Date 17th Jan Thursday

International Business...!

Introduction:

International Business refers to the commercial activities, including trade, investment and the exchange of goods and services, conducted between individuals or entities in different countries. It encompasses a broad range of cross-border transactions and requires an understanding of diverse cultural, economic and regulatory environments.

In other word we can say that, International business involves economic activities that occur between individuals or companies from different countries. This can include the exchange of goods and services, technology and capital across borders. It often requires an understanding of various cultures, legal systems and global economic trends.

Why International Business:

Businesses engage in International business for various reasons, including:

Imp.

1. **Market Expansion** - Accessing new markets and customers globally can lead to increased sales and growth opportunities.

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②. **Resource Acquisition** – Companies may seek access to raw materials, skilled labour, or technology that is more readily available or cost-effective in other countries.

③. **Risk Diversification** – Operating in multiple contries can help businesses mitigate risk's associated with economic downturns, political instability, or other local challenges.

④. **Competitive Advantage** – International expansion can provide a competitive edge by tapping into unique market insights, technologies, or consumer trends.

⑤. **Regulatory Opportunities** – Some contries may offer favorable regulatory environments or incentives for foreign businesses, encouraging international operations.

International Business V/S Domestic Business

Scope	International	Domestic
①. Geographical Scope:	Operates across national borders, involving transactions and activities in multiple countries.	Operates within the boundaries of a single country, serving a local or national market.
② Cultural and Regulatory Diversity:	Deals with diverse cultures, legal systems and regulatory environment across different countries.	Faces a more consistent and familiar cultural and regulatory landscape within a single country.
③ Complexity and challenges:	Involves additional ~~complx~~ complexities such as currency exchange, language barriers, and adaptation to varied business practices.	Encounters fewer complexities related to cross-border transactions and cultural differences.
④. Risk Exposure:	Faces higher exposure to geopolitical risks, currency fluctuations, and international economic uncertainties.	Deals with risks inherent ~~th~~ to the local market and economy.

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(Currency and Financial Management:	Requires management of multiple currencies, exposing the business to exchange rate fluctuations.	Deals with a single currency, reducing complexity in financial transactions.

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Modes of Entry in International Business.

① Franchising
② Joint Ventures
③ Contract Manufacturing/ Outsourcing
④ Exporting
⑤ Licensing

Merger and Acquisition

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Q. Globalization
Charact., Imp., Good or Bad, Impact
steps have been taken by Govt of India for Globalization

① Export :- Selling goods and services to a company in a foreign country is known as Exporting.
Purchasing goods and services to a company in from a few foreign country is known as Importing.

There are two ways of Exporting and Importing : ①. Direct Exporting and Importing
②. Indirect Exporting and Importing

The company handles all the necessary paper works and deals directly with the ~~foream~~ foreign supplier or purchasers.

The company uses a middle man to handle all the paper works.

② Contract Manufacturing / Outsourcing :-
According to this, the company takes responsibility for promoting goods and services by a business in another nation. The company is specialised in the manufacturing process but lacks marketing skills.
Contract Manufacturing is a type of IB in which a firm enters into a contract with another firm in a foreign country to manufacture certain components it is also known as Outsourcing International.

③ **Licensing :-**
When one country from a country (licenser) grants a licens to a company in another company (licensee) to use its brand, patents, trad mark, marketing skills to another firm to sell its product is known as Licensing.
The licenser gets a return in porportion of to sells.

④ **Franschicing :-**
Franshee is a unique right that a producer gives to a group of people to establish a same business to a specific ~~people~~ location. Its a contrabtual aggrement that envolves the grand of right by one party (fransher) to another party (franshee) for aggreed payment for a certain period of time.

⑤ **Joint ventures :-**
It is formed when two or more business decide to work together for mutual benefits. The trade is carried out in collaboration with the nations (both Domestic and foreign).

~~Globalization :-~~
~~Globalization is the process of increased interconnectedness and intery~~

Globalization:

Introduction - Globalization is the process of increased interconnectedness and interdependence among countries, economies cultures, and people. It involves the flow of goods, services, information and ideas across borders, leading to greater integration of economies and societies on a global scale.

Characteristics of Globalization -

1. Increased Trade: Greater flow of goods and services across borders, facilitated by reduced trade barriers.

2. Global capital Flows: Movement of capital across nations, including investments, loans and financial transactions.

3. Technological Advancements: Rapid development and adoption of technology, particularly in communication and transportation, facilitating global interactions.

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④ Cultural Exchange : Exchange of ideas, values, and cultural elements, leading to a more interconnected and shared global culture.

⑤. Internationalization of Business : companies expanding their operations globally, forming multinational corporations and global supply chains.

Importance of globalization -

① Economic growth : Globalization facilitates increased trade and economic interdepence, leading to higher economic growth as countries can access new markets, technologies and resources.

② Innovation and competition : Global competition stimulates innovations, as companies ~~strive~~ strive to improve products and services to stay competitive in the global market.

③ Crisis Management : Globalization allows for more coordinated responses to global challenges, such as pandemics or financial crisis, as nations work together to find solutions.

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④ Reduced Poverty : Globalization has the potential to reduce poverty by providing opportunities for economic development in less developed regions through foreign investment and trade.

⑤. Job creation : Increased International trade and investment create job opportunities, contributing to reduce unemployment rates and improved living standards.

Steps have been taken by Govt. of India for Globalization

① Trade Liberalization : Reduce trade barriers and tariffs to encourage international trade and investment.

② Investment Promotion : Implement policies that attract foreign direct investment (FDI) to stimulate economic growth and technology transfer.

③. Infrastructure Development : Invest in infrastructure such as transportation, communication and energy to facilitate smoother global trade.

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(4). Digital connectivity : Promote digital connectivity to facilitate e-commerce and technology exchange on a global scale.

(5). Crisis Preparedness : Develop strategies for managing and mitigating the impact of global economic crises, such as contingency plans and financial reforms.

Good Aspects of Globalization :

(1) Economic growth
(2) Job Creation
(3) Access of Resources
(4) Technological Advancements
(5) Reduce Poverty

Negative Aspects of Globalization :

(1) Income Inequality
(2) Job Displacement
(3) Dependency
(4) Loss of Sovereignty
(5) Cultural Homogenization

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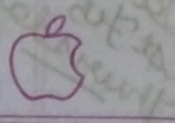

Impact of Globalization:

1. Social changes
2. consumer choices
3. Economic Growth
4. Employment Opportunities
5. Income Inequality.

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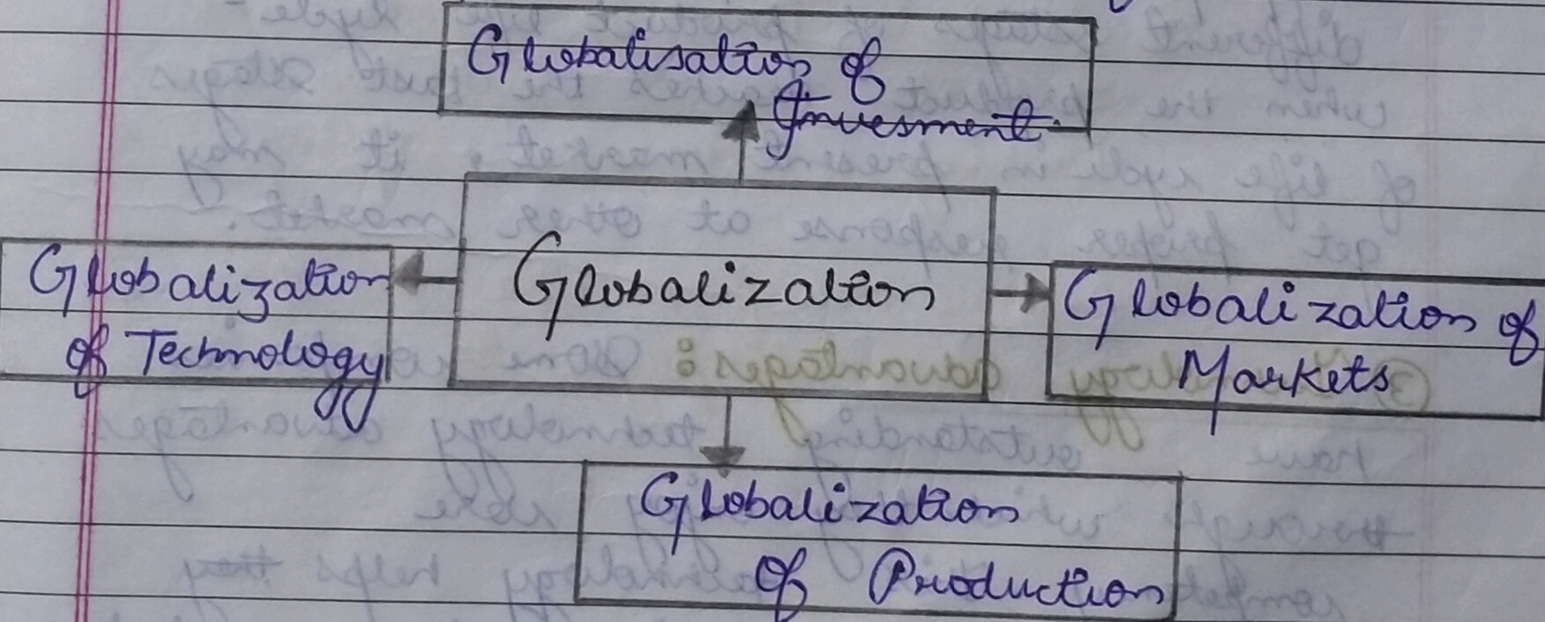
Globalization: It is the process of integration of economies through products, services, capital, technology, ideas, ~~people~~ man power and information.

According to IMF "Globalization is the growing interdepence of countries world wide through increasing volumn, etc cross boarder transaction in goods and services, technology, capital flows etc."

Globalization consists of:-



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⇒ Trade

Trade means exchange of goods and services for the satisfaction of human wants.

When trade is confined to the geographical limits of a country, it is a domestic or national trade.

International or foreign trade refers to the trade between two countries.

⇒ ~~Important~~ Importance of International Business Environment

① **Helps in expansion:** Geographic expansion may be used as a business strategy. Even through companies may expand their business at home.

③ **Helps in managing product life cycle:** Every product has to pass through different stages of product life cycle - when the product reaches the last stages of life cycle in present market, it may get proper response at other market.

③ **Technology advantages:** Some companies have outstanding technology advantages ~~through~~ which they enjoy core competency. This technology helps ~~they~~ the company in capturing other markets.

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⇒ International Business Environment.

The International Business Environment is a complex network of economic, political, legal and cultural forces that ~~spa~~ shape how organisations conduct international business.

It consists of external and internal factors that impact a company's success or failure in different markets.

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⇒ Theories of International Trade

1. Mercantilism
2. Absolute advantage
3. Comparative advantage
4. Factor Endowment
5. Intracountries
6. Michael Proter's. Theory.

Monday

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Balance of Payment (BOP)

Balance of Payment

Balance of Payment is a systematic record of all economic transaction between the residence of a country and a foreign country during the period of time. It is an important index that reflect the true economic position of a country.

The economic transactions of a country are :

1. Visible items of Exports and Imports of all physical goods crossing the boarders.

2. Invisible items of Exports and Imports of all Services like banking, insurance, shipping

3. Capital transfers like transfers of assets and payments

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Bal. of Trade V/S Bal. of Payment.

Basis	Bal. of Trade	Bal. of Payment
1) Defination	BOT is the difference between the exports and Imports of visible goods.	BOP is define as systematic record of all economic transaction between the residence of a country and a foreign country during the period of time.
2) Formula	BOT = Net earnings on Exports - Net payments for Imports.	BOP = Current A/C bal + Capital A/C bal. + errors and ommissions
3) Favable or Unfavable	BOT is favable when exports more than Imports and unfavable when Imports more than exports.	BOP is favable if country is able to pay all the loans in the capital account and the current account is surplus. BOP is unfavable if countries borrows funds other country and current account is negative or deficit.
4) Concept	BOT is a narrow concept	BOP is a wider concept

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(5)	BOT is a part of BOP.	BOP is a comparison of three accounts and is ~~of~~ only account of current account.
(6) Indicator	BOT is ~~a~~ not a true indicator of economic performance of a country.	BOP is a true indicator of economic performance of a country
(7)	BOT may be favourable unfavourable or ~~in~~ equilibrium	BOP always balances i.e. ~~the~~ ~~also~~ receipts are always equal to payments

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World Trade Organisation (W

Introduction :
WTO is inter goverzmental organization. HQ is in Geneva, Switzerland. It is the world's largest Organization with 164 members contry's. (1st Jan 1995 Started). It facitates trade in goods, services for intelected property. The aim of WTO is to elimante to reduce tariffs, quatas and other restiriction. Its top decision making body is Ministrial conference day to day are manage by general concile which represents member from all other country's. The annual budget of WTO is $220M. Which is contributed by all other members contry's.

Important Functions of WTO :

①. Administration, Implementation and growth of trade is the main function of WTO.

②. Is there is any Dispute between two or more members country's then the Settlement body of WTO resolves the issue Dispute or matter.

GATT - General Agreement on Traiffs and Trade

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③. WTO administor trade policy review body and they set rules and regulations for multilateral trade.

④ WTO coporates with IMF and IBRD (International Bank for reconstruction and development) to achieve global economic policies and also closely work with IMF.

Theories of International Trade

① Mercantilism [Gold theory].
② Absolute cost advantage
③ Comparative cost advantage
④ Factor endownment theory
⑤ Product life cycle theory
~~⑥~~

① Mercantilism / Gold Theory.

The first theory of IB is Mercantilism. It suggest the wealth of nation consits of gold and silver. Every country tried to increase it's gold surplus.

Ex - In the 6th century England use to Export gold and silver coins to France.

② Absolute cost advantage Theory

Adam Smith in 1776 proposed Absolute advantage theory. A country should

specilized in the production of goods for which it has Absolute advantage theory and then trade these goods with another country.

Ex - England manufactured textiles most efficiently, So they will Export texfiles to France.

③ Comparative cost advantage theory

David Ricardo (Ricardian) proposed comparative cost advantage theory. It is benefically for the country to specilized in the production of those goods that it produces most efficiently and it must buy the goods that it produces less efficiently from other countries.

Ex - India has comparative cost advantage in the production of tea while China has advantage in the production of clothes. So, India is specilization in of tea and will exchange surplus tea with China for clothes.

④ Factor Endowment Theory.

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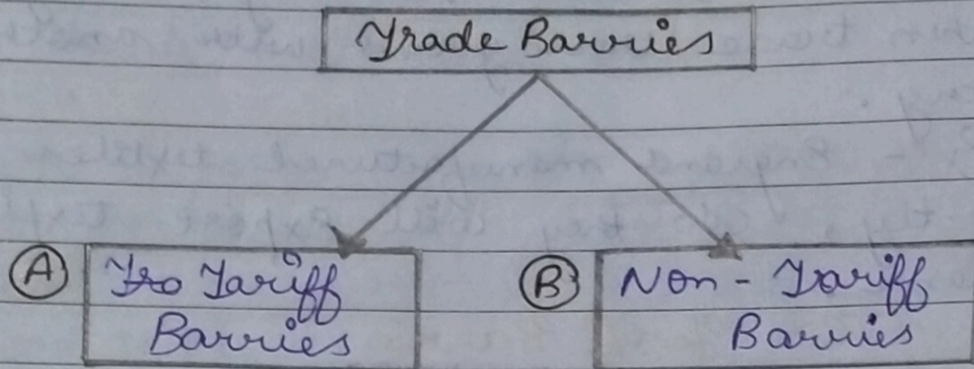
Trade Barries



(A) Tariff Barries

1. Tariff means taxes or duties on Exports and Imports.

2. Import duties are more important and common duties than Export duty.

3. Custom duty is imposed on imported goods.
   Ex - A specific amt of tarriff is charged per unit of the product is known as specific duty.

4. Specific percent of that products value (Ad- Valorem tax).

5. Compound Tax/Duty is the combination of specific duty and Ad- Valorem tax.

Compound Tax = Specific duty + Ad- Valorem tax.

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(B) Non-Tariff Barries

(1) Non-Tariff Barries are known as Non-commercial Barries which are not the specific barries. for ex - percentage of taxes but the ~~restiction~~ restriction is imposed on goods and services.

Types of Non-Tariff Barries

(1) **Quotas** - Quantitative restrictions in the form of Imports and Exports are traditional methods. A Quotas is fixed on the foreign exchange to protect domestic producers. Quotas is ~~worst~~ ~~worst~~ worst than tariff. Quotas system is difficult to manage than the ~~to~~ tariff system.

(2) **Import Licensing** - In this system, those who want to Import goods are requise to obtained a license. In many countries including India Import Licensing system is used to control the total value of Imports. Sometimes there may be license imposed on certain types of Export.

(3) **VER (Voluntary Export Restriction)** - A VER is adopted from the Importing country just like a Quotas VER is a Quantitative restriction between the two countries under which the Exporting country Volunatarily

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agrees to restrictes exports of specified commodities two the Importing country at a specified level.

FDI V/S FII

Basis	FDI	FII
① Full Form	Foreign Direct Investment	Foreign Institutional Investment.
② Nature of Investment	FDI involves a long-term investment in which a foreign entity establishes or acquires a significant ownership stake in a business located in another country.	FII involves short to medium-term investment in securities such as stocks, bonds, or other financial assets of a foreign company or a country's financial markets.
③ Level of Control	FDI usually involves a higher level of control and influence over the invested company, including decision-making power in strategic matters.	FIIs generally do not seek to influence the management or operations of the companies they invest in. They primarily aim for financial returns through trading securities.

(4) Risk and Return	FDI often carries higher risks due to the substantial investment and long-term commitment involved. It can also often potentially higher return, especially if the invested company performed well.	FII involve lower risk compared to FDI since they can easily enter and exit financial markets. Returns from FII investments depend on market condition and asset performa
(5) Impact on Economy	FCI ~~to~~ can contribute to economic growth by bringing in capital, technology, skills and job opportunities to the host country. It can also ~~facilitates~~ facilitate the transfer of knowledge and expertise.	FIIs can affect the valatility of financia markets in the short term but may not have as direct an impact on the broder economy as FDI.

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Theory of Trade

(6) Heckscher-Ohlin Model

contry's will Export goods that ~~utilize~~ utilize there ~~a~~ abundantely available resources and Import goods that utilize there releatively scarce resources.

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→ Regional Economic cooperation refers to collaboration among countries within a specific geographic area to promote trade, investment and other economic activities.

This cooperation can take various forms, such as free trade agreements, customs unions, common markets or economic integration blocs.

Forms of Regional grouping :-

① Free trade area - member countries agree to reduce or eliminate tariffes and other barries to trade among themselves while maintaining their own external trade policies.

② Customs union - In addition to the provisions of an FTA, members countries harmonize their external trade policies, adopt a common external tariff and eliminate tariffs and trade barries within the union.

③ Common Market - Member countries of a common market go to beyond the provisions of a customs union by allowing the free movement of goods, services, capital and labour among themselves.