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

Ans. International trade allows countries to expand their markets for both goods and services that otherwise may not have been available domestically. Governments regulate international trade through imports and exports. A product that is sold to the global market is called an export, and a product that is bought from the global market is an import. Some governments allow free trade with some countries and some countries put barriers to international trade.

- Free trade:

  A free trade is a kind of pact or agreement between two or more nations to reduce barriers to imports and exports among them. Under a free trade policy, goods and services can be bought and sold across borders with no government tariffs, quotas, subsidies, or prohibitions to inhibit their exchange.

- Barriers:
  1. Tarrif - Tax on imported goods or services.
  2. Quota - A numerical limit on imports or exports.
  3. Sanction - A trade penalty imposed by one nation onto one or more other nations.
  4. Embargo - The partial or complete prohibition of commerce and trade with a particular country or a group of countries.

Trade in Pakistan

- Imports:

  Mineral fuel including oil

  Machinery

  Iron steel

  Organic chemicals

  Vehicles

  Plastic and plastic articles

  Oil seeds

  Animal/vegetable fats, oil

  Cotton

- Exports:

  Miscellaneous textiles, worn clothing

  Cotton

Knit or crochet clothing accessories

Cereals

Clothing accessories

Leather

Sugar

Mineral fuels

Beverages, spirits, vinegar

Salt, sulphur, stone, cement

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

Ans. Following are the reasons why organizations are jumping bandwagon:

1. Increase sales and profitability:

   Going global can provide new sources of revenue, yield greater returns on investments and secure long-term success for a business. The internet makes it even easier to reach out to the world for business.

2. Enter new markets:

   Have you saturated your local, core market? Then look beyond your region and consider a market overseas. Be sure to pick one that offers opportunity. You want a market where it's easy to enter, whose buyers desire your product or service. For example, is there a market for your products or services in Ireland? If so, get a jump on your competitors and get there before they do. This is known as first-mover advantage.

3. Creat jobs:

   As you grow your business globally, you must support the additional workload. Hiring people is the solution and we know that the strength of our country lies in its ability to create jobs that help people live and prosper.

4. Offset slow growth in your home market:

   Are you selling a specialized software and there's been a sudden decrease in demand for it? A way to overcome low growth in your home market is to look at overseas markets. Protect your company by exporting, using the Internet, licensing or franchising your products.

5. Outmaneuver competitors:

Taking one step to enter a new overseas market that your competitor hasn't entered might outmaneuver that domestic-only rival with stronger company performance.

6. Enlarge the customer base:

   If the company currently has 1,000 customers, why not increase the base to 2,000 by entering a foreign market via ecommerce or a collaborative sales partnership? You'll need support to get the work done so consider adding people to get the processes in place.

7. Create economies of scale in production:

   Your company is ramping up and producing 20,000 hammers at once because an outfit in Ireland, Japan or Australia wants to buy them and won't buy a single case. The more you produce, the greater chances of lowering the per-unit manufacturing costs.

8. Explore untapped markets with the power of internet:

   With an ecommerce site, customers worldwide might eventually find you, provided you've made it easy for them to do so. Move into the markets that generate a heavy concentration of inquiries on your website. You may not have anticipated particular geographic area would be a ripe market, but the people there are telling you it is.

9. Make use of excess capacity off-season:

   To insulate the business from seasonal sales fluctuations, find foreign markets to counterbalance dips in demand. For instance, some firms gear up for the holiday season, only to see sales nosedive in January. Sell to other nations with peak-buying seasons early in the new year to avoid the winter sales slowdown.

10. Travel to new countries:

    Then there's the fun factor in taking a business global. Not only will you connect with people from all over the world, but you'll also have an excuse to meet with them in person to grow the relationship and the business. Treat it as an exciting learning adventure.

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

Ans. There are three different kinds of political economies that can effect businesses.

1. Mercantilism:

   Mercantilism was an economic system of trade that spanned from the 16th century to the 18th century. Mercantilism is based on the principle that the world's wealth was static, and consequently, many European nations attempted to accumulate the largest possible share of that wealth by maximizing their exports and by limiting their imports via tariffs. Adam Smith coined the term "mercantile system" to describe the system of political economy that sought to enrich the country by restraining imports and encouraging exports. The goal of these policies was, supposedly, to achieve a favorable balance of trade that would bring gold and silver into the country and also to maintain domestic employment.

2. Liberalism:

Economic liberalization is generally thought of as a beneficial and desirable process for emerging and developing countries. The underlying goal of economic liberalization is to have unrestricted capital flowing into and out of the country, boosting economic growth and efficiency. After liberalization, a country will benefit politically from the stability incurred from foreign investment, which works almost as a 'board of directors' for the emerging country. These countries are considered high-risk in their beginning stages, but that doesn't deter significant investment from institutional investors who want to get in first. It helps in removing barriers to international investing, unrestricted flow of capital, stock market value also rise, political risks reduced, diversification for investors.

3. Marxism:

Marxism is a social, political, and economic theory originated by Karl Marx, which focuses on the struggle between capitalists and the working class. Marx wrote that the power relationships between capitalists and workers were inherently exploitative and would inevitably create class conflict. He believed that this conflict would ultimately lead to a revolution in which the working class would overthrow the capitalist class and seize control of the economy.