

## GLOBALIZATION AND BUSINESS

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### **Q1) How do governments regulate trade from and through their countries? What kind of International trade is taking place in Pakistan? Briefly explain.**

It's no hidden fact that trade helps the economy to grow and helps the production of goods and services to be efficient across the world. However, many governments have different strategies to regulate the trades. They do this to achieve economic, political and diplomatic goals. Trade flows are managed in basic ways

#### 1. Import restriction

It's also known as import control. It is a method of controlling the number of goods coming into a country

- 1) Import duties are implemented on the imported goods to make them more costly.
- 2) Import quota is set so that it limits the number of quantity coming into the country.
- 3) Currency restriction: so that it limits the amount of foreign exchange available for payment
- 4) Preventing the entry of illegal and harmful items.

#### 2. Encourage exports

Government encourages export because eventually it increases revenue, jobs and standard of living.

- 1) Giving trade protection to their own industries by increasing tariff, a raise of taxes on import.
- 2) Putting subsidies on their industries. Bringing product/services price lower.
- 3) Central bank and the government lowers the interest rate. Bringing the currency price lower.

In Pakistan the number of import is almost double of export for the past 5 years. Pakistan is running a trade deficit. Usually borrows from other countries to pay for their extra import.

Good and services imported to Pakistan:

- 1) Mineral fuel
- 2) Machinery i.e computer
- 3) Electrical machinery
- 4) Iron/steel
- 5) Organic chemicals
- 6) Vehicles

- 7) Plastic
- 8) Animal/ vegetable oil
- 9) Oil seeds
- 10) Cotton

Good/Services exported from Pakistan:

- 1) Clothing
- 2) Cotton
- 3) Leather
- 4) Sugar
- 5) Beverages, spirit, vinegar
- 6) Salt

In 2019 on the basis of International trade, Pakistan total imported recorded was 3.8 USD while the export recorded was 1.8 USD.

**Q2) Why do organizations decide to go global? What factors can influence their decision to expand across the border.**

Companies always want to be recognized at a bigger level. Organizations go global because they want to expand their operations and want to grow as an entity. This would benefit an organization in different aspects.

- 1) Revenue
- 2) New sales
- 3) Investment
- 4) Hiring new talents
- 5) Diversification

Other reason is the domestic market grows slowly so many companies want to achieve a growth rate higher than before. And that could be achieved by sales from the international market. When one organization sees their competitors going globally, this could also make an organization go across the border.

**FACTORS THAT INFLUENCE THEIR DECISION TO EXPAND:**

- 1) Improving their margin of profits when all strategies are used domestically then the next step is always to go international and gain some growth there.
- 2) Competition from the rivals. An organization might want to beat their competitors at any cost this could force them to expand.

- 3) The organization wants to gain the trust of their customers.
- 4) The companies want to diversify their business. There are companies who offer different people different products with different price.  
Good example would Huawei mobile. They have managed to make good phones in different price range. I.e p30 pro and p30 lite
- 5) Taking the advantage of the lead time. Some company or organizations might want to go to the total new global market with something new. Creating their own lead time and taking advantage of it.

**Q3) Explain how different kind of political economy affect businesses. Use example from past and present world political system and economics.**

Starting from 17<sup>th</sup> century, the only dominant system was mercantilism. This system would maximized the state wealth leaving huge population empty handed.

In 17<sup>th</sup> century British mercantilism goal was to establish colonies and enjoy benefits from it. British was making their economic position strong while colonies would supply raw material and export the finished goods.

This political system gave rise to the slavery and made the trading system biased. It was considered as an act against humanity. Colonies were facing inflation and paying heavy taxes without getting their share of hand.

Capitalism became popular in 1800's. While it still followed in many countries in the current time. Capitalism is a system which gives right to the people and companies. They could make their own decision. In this system the production is largely owned by private owned (individual and companies) and run for profit, while the government plays the secondary role. It led to great growth to the living standards and also made the private sectors more efficient. Nowadays, Hong Kong is the best example of this political economy country.

A rise to a system "Marxism" was noted in 1900. This system believes as share to all the classes and social forces. This type of economy system worked as a tool for the working class of the society. Although it got a lot negative critics.

In the present world, many notable countries follows the social democracy system politically and economically. This system has similar values of socialism but within capitalism frame work. The Scandinavian countries are considered to have this system. Every individual gets there right and share of their work.

