**Assignment:** Midterm

**Subject:** Globalization

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

Ans; Traditionally, trade is regulated by bilateral treaties between the two countries. After World War II, when free trade became the main theory, multilateral treaties such as the General Agreement on Tariffs and Trade and the World Trade Organization (WTO) became the main systems that regulate world trade. .

The World Trade Organization was established in 1995 and is the successor organization to the General Agreement on Tariffs and Trade (GATT). It is an international organization responsible for monitoring and judging international trade. The WTO deals with trade rules between countries almost on a global scale; is responsible for negotiating and implementing new trade agreements; and it is responsible for supervising the member countries that join the World Trade Organization, all the agreements signed by the majority of the commercial countries of the world and approved in their parliaments. Furthermore, the WTO has a responsibility to review national trade policies and ensure the coherence and transparency of trade policies by maintaining vigilance in the formulation of global economic policies.

The WTO is headquartered in Geneva, Switzerland, with more than 150 members, representing more than 95% of world trade. It is administered by a ministerial meeting that is held every two years. The General Council that implements the political decisions of the conference and is responsible for the daily management; the Director General designated by the Council of Ministers.

The role of the WTO in monitoring the world trading system has five basic principles:

1. Non-discrimination:

 This principle inspired two main policies. MFN standards and national treatment policies integrated into the main WTO rules on goods, services and intellectual property. The most-favored-nation treatment rules stipulate that WTO members must apply the same conditions in all trade with other WTO members, that is, WTO members must grant all other WTO members the more favorable conditions to allow trade in a certain type of product. The national treatment policy adopted to resolve non-tariff trade barriers (such as technical standards and security standards) stipulates that imported and locally produced products must be treated equally (at least after foreign products enter the market).

2. Reciprocity:

This principle reflects both the desire to restrict the scope of free driving due to the most-favored-nation treatment rules and the desire to gain better access to foreign markets.

3. Binding and enforceable commitments:

 The list of concessions lists the tariff commitments undertaken by WTO members in multilateral trade negotiations and at the time of accession.

A country can change its commitments, but only after negotiating with trading partners, this may mean offsetting trade losses. If not satisfied, the complaining State can invoke the WTO dispute settlement procedure.

4. Transparency

WTO members must issue their trade regulations, maintain an agency responsible for reviewing administrative decisions affecting trade, respond to requests for information from other members, and notify the WTO of changes in trade policies.:.

5. Safety valve:

Under certain circumstances, the government can (within limits) restrict trade to achieve non-economic goals to ensure "fair competition" and under special economic conditions.

Pakistan has bilateral and multilateral trade agreements with many countries and international organizations. It is a member of the World Trade Organization and is part of the South Asia Free Trade Area Agreement and the China-Pakistan Free Trade Agreement. Pakistan's exports continue to be dominated by textiles and cotton garments.

Imported products include petroleum and petroleum products, capital goods

,edible oil, chemicals, chemical fertilizers, , industrial raw materials and consumer products.

**Q2: Why do organisations decide to go global? What factors can influence their decision to expand across borders?**

Ans: simply a company want to go to expand the organizational activates international just because to can highly and to capture the market and to to are the customer perception. According to future oriented approach, it would increase. the sales of the company, it well attract the loyal customers as well and increase the product demand internationally, it will reducing the cost and to Recruit the new talent. The company want to explore their products In the international market. To want more for benefit of the brand induced it can be a smart initiative by an any company to Increase the sales international to catch the market and to get the company through better quality product.

If a company a quality product they will retain their customer. Life time,they must the have a smart or unique strategic plan for their Brand image and sellers internationally

For all company if they to sell out their product they most have to face challenges for there sellers ful brand.

Company have to set a strategy in then implement the international market.

Here are the 5 major factors to consider when taking your business globally.

Factor 1

**Culture patterns:**

Each in Every country have their own culture patterns in norms. There buying and selling patterns are absolutely change among the countries because of their living standard, life style, religious beliefs, their consumption of goods, and specifically they have unique life style of shopping. A company must have to go adjust in the culture of that country where they want to shift their brand for the future promotion of their brand and to attract the new customers for a long term success. If a country want to attract the loyal and serious customers they must have to adjust in their system and to compete the rivarly in the international market.

Factor 2

**Language barriers**

Language barriers: every language has been referred to different way of functional ways actually language play a vital role in the international relations among the countries trading like export and export it is just because communication between the enterpreurs of each country . This is what seriously every business needed to develop a plan internationally to set a better idea through better understanding of their languages and to set a plan for export and import officially and formally , so in the business context each country have their own way of getting to know their target through unique advertising technique,like TV advertising in sudia the country banned the open hair woman in TV advertising because of the religious beliefs and Norm so if the other countries trading with them they have to follow their rules and to attract more in their laws , They must adopt the same behavior what they implemented for the businesses in the market.

Factor3

**Legislation, regulations, and local laws:** When developing a business globally, you must consider the political system of each country to which you want to expand. In a democratic system, society operates differently than in a totalitarian system, which affects business activities.

For example, in some countries, you will have to face a censorship system. In Saudi Arabia, advertising of alcoholic beverages is prohibited because the country prohibits the use of alcoholic beverages. Then, if you run an alcoholic beverage company, you do n’t need to expand your business to these countries. The reason alcohol is banned in Saudi Arabia is because its legal system is based on theocracy. In the theocracy legal system, religious principles must be respected at the legal level. The type of legal system in a country fully illustrates its values, and there are usually some specific principles behind the law. However, you should also be careful when trying to respect the customs of a country.

 For example, IKEA eliminated women in Saudi ads because women must cover their hair and not appear frequently in the ads, causing their problems, controversy and money loss in other markets. Of course, these events are bad for the company's image, so you don't want this to happen to brands.

Factor4

**Economic environment:** The type of economic environment in a country, its currency and standard of living are important aspects that determine the profitability of your business in a country. Depending on the order, market economy or mixed economy, and economic freedom, you can determine the most convenient location for expanding your business. For example, in doing business in North Korea, if you are lucky enough to obtain a trade permit, the state government will not be able to guarantee the smooth conduct of your business activities (the state assumes most of the economic decisions) due to the many regulations implemented by the government in the order economy.

Factor5

**Potential market share, competitors:**

 As a growing company, you must conduct rigorous market research to analyze your chance of prosperity in the local market. This is closely related to survival, so the potential market share is crucial. Are you expanding into an empty market or a saturated market? A market with many competitors is difficult to penetrate, especially if your brand is still unknown in the country, unlike the brand that has been there for the longest time. To win the trust of customers requires a lot of effort, not to mention the costs involved. It must either bring something new to the market to differentiate itself, or build a strong competitive advantage and provide higher value and lower prices, or introduce something new to the local market to make it a competitor Stand out from the crowd.

**Q3: Explain how different kinds of political economies affect businesses. Use examples from past and present world political system and economies.**

Ans;

A country ’s political environment affects business organizations and may introduce risk factors that may cause it to suffer losses. The political environment may change due to the actions and policies of governments at all levels, from local to federal. Enterprises should plan for variability in government policies and regulations. A country's political environment will affect its economic environment. The economic environment, in turn, will affect the performance of business organizations. For example, in the United States, there are major differences between Democratic and Republican policies. This affects factors such as taxation and public expenditure, which in turn affects the country ’s economy. For example, higher levels of public spending often stimulate the economy.

Especially for companies operating internationally, the lack of political stability in any country will have an impact on operations. For example, hostile takeovers may overthrow the government. This may lead to riots and robberies, as well as widespread chaos, thereby disrupting business operations. Such riots have occurred in Sri Lanka, where a protracted civil war has occurred, and in Egypt and Syria, as people riot for greater rights.

It is possible to analyze and predict the impact of government policies on enterprises. There is an established model called PEST analysis that can assess political, economic, social, and technical factors that may affect the cost and difficulty of conducting a business. The political and economic aspects of the analysis are directly related to the government, while the government's policies indirectly affect the social and technological environment. The extended form of PEST analysis is called PESTEL or PESTLE, which adds legal and environmental factors to the equation. These are also strongly influenced by government policies.

Example: How political factors affect Nike

Research shows that Nike has benefited from the US government's growth-oriented policies. These policies keep interest rates low. Stable exchange rates and internationally competitive tax arrangements have also been maintained. In terms of transparency in the global value chain, the company also benefits from government programs.

An example is the 1997 Clinton Industry clothing industry association. Nike enjoys changing political factors in many ways. However, political pressure has had a negative impact on Nike's employment practices.