**IQRA NATIONAL UNIVERSITY**

***MID TERM ASSIGNMENT***

**Globalization and Business**

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**Q1. How do government regulate international trade from and through their country? What kind international trade is taking place in Pakistan? Briefly explain?**

**ANS. International trade**

It is also known as world trade, foreign trade or oversea trade. It is the exchange of goods services and capital between and among countries internationally

**Examples**

Pakistan is involved in international trade by exporting its cotton crop to other countries

**Bilateral treaties**

The international trade between two countries is started with bilateral treaties. Treaty is a formal agreement between the governments of two countries who are interested in international trade

**Multilateral treaty**

Treaty between more than two countries is known as multilateral treaty

**International trade classification**

* Import trade means inflow of goods
* Export trade means outflow of goods
* Entrepot trade means import of goods to re-export after some processing

**Regulation of international trade by government**

Government take many steps to regulate its international trade .some of important regulation actions taken by the government are import tariffs, import quotas, export taxes etc.

**World trade organization**

It is a main organization that regulates international trade between and among countries

**Regulatory steps**

* **Import tariff**

Tariff is tax imposed on imported good. Tariff is imposed by countries in order to raise its revenue. Government are In favor of tariff in order to protect its workers and industries

* **Import quota**

Import quota is the restriction set by government on the quantity of imported goods import quota is set by government in order to give benefit to the economy

* **Subsidies**

Sometime government grand money to public sectors in order to help business it is called subsidies. It is given in order to boost the activities of industries

**Examples**

When government give money to formers for the crops this is example of subsidy.

**Voluntary export restraint**

It is the limitation of quantity on the goods that exporting countries set on the request of importing countries. It is important regulatory step taken by government because it benefits the local or domestic producers by limiting competitions

**Example**

Limitation on auto export to United States made by Japan.

* **Local content requirement**

It assert that some portion or fraction of the good can be produced domestically it acts similar to import quota

* **Administrative polices**

It is the administrative rule that are developed to restrict and control the entry of imports within a country

**Example**

France transport video tape recorders and the entry is through small custom entry points

* **Antidumping policies**

Government imposes tariff or tax on the foreign imports which are considered as low priced as market value. These polices are made to punish foreign firms which are engaged in dumping

**Example**

Pakistan charge china and South Africa for import of color steel

**International trade in Pakistan**

Pakistan is located in the South Asia. Pakistan export a large number of goods and products from other countries in order to fulfill its demands.

**Pakistan import partners**

Pakistan main import partners are UAE, Kuwait, China, Singapore, and Saudi Arabia.

**Pakistan export partners**

Pakistan export partners are USA, China Afghanistan, United Kingdom, UAE and Germany

**(CPEC) China Pakistan Economic Corridor**

China is the biggest trading partner of Pakistan. CPEC is the largest trade between Pakistan and China due to which many countries are interested to invest in Pakistan

**Major exports of Pakistan**

* Rice
* Cotton products
* Leather products
* Sports products
* Vegetables, Fruits and fishes
* Chemical products
* Pharmaceutical products
* Synthetic textiles

The largest export market of Pakistan is USA. Pakistan have to diversify its exports to improve its economy. Pakistan has to consider issues such as poor quality, outdated machinery, little research and development, low labor productivity in order to improve its exports.

**Imports of Pakistan**

* Machinery
* Petroleum
* Vehicle
* Spare parts
* Wheat
* Edible oil
* Fertilizers.

Pakistan import about 73% of total imports. Saudi Arabia is the major supplier of Pakistan. Japan and USA are other major suppliers.

**Q 2. Why organizations decide to go global? Why factors can influence their decision to expand across border?**

**A. Globalization.**

When a company extends it product, technology and information to international levels i-e others nations of the world, then this process is called as globalization.

**Global Firm**.

A global firm is a firm which operates in more than one country.

**Reasons to go global.**

There are different reasons due to which a company or firm decided to go global.

1. **Company Growth**.

One of the important reason of giving global is growth and expansion of company.

1. **Diversify business.**

When a company want to expand and diversify its business, it decides to go global.

**Example.**

For example Xiaomi is a Chinese smartphone manufacturing company. It expands its business to India. In this way it is diversifying its business.

1. **To increase sales.**

Another reason to global is to increase sales. Globalization helps company to increase its sales and provides new sources of revenue.

1. **To increase profitability**.

When a company wants to increase its profitability, it approach the international market worldwide.

1. **Slow Growth of Domestic Market.**

Sometimes domestic markets have slow growth rate. In order to accelerate the growth, a company decides to go to international market.

1. **Enter new market.**

Another reason to go global is to enter new market. A company wanted to enter new market before its competitors and explore new ideas to enhance its productivity and revenue.

1. **To recruit new Talent.**

By entering new markets there is greater job opportunities for unemployed people.

1. **Generate revenue.**

One of the basic reason of entering an international market is to generate more and more revenue.

1. **Foreign brand attractiveness.**

There is high demand for foreign brand and products therefore a company decides to go global.

1. **Access to Talent.**

Going global facilitates a company by giving access to new talent. These talented people have new and innovative skills which helps in enhancing productivity, sales and revenue.

1. **To learn new culture.**

Learning about new culture and people will give knowledge about the needs and interests of them. This will help a company to expand its growth, sales, production and revenue.

1. **Company Reputation**

Global firms and companies are more reputed worldwide than those firms which do not go global.

**Factors influencing globalization of organization**.

There are different factors that’s that can influence the decision the decision of an organization to go global.

1. **Political factors.**

Political factors can influence the decision of an organization to go global. The political factors includes.

* Tax rates
* Government actions
* Government polities
* Political stability

1. **Economic factors.**

Economic factors such as inflation rate, interest rate, level of employment, purchasing power of customers etc. also affects the decision to go global.

1. **Technical factors.**

Other important factors that influence globalization is technical factors because technology and automatic working procedures can increase the efficiency of the organization.

1. **Social factors.**

Factors such as education can have impact on the behavior of consumers. Similarly customs, lifestyle and values of different countries are different that can influence the decision to go global.

1. **International business plan.**

It is necessary for the decision to go global. A company must have a tangible plan before entering international market.

1. **Legal factors**

Legal factor a factor related to law of government .21121`Company must have consider the legal issue of the country in which it decide to start new business. Some of important issues are.

* Consumer protection
* Trade regulations
* Trade restrictions

1. **Geographical factor.**

The geographical factor include the size of country, climate of country, urban and rural population and transportation etc.

**Example of global company.**

One of the most famous example of global company also working in Pakistan is Ma Donald’s.

**Conclusion**

When accompany decide to go global it should consider all the pros and cons and the Important factors with respect to the target company. If the organization keenly study the details about the target country there would be more chances of high production, sales and revenue and less chances of failure.

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

**ANS. Political Economy**

Political economy is the study of trade and production in relation with laws and customs of the government.

**Origin**

Political economy was originated in 18th centaur.

**Derivation**

It is derived from Greek word Polis which means city and oikonomous which means manage a household.

**Ideologies of political economies**

1. Liberalism/Capitalism

Economic liberalism is also called as economic capitalism. It is a system in which decisions are made by individuals and not by collective organizations.

**Role of capitalism in business**

* **Competitive environment**

It provides Competitive environment to improve the quality and quantity of goods and services.

* **Growth**

Capitalism can help economy to grow. If economy of company grows it will make more money and there will be more production and more revenue.

* **Private ownership**

Under capitalism an individual involved in any business will be free to gain profit.

* **Cheap sales**

Goods and commodities will be sell cheaply.

* **Employment**

There would be more opportunity of jobs and employment for people.

* **Economic and Political freedom**.

Economic freedom promotes political freedom within a country.

* **Uniformity of profit**.

By the principle of uniformity of profit production of different items can be kept in proper balance.

* **Uniform Price.**

Liberalism also enhance uniform prices form same goods throughout the world.

* **Equalization of wage rate**.

Capitalism helps in equalization of wages rate for workers.

**Example.**

Hong Kong is the Administrative region of China but its economy is separate from Chine.

1. **Marxism/communism.**

Karl Marx criticizes capitalism and developed Marxism in 19th century. The goal of Marxism is to establish a society which functions on the ideas of common ownership. There should be no social class, money or status difference.

**Role of Marxism.**

* **Universal social welfare.**

Communism supports the social welfare of people within society.

* **Stable Economic System**.

In communism government told people about the economic structure, therefore a country is economically stable.

* **Competition.**

In communism competition does not exists. People and organizations works harmoniously.

* **Resources**.

In communist society, there is efficient distribution of resources.

* **Business and Properties**.

Government have hold over properties and business.

* **Productivity.**

There is inefficient productivity in organization due to which there is difficulty in the profits.

* **Supply and demand.**

Through communism, we cannot achieve balance between supply and demand.

**Example.**

In 1949, Laos became independent from France. It encourages private business in order to expand its economy.

In 1601 Tommaso Campanello proposed the idea of communism in which products of society should be shared equally.

**Mercantilism**.

The idea that control of government over foreign trade is important for the security and prosperity of the nation is called as mercantilism.

**Role in Business**.

* Tariffs are used to protect the internal business from external competition.
* Through this there was more export than import.
* There will be more opportunities of extending overseas.
* There would be more availability of raw materials for the country.
* Raw materials will facilitate more and more production of good.

**Example.**

* China has recently keep it currency value lower than U.S dollar. The reason was to sell more goods to the U.S. China is a developed country and has great exports throughout the world from which China has accumulate greater wealth in foreign currencies.
* In 1651 England Navigation Act was passed. According to this Act all the vessels engaged in coastal trade were prohibited.