International business definition by authors

International affairs are defined as commercial transactions that take place across national borders. This broad definition includes the very small company that exports (or imports) a small amount to a single country, as well as the very large global company with integrated operations and strategic alliances around the world. Within this wide range, distinctions are often made between different types of international companies, and these distinctions are useful in understanding a company's strategy, organization and functional decisions (e.g., financial, administrative, marketing, human resources or operating decisions). One distinction that may be useful is the distinction between multi-domain operations, with independent subsidiaries that act primarily as domestic companies, and global operations, with integrated subsidiaries that are closely linked and interconnected. These can be considered as the two ends of a continuum, with many possibilities in between. Businesses are unlikely to be at one end of the continuum, as they often combine aspects of multinational operations with aspects of global operations. International affairs developed in the latter half of the 20th century and early 21st century, partly because of trade and investment liberalization, and partly because doing business internationally had become easier. With regard to liberalization, the rounds of negotiations of the General Agreement on Tariffs and Trade (GATT) have resulted in trade liberalization, which continued with the creation of the World Trade Organization (WTO) in 1995, which is responsible for regulating global trade. Other regional trade agreements include the North Atlantic Free Trade Agreement (NAFTA) between the United States, Canada and Mexico and MERCOSUR between South American countries. At the same time, most governments have liberalized global capital flows, particularly with the advent of electronic remittances. In addition, the introduction of a new European monetary unit, the euro, in January 2002 had an economic impact on international businesses. The euro is the currency of the European Union, and it has replaced the national currency of many European countries. Since the beginning of 2005, the U.S. dollar has continued to fight the euro and impacts have been felt in all industries around the world. In terms of ease of doing business internationally, two major forces are important: technological developments that make communication and transport global and the disappearance of a substantial part of the communist world, opening many of the world's economies to private companies. DOMESTIC VS. INTERNATIONAL AFFAIRESSFEDERALS, both in the public and private sectors, share the business objectives of operating successfully to continue their activities. Private companies are also looking to operate profitably. Why, then, is it international different from domestic? The answer lies in the differences between borders. Nation states generally have unique systems, laws and regulations, currencies, taxes and rights, and so on, as well as different cultures and practices. A person travelling from his country of origin to a foreign country must have the appropriate documents, carry foreign currency, be able to communicate in the foreign country, be appropriately dressed, and so on. Doing business in a foreign country involves similar issues and is therefore more complex than doing business at home. The following sections will explore some of these issues. Specifically, a comparative advantage is introduced, the international trading environment is explored and forms of international entry are described. International COMMERCE AND INVESTISSEMENT THEORIES In order to understand international trade, it is necessary to have a broad conceptual understanding of why trade and investment across national borders takes place. Trade and investment can be examined on the basis of the comparative advantage of nations. The comparative advantage suggests that each nation is relatively good at producing certain products or services. This comparative advantage is based on the nation's many factors of production — land, labour and capital — and a country will intensively export products and services that make extensive use of its many factors of production. It is sufficient to take into account only two factors of production, labour and capital, and two countries, X and Y. If country X has a relative abundance of labor and country Y has a relative abundance of capital, Country X should export products/services that use labor intensively, and country Y should export products/services that use capital intensively. That is a very simplistic explanation, of course. There are many more factors of production, of varying qualities, and there are many additional influences on trade, such as government regulations. Nevertheless, it is a starting point to understand which countries are likely to export or import. The concept of comparative advantage can also help explain investment flows. In general, capital is the most mobile of the factors of production and can move relatively easily from one country to another. Other factors of production, such as land and labour, do not move or are less mobile. The result is that when capital is available in one country, it can be used to invest in other countries to take advantage of their abundant land or labour. Companies can develop expertise and benefits based primarily on abundant resources at home, but as resource requirements change, the product lifecycle stage matures and domestic markets become saturated, these firms find it advantageous to invest internationally. INTERNATIONAL COMMERCIAL ENVIRONMENTSss are different from domestic affairs because the environment changes when a company crosses international borders. As a general rule, a company understands its environment very well but is less familiar with the environment in other countries and needs to invest more time and resources in understanding the new environment. The following takes into account some of the important aspects of the environment that are changing internationally. The economic environment can be very different from one nation to another. Countries are often divided into three broad categories: developed countries, least developed countries, and developing or emerging economies. In each category, there are major variations, but overall, the most developed countries are the rich, the least developed, the poor and the increasingly poor. These distinctions are generally made on the basis of gross domestic product per capita (GDP/capita). Better education, better infrastructure, better technology, health care, and so on, are often associated with higher levels of economic development. When discussing emerging economies, the BRIC countries occupy a prominent place. The BRIC countries refer to the emerging economies of Brazil, Russia, India and China. The term was first used by investment bank Goldman Sachs in 2003 in a paper that argued that these fast-developing countries would surpass the world's richest countries by 2050. Jim O'Neill, head of global economic research at Goldman Sachs, says the BRIC countries are moving towards creating an economic bloc similar to that of the European Union. The BRIC Summit in 2008 indicates that these countries are beginning to formalize their association. In addition to the level of economic development, countries can be classified as free market, centrally planned or mixed. Market economies are those where the government is least involved in commercial activities, and where market forces of supply and demand are allowed to determine production and prices. Centrally planned economies are those where the government determines production and prices based on demand forecasts and desired supply levels. Mixed economies are those where some activities are left to market forces and others, for reasons of national and individual well-being, are controlled by the government. In the late 20th century and early 21st century, there was a significant shift towards market economies, but most countries retain some governmental control over trade. The People's Republic of China (PRC) has implemented market-based economic reforms since the death of President Mao in 1976, after which the Communist Party's control over citizens was diminished. Now, the CPP has a mixed economy that incorporates many aspects of a while retaining government control over industries that are considered to be of vital strategic importance to the state. It is clear that the level of economic activity combined with education, infrastructure, and so on, as well as the degree of governmental control of the economy, affect virtually every facet of doing business, and a business must environment if it is to operate successfully internationally. The political environment refers to the type of government, the government's relationship with business and political risk in a country. Doing business internationally therefore involves dealing with different types of governments, relationships and levels of risk. There are many types of political systems, for example, multi-party democracies, one-party states, constitutional monarchies and dictatorships (military and non-military). In addition, governments change in different ways, for example, through regular elections, occasional elections, death, coups and war. The relationship between government and business also differs from country to country. Businesses can be viewed positively as the engine of growth, they can be viewed negatively as the exploiter of workers, or somewhere in between as offering both advantages and disadvantages. Relations between government and business can also vary from positive to negative depending on the type of business transactions involved and the relationship between the inhabitants of the host country and the inhabitants of the country of origin. To be effective abroad, an international company relies on the goodwill of the foreign government and must have a good understanding of all these aspects of the political environment. A particular concern of international companies is the degree of political risk in a foreign location. Political risk refers to the likelihood of government activity that has undesirable consequences for the business. These consequences can be dramatic, as in the case of forced divestitures, when a government requires the company to abandon its assets, or more moderate, as in the case of unwelcome settlements or interference with operations. In any event, the risk arises because of the uncertainty about the likelihood of government activities occurring. In general, the risk is associated with instability, and a country is therefore considered more risky if the government is likely to change unexpectedly, if there is social unrest, if there are riots, revolutions, wars, terrorism, and so on. Companies naturally prefer stable countries with low political risks, but returns must be weighed against risk, and firms often do business in countries where the risk is relatively high. In these situations, companies seek to manage perceived risk through insurance, ownership and management choices, supply and market control, financing agreements, and so on. In the degree of political risk is not only a function of the country, but also depends on the company and its activities, a country at risk for one company can be relatively safe for another. In addition, countries that can be said to have little political risk may have a strict regulatory environment. In the United States, regulations make the business environment stable, but the burden of compliance, particularly since the introduction of the Sarbanes-Oxley code in 2002, can be so costly that it can be business in the United States.The cultural environment is one of the essential elements of the international business environment and one of the most difficult to understand. This is because the cultural environment is essentially invisible; According to Kluckhohn and Strodtbeck, it can be described as a common and commonly held set of general beliefs and values that determine what is good for a group. National culture is described as the set of general beliefs and values that are shared by a nation. Beliefs and values are generally considered to be formed by factors such as history, language, religion, geographic location, government and education; thus, companies begin a cultural analysis by seeking to understand these factors. Companies want to understand what beliefs and values they may find in the countries where they do business, and a number of models of cultural values have been proposed by researchers. The best known is the one developed by Hofstede in 1980. This model proposes four dimensions of cultural values, including individualism, avoidance of uncertainty, distance of power and masculinity. Individualism is the extent to which a nation values and encourages individual action and decision-making. Avoiding uncertainty is the extent to which a nation is prepared to accept and deal with uncertainty. The distance of power is the extent to which a nation accepts and punishes differences of power. And masculinity is the extent to which a nation accepts traditional male values or traditional female values. This model of cultural values has been widely used because it provides data to a wide range of countries. Many academics and managers found this model useful for exploring management approaches that would be appropriate in different cultures. For example, in a country that is high on individualism, individual goals, individual tasks and individual reward systems are expected to be effective, while the reverse would be the case in a nation that is weak in individualism. Although this model is popular, there have been many attempts to develop more complex and inclusive models of culture. The competitive environment can also change from country to country. This is partly due to economic, political and cultural environments; these environmental factors help determine the type and degree of competition that exists in a given country. Competition can come from a variety of sources. It can be the public or private sector, come from large or small organizations, be national or global, and come from traditional or new competitors. For the company the most likely sources of competition can be well understood. The same is not true when you travel to compete in a new environment. For example, in the United States, most companies are privately owned and competition is between private sector firms, while in the People's Republic of China, some firms remain under state management. For example, a U.S. CPP company could find itself in competition with owned by public entities. This could radically change the nature of competition. The nature of competition can also change from place to place, as illustrated by the following: competition can be encouraged, accepted or discouraged in favour of cooperation; Relationships between buyers and sellers can be friendly or hostile; Barriers to entry and exit may be low or high; regulations may permit or prohibit certain activities. To be effective internationally, companies need to understand these competitive issues and assess their impact. In addition to trade liberalization, efforts have been made to negotiate trade facilitation, which focuses on the cost of trade and customs procedures. An important aspect of the competitive environment is the level and acceptance of technological innovation in different countries. The last decades of the 20th century have seen major advances in technology, and this continues into the 21st century. Technology is often seen as giving companies a competitive advantage; as a result, companies compete for access to the latest technologies, and international companies transfer technology to compete globally. It's easier than ever for even small businesses to have a global presence thanks to the Internet, which greatly expands their exposure, market and potential customer base. For economic, political and cultural reasons, some countries are more accepting of technological innovations, others less tolerant. INTERNATIONAL ENTRÉE CHOICE International companies can choose to do business in a variety of ways. Among the most common are exports, licenses, contracts and turnkey operations, franchises, joint ventures, wholly owned subsidiaries and strategic alliances. Exporting is often the first international choice for companies, and many companies rely heavily on exports throughout their history. Exports are considered relatively simple because the company relies on domestic production, can use various intermediaries to assist in the process and expects its foreign customers to deal with marketing and sales issues. Many companies start by exporting reactively; become proactive when they realize the potential benefits of tackling a much larger market than the national one. Effective exporting requires attention to detail if the process is to be successful; for example, the exporter must decide whether and when to use different intermediaries, choose an appropriate means of transport, prepare the preparation of the product, setting acceptable payment terms, and so on. More importantly, the exporter usually leaves marketing and sales to foreign customers, and they may not receive the same attention as if the company itself has undertaken these activities. Large exporters often undertake their own marketing and establish sales subsidiaries in important foreign markets. Licenses are granted by a licensee to a licensee for rights to certain intangible assets (e.g., patents, processes, processes, trademarks) for agreed compensation (payment of royalties). Many companies believe that production in a foreign country is desirable, but they do not want to undertake this production themselves. In this case, the company may license a foreign company to begin production. The licensing agreement provides access to foreign markets through foreign production without the need to invest abroad. This is particularly attractive for a company that does not have the financial or managerial capacity to invest and undertake foreign production. The main drawback of a licensing agreement is the dependence on the foreign producer for the quality, efficacy and promotion of the product — if the licensee is not effective, this is reflected in the licensee. In addition, the licensee risks losing some of its technology and creating a potential competitor. This means that the licensee must carefully select a licensee to ensure that the licensee will perform at an acceptable level and is trustworthy. The agreement is important to both parties and should ensure that both parties benefit equitably. Outsourcing is where a company outsources an aspect of its business, such as payroll or advertising. Offshoring refers to the time when a company outsources a business process to a company in another country. Companies often outsource to take advantage of lower labour costs. Other motivations for outsourcing include risk transfer to a third party. Contracts are frequently used by companies that provide specialized services, such as management, technical knowledge, engineering, information technology, education, and so on, in a foreign location for a specified period and fees. Contracts are attractive to companies that have talent that is not fully used at home and in demand in foreign locations. They are relatively short-term, allowing flexibility, and fees are generally set so that revenues are known in advance. The major drawback is their short-term nature, which means that the contracting company must constantly develop new business and negotiate new contracts. This negotiation takes a long time, is expensive and requires skills in cross-cultural negotiations. Revenues are likely to be uneven and the company must be able to overcome periods when no new contracts materialize. Turnkey contracts are a specific type of contract where a company builds a facility, starts its business, trains local staff, and then transfers (returns the keys) to the foreign owner. These contracts usually involve very large infrastructure projects, such as dams, railways and airports, and involve substantial funding; for example, international financial institutions such as the World Bank often fund them. Companies specializing in these projects can be very profitable, but they need specialized expertise. In addition, the investment in obtaining these projects is very high, so that only a relatively small number of large companies projects, and often involve a union or a collaboration of companies. Similar to licensing agreements, franchises involve the sale of the right to operate a full commercial operation. Well-known examples include independent fast food restaurants such as McDonald's and Pizza Hut. A successful franchise requires control over something that others are willing to pay for, such as a name, a set of products, or a way of doing things, and the availability of willing and capable franchisees. It can be difficult to find franchisees and maintain control over assets that can be crossed abroad; To succeed in international franchising, companies must ensure that they can perform both activities. Joint ventures involve shared participation in a subsidiary. A joint venture allows a company to take an investment position in a foreign location without taking full responsibility for foreign investment. Joint ventures can take many forms. For example, there may be two or more partners, partners may share equally or have variable issues, partners may come from the private sector or the public, partners may be silent or active, partners may be local or international. Decisions about what to share, how much to share, who to share with and

how much time to share are all important to the success of a joint venture. The joint ventures have been compared to marriages, with the suggestion that the choice of partner is of crucial importance. Many joint ventures fail because partners have not agreed on their objectives and have difficulty resolving conflicts. Joint ventures offer effective international entry when partners are complementary, but companies need to be deepened in preparing for a joint venture. Wholly owned subsidiaries involve the establishment of companies abroad that are wholly owned by the investment company. This choice of entry places the parent investor company in full control of operations, but also requires the ability to provide the necessary capital and management, and to take all risks. When control is important and the company is able to invest, it is often the preferred choice. Other companies feel the need for local input from local partners, or the specialized participation of international partners, and opt for joint ventures or strategic alliances, even when they are financially capable of owning 100% of them. Strategic alliances are arrangements between companies to cooperate for strategic purposes. Licensing and joint ventures are forms of strategic alliances, they are often differentiated. Strategic alliances may not involve any specific co-ownership or licensing agreement, but rather two companies working together to develop synergy. Companies form strategic alliances for a variety of reasons. Ideally, each partner can bring additional assets to the table, which translates into a competitive advantage for participants collectively. Companies in a strategic alliance can benefit from many aspects of one access to unknown or untapped markets, risk sharing, economies of scale, shared technology and lower costs. Joint advertising programs are a form of strategic alliance, as are joint research and development programs. Strategic alliances seem to make some companies vulnerable to loss of competitive advantage, especially when small businesses are allied with larger firms. Despite this, many small businesses find that strategic alliances allow them to enter the international arena when they could not do so alone. International business grew substantially in the second half of the 20th century, and this growth is expected to continue. The international environment is complex and it is very important for companies to understand this environment and make effective choices in this complex environment. The previous discussion introduced the concept of comparative advantage, explored some of the important aspects of the international business environment and described the main international entry choices available to businesses. The theme of international trade is itself complex, and this short discussion serves only to introduce some ideas on international trade issues. BIBLIOGRAPHYAllen, D., and M.E. Raynor. Preparing for a new global business environment: divided, disorderly or integrated and harmonious? Journal of Business Strategy 25, No. 5 (2004): 16-25.Buckley, P.J., ed. What is international trade? Basingstoke, Hampshire; New York, NY: Palgrave Macmillan, 2005.Campbell, R. Harvey. The Encyclopedia of American Law in West. The Gale Group, 2008.Daniels, J.D., and L.H. Radebaugh. International Affairs: Environments and Operations. Reading, MA: Addison-Wesley, 1997.———. Exploiting the opportunity. Business Mexico 15, No. 2 (2005): 54-57.Hofstede, G. Culture's Consequences: Individual Differences in Work Related Values. Beverly Hills, CA: Sage Publications, 1980.Kauser, S. and V. Shaw. The influence of behavioural and organizational characteristics on the success of international strategic alliances. International Marketing Review 21, No. 1 (2004): 17-52.Kluckhohn, F., and F.L. Strodtbeck. Variations in value guidance. Evanston, IL: Row, Peterson, 1961.London, T., and S.L. Hart. Reinventing strategies for emerging markets: beyond the transnational model. Journal of International Business Studies 35, No. 5 (2004): 350-370.O'Neill, Jim. Dreaming with the BRICS. Goldman Sachs, 2003.Punnett, B.J., and D. Ricks. International affairs. Cambridge, MA: Blackwell Publishers, 1997.The Sarbanes-Oxley Act of 2002. Available from: ––——. Trade: At Daggers Drawn. Economist 351, No. 8118 (1999): C. and I. Wilkinson. The political entrealment of international business networks. International Marketing Review 21, No. 2 (2004): 216-231.World Trade Organization. Trade and Investment Statistics. Available from: . . .

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