



PROBLEMS IN INTERNATIONAL BUSINESS

Miss. Gurpreet Kaur Kang

Faculty of Management
Science and Technology Entrepreneurs Park
(Guru Nanak Dev Engineering College)
Ludhiana, Punjab (India)

Miss. Mandeep Kaur

Assistant Professor
Baba Khajandas College of Management Technology
Bhutta, Ludhiana, Punjab (India)

Abstract

International business relates to any situation where the production or distribution of goods or services crosses country borders. Country leaders are concerned with national issues and priorities, and fail to address the wider picture that would allow their country to grow in the long term. An increased integration of the international agenda into the national agenda would be the only viable solution and that the process can be made easier through the involvement of other actors, such as civil society, NGOs and trade unions, who would operate as vectors to transmit international commitment into the national framework. The focus of the study is to know impact of the global economic crisis on developing countries, least-developed countries, and the role of trade financing and role of the WTO and negotiations in the midst of the current financial crisis. It finds global solutions to global problems and forward towards better global governance.

Key words: International Business, NGO's and Trade Unions, Trade Financing, WTO, Global Governance.

International Business

International business relates to any situation where the production or distribution of goods or services crosses country borders. In wider terms it is the shift toward a more interdependent and integrated global economy creates greater opportunities for international business. Such globalization can take place in terms of markets, where trade barriers are falling and buyer preferences are changing. It can also be seen in terms of production, where a company can source goods and services



easily from other countries. Some managers consider that international business to relate purely to business. In constricted terms it encompasses a full range of cross-border exchanges of goods, services, or resources between two or more nations. These exchanges can go beyond the exchange of money for physical goods to include international transfers of other resources, such as people, intellectual property (e.g., patents, copyrights, brand trademarks, and data), and contractual assets or liabilities (e.g., the right to use some foreign asset, provide some future service to foreign customers, or execute a complex financial instrument). The entities involved in international business range from large multinational firms with thousands of employees doing business in many countries around the world to a small one-person company acting as an importer or exporter. International business also encompasses for-profit border-crossing transactions as well as transactions motivated by nonfinancial gains (e.g., triple bottom line, corporate social responsibility, and political favor) that affect a business's future.

[1] Mr Rui, Director and Anchor of China Central Television toned that that the world had managed to globalize its economy and its business, but is lagging behind in globalizing its politics. Too often local politics prevail over international interests. [2] Thabo Mbeki, former President of South Africa had noted that there must be an international agenda to identify global challenges, but the global financial crisis had given it a new perspective. Along with making those challenges more urgent, the crisis has clearly disclosed a need for more sustained and systematic international cooperation. A new global governance system cannot be effective without the comprehensive participation of all countries and without establishing a prominent role for the United Nations within that system. [3] Gro Harlem Brundtland, UN Special Envoy on Climate Change and former Prime Minister of Norway explained how the crisis is adding an acute dimension to the problems already faced by the poorest countries and its impact is likely to be felt on the development patterns of the world economy, as well as on the unfolding climate crisis. The widespread concern in climate negotiations is that the immediate challenges that the economic crisis poses would departure the attention from the long-term issues linked to adaptation, such as the use of resources in confronting climate change, safe water, sustainable energy and environment-related issues of development.[4] Sergio Abreu, Uruguayan Senator and former Foreign Minister commented that governments, as well as the private



sector and civil society, need to identify themselves with the set agenda. Agenda needs to be strong institutions, guaranteeing universal participation. Finally, no governance is possible without accountable and inclusive leadership. WTO as the only organization, today, whose structure has not been questioned, whose decisions are based on consensus and whose agenda moves in line with – and sometimes ahead of – world events. The WTO system has proved a viable rule-based model. Global governance is that leadership and institutions need to be part of the new responsibility to ensure legal certainty for all economies, for all actors and for the international agenda that is generated by the concerns of the whole international community. [5] Pascal Lamy, Director-General of the WTO stated as, sets the basis for his idea of a triangle of global governance in the making, where one side would be represented by the system with the leadership it needs to perform its function. The expertise, rule-making or rule-enforcing capacity that would form a second side of the triangle would be provided for by the existing international organizations, such as the WTO, the IMF, the World Bank and the WHO. Finally, the triangle would be completed by a reformed United Nations system, acting as a platform for accountability.

In root it could be said that country leaders are concerned with national issues and priorities, and fail to address the wider picture that would allow their country to grow in the long term. An increased integration of the international agenda into the national agenda would be the only viable solution and that the process can be made easier through the involvement of other actors, such as civil society, NGOs and trade unions, who would operate as vectors to transmit international commitment into the national framework. This is why it becomes important to increase the opportunities of public debate.

Objectives of Study:

- To study impact of the global economic crisis on developing countries, least-developed countries, and the role of trade financing.
- The role of the WTO and negotiations in the midst of the current financial crisis.
- Finding global solutions to global problems and forward towards better global governance.

Problems of International Business

1. **Extensive Global Economic System:** Implementation of extensive trade policy particularly in times of economic crisis is to facilitate stakeholders' buy-in in developing countries. While a number



of extensive have been taken at the multilateral level, further action is needed. The ongoing economic crisis has brought to the fore the importance of adequately meeting this challenge. This can be an important area for the WTO in the post-crisis period to enhance its credibility as:

- To assess improvements in the extensiveness, particularly for African countries, of the multilateral trading system, and to consider what key concerns still remain in this regard;
- To assess the impact of the global economic crisis and its various aspects – including trade financing on developing countries, with a focus on small and vulnerable economies;
- To share the research findings of studies on comprehensive trade policy-making in Kenya, Malawi, Tanzania, Uganda and Zambia;
- To identify possible solutions to the remaining extensiveness challenges, including through better national, regional and multilateral linkages;
- To consider how the Inclusive Trade Policy Making Index (ITPMI), prepared for the five African countries (Kenya, Malawi, Tanzania, Uganda and Zambia), might be used to benefit developing countries at the multilateral level; and
- To suggest constructive ways in which the issue of extensiveness can be dealt with in the

2. SME's and Global Factors: It is evident that the global crisis has affected SMEs in a variety of ways, and the responses to the economic meltdown have also been quite diverse. One key point that emerged is that SMEs must be prepared for events such as the economic meltdown. What is known is that governments need to pull their weight and not leave the private sector enterprises to their own defenses. Multilateral agencies also have a role to play in assisting SMEs in this regard. There must be standing mechanisms in place, and plans of action that sector-specific enterprises should have to prevent unnecessary delays or reduction in earnings, and to be able to remain competitive.

3. Financing the Trade: Trade finance is the catalyst to facilitate international trade, by providing facilities to buyers and sellers around the globe and reducing the risks of transaction.

It has been a casualty of the financial crisis and has been overlooked. Those hardest hit by the drying-up of liquidity have been the SMEs and the poorest countries. Exporters experience difficulties in financing their operations, and spreads are increasing as confidence among banks was low. Several



strategies and programmers' for both regional and global have been set up in order to inject liquidity into the system. Trade finance has therefore started to stabilize.

4. S&D for Developed and Under Developed Countries: The term “special and differential (S&D)” is arguably a misnomer. It suggests that the task may be to provide charitable accommodation for the weak in the form of friendly exceptions, whereas the challenge is, in fact, to integrate differently situated players into the system for the political and economic benefit of all. The ambition of this session was to provide a forum for out-of-the box thinking on the function and implementation of the concept of special and differential treatment in the WTO, with the aim of proposing forward-looking thoughts on, and possibly solutions for, in assertions of unconsidered assumptions and statements of principle from all sides. As a result, the effective use of this tool often seems elusive. Economic research suggests that the status quo on S&D does not contribute to promoting economic growth. The focus should not be on S&D, but on reducing trade costs and monitoring.

5. Trade in Globalized Value Added Chains: Form the past 20 years; globalization has caused increased geographical fragmentation of industries, with important restructuring within companies and entire manufacturing sectors, resulting in the relocation of activities. For many developing countries, toll manufacturing has provided a unique opportunity to insert them in the globalized economy and create employment opportunities. However, greater interdependence has also created larger and faster propagation of adverse external shocks, whose role in the present global recession is not yet completely understood as following:

- A closer look at the role of this new mode of industrial production in explaining the industrialization process in emerging Asia to help understand the local effects of industrial supply chains in developing countries, and their role in fostering a new type of regional integration;
- An analysis of the new challenges created by the global crisis and their implications for the global supply chains.
- relevant data for resizing the global trade figures in order to shed some light on the real value-added content of the international trade flows;



6. Risk of Liberalization on Agriculture Sector: Liberalization in the agricultural sector will increase price volatility, imposing high costs on the economy and reducing investments in growth, with the risk of damaging and least-developed countries. In a 100 percent liberalization scenario, cereal incomes for least developed countries' farmers would show a downward trend and an increase in volatility. Hence volatile, countries are being asked to liberalize – making them even more vulnerable to this volatility. He proposed regulating the commodities markets, restoring inventories of commodities to reduce volatility and increasing required deposits on forward markets.

7. BRICs Strategies: This analysis, drawing on the cases of Brazil, Russia, India and China, provides suggestions as to what these large trading economies are likely to consider essential, negotiable and no relevant for this round of negotiations to close successfully. It is based on three variables: Their leadership capacity to coordinate with other countries at the negotiations, their policy learning from previous crises (such as the ones affecting their Uruguay Round positions in the early 1990s or their WTO accession in the midst of the Asian Crisis), and how their development strategies are being affected by the current crisis. All these elements are, in turn, informed by internal political processes and the array of domestic interests inside each of these three countries.

8. Global Contract for Food & Agriculture Contribution: The key element of sustainable agriculture is small-holders' access and control of production resources and access to marketing resources and infrastructure. Strategic response to the current food crisis and food insecurity issues is the creation of integrated sustainable agriculture and agriculture-based businesses that are owned and controlled by organizations of small scale producers and indigenous people. All levels of government must support small-scale, environmentally integrated production of agriculture. These small-scale farmers, using organic agricultural methods, are the way forward to solve the current food crisis and meet the needs of local communities.

9. WTO discipline for Agriculture Domestic Support: Formulating new rules for agricultural domestic support to reduce international market distortions remains a critical challenge facing the



multilateral trade system. The WTO domestic support rules are critical but not well understood in this complex policy context. Just fifteen years ago, the global rules were basically ineffective for agriculture, and subsidies were substantial. The commitments made through the Agreement on Agriculture constituted a first step toward international disciplines. There remains an ongoing policy challenge to make agricultural domestic support policies worldwide more consistent with open markets, environmental progress, and other public-good policy objectives.

10. Agenda for Food Security and Sustainable Agriculture: This examined the necessary changes to the WTO Agreement on Agriculture in order to meet renewed world food security targets, to meet climate-change goals and to re-launch the global economy. It outlined the following:

- Globally, there are 1 billion hungry people to feed. Farmers need special programs of investment in local food production. Such programs are in conflict with WTO trade rules.
- Meeting climate-change goals means encouraging agricultural development in places where it has the lowest carbon footprint. WTO rules need to be adjusted to provide for this.
- Opportunities for employment creation in the fiscal motivation packages of many countries could focus on “green jobs”. Such “green” or “natural resource management” criteria compatible with WTO trade rules.

Solutions to the Problems

1. Business Leadership for Creating Better Governance in World Trade: There is a need for a more balanced participation of business representatives. SMEs do not have a voice and are not represented within the WTO framework. Big corporations have taken the lead as representatives of the business community. They financed the WTO ministerial conference in Seattle, which allowed them to participate at the expense of the SMEs. There is a need for a more balanced participation of business representatives. Large corporations are too implicated in policy-making and are given to free a rein.

2. Agriculture Price Graph in Global Trade: Price fluctuations are a normal feature of agricultural commodity markets. Nevertheless, the international food price point in 2007-2008 generated concerns regarding the potential poverty implications of these price changes due to the rapidity of the price increases and the size of the price impale for specific commodities. The complex structural



causes of this price spike include demand factors such as increasing populations, and ethanol and bio-fuel production and supply factors including land and water constraints and seasonality. While these factors are relatively predictable, other short-term economic activities also have direct influence on agricultural markets. In particular, trade policies (such as export bans) and commodity speculation; have been identified as possible contributing factors to price volatility. Food price inflation is likely to hit the poor the hardest, since the share of food in their total expenditures is much higher than that of wealthier populations. Thus, while food prices have decreased since the spike in 2008, discussions regarding possible institutional mechanisms which could moderate future economic impacts on vulnerable populations have continued.

3. Trade Rules for Climate Change Policies: As the climate negotiations progress and the 2009 WTO Ministerial approaches, the nexus between climate-related measures and trade rules becomes even more significant. This presents challenges and opportunities for both the climate and the trade regimes. (CIEL) Center for International Environmental Law and (FOEE) Friends of the Earth Europe explored the intersection between climate related measures and international trade rules. It addressed both the relationship between multilateral climate-change rules and WTO rules, as well as the relationship between WTO rules and domestic climate-related measures, including labels and standards, fuel efficiency schemes, green climate subsidies, and border carbon adjustments.

4. Implications for Global Governance Protectionism: Business needs transparency, predictability and legal certainty. Reflection is required on how to optimize this so that businesses can go ahead and invest. Establishing a forum to explore ways to move forward would make sense. It is particularly striking that many protectionist barriers are on environmental products and services at a time when we face a climatic disaster. Rather, priority should be given to enabling and encouraging investment in creating and building the products and services required to meet today's challenges. Local and international interests need to be balanced to ensure real societal progress. Investment across borders can be expected to increase again. Developing countries stand to win as much, if not more, as developed countries if governance systems enable talent and resources to increase.

5. Interface between competition and trade policy: Policy-makers search for the same goal which is to eliminate both the barriers to market competition and the restraints to freedom of exchange but that they have different ways of intervening. At the WTO, the fight against obstacles is linked to



world trade, while national competition authorities concentrate on the elimination of restraints that reduce otherwise slow down free competition on their respective territories. At the same time, it is worth recognizing that one does not function well without the other. It underlined that both trade and competition policies belong to institutions that are not subject to any political interference because they are independent. The independent status of the French Competition Authority has been confirmed by the institutional reform which took effect in April 2009. At the WTO, the Dispute Settlement Body is composed of panels of independent experts where the member states cannot interfere at all.

Conclusion: The greater economic interdependence created by globalization, and its role in the spread of both the adverse and positive aspects of global developments. The study aimed to stimulate a fresh approach to the design of trade rules that would assist the poorest countries in achieving their long-term development goals. It was noted that the mechanisms that the WTO has in place, such as special and differential treatment and safeguard measures, have shown all too clearly their limitations. The planning focused on gauging the scope for greater linkages between trade and other features of global governance. Global trade regime and global finance can be better coordinated and developed in 21st century architecture of global economic governance. The relationship between multilateral climate-change rules and WTO rules can be put into place to safeguard employment. The Role is there for the public-private partnership for development is considered on the issue of improved global governance as a way of addressing world problems.

References:

- [1] <http://nu.libguides.com/content.php?pid=162394&sid=1386981>
- [2] <http://www.sciencedirect.com/science/article/pii/S0969593115000402>
- [3] <https://www.google.co.in/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=literature+review+on+international+business>
- [4] <https://www.google.co.in/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=Gro+Harlem+Brundtland%27s+view+about+global+business>