have been affected by accepting and responding to these changes.

Amazon also had to face the fact that global supply chains had come to a standstill and it was not certain that all partners could adequately deliver on the commitments they had previously made. Even though the company had the right infrastructure and digital solutions, the biggest challenge was the drastic change in demand. In order to maintain customer confidence, the company had to respond immediately. On the one hand, it had to keep in mind that for certain products whose demand has increased e.g., disinfectants, masks, traders should not apply price increases. Amazon took immediate action that did not abuse the otherwise potentially profit-increasing position of some merchants. In addition, Amazon hired an additional workforce of 175,000 due to increased turnover in the first half of the year, (this was a 34% increase compared to the previous year<sup>72</sup>) as well as raising wages and providing paid sick leave.<sup>73</sup> For the full year, Amazon employed 427,300 new employees, reaching 1.2 million number of employees; it was an increase of 50% compared to 2019. Starting in the summer months, the new workforce man recruitment was 2,800 per

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<sup>71</sup> WTO (2020a) E-commerce, Trade and the Covid-19 pandemic [Online] Available at: [https://www.wto.org/english/tratop\\_e/covid19\\_e/ecommerce\\_report\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/ecommerce_report_e.pdf) (Accessed: 24 April 2021)

<sup>72</sup> Palmer, A. (2020a) How Amazon managed the coronavirus crisis and came out stronger [Online] Available at: <https://www.cnbc.com/2020/09/29/how-amazon-managed-the-coronavirus-crisis-and-came-out-stronger.html> (Accessed: 21 April 2021)

<sup>73</sup> Edge (2020) How Has COVID-19 Impacted Amazon [Online] Available at: <https://www.ascentialedge.com/insights/ecommerce-blog/amazon/how-has-covid-19-impacted-amazon> (Accessed: 21 April 2021)

day. Its staff has been expanded not only with warehouse workers, but also with hardware and software engineers and experts. And that number of 100,000 temporary workers was not included in that headcount, as well as 500,000 delivery managers who were also not part of Amazon's own staff directly. However, as it has also been building its own transportation network for years, Amazon has also contacted downsizing carriers that have found themselves in a difficult position in the interest of their hiring, such as American Airlines and Uber. In order to achieve further recruitment of this kind, it has developed separate software for the automated recruitment of prospective employees, as well as a platform to make it easier to apply for jobs and the recruitment process to be entirely online.<sup>74</sup>

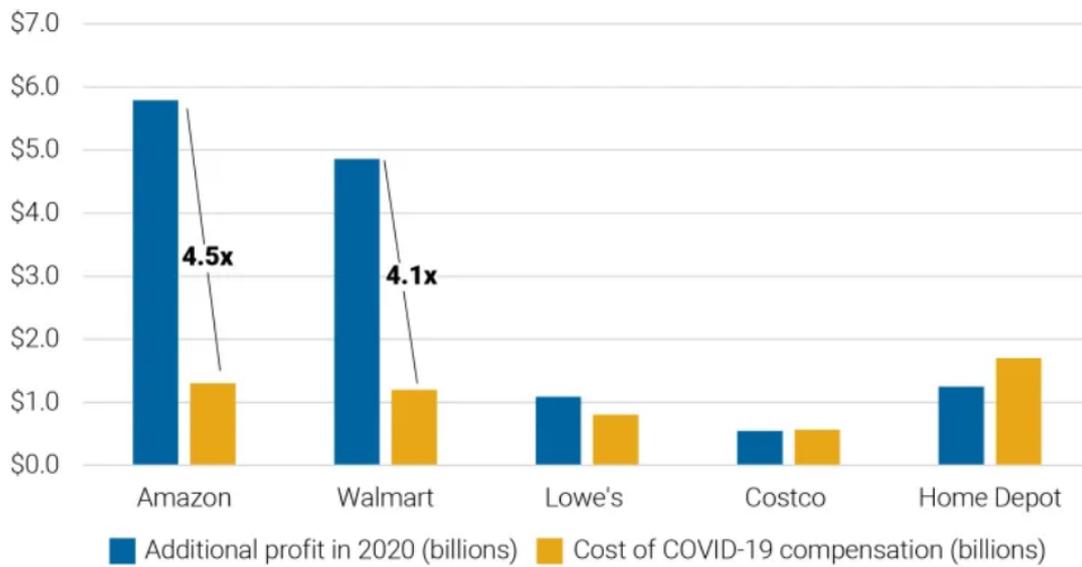
As regards that wage increase, the bonus was only temporary. As Amazon also took over some temporary workers, and by the summer of 2020 the restrictions had been lifted in most places, it had already taken away the bonus pay from workers. The pay rate for warehouse workers proved to be better than average, but Amazon did not provide the highest wages for workers. Figure 4. shows that, like Walmart, it achieved about a fourfold increase in profits, and in addition, its share prices rose 70% during the year, with employees receiving an average 7% pay rise.<sup>75</sup>

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<sup>74</sup> Weise, K. (2020) Pushed by Pandemic, Amazon Goes on a Hiring Spree Without Equal [Online] Available at: <https://www.nytimes.com/2020/11/27/technology/pushed-by-pandemic-amazon-goes-on-a-hiring-spree-without-equal.html> (Accessed: 22 April 2021)

<sup>75</sup> Kinder, M. and Stateler, L. (2020) Amazon and Walmart have raked in billions in additional profits during the pandemic, and shared almost none of it with their workers [Online] Available at: <https://www.brookings.edu/blog/the-avenue/2020/12/22/amazon-and-walmart-have-raked-in-billions-in-additional-profits-during-the-pandemic-and-shared-almost-none-of-it-with-their-workers/> (Accessed: 22 April 2021)

Figure 4. Profit and compensation ratios in 2020 compared to 2019



(Source: Kinder and Stateler, 2020)

Although there was initially a lot of news that Amazon employees had become busy, they had to take overtime, but many were afraid of their jobs. Nor did the available storage space seem to be sufficient for efficient operation. As the numbers expanded over time, those who worked there also feared the disease, as they found it difficult to keep physical distance from each other. The acquisition of some automated tools has already helped workers work like robots, but automation of order selection has also evolved in recent months.<sup>76</sup> In June 2020, it acquired a startup called Zoox in order to also provide its transportation services by manufacturing self-driving vehicles. The company also invested in the purchase of cargo aircraft and also purchased 100,000 electric vans with its investments in Rivian.<sup>77</sup>

It can be seen that it had a lot of labor challenges, the company also had to pay attention to the regulation and last but not least the full satisfaction of the customers remained a priority. There were also continuous bottlenecks in the supply chain. In light of this, it can already

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<sup>76</sup> Harris, J. (2020) How Amazon became a pandemic giant – and why that could be a threat to us all [Online] Available at: <https://www.theguardian.com/technology/2020/nov/18/how-amazon-became-a-pandemic-giant-and-why-that-could-be-a-threat-to-us-all> (Accessed: 21 April 2021)

<sup>77</sup> Semuels, A. (2020) Many Companies Won't Survive the Pandemic. Amazon Will Emerge Stronger Than Ever [Online] Available at: <https://time.com/5870826/amazon-coronavirus-jeff-bezos-congress/> (Accessed: 21 April 2021)

be said that no, nor was Amazon prepared for the pandemic and its effects. Yet it was one of the few exceptions who continued to provide low prices, great choice.

Mentioning only a few outstanding demand changes, e.g., in the first quarter of 2020, toilet paper sales increased by 186%, but the demand for medicines for coughs and colds increased even higher, by 862% compared to the previous year. Bezos admitted in the early days of the pandemic that it had upset everything and they were not prepared for it. It took adaptability and perseverance that the company had never encountered before. Of course, every major company considers the possibility of crises and has a scenario, but even Amazon didn't expect that by then. In terms of orders, Amazon tried to replenish stocks in April, and ordered products from more durable consumer goods that were not in high demand, but only in limited quantities.

Recovery of full inventories and full compliance with orders continued even in the second half of 2020, as many of their incoming shipments were dropped. Durable products could still not be over-ordered because, for the reasons mentioned, i.e., the narrower storage space and the physical distance of the workers, this would not have been possible. The company also performed 150 process updates for distance and cleaning measures. Testing between employees is also ongoing.

To make it easier for retailers to do so, Amazon has agreed to have some of their products shipped to Amazon's warehouse for storage and then shipped from there to customers. In doing so, it has already helped to support not only consumers but also its partners, taking into account its capabilities and capacity.<sup>78</sup>

Taking into consideration the partnerships and other entrepreneurs in difficulty, Amazon has tried to move rationally, which will help those in difficulty and the company itself. In April 2020, it bought the online food supplier Deliveroo because it went bankrupt due to payment difficulties. Amazon considered in May bankrupt J.C. Penny acquisition. With respect to Indian equities, it acquired shares in Future Retail Group.

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<sup>78</sup> Palmer, A. op.cit. (page 51)

Its strategic choice was stimulated during the pandemic, but its growth preceded profits as a motivating factor. Its growth has been aggressive to some extent, even with its acquisitions, and some critics say it sometimes uses anti-competitive techniques. In Europe, for example, the company not only enjoys tax exemption, but even receives a tax credit. But as a trader, a platform provider tried to control its growth by eliminating unprofitable operations.<sup>79</sup>

### **Amazon Financials during the COVID pandemic**

Based on the survey of the Digital Commerce<sup>80</sup>, if we compare the monthly visits data of Amazon 2020 with the monthly visits data of the previous year, it can be seen that the biggest increase was in the month of October, when the traffic of the site increased by 27%. This was mostly due to the Prime Day sales event. Growth can also be observed within the year. Compared to February 2020, it showed an increase of 28% in July and an increase of 45% in November and 54% in December. In terms of the visits of the website, Amazon will see further growth not only in 2020 but in 2021. Also in January 2021, total visits increased by 20% compared to January 2020, and by 37% in February.

In terms of the sales of Amazon, between May 31, 2019 and May 31, 2020, marketplace sellers sold 3.4 billion products on Amazon, with an average annual revenue of \$ 160,000, an increase of 60% year-on-year in their sales. Record sales were recorded in March 2020, meaning it sold 50% of the units sold this month compared to the previous year (this includes data from merchants but Amazon's own products).

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<sup>79</sup> UNI (2020) Amazon and the Covid-19 Crisis: essentially irresponsible [Online] Available at: [https://www.uniglobalunion.org/sites/default/files/public\\_shared/amazoncovid\\_en\\_pages.pdf](https://www.uniglobalunion.org/sites/default/files/public_shared/amazoncovid_en_pages.pdf) (Accessed: 21 April 2021)

<sup>80</sup> Digital Commerce (2021) Charts: How the coronavirus is changing ecommerce [Online] Available at: <https://www.digitalcommerce360.com/2021/02/15/ecommerce-during-coronavirus-pandemic-in-charts/> (Accessed: 21 April 2021)

According to Isik et al.<sup>81</sup>, Amazon's financial revenues nearly doubled in the second and fourth quarters of 2020, with their orders growing by 60% in the first quarter. The authors studied how Amazon's net sales and stock prices correlated with each other and concluded that trading is positively related to the epidemic and that stock prices are also strongly correlated with sales.

The authors provided as their explanation that because people, but also investors' behavior has changed. It has also become clear to investors that online activities need to look for ways to mitigate the negatives caused by the pandemic. Not only food, but also online entertainment due to staying at home, so online shopping for entertainment products has also come to the fore. And Amazon offered an outstandingly good and wide range of products for which there was demand, so the opportunity for a return on investment was also seen in Amazon shares. Online activities also received more support from governments, as they needed to be supported. Governments have cut interest rates in line with their monetary policy, thereby increasing access to credit and thus supporting investment opportunities for online platforms.

### **Comparison of the results of year 2019 and 2020**

The sources of the financial information presented in the following are the financial statements available on the Amazon website. Given that the company was in normal course of business, normal operation in 2019 and was in a state of emergency with the onset of the pandemic in 2020, the analysis is done by demonstrating data from these two years examining the impact of the pandemic on the company in the case study, Amazon.

In 2019, the company faced a growing competitive environment and a number of challenges affecting a variety of sectors, including online and traditional physical activities. Many

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<sup>81</sup> Isik, S., Ibis, H. and Gulseven, O. (2021) The Impact of the COVID-19 Pandemic on Amazon's Business, SSRN Electronic Journal [Online] Available at: [https://www.researchgate.net/publication/348556679\\_The\\_Impact\\_of\\_the\\_COVID-19\\_Pandemic\\_on\\_Amazon%27s\\_Business](https://www.researchgate.net/publication/348556679_The_Impact_of_the_COVID-19_Pandemic_on_Amazon%27s_Business) (Accessed: 22 April 2021)

competitors had a longer history, a larger number of customers, capacity and resources, or just better brand recognition. New competitors entered the market with a new business model, new technologies in 2019, so the company had to face the fact that some of its products might not be as successful, or in terms of prices, lowering their prices would no longer be worth it to market further.

Amazon has developed its infrastructure and technologies on a global scale, and this has been a significant advance in its managerial, financial, personnel and technological processes, but there was also a chance that any mistake could damage its reputation or the results would not bring the expected level. There were indeed investments and activities that did not live up to expectations in terms of technology, products and services. The rate of growth and return cannot always be accurately estimated, as the environment is in constant motion, both politically, economically, socially, and technologically.

As a globally operating company, the company must constantly face the following as an influencing factor:

- retaining customers by being able to meet growing demands on an ongoing basis and acquiring new customers;
- maintenance and development of the existing network;
- product handling, i.e., offering products to customers on appropriate terms, including ensuring product quality but at the right price, on-time delivery, and consequently proper stock management and warehousing;
- introduction of innovative products that are unique in the market, related payment and delivery services;
- examination of competition products, market analysis, continuous monitoring of price changes and market conditions and rapid, efficient response;
- customer management, customer service as a fast and high level of service;
- introduction of competitive technologies that not only serve the convenience of customers, but also help work processes within the company,
- providing adequate financial background, predictability, cost estimation,
- compliance with the applicable regulatory processes and their compliance with employees and other partners;

- labor protection, respect for human rights;
- supporting the training and promotion of workers;
- and last but not least, macro-level factors that can significantly affect the operation of not only the company but the entire sector at the national but even global level should be taken into account. Political events, economic events, whether an economic crisis, natural disasters, or other crises such as a pandemic, war.

In 2020, this latter factor, the emergence of a pandemic, brought even more challenges for the company, but also additional opportunities.

Actual results presented below may differ due to exchange rate fluctuations in some cases, so the information provided is for information only. Equally, the different accounting of the pace of world events, online commerce, Internet and cloud services, fluctuations in taxes and results, and rounding of data center optimization processes can have a distorting effect.

The company's revenue is primarily from sales of products and services, including those that are included in Amazon's inventory for resale purposes, but there are also electronic contents that Amazon produces and sells, as well as advertising, storage, database provision, computing, publishing subscriptions. In the case of product sales, sales are made from Amazon's inventory, which gives the gross sales revenue. Given the focus on long-term and sustainable growth, effective management of working capital and expenditures is a priority for the company. Based on the above, revenue is the consideration for sales and can be changed through efficient cost management and cost reduction. Reducing variable costs and exploiting fixed costs is the basis of cost management. Variable costs at the company are mostly product costs, transaction costs, packaging, shipping, customer service, marketing, all fixed costs are the infrastructure, digital devices, networks available to the company in the long run, with a relatively constant environment, optimization of existing facilities. As sales change, so do variable costs, while fixed costs depend on capacity and space factors. Amazon's feature is that they have a rapidly rotating inventory, so the model can be characterized by a money-making cycle. Inventory speeds are high, turnover is variable, but turnover also depends on available products, suppliers and other partners. However, the company's technology is able to provide cross-functionality even at geographical distances, and many of its areas are constantly evolving, both in terms of technological efficiency and

the ever-improving customer experience. Efficiency in addition to shareholder dilution, flexibility such as acquisitions and financing as well as employee payments, share compensation are among the financial goals, and the goal is to maintain efficiency in the longer term. The official currency in which the conversions are made is the dollar, but changes in foreign exchange rates (and diversity) do not yield actual results because of the above mentioned

In terms of expansion, Table VI. presents the more detailed floor area size per year, per segment.

Table VI. Area expansion of Amazon in 2019, 2020  
(in thousands of Square footage)

Description	Leased Square Footage	Owned Square Footage	Leased Square Footage	Owned Square Footage	Location
Office space	18 051	4 961	23 721	5 696	North America
Office space	15 863	1 831	19 023	1 823	International
Physical stores	20 072	662	21 157	662	North America
Physical stores	169		169		International
Fulfillment, data centers, other	187 148	5 591	285 677	8 461	North America
Fulfillment, data centers, other	76 868	2 570	104 668	3 449	International
<b>Total</b>	<b>317 171</b>	<b>15 615</b>	<b>454 425</b>	<b>20 091</b>	

(Source: own edition based on the annual report of Amazon 2019 and 2020)

In 2019, Amazon leased total areas (in thousands; Square Footage) to 317,171, while its total owned area was 15,615<sup>82</sup>. These values for 2020 were 454,425 and 20,091, respectively.<sup>83</sup>

Amazon shares are traded on the Nasdaq Global Select Market under the AMZN designation. After 2019, in January 2020, the number of common stock shareholders was 3,169. After 2020, in January 2021, the number of shareholders was 6,330.

<sup>82</sup> Amazon.com (2020a) Annual report 2019 [Online] Available at: [https://s2.q4cdn.com/299287126/files/doc\\_financials/2020/ar/2019-Annual-Report.pdf](https://s2.q4cdn.com/299287126/files/doc_financials/2020/ar/2019-Annual-Report.pdf) (Accessed: 22 April 2021)

<sup>83</sup> Amazon.com (2021) Annual report 2020 [Online] Available at: [https://s2.q4cdn.com/299287126/files/doc\\_financials/2021/ar/Amazon-2020-Annual-Report.pdf](https://s2.q4cdn.com/299287126/files/doc_financials/2021/ar/Amazon-2020-Annual-Report.pdf) (Accessed: 22 April 2021)

Table VII. Selected Consolidated Financial Data, 2019,2020  
(in millions of US Dollars, except per share data where US Dollars)

	<b>Year Ended December 31</b>	
	<b>2019</b>	<b>2020</b>
<b>Statements of Operations:</b>		
Net sales	\$ 280,522	\$ 386,064
Operating income	\$ 14,541	\$ 22,899
Net income (loss)	\$ 11,588	\$ 21,331
Basic earnings per share	\$ 23.46	\$ 42.64
Diluted earnings pers share	\$ 23.01	\$ 41.83
Weighted-average shares used in computation of earnings per share		
Basic	494	500
Diluted	501	510
<b>Statements of Cash Flows:</b>		
Net cash provided by (used in) operating activities	\$ 38,514	\$ 66,064
<b>Balance Sheets:</b>		
Total assets	\$ 225,248	\$321,195
Total long-term obligations	\$ 75,376	\$ 101,406

(Source: own edition based on the annual report of Amazon 2019 and 2020)

Based on Table VII. data, the company's net sales increased by 38% from 2019 to 2020; operating income increased by 57%, net income increased by 91%; the basic income per shares by 83%; diluted earnings per share by 78%. In the case of the weighted-average shares used in the computation of earnings per share the basic increased by 3%, while diluted by 2%. Net cash provided by (used in) operating activities increased by 74% from 2019 to 2020. The company's total assets increased by 43%, while total long-term liabilities increased by 35%.

For liquidity, cash flows and marketable securities balances are the main sources. Their value, including cash equivalents, was \$ 55 billion at the end of 2019 and \$ 84.4 billion at the end of 2020. Currencies held primarily in yen, British pound and euro were valued at \$ 15.3 billion and \$ 23.5 billion at those dates.

Cash used for operational, day-to-day activities also shows a significant difference. While cash used in 2019 was \$ 38.5 billion, it increased to \$ 66.1 billion the following year. (Table VIII.) The cash used is actually the turnover of cash that the company receives from

customers, other partners, and in the same way satisfies payments in the form of cash, whether to suppliers or employees.

Table VIII. Liquidity and Capital Resources  
Cash flow information is as follows (in millions of US Dollars)

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2020</u>
Cash provided by (used in):		
Operating activities	\$ 38,514	\$ 66,064
Investing activities	-24,281	-59,611
Financing activities	-10,066	-1,104

(Source: own edition based on the annual report of Amazon 2019 and 2020)

Financial assets invested with cash correspond to those cash of investing activities. Such investments can be incentives, money from the sale of assets, investment in other companies, investment in securities, intellectual property. In 2019, it was worth \$ 24.3 billion, up from \$ 59.6 billion a year later. Not only the turnover of funds, but also the amount intended for innovation, improvement and further innovation increased significantly during the 1-year period. Cash capital expenditures were between \$ 12.7 and \$ 35 billion over the two years, the cost of deliverables needed to support investment, thus representing a higher level of support for development. Their cash settlement of these amounts is \$ 2.5 billion and \$ 2.3 billion. Cash used in financing activities ranged from \$ 10.1 billion to \$ 1.1 billion. Of these, inflows (e.g., income from debts) were \$ 2.3 and \$ 17.3 billion, while outflows (e.g., payment obligations) were \$ 12.3 and 18.4 billion.

According to the 2020 report, that company wants to use the revenues and capital billed from foreign subsidiaries in countries where it would be a significant additional cost to repatriate it during the year. Considering that in some countries the company has a tax credit, while it still had to pay higher taxes due to the higher turnover, so in 2019 the value of taxes paid was \$ 881 billion, in 2020 that amount paid jumped to \$ 1.7 billion.

The impact of Covid 19 on operations in 2020 brought different measures than usual. On the one hand, a larger number of reserves had to be set aside to provide funding for

unforeseen events. In both the North American and International segments, growth in demand also boosted performance and sales expenses due to lower productivity and the recruitment of employees, the provision of benefits, and the creation of a safe work environment. Given that the supply chain has been disrupted, the risk of recovering receivables has also increased, this has been recorded as a collection risk and there are still expected to be problems in 2021 due to supply chain disruption.

The company's net sales are the after-sales revenue of its product (after deducting the costs of product sales, shipping, digital media content) and services (after deducting sales fees, commissions, AWS sales, other AWS fees) (Table IX).

Table IX. Net sales in 2019 and 2020  
(in millions of US Dollars)

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
<b>Net Sales:</b>		
North America	\$ 170,773	\$ 236,282
International	\$ 74,723	\$ 104,412
AWS	\$ 35,026	\$ 45,370
<b>Consolidated</b>	<b>\$ 280,522</b>	<b>\$ 386,064</b>

(Source: own edition based on the annual report of Amazon 2020)

Consolidated net sales increased by 38% from 2019 to 2020. The impact on net sales was affected by changes in foreign exchange rates of \$ 1.4 billion. Net sales growth was 38% in the North America segment and 40% growth in international sales. The change in AWS sales was + 30% during the period considered. The company's efforts to keep prices low and obstacles due to limited performance capacities had a significant impact.

Table X. Operating income  
(in millions of US Dollars)

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
<b>Operating income:</b>		
North America	\$ 7,033	\$ 8,651
International	\$ 1,693	\$ 717
AWS	\$ 9,201	\$ 13,531
<b>Consolidated</b>	<b>\$ 14,541</b>	<b>\$ 22,899</b>

(Source: own edition based on the annual report of Amazon 2020)

The total operating expenses and their increases are presented in Table XI. These were \$ 265.981 million and \$ 363.165 million in 2019 and 2020, respectively.

Table XI. Operating expenses in 2019,2020  
(in millions of US Dollars)

<b>Operating expenses:</b>	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
Cost of sales	\$ 165,536	\$ 233,307
Fulfillment	\$ 40,232	\$ 58,517
Technology and content	\$ 35,931	\$ 42,74
Marketing	\$ 18,878	\$ 22,008
General and administrative	\$ 5,203	\$ 6,668
Other operating expense (income), net	\$ 201	\$ 75
<b>Total operating expenses</b>	<b>\$ 265,981</b>	<b>\$ 363,165</b>

(Source: own edition based on the annual report of Amazon 2020)

As for the change in cost ratios, cost of the sales increased by 41%, fulfillment increased by 45%, technology and content by 19%, marketing by 17%, general and administrative by 28%, other operating expense by 137%. These changes in percent of net sales from 2019 to 2020: cost of sales increased by 60.4%, fulfillment by 15.2%, technology and content by 11.1%, marketing by 5.7%, general and administrative 1.7%.

The company's sales costs mostly consist of the purchase price of the products, shipping costs, delivery costs. These were \$ 165,536 million and \$ 233,307 million in 2019 and 2020, respectively. The company calculates that further growth is expected in 2021, as with increasing demand and sales, there will be additional shipping costs, including faster, more accurate high-quality shipping. In 2021, however, the company will strive to shape these costs even better and achieve better supplier conditions by optimizing the entire transportation network.

Fulfillment mostly involves the cost of operating customer service centers and human resources, and in the case of AWS, the associated transaction costs. The change in these costs by 2020 was mainly due to rising variable costs as well as the creation of a safer working environment and lower productivity. The entire logistics network is being

developed, and facility requirements are being reviewed on a regular basis, so these costs are expected to increase in 2021 as well.

Technology and Content includes research and development costs as well as design and maintenance costs that have become necessary due to increased online sales. Infrastructure costs, network equipment, utilities, etc., which ensure the smooth operation of AWS. An increase in these costs is also expected for 2021, but a decrease in depreciation costs is projected to offset this somewhat.

Marketing costs include the cost of standard marketing activities, promotion, advertising, and labor costs, as well as AWS-related commission payments. In the event that the number of competitors decreases and competition increases, marketing costs will also decrease. For the year 2020, the increased demand, such as the impact of Covid 19, contributed to the company's small reduction in these costs, so marketing in 2020 was a low expense than usual.

The increase in general and administrative costs was significantly higher, mostly due to the increase in costs related to human resources. Other operating expenses in the fourth quarter of 2020 were higher than planned due to the acquisition of warrants and guarantees from suppliers. Amortization of intangible assets in the second quarter slightly offset other operating expenses.

Table XII. includes some key data from the 2019 and 2020 consolidated balance sheets without claiming completeness.

Table XII. Consolidated Balance Sheet  
(in millions of US Dollars)

Year Ended December 31,

<u>ASSETS</u>	2019	2020
<b>Current assets:</b>		
Cash and cash equivalents	\$ 36,092	\$ 42,122
Marketable securities	18,929	42,274
Inventories	20,497	23,795
Accounts receivable, net and other	20,816	24,542
<b>Total current assets</b>	96,334	132,733
Property and equipment, net	72,705	113,114
Operating leases	25,141	37,553
Goodwill	14,754	15,017
Other assets	16,314	22,778
<b>Total assets</b>	\$ 225,248	321,195
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 47,183	72,539
Accrued expenses and other	32,439	44,138
Unearned revenue	8,190	9,708
<b>Total current liabilities</b>	87,812	126,385
Long-term lease liabilities	39,791	52,573
Long-term debt	23,414	31,816
Other long-term liabilities	12,171	17,017
Additional paid-in capital	33,658	42,865
Retained earnings	31,220	52,551
<b>Total liabilities and stockholders' equity</b>	225,248	321,195

(Source: own edition based on the annual report of Amazon 2019 and 2020)

From 2019 to 2020 cash and cash equivalents increased by 17%; marketable securities by 123%; inventories by 16%, accounts receivable in net value and other by 17%. The total current assets increased by 42% in the examined period. Property and equipment in net value increased by 56%, operating leases by 49%; goodwill by 2%, other assets by 39%. The total assets increased from \$ 225,248 million to \$ 321,195 million by 43% in the examined period.

Taking into consideration the other side of the balance, the accounts payable increased by 53%, accrued expenses and other by 36% and unearned revenue by 18%. The total current liabilities increased by 44% from 2019 to 2020. The long-term lease liabilities increased by 32%, long-term debt by 35%, other long-term liabilities by 39%. Additional paid-in capital increased by 27%, retained earnings by 68%. Total liabilities and stockholder's equity according to the other side of the balance sheet increased by 43% from 2019 to 2020.

Table XIII. presents those net sales by groups of those products and services that have same or similar characteristics.

Table XIII. Net sales by groups of similar products and services, which also have similar economic characteristics (in millions of US Dollars)

	Year Ended December 31,	
	2019	2020
<b>Net Sales:</b>		
Online stores	\$ 141,247	\$ 197,346
Physical stores	17,192	16,227
Third-party seller services	53,762	80,461
Subscription services	19,210	25,207
AWS	35,026	45,370
Other	14,085	21,453
<b>Consolidated</b>	<b>\$ 280,522</b>	<b>\$ 386,064</b>

(Source: own edition based on the annual report of Amazon 2020)

According to the table, it can be seen, that the net sales of online stores increased by 39%, but the net sales of physical stores taking into consideration the pandemic situation of 2020 decreased by 6%. Third-party seller services increased by 49%, subscription services by 31%, AWS by 29% and the other category by 44%. The total consolidated net sales show a 37% increase, even despite the decline in physical sales.

Regarding the results of 2019 and 2020, the following are worth noting. Due to the extraordinary events of 2020, the results cannot serve as a credible forecasting basis. Thus, changes in demand due to seasonality or emergency measures are not a basis for forecasting future results. However, in order to answer the research question of the thesis, it is also expedient to present the quarterly results.

Looking at the results of the first quarters of 2019 and 2020, operating cash flow increased by 16%, while free cash flow increased by only 5%. Financial leases and financing liabilities decreased by 6%, while free cash flow less equipment finance leases decreased by 1%. Ordinary shares totaled \$ 507 million in the first quarter of 2019, rising to \$ 513 million by 2020. However, net sales increased by 27% in the first quarter of the two years.<sup>84</sup>

Looking at the results of the second quarter of 2019 and 2020, operating cash flow increased by 42% and free cash flow by 27%. Financial leases and financing liabilities increased by 32%, while free cash flow less equipment finance leases increased by 49%. Ordinary shares totaled \$ 510 million in the second quarter of 2019, rising to \$ 517 million by 2020. However, net sales increased by 40% in the second quarter of the two years.<sup>85</sup>

Looking at the results for the third quarters of 2019 and 2020, operating cash flow increased by 52% and free cash flow by 25%. Financial leases and financing liabilities increased by 26%, while free cash flow less equipment finance leases increased by 70%. Ordinary shares totaled \$ 511 million in the third quarter of 2019, rising to \$ 518 million by 2020. Net sales increased 37% in the third quarter of the two years.<sup>86</sup>

In the fourth quarter of 2019 and 2020, operating cash flow increased by 72% and free cash flow increased by 20%. Financial leases and financing liabilities increased by 25%, while free cash flow less equipment finance leases increased by 71%. Ordinary shares totaled \$ 512 million in the fourth quarter of 2019, rising to 518 million by 2020. Net sales increased 44% in the fourth quarter of the two years.

Amazon's annual report said it had invested \$ 2.5 billion in extra-normal salaries in 2020 to employ the right workforce as well as existing employees. Amazon also employed an additional 40,000 veterans and their families, winning the Veteran and Military

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<sup>84</sup> Amazon.com (2020b) News release details, Amazon.com Announces First Quarter Results [Online] Available at: <https://ir.aboutamazon.com/news-release/news-release-details/2020/Amazoncom-Announces-First-Quarter/> (Accessed: 23 April 2021)

<sup>85</sup> Amazon.com (2020c) News release details, Amazon.com Announces Second Quarter Results [Online] Available at: <https://ir.aboutamazon.com/news-release/news-release-details/2020/Amazon.com-Announces-Second-Quarter-Results/> (Accessed: 23 April 2021)

<sup>86</sup> Amazon.com (2020d) News release details, Amazon.com Announces Third Quarter Results [Online] Available at: <https://ir.aboutamazon.com/news-release/news-release-details/2020/Amazon.com-Announces-Third-Quarter-Results/default.aspx> (Accessed: 23 April 2021)

Employment Award that year. It provided low-interest loans and grants worth \$ 567 million to support housing. It has committed \$ 700 million to free cloud-based training for customers and employees. It has invested \$ 2.5 billion to expand its office to create an additional 25,000 jobs. With more than 2 million free meals for children, 6 million provided Covid test kits in the U.K for free. Echo devices provided health and front workers, more than 65 thousand pieces.<sup>87</sup>

As for FDI in 2020 for the company, as the pandemic almost required the company to expand, so the company also launched logistics development that year. Not only U.S. Pat. growing demands, but increased demand worldwide. In the first three quarters of the year, its investments in transportation and distribution, including logistics, affected 204 projects. This is four times more projects compared to 2019. In value terms, it cost 365% more, going to \$ 21.4 billion, while the number of jobs tripled. Interstate investments began mostly in Arizona, Texas, New Jersey, New York, Illinois, and Florida. Nearly 9,000 logistics jobs were targeted in Texas, while 6,000 new jobs were targeted in Arizona.

And even at the time of the pandemic, many companies were trying to streamline their own company and its internal processes, Amazon, a model similar to other global e-traders, Alibaba and Walmart, initiated further international expansion. In Europe, compared to 31 projects in 2019, 46 new projects were already planned in 2020, as well as infrastructure development in Asia. Despite the decline in physical space, it has developed with thinking in mind about digitization and the online market.<sup>88</sup>

In Ireland, the company hired more than 150 employees in 2020. This is also newsworthy information because Amazon is the first U.S. company to hire someone to handle online orders in Ireland. Given that the headquarters in Ireland will also be expanded, nearly 1,000 new job creation projects will be launched in the country. The new sites will be in Dublin and Cork and the company will be looking for additional experts in engineering, database

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<sup>87</sup> Amazon.com (2021) News release details, Amazon.com Announces Financial Results and CEO Transition [Online] Available at: <https://ir.aboutamazon.com/news-release/news-release-details/2021/Amazon.com-Announces-Fourth-Quarter-Results/> (Accessed: 23 April 2021)

<sup>88</sup> Crawford, J. (2020) Pandemic pushes Amazon to expand US logistics footprint [Online] Available at: <https://www.fdiintelligence.com/article/79066> (Accessed: 23 April 2021)

management and software development. Amazon has been present in Ireland for nearly 15 years, so not only is the head of AWS there, but the Irish Minister for Enterprise, Trade and Employment is also welcoming the giant's further investment in the country.<sup>89</sup>

Amazon's outstanding 2020 results were not without criticism and controversy. On the one hand, there were traders who wanted to make more money through pricing, but this company didn't let it. On the other hand, due to the said overtime and the initial unsuitable, unsafe work environment, some workers took part in a sickout in order to take the company's health and safety measures. After that, some people resigned, even resigned at the company. CEO Tim Bray also resigned when it was revealed that the company had fired employees who had protested for safe work.<sup>90</sup> After the outbreak of the epidemic, delivery in the same day or within a day could not be delayed in all cases, delivery was delayed for days, and this was typical for both basic and medical products. The delay in non-essential products was even more days. Other critics say Amazon has used the pandemic to seize its potential and use it to expand into new areas. It has even launched a technology that e.g., it also recognizes the sound of coughing and provides ideas for home disinfections and cleansing. According to Dumaine, one of the strengths of the company is its structure, i.e., each country has its own leader who knows how to react to events. There is no centralization, operations can be carried out under their own authority within countries. In the case of big decisions, of course, Bezos's word is decisive, but in other cases, the leaders have enough room for maneuver. Bezos's tact is that they focus on customers rather than the competitive situation. Keeping economies of scale in mind, however, results in more sellers being attracted and costs being reduced at the same time. And even lower prices are even more motivating. This is the so-called Bezos flywheel concept, according to which Amazon acts as an ally of independent nations.<sup>91</sup>

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<sup>89</sup> Business and Finance (2020) FDI of the Month September 2020: Amazon is set to recruit seasonal employees in Northern Ireland [Online] Available at: <https://businessandfinance.com/fdi-of-the-month-september-2020-amazon-is-set-to-recruit-seasonal-employees-in-northern-ireland/> (Accessed: 23 April 2021)

<sup>90</sup> Palmer, A. (2020b) Amazon engineer quits after he 'snapped' when the company fired workers who called for coronavirus protections [Online] Available at: <https://www.cnn.com/2020/05/04/amazon-engineer-resigns-over-companys-treatment-of-workers.html> (Accessed: 23 April 2021)

<sup>91</sup> Dumaine, B. (2020) Amazon was built for the pandemic—and will likely emerge from it stronger than ever [Online] Available at: <https://fortune.com/2020/05/18/amazon-business-jeff-bezos-amzn-sales-revenue-coronavirus-pandemic/> (Accessed: 23 April 2021)

However, introducing FDI to a given country is not easy in all places. Such is the case, for example, in India, where Amazon makes local competition significantly more difficult. The government is constantly developing rules and laws to maintain market balance and, although difficult, has already opened its doors to foreign investment in the past.

Under Indian regulation, companies that arrive with FDI can only trade one brand. Although in the field of e-commerce the rules are simpler and FDI is allowed, but only on one platform can sales take place. This does not give buyers and sellers the opportunity to meet on a third-party platform and sell and sell on that platform but also sell their own products. Therefore, with the establishment of B2B companies, it was the beneficiary of the big investor, and these companies could already sell directly to consumers. Thus, by circumventing the rules, the company was able to engage in multi-brand trading. As China closes the Amazon, the company's key area is India, where it aims to reach \$ 1.3 trillion by 2025 and reach 1.3 billion customers. In 2018, the rules were also tightened by the government, allowing the company running the e-platform to manage inventories. But Amazon also bypassed these but through its subsidiaries (in which it had 24% of the voting rights) participated in sales through these companies. And now it is still an active participant in e-commerce and with its deep discounts and pricing policy makes it significantly more difficult for local sellers who do not sell on its platform.<sup>92</sup>

However, this activity is now being investigated. In addition to its multi-brand sales, it has also acquired a number of companies in order to continue its operations. Three companies involved also admitted that Amazon had a direct investment in the company, thus violating the law.<sup>93</sup>

Based on the above, in the case of India, due to the introduced regulations, its sales revenue decreased by 70% from 2019 to 2020, and its losses by 5%. The new regulation also banned

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<sup>92</sup> Sahay, P. (2020) How the likes of Amazon have circumvented India's FDI laws [Online] Available at: <https://www.moneycontrol.com/news/business/how-the-likes-of-amazon-have-circumvented-indias-fdi-laws-6126901.html> (Accessed: 23 April 2021)

<sup>93</sup> Choudhury, G (2020) Amazon may be on the wrong side of India's FDI rulebook for multi-brand retail on dispute with Future [Online] Retail Available at: <https://www.firstpost.com/business/amazon-may-be-on-the-wrong-side-of-indias-fdi-rulebook-for-multi-brand-retail-on-dispute-with-future-retail-9025151.html> (Accessed: 23 April 2021)

purchases from affiliates as early as 2019, resulting in even lower customer acceptance. Currently, however, the company still does not give up and is thinking about new product and service innovation under Amazon Seller Services, which basically connects resellers and buyers. Amazon offers warehousing and marketing logistics to sellers, charging a commission after each sale. Given the difficult situation in India, where Amazon Seller Services currently seems to be able to stay ahead, it has still invested \$ 770 million in this unit over three periods of the year.<sup>94</sup>

Table XIV. Investing activities in 2019 and 2020  
(in millions of US Dollars)

INVESTING ACTIVITIES:	Year Ended December 31,	
	2019	2020
Purchases of property and equipment	-16,861	-40,14
Proceeds from property and equipment sales and incentives	4,172	5,096
Acquisitions, net of cash acquired, and other	-2,461	-2,325
Sales and maturities of marketable securities	22,681	50,237
Purchases of marketable securities	-31,812	-72,479
Net cash provided by (used in) investing activities	24,281	59,611

(Source: own edition based on the annual report of Amazon 2020)

Taking into consideration of the FDI activities of Amazon in 2020, based on Table XIV., it can be seen, that the purchases of property and equipment increased by 138% from 2019 to 2020 globally. The proceeds from property and equipment sales and incentives increased by 22%, the value of the acquisition, net of cash acquired and other decreased by 6%. Sales and maturities of marketable securities increased by 121%, the purchases of marketable securities increased by 127%. The net cash provided by (used in) investing activities increased by 145%.<sup>95</sup>

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<sup>94</sup> The Economic Times (2020) Amazon Wholesale's revenue slumps 70% due to change in India's FDI rules [Online] Available at: <https://economictimes.indiatimes.com/tech/tech-bytes/amazon-indias-revenue-grows-43-in-fy20-wholesales-slump-70/articleshow/79943268.cms> (Accessed: 23 April 2021)

<sup>95</sup> Amazon.com (2021) op. cit. (page 68)

## CONCLUSION

The present thesis sought to answer how COVID-19 changed global trade. However, the thesis also sought an answer to how Amazon, one of the world's largest e-commerce platform companies, was able to meet the challenges, how it was able to handle increased customer demand, achieving unprecedented revenue growth and expansion.

The thesis presented information that was collected in the framework of secondary research in an exploratory and descriptive manner. Resources are exclusively publications that are public data available to everyone. Their use in the thesis does not violate anyone's rights and interests, but at the same time served as an authentic source of information. In terms of research strategy for the thesis, it presents a case study, i.e., the activities and current practices of a company, Amazon, thus gaining detailed insight and **confirming the research topic's assumption that COVID-19 boosted e-commerce, pushing traditional commerce into the background.**

The world has already faced crises in several cases, which have significantly changed the economic and social situations of countries. The current pandemic has also brought many changes and it is not yet possible to estimate how much damage it will ultimately cause. The most significant negative impact is that it has claimed human lives, and even demands it. To protect health, almost every government in every country has responded and taken immediate action, including physical distancing. As a result, many supply units could not function optimally, business units were closed and restricted for a short or long time. This meant the termination of several businesses. Of course, businesses targeting basic needs continued to operate, but they also had to face and continue to face supply chain disruptions to this day.

As far as the economic impact of the epidemic is concerned, measures and closures with physical distance have in many cases required the employer to employ the worker in a changed work schedule and in many cases, they have been dismissed. However, rising unemployment has put people in a precarious position and, in addition, has changed their shopping habits. There have been reports from many countries that people have started to panic, mostly to buy essential vital foods, while the demand for hygiene, chemicals and protective health care products has skyrocketed. However, demand for non-vital products

has declined as people have not spent irresponsibly in spite of financial uncertainty and have started to save.

Given the further economic impact of the crisis, visiting traditional shops has been pushed into the background, and e-commerce has thus opened up new opportunities for people. In the past, people were hesitant to take the example of buying food online, mostly for fresh goods, but now buying online for these products has also shown an upward trend. In some developing countries, purchasing in digital form is still a challenge today, and governments and businesses involved need infrastructure support and deployment in this direction.

As for the negative impact of the epidemic, among the sectors, tourism and hospitality had to face an 80-90% decline, but other service sectors such as hairdressing, cosmetics and entertainment also suffered significant losses. In some cases, the automotive and electronics markets have also collapsed due to a lack of demand. Thus, the real winner of the pandemic situation is represented by the e-commerce.

And those who represent this activity are those who have a global presence and carry out cross-border transactions. Therefore, in the interests of fair competition, the WTO has also revised its previous rules and regulations and, in addition to supporting e-commerce, has introduced new guidelines that will further increase consumer protection. Such regulations include the prevention of unfairly high pricing, product protection and product traceability. At the same time, in addition to product controls, WTO has introduced facilitation measures, such as waiving the obligation to pay customs duties on some products and allowing electronic administration, and for some products, e-certification has also come to the fore and become accepted.

For a global company to succeed, developing the right structure and strategy is almost essential. Several studies have shown that there is a close relationship between these two factors, and one application is followed by the other. A well-designed strategy can help MNEs achieve their goals and also provide a competitive advantage over competitors. On the other hand, it shapes and forms the rate and pace of growth, especially in the case of a cross-border activity, but it also affects the complexity between the tactics, goals and activities used.

One of the largest global e-commerce companies today is Amazon. Amazon's launch is named after Jeff Bezos, who originally started selling books online and wanted to prove that shoppers can feel safe with online shopping, as online purchasing is fast, convenient, and that benefits not only the seller, but the buyer as well. Already in the first year, the recorded customer data in the database exceeded 1 million at the Amazon, and the value of the books distributed was often underpriced compared to traditional booksellers. In addition to steady growth, the company in 1997 was already valued at \$ 438 million. Taking advantage of the spread of the Internet, Amazon issued 1.25 billion worth of bonds and along with several other sites like Yahoo, American Online began strong marketing. In addition to books, the company later started to deal with other products, e.g., which provided entertainment, games, video, electronic devices, household appliances, furniture, and later also provided Internet-related services and subscriptions to customers. Amazon has managed to create a platform where, in addition to its own products, other sellers could appear and sell on Amazon's site for a fee.

By 2000, it had a presence in Europe in addition to the United States. By the turn of the millennium, the total number of Amazon customers had reached nearly 17 million, with consumers worldwide choosing Amazon to purchase products online. In addition to investing all over the world, Amazon has acquired some companies through acquisitions, and in other cases has formed partnerships with agreements e.g., Living.com, Greenlight, HomeGrocer.com, Kozmo.com, Pets.com. etc.

From 2001, the company distinguished 4 segments in its official statements: U.S. Books, Music, and DVD / Video, U.S. Electronics, Tools, and Kitchen, Services Segment and International sales. This was later modified and is now included in three segments in its consolidated statements: North America, International and Amazon Web Services.

In terms of logistics data, it is outstanding that, according to 2018 data, there were already 265 transport centers in 17 countries and a further 49 were included in its plan. The number of facilities operated exceeded 470, in addition to which it had additional transport stations and filling stations. In India alone, the number of delivery stations has reached 150. In terms of logistics costs, it tries to keep its deliveries below FedEx and UPS costs and favors its own fleet of machines and its expansion for optimization reasons.

The effects of their measures following the outbreak of the pandemic were as follows for e-commerce. Units that have had a well-established system and an existing infrastructure, well-established associates and relations and have had an already existing customer base, they have had the advantage to react to changes sooner. In many cases, inventory problems were reported due to downtime, yet by the second quarter of 2020, they were already able to post increasing revenue. People were forced to make their physical purchases less often due to keep the physical distance, it was clear that online traders' revenues would increase and people would shop online, which they had done in person in the past. During the restrictions of the epidemic period, people spent 10-30% more on online shopping. The largest increase was thus in the case of grocery e-commerce. While for some basic products, the demand for and purchase of online products has increased, however, there are online products that were less in demand by consumers during the pandemic. Examples are luxury products, so Versace, Hermes, Burberry, Gucci, Ralph Lauren have had to face billions in losses. Outstanding growth outside Amazon was achieved by JD.com, Target Corp., Walmart, Alibaba, eBay. Major food companies such as Nestlé, PepsiCo, Unilever have started selling their own products online to sell their own products.

Amazon has seen tremendous growth as consumer demand for online has increased. The company also had to face the challenges and reacted within a short time. In the first half of 2020, it created nearly 175,000 new jobs, raised workers' wages and provided a bonus. In order for workers to be able to work safely from a health point of view, it provided them with protective equipment on the one hand, and expanded the available warehouses to provide sufficient space on the other. For the full year, Amazon employed 427,300 new employees, reaching 1.2 million number of employees; it was an increase of 50% compared to 2019.

In addition, it also employed 100,000 temporary workers and 500,000 managers of transport companies, which is not part of its own staff. The acquisition of some automated tools has already helped workers work like robots, but automation of order selection has also evolved in recent months. The company also invested in the purchase of cargo aircraft and also purchased 100,000 electric vans.

However, the stock of the company could only be replenished in limited quantities. Amazon allowed its partners to deliver the products to be sold to its own warehouse, but only in limited quantities and mostly basic products for which there was a high demand. Imports of unsolicited products into the warehouse only started later, at a slow pace, so it took weeks for Amazon too to sort out its inventory. Taking into consideration the partnerships and other entrepreneurs in difficulty, Amazon has tried to move rationally, which will help those in difficulty and the company itself. In April 2020, it bought the online food supplier Deliveroo because it went bankrupt due to payment difficulties. Amazon considered in May bankrupt J.C. Penny acquisition. With respect to Indian equities, it acquired shares in Future Retail Group. While its acquisitions may seem aggressive, Amazon critics say the company has only been motivated by its growth and in some cases is considered unfair. In Europe, for example, in some cases the company also has a tax exemption or only has to pay a reduced rate of tax. Employment policy has also been criticized because several of its employees have protested in order for the company to create safe working conditions for the employee. As a result, these workers were also laid off from the company. Its unfair practices also arose in connection with the Indian case, according to which, by circumventing the regulation, in addition to selling one brand, Amazon is selling several companies and selling several brands with its subsidiaries. Therefore, an investigation was also initiated against the company.

In terms of the sales of Amazon, between May 31, 2019 and May 31, 2020, marketplace sellers sold 3.4 billion products on Amazon, with an average annual revenue of \$ 160,000, an increase of 60% year-on-year in their sales. Record sales were recorded in March 2020, meaning it sold 50% of the units sold this month compared to the previous year. Amazon offered an outstandingly good and wide range of products for which there was demand, so the opportunity for a return on investment was also seen in Amazon shares. Online activities also received more support from governments, as they needed to be supported.

Regarding the further financial results and activities of the year 2020, based on those listed in the thesis, it can be stated that its sales revenue and net sales increased. The related costs also increased, but in some cases the declining costs of depreciation and marketing offset these costs. In addition to allowing the company to grow its revenues and build new relationships, even through acquisitions, it has also been able to expand territorially. As it

expanded its headquarters and warehouses due to lack of space and to employ additional manpower, it began not only interstate expansion within North America, but also plans further expansions in Europe and Asia, thus ensuring and strengthening its stable international position in the market. While this activity may be detrimental and may negatively affect smaller local businesses, it has the positive effect of transferring technological and infrastructural knowledge to create additional jobs in the countries concerned.

The data and activities presented and achieved by Amazon presented in the thesis demonstrate that global commerce has changed as a result of the pandemic and that people now consider the new normal to be authoritative, namely the acceptance and application of online activities, transactions and shopping. To this end, global online companies like Amazon have taken every possible step to ensure that while their profits have been significantly increased, they are serving the needs of their customers to the maximum.

According to some estimates, and Amazon's plans show that it expects further revenue growth from 2021 onwards. Given that the pandemic is still going on today and we do not know yet how long, it is certain that people will be shopping according to the new normal in the near future and this will continue to benefit global online companies.

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## DECLARATION

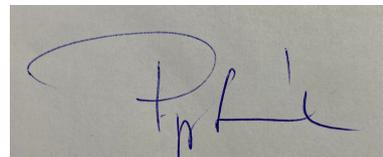
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