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LEGAL AND BUSINESS ENVIRONMENT

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TECHNOLOGICAL ENVIRONMENT

Technological environment refers to all the technological surroundings that influence organization. Technology consists of skills, methods, systems and equipment. It includes innovations. It makes work more efficient. It is a means to transfer input into outputs. Technology influences organizations by bringing about changes in jobs, skills, life styles, production methods and processes.

Automation, computerization, robotics, informatics, biotechnology, laser, new materials and artificial intelligence have all influenced organizations. Information technology affects every function of within the organization. Organizations should be aware of technological changes tot avoid obsolescence and promote innovation.

Technological forecasting is also important. Technology reaches people through organization. It is a powerful forces that shapes their destiny.

1)**Level of technology**: The level of technology can be appropriate or sophisticated. It can be labor-based or capital-based. The level of technology influence organizations.

a) Labour based technology : **Human labour** is mainly used for the operations.

b) Capital based technology: **Machinery** is mainly used for operations. Technology is represented by **automation, computerization, robotizing, etc**.

2) **Pace of technological change**: Technology is a **dynamic force**. Its speed of change is acceleration. Invention, innovation and diffusion increase its pace. Organizations should adapt to the changing technological forces. They should also **upgrade the skills of their human resources to effectively cope with the demands of technological changes**.

THE IMPACT OF TECHNOLOGY ON A BUSINESS ENVIRONMENT

1. Impact on Operating Costs

Small business owners can use technology to reduce business costs. Basic enterprise software enables a firm to automate back office functions, such as record keeping, accounting and payroll. Mobile tech allows home offices and field reps to interact in real time. For example, field reps can use mobile apps to record their daily expenses as they incur them and have them sync automatically with accounting software back at the office.

2. Securing Sensitive Information

Business owners can also use technology to create secure environments for maintaining sensitive business or consumer information. Many types of business technology or software programs are user-friendly and allow business owners with only minor backgrounds in information technology to make the most of their tools and features.

3. Improved Communication Processes

Business technology helps small businesses improve their communication processes. Emails, texting, websites and apps, for example, facilitate improved communication with consumers. Using several types of information technology communication methods enable companies to saturate the economic market with their message. Companies may also receive more consumer feedback through these electronic communication methods.

Technology also improves inter-office communication as well. For example, social intranet software gives employees a centralizes portal to access and update internal documents and contracts and relay relevant data to other departments instantly. These methods also help companies reach consumers through mobile devices in a real-time format.

4. Increased Employee Productivity

Small businesses can increase their employees' productivity through the use of technology. Computer programs and business software usually allow employees to process more information than manual methods. Business owners can also implement business technology to reduce the amount of human labor in business functions. This allows small businesses to avoid paying labor costs along with employee benefits.

Even fundamental business tech can have a major impact on employee performance. For example, by placing employee-performance appraisal information in an online framework, supervisors can easily create measurable goals for their employees to reach and sustain company objectives. Business owners may also choose to expand operations using technology rather than employees if the technology will provide better production output.

5. Broaden Customer Bases

Technology allows small businesses to reach new economic markets. Rather than just selling consumer goods or services in the local market, small businesses can reach regional, national and international markets. Retail websites are the most common way small businesses sell products in several different economic markets.

Websites represent a low-cost option that consumers can access 24/7 when needing to purchase goods or services. Small business owners can also use internet advertising to reach new markets and customers through carefully placed web banners or ads.

6. Collaboration and Outsourcing

Business technology allows companies to outsource business functions to other businesses in the national and international business environment. Outsourcing can help companies lower costs and focus on completing the business function they do best. Technical support and customer service are two common function companies outsource.

Small business owners may consider outsourcing some operations if they do not have the proper facilities or available manpower. Outsourcing technology also allows businesses to outsource function to the least expensive areas possible, including foreign countries.

7. The Day to Day Impact on Business

Today's technology has completely changed some businesses as well as creating entire business niches that never even existed before. Business owners run their companies from laptops, tablets and smart phones, never even considering opening a brick-and-mortar presence.

The daily environment in existing businesses has changed immensely, too. Office workers often spend part of their week working remotely from home or on the road. Business meetings no longer mean driving long distances as teleconferencing means getting everyone together online. Many offices are now paperless, keeping all their documents in the cloud, while others use online chat technology to keep teams in constant communication.

POSITIVE AND NEGATIVE IMPACTS OF TECHNOLOGY ON BUSINESS

Business systems have reached the point where it's difficult to imagine operating even a small company without basic technology such as desktop computers to receive email and keep records. For the most part, technological innovations speed up workflow and provide indispensable systems for organizing information. However, technology can also have negative effects on a business, making communication more impersonal and creating a false sense of knowledge.

1. Brings People Together, and Tears Them Apart

Technology is a double-edged sword when it comes to bringing people together. On the one hand, it makes it easier for co-workers to communicate and collaborate as they make use of email and team-chat sites such as Slack and Stride. Even basic technologies such as email and text messages speed up response time in emergencies and allow a more leisurely time frame for less urgent issues. However, social media platforms can be distracting, and they can't replace face-to-face interactions when it comes to the truly meaningful actions that build strong and resilient teams. In the Human Resources department, for example, technology can streamline benefit solutions and store and scan applications to efficiently screen prospects, but a computerized application process is rarely an adequate substitute for a face-to-face meeting to determine whether an applicant is a good fit for your company.

2. Organizes Information, But Needs Familiarity

Computers store and organize information in ways that would often take human beings considerably more time. It takes seconds to pull a profit and loss statement using QuickBooks, while it might take hours to compile the same report on paper by hand. The information systems you create using technology and software are only as good as the information you enter into them. There is no substitute for firsthand knowledge of how your business works when setting up a computerized application to track your operations. The person who enters the data must be deeply familiar with the nuances of your company's business model to generate truly meaningful information.

3. **Saves Money, and Costs Money**

Technology saves money for your business by saving time, such as the hours that would be required to compile reports by hand. In addition, meaningful and up-to-date information helps you quickly recognize problems and opportunities and respond proactively. However, computers, software and the training required to maintain and upgrade them can be expensive. These expenditures may be more costly than the time you save.

4. Enhances Customer Data, But Raises Privacy Concerns

The enhanced access to information made possible by computer systems raises a range of privacy issues. By collecting data about customer needs and behavior, companies are able to effectively target advertising and promotions. Many consumers consider this kind of record keeping a violation of their privacy, and it raises a host of legal issues. Similarly, businesses can use technology to monitor employee behavior and performance but this type of surveillance can create a hostile work environment. In addition, businesses can fall victim to unscrupulous individuals who hack into their computer systems and steal valuable proprietary information.

5. Speeds Things Up, But Destroys Jobs

Manufacturing technologies can introduce efficiencies to a business by speeding up processes that you would otherwise have to complete manually. Assembly lines improve productivity by consolidating processes and moving more quickly than humans can. However, replacing humans with machines can introduce new problems, such as a bakery mixer that mixes quickly and thoroughly but can't make adjustments for idiosyncrasies in batches of flour or the amount of moisture in the air. Large-scale automation also creates social problems by putting people out of their jobs. New technology should be implemented in conjunction with retraining programs to prepare displaced employees for doing other types of work.

THE POSITIVE IMPACTS OF TECHNOLOGY ON BUSINESS:

Technology has shown a massive development in the field of businesses. The use of technology made the business processes fast and efficient which in turn shows the quality and productive outcomes. **Let's have a comprehensive view of the positive impacts of technology on business;**

1. TECHNOLOGY IN MANAGING TIME AND RESOURCES OF A BUSINESS:

Managing your time and resources is often the most difficult task. Every small business has to make sure that they are properly utilizing their time and resources or not because this is the first and foremost towards the success of any business. Technology has provided ease to manage the business. Employees can easily share the progress and report of their work in different software that is specifically created for business.

Technology provided a good grasp and control over the business. Excellent communication is an important factor in doing business. It was a very slow process before the advent of technology that required time and resources. Technology is helping businesses in establishing simple communications. Businesses are saving time and resources by the use of the latest technologies.

Below are a few major examples of how efficient communication takes place in businesses by using technological advancements:

✓ **CONFERENCE CALLS:**

It is a method in which different business employees sitting at different places can arrange call meetings and share important information or solution to a business problem. Which would otherwise take time and cost money to arrange a meeting?

✓ **INSTANT MESSAGES:**

messaging is the simplest and instant source of communication in a busy work environment. Different people in a business can instantly share work progress or stay connected for assigning tasks or other works.

✓ EMAILS:

Emails like messages, an email is also a text form of communication we can also share pictures and important documents from a distant place instantly. Businesses use email for sharing official documents and instant applications for official work.

✓ COMMUNICATION APPS:

Different apps like Skype, WhatsApp, Messenger, etc. are an excellent and instant source of communication. It helps to share ideas and timely responses.

2. TECHNOLOGY IN GROWTH OF BUSINESS:

Small businesses and enterprises can now easily receive more growth with the latest technologies and digital platforms.

Businesses can flourish from local to international customers due to ease in communication links through the internet. No need to have a big office and a big team to broaden a business.

Here I am going to share some of the most amazing tips and techniques that are almost used by everyone to grow their business:

✓ SOCIAL MEDIA:

billions of people around the globe use social media daily. A product or business can be promoted easily on social media websites.

It will help to introduce a business to people around the globe. Social media promotion can be a great help to expand a business.

✓ WEBSITE:

Consumers search through the internet for the best deals on the internet. A good website with good and simplified content can excellently define business and help in improvement.

✓ MOBILE APPS:

mobile apps can be developed for convenient access for customers. Mobile devices are used anytime anywhere by customers.

It helps in categorizing the products and services of the company. It creates customer satisfaction and helps build a good image of a business.

✓ CUSTOMER SUPPORT SERVICES:

customer satisfaction is necessary and it is made easier with technology. Customers from any corner of the world can access small franchises or contact the company's web portals to a complaint or query a problem.

3. TECHNOLOGY IN BUSINESS PAYMENTS:

With the advancement in digital technology and apps, transactions and payment processes are now much easier, safe and without any inconvenience. Payment can now be done online and the process is much faster in comparison to that of conventional. A consumer can shop or conduct business deals from the comfort of his/her home. e-wallets encourage a customer to shop nationally as well as internationally via online stores. some of the locals as well as international secure payment methods:

1. Paypal
2. Payoneer
3. Easypaisa
4. JazzCash

4. TECHNOLOGY AND FLOW OF BUSINESS INFORMATION:

Businesses are continuously evolving and the demands of the market keep on changing from time to time. Internet technology provides the latest information and sources to learn new business and market strategies to avoid losses and to gain more and more benefits from the change. This flow of information helps to understand the trend, competition, and demands of the target market of every business. The few examples of the flow of information which is available on the internet for all types of businesses.

1. Business descriptions, needs, and services.
2. Different projects and bids are advertised online.
3. Jobs vacancy and employee recruitment are done online.
4. Employees are recruited to companies from different countries for having the desired
5. business or work knowledge.

5. TECHNOLOGY IN BUSINESS RECORD KEEPING:

Businesses mainly depend on records The conventional method of records keeping was inefficient and laborious. With the latest computers, electronic record-keeping and tracking are a much easier and convenient process. Large data of businesses and employees can be stored on a single computer. Some of the benefits and positive impacts of technology in business record keeping

1. Electronic records can be copied very easily on single click
2. It can be sent or shared very easily.
3. It can be backed up very easily.
4. It can be stored in different locations in a different file to avoid theft and mishap.
5. It can be studied easily.
6. It can be edited easily.
7. Calculations are done by computers so fewer chances of mistakes.

6. TECHNOLOGY IN BUSINESS DATA ANALYSIS:

Business data analytics is a broad and important aspect of businesses. Technology backed up statistical tools, Software, and devices that are available now that accumulate and compile the business data. Data plays an important role in conducting business. The compiled data is needed to track the progress to achieve goals and analyze business affairs. Business data analytics is a necessity and can not be compensable if data is lost.

some impacts of technological advancements helps businesses to analyze their data efficiently:

1. It takes less time to analyze data

2. Bring to light the hidden facts of business
3. Analysis of cost, production, and employees for better business management
4. Better estimates the profit or risk of a business
5. Helps to understand the business well
6. Helps in making business strategy
7. Helps to understand the inputs and outputs of a business

7. TECHNOLOGY IN BUSINESS SAFETY AND SECURITY:

Safety and security always remain at the top of the priority list. The most positive and useful impact of technology that can satisfy a business owner is the safety and security of his/her business empire that they build by working hard day and night. Technology helped a lot in securing and saving businesses in different ways. It can be divided into two kinds that are:

✓ DEVICES:

It includes all digital technology devices which helped safeguard business's property from natural, physical attack and theft. The examples of such devices are:

- Security cameras for securing a business property from theft.
- Fingerprint devices allow only authorized persons to sensitive areas of business property.
- Sensors that alarm in case of fire and emergency to immediately control the situation.

✓ SOFTWARE:

With the latest encryption technology, classified business reports and documents are safeguarded with strong passwords from competitors and other frauds.

It can be safely shared or kept secret on computers. Examples of technology to safety and security of business are:

- Encryption of business data to protect it from unauthorized users.
- Firewall to control traffic on a business website for safety.
- Fingerprint software to open sensitive business data.
- Cloud storage backup provides a storage facility for files to protect it from the blunder and loss.

THE NEGATIVE IMPACTS OF TECHNOLOGY ON BUSINESS:

The **negative impacts of technology** regarding businesses are usually in the form of loss in business, social security, and cut down on the progress of employees. The negative effects of information technology can vary in different businesses and what technology is being used for more or less important work. Let's have a detailed discussion at some of the worrying negative impacts of technology on business:

1. BUSINESS DEPENDENCE ON TECHNOLOGY:

Dependency on technology is a huge concern. A variety of digital devices and apps have been developed for remote business operations and to conduct business. We are using technology so often that we have changed our business habits and it is having negative effects on our business so badly.

Even a small glitch in technology can cut off the process of business. A very good example will be the use of the internet for online shopping. If there is any issue in the webserver of the online store then it would be cut off from the customers and the business process will stop because of no alternate way of business. In the modern world, technology is determining the ways for us to live. And we have shaped our lives according to it. **Examples** of such dependency are credit cards, cryptocurrency, mobile transactions and robots for productions and processing.

2. EXPENSES ON NEW TECHNOLOGY:

The modern business relies on technology for multiple purposes. The dependency has reached to a point that technology has to be upgraded to keep up in the competition. Technology evolves continuously with time. Existing technology will outdated and needed upgrades result in a great expense. There is not only an upgrade that will cost you money but also the maintenance.

Usually, tech tools can not be sustained by local mechanics. The providing company or firms will provide maintenance service at a high cost.

3. SECURITY RISKS DUE TO TECHNOLOGY:

Businesses depend on the use of computers and digital devices for operations. The dependency of technology has exposed businesses to security risks. The majority of business deals and transactions are made through computers and the use of the internet. Any carelessness from employees or workers can expose your business information to your competitors, hackers or online frauds.

GENERAL EXAMPLES OF TECHNOLOGICAL FACTORS AFFECTING BUSINESS INCLUDE:

- The existence of 3D technology
- Computer calculation speed/power
- Internet connectivity
- Engine efficiency

- Wireless charging

CONCLUSION:

Thus from the above-mentioned impacts of technology on business, it is clear that technology is both beneficial as well as harmful for business growth.

The proper and controlled use of technology makes it favorable for our business and proves beneficial for sure and the uncontrolled use is truly an alarming situation for both business and the person who uses it.

NEXT TOPIC

Trade Related Intellectual Property Rights

The Trade Related Intellectual Property Rights (TRIPs) Agreement covers the following seven categories of intellectual property:

1. **Copyright and Related Rights:** The members are required to comply with the Berne Convention for the protection of literary and artistic works. Computer Programmes are included in literary works. Authors of computer programmes and broadcasting organisations are to be given the right to authorize or prohibit the commercial rental of their works to public. This protection is extended for 50 years. Trademarks: The owner of a registered trademark has the inclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services. Registration and renewal of a trademark is for a period of not less than seven

years.

2. **Geographical Indications**: Members are required to provide the legal means for interested parties to prevent the use of any indication which misleads the consumer as to the origin of goods and any use which would constitute an act of unfair competition. Additional protection is applied for geographical indications for wines and spirits.

3. **Industrial Designs:** Industrial designs are protected for a period of 10 years. Owners of protected designs would be able to prevent the manufacture, sale or importation of articles bearing or embodying a design, which is a copy of the protected design for commercial purposes.

4. **Patents:** Patents shall be available for any inventions, whether products or processes, in all fields of technology, provided they are new, involve an inventive step and are capable of industrial application. Patent owner shall have the right to assign or transfer by succession, the patent and to conclude licensing contracts. The Agreement requires 20 years protection. The Agreement requires both process and product patent. It provides for 20 years product patent and a successive 20 years process patent.

5. **Integrated Circuits**: The TRIPs Agreement provides protection to the layout designs (topographies) of integrated circuits for a period of 10 years. But the protection shall lapse after 15 of the creation of the layout design.

6. **Trade Secrets**: Trade secrets and know-how having commercial value shall be protected against breach of confidence and other acts. Test data submitted to governments in order to obtain marketing approval for pharmaceuticals or agricultural chemicals shall be protected against unfair commercial use.

7. This Agreement refers to the control of anti-competitive practices in contractual licenses

pertaining to intellectual property rights. It providesfor consultations between governments in order to protect intellectual property rights from being abused.

8. The Agreement requires a one-year transition period for developed countries to bring their legislation and practices into conformity with TRIPs. Developing countries will have 5 year transition period whereas the least developed countries will have a 11 year transition period. Those developing countries which do not provide product patent protection have been given 10 years.

Trade Related Investment Measures

9. This agreement calls for the removal at all trade related investment measures within a period of five years. These measures are confined to quantitative restorations and national treatment. In particular, they relate to such measures as investment in identified areas, level of foreign investments for treating foreign companies at par with the national companies, export obligation, and use of local raw materials.

10. It prevents the imposition of any performance clauses on foreign investors in respect of earnings of foreign exchange, foreign equity participation, and transfer of technology. It requires foreign investment companies to be treated at par with national companies. It requires free import of raw material, components and intermediates.

11. The Agreement recognizes that certain investment measures restrict and distort trade. It, therefore, requires mandatory notification of all non-conforming Trade Related Investment measures and their removal within seven years for developed countries, within five years for developing countries and within seven years for the least developed countries. It establishes a committee on Trade Related Investment Measures which will monitor the implementation of these commitments and report to the Council of Trade in

Goods annually.

Agreement on Trade in Services

12. This Agreement covers all internationally traded services. Foreign services and service suppliers would be treated on equal footings with domestic and service suppliers. However, governments may indicate MostFavoured Nation (MFN) exemptions, which will be reviewed after 5 years, with a normal limit of 10 years.

13. It requires transparency, which includes the publication of all- relevant laws and regulations relating to services trade. International payments and transfers relating to trade in services shall not be restricted, except in the event of balance of payments difficulties where such restrictions will be temporary limited and subjected to conditions. Any liberalization of trade in services would be progressive in character. It would be through negotiations at five-year intervals in order to reduce or remove the adverse effects of measures on trade in services and to increase the general level of specific commitments by the governments.

Import of Technology and Technology Transfer

INTRODUCTION:

- ✓ It has high level of research and development expenditure.′ It competes with technological innovation. ′
- ✓ It employs a highly educated people, most of them are scientist and engineers. ′ High Technology:
- ✓ It refers to advanced and highly sophisticated technology.

- ✓ It is used by variety of industries having certain characteristics such as: ′ Emerging Technology: A technology that is not yet fully commercialized but will become so within a period of years.

  Example genetic engineering. ′ New Technology: A newly introduced technology that has an impact on how company produces products example computer software. Any technology is new whenever it is introduced for time in a place, nano technology ′

  Classification Of Technology ′ Technology is the knowledge, products, processes, tools, methods and systems employed in the creation of products or in providing services.

  INTRODUCTION

1. **It can be as trade agreement b/w two nations**. for ex agreement b/w Government of India and Government of Afghanistan in the field of media and broadcasting where India's government train Afghanistan delegates so that they use there knowledge in there own country, provide them technology.′ It can be in form of business agreement between two businesses or MNC's ′ Import of technology also known as technology transfer which involves sharing of skills , knowledge and facilities among government and business so that these technological developments are accessible to a wide range of users for commercial and welfare purposes. ′IMPORT OF TECHNOLOGY

2. **Duplicative level**: At this level investment capacity is expanded in order to import technology and integrate the foreign technology with existing ones′

   - **Innovative Level**: it is based on formal Research and development that is useful in constant improvement in technology and to generate new technologies. ′
   - **Adaptive Level:** Imported technologies are adapted and advanced skills for more complex engineering methods are learned. ′
   - **Operational Level:** Processes form of technology which involves manufacturing process, quality controls and maintenance. ′ Externalized form: it refers to joint ventures with local control, licensing strategic alliances and international subcontracting.

LEVELS OF TECHNOLOGY TRANSFER ′ Internalized form: In this form control resides with the technology transferor (the owner) holding the majority or full equity ownership. (It can influence the sales, it is integral part of global strategy, control on investment decisions).

FORMS OF TECHNOLOGY TRANSFER

1. **Franchising**: It is quite similar to licensing where organization set up there franchises and transfer there technology to the franchisee. The franchisee operates on behalf of the organization under this the company have direct control, the franchisee only carry the name and trademark for example KFC, McDonalds, Peter England, Monginis, Nescafe etc′ Licensing: License is provided for the use of technology to the user Under which only a license holder can use the technology for example software like operating systems of Windows or Linux etc. comes with specific code and identity of the system through which they can be used on authorized system only by the authorized user of that system. ′ Foreign Direct Investment: Through this technique organization transfer its technology to target nation through its subsidiary i.e. by investing themselves for example Toyota Motors brought in its technology of invisible mirror through its subsidiaries in various countries. ′TECHNIQUES IN TECHNOLOGY TRANSFER

3. **Joint Venture:** Technology is transferred to joint venture partner and technology is provided to host nation through a partner from host nation. Example maruti suzuki, ING Vysa etc.′ Contract Manufacturing: It refer to transfer of technology to the user and get the product manufactured from user themselves for example BPO's this happens due to low cost of manufacturing in India. Example Pharma Campanies Kremoint Pharma Pvt. Ltd ′ Management Contracts: Here technology is transferred under certain terms and conditions or by establishing projects for host and training there personnel to operate it and transfer the control to hosts. ′
4. **Low Cost′ Use local materials** ′ Use Local skills ′ Created locally ′ Create Job opportunities ′ Renewable Sources of Energy ′ Non-Violent / sustainable (no damage to the environment) ′ Environment friendly: Technology that support the environment by avoiding all possible activities that could cause harm to nature. ′ Simple: technology that is simple in using and effectively achieve the desired results. ′ Appropriate technology is the appropriate selection of a device or solution to a problem based on the individual needs of an area, or a population; which generally utilizes simple and user friendly products and or systems.

PROBLEMS IN TECHNOLOGY TRANSFER

5. **Obsolescence:** Import of outdated technology thus the importing action lag behind, the

owners of modern technology view developing nations as a mean to salvage technology that is obsolescent in advanced country if when they posses advanced technology.′

Dependence: Technological dependence has to increase in import of modern sophisticated technology that has displaced indigenous technology. The new product and processes introduced by multinational into developing countries discouraged the self dependence on technology ′

Appropriateness: Technology in many cases is not suitable with the socio economic priorities and conditions ′ Costly: Investment in technology higher than the level of attained profits. Cast paid for royalty and interest is higher than that of inflow. ′

INTERNATIONAL BUSINESS - INTRODUCTION

The beverages you drink might be produced in India, but with the collaboration of a USA company. The tea you drink is prepared from the tea powder produced in Srilanka. The television you watch might have been produced with Japanese technology.

Most of you have the experience of browsing internet and visiting different websites, purchasing the goods and services without visiting those manufacturing countries. All these activities have become a reality due to the operations and activities of International Business. Thus, international business is the process of linking the global resources with global people.

EVOLUTION:

The origin of International Business goes back to human civilization. Sindh civilization had many traces of having a trade relationship with the Eastern civilization. Later the concept of International Business – a broader concept of integration of economies goes back to 19th century.

The first phase was took with the end of first World War in 1919. the import of raw materials by colonial countries emperor from colonies and exporting them finished goods again to the colonies. There is an increase in the level of international business.

But after second world war in 1945, the most of the colonial governments refused to export the raw materials and import finished goods for the purpose of protecting the domestic companies. There is a decrease in international business.

The consequences of World War II had made the world countries to feel the need of international co-operation of global trade which led to the formation of various organizations like International Monetary Fund (IMF) and International Bank for Reconstruction and Development(IBRD), now called AS World Bank.

NATURE:

Globalization – is an attitude of mind – it is a mindset which views the entire world as a single market so that the corporate strategy is based on the dynamics of global business environment. The concept of globalization has filled up the concept of International business. Infact, the term International Business was not popular before 2 decades. International Business is come from the word International marketing and International Marketing is come from the word International Trade.

International Trade – International Marketing:

Originally, the producers used to export their products to the nearby countries and gradually extended the export to far-off countries. Gradually the companies extended the operations beyond trade.

International Marketing – International Business:

The MNC's which are producing in home country band marketing them in foreign countries,now started locating their plants and other manufacturing facilities in foreign/ host countries.

FEATURES:

1. **Large Scale Operations**:

In International business, all the operations are conducted on a very huge scale. Production and marketing activities are conducted on a very large scale. It first sell its goods in the local marketand then the surplus goods are exported.

2. **Integration of Economies**:

International Business integrates (combines) the economies of many countries. This is because it uses finance from one country, labour from other country and infrastructure from another country. It designs the product in one country, produces its parts in many different countries and assembles in another country and sells in many countries.

3. Dominated by developed countries and MNC's

International Business is dominated by developed countries and their multinational companies. Europe and Japan dominate the foreign trade, this is because they have high financial and other resources.

4. Benefits to Participating countries:

International Business gives benefits to all participating countries. However, the developed countries get the maximum benefits, the developing countries also get benefits. They get foreign capital and technology. They get rapid industrial development. They get more employment opportunities.

5. Keen Competition:

International Business has to face competition in the world market. The competition is between unequal partners. In this situation, the developed countries are in favorable position as they produce the superior quality goods and services, but developing countries find difficulty to facecompetition.

6. **Special role of science and technology:**

International Business gives a lot of importance to science and technology. Science and Technology helps the business to have a large scale production. Developed countries use high technology. International business helps them to transfer top-end technology to the developing countries.

7. **International Restrictions:**

International Business faces many restrictions on the inflow and outflow of capital, technology and goods. Many government do not allow international business to enter their countries. They have many trade blocks, tariff barriers, foreign exchange restrictions, etc. All this is harmful to international business.

8. **Sensitive Nature:**

The International Business is very sensitive in nature. Any changes in the economic policies, technology, political environment has a huge impact. Therefore it must conduct marketing research to find out and study these changes. They must adjust their business activities and adopt accordinglyto survive changes.

9. International Business need **accurate information** to make appropriate decision.

10. International Business house need not only accurate but also **timely information**.

11. International Business house segments their markets based on the **geographic market segment**.

REASONS FOR THE EMERGENCE OF INTERNATIONAL BUSINESS:

Or

EMERGENCE OF GLOBALISATION

- **To achieve higher rate of profits**

The basic objective of the business firm is to earn profit. The domestic markets do not promise a higher rate of profits. Business firms search for foreign market which hold promise for higher rate of profits. Thus the objective of profits affects and motivates the business to expand its operations to foreign countries.

- **Expanding the production capacity**

Domestic companies expanded their production capacities more than the demand for product in domestic countries. In such cases, these companies are forced to sell their excessive production in foreign developed market.

- **Severe competition in home country**

The countries oriented towards market economies since 1960's, experience severe competition from other business firm in the home country. The weak companies which could not meet the domestic countries started entering the markets of developing countries.

- **Limited home market**

When the size of the home market is limited either due to the smaller size of the population or due to lower purchasing power of the people or both, the companies internationalize their operations.

- **Political Stability v/s Political Instability**

Business firms prefer to enter the politically stable countries and are restrained from locating their business operations in politically instable countries. In fact, business firms shift the operations from politically instable countries to the politically stable countries.

- **Availability of Technology and Managerial Competency**

Availability of advanced technology and competent human resource in some countries acts as pulling factors for business firms from the home country. The developed countries due to these reasons attract companies from developing world. In fact, American and European countries depend on Indian Companies for software products and services through their BPO's.

- **High cost of transportation**

Initially companies enter foreign countries trough their marketing operations. At this stage, the companies realize the challenge from the domestic companies. Added to this, the home companies enjoy higher rate of profit margins where as the foreign firms suffer from lower profit margins. The major factor for this situation is the cost of transportation,

Under such conditions, the foreign companies are inclined to increase their profit margin by locating their manufacturing unit in foreign countries where there is enough demand either in one country or in a group of neighboring countries.

- **Nearness to Raw materials**

The source of highly qualitative raw materials and bulk raw materials is a major factor for attracting the companies from the various foreign countries. Most of the US based companies open their manufacturing unit in Middle East countries due to the availability of petroleum. These companies, thus, reduces the cost of transportation.

- **Availability of Quality HR at less cost**

This is the major factor, in recent times, for software, high technology and tele-communication companies to locate their operations in India. India is a major source for high quality and low cost human resources unlike USA and other developed countries.

- **Liberalization and Globalization**

Most of the countries in the globe liberalized their economies and opened their countries to the rest of the globe. These changed policies attracted the multinational companies to extend their operations to these countries.

- **To increase market share**

  Some of the large-scale business firms would like to enhance their market share in the global market by expanding and intensifying their operations in various foreign countries.

- **To achieve higher rate of economic development**

  International Business helps the governments to achieve higher growth rate of the economy, increases the total and per-capita income , GDP, industrial growth, employment and income levels.

FOREIGN DIRECT INVESTMENT

Foreign direct investment (FDI) occurs when an individual or business owns at least 10% of a foreign company. When investors own less than 10%, the International Monetary Fund (IMF) defines it simply as part of a stock portfolio. Whereas a 10% ownership in a company doesn't give an individual investor a controlling interest in a foreign company, it does allow influence over the company's management, operations, and overall policies.

FDI is critical for developing and emerging market countries. Companies in developing countries need multinational funding and expertise to expand, give structure, and guide their international sales. These foreign companies need private investments in infrastructure, energy, and water in order to increase jobs and salaries.

There are various levels of FDI which range based on the type of companies involved and the reasons for the investments. An FDI investor might purchase a company in the targeted country by means of a merger or acquisition, setting up a new venture, or expanding the operations of an existing one. Other forms of FDI include the acquisition of shares in an associated enterprise, the incorporation of a wholly-owned company, and participation in an equity joint venture across international boundaries.

Investors who are planning to engage in any type of FDI might be wise to weigh the investment's advantages and disadvantages.

Advantages of foreign direct investment:

- **Economic growth**

The creation of jobs is the most obvious advantage of FDI, one of the most important reasons why a nation (especially a developing one) will look to attract foreign direct investment. FDI boosts the manufacturing and services sector which results in the creation of jobs and helps to reduce unemployment rates in the country. Increased employment translates to higher incomes and equips the population with more buying powers, boosting the overall economy of a country.

- **Human capital development**

Human capital involved the knowledge and competence of a workforce. Skills that employees gain through training and experience can boost the education and human capital of a specific country. Through a ripple effect, it can train human resources in other sectors and companies.

- **Technology**

Targeted countries and businesses receive access to the latest financing tools, technologies, and operational practices from all across the world. The introduction of newer and enhanced technologies results in company’s distribution into the local economy, resulting in enhanced efficiency and effectiveness of the industry.

- **Increase in exports**

Many goods produced by FDI have global markets, not solely domestic consumption. The creation of 100% export oriented units help to assist FDI investors in boosting exports from other countries.

- **Exchange rate stability**

The flow of FDI into a country translates into a continuous flow of foreign exchange, helping a country’s Central Bank maintain a prosperous reserve of foreign exchange which results in stable exchange rates.

- **Improved Capital Flow**

Inflow of capital is particularly beneficial for countries with limited domestic resources, as well as for nations with restricted opportunities to raise funds in global capital markets.

- **Creation of a Competitive Market**

By facilitating the entry of foreign organizations into the domestic marketplace, FDI helps create a competitive environment, as well as break domestic monopolies. A healthy competitive environment pushes firms to continuously enhance their processes and product offerings, thereby fostering innovation. Consumers also gain access to a wider range of competitively priced products.

- **Climate**

The United Nations has also promoted the use of FDI around the globe to help combat climate change

Disadvantages of foreign direct investment:

- Hindrance of domestic investment

Sometimes FDI can hinder domestic investment. Because of FDI, countries' local companies start losing interest to invest in their domestic products.

- The risk from political changes

Other countries' political movements can be changed constantly which could hamper the investors.

1. Negative exchange rates
2. Foreign direct investments can sometimes affect exchange rates to the advantage of one country and the detriment of another.
3. Higher costs
4. When investors invest in foreign counties, they might notice that it is more expensive than when goods are exported. Often times, more money is invested into machinery and intellectual property than in wages for local employees.
5. Economic non-viability
6. Considering that foreign direct investments may be capital-intensive from the point of view of the investor, it can sometimes be very risky or economically non-viable.
7. Expropriation
8. Constant political changes can lead to expropriation. In this case, those

countries' governments will have control over investors' property and assets.

9. Modern-day economic colonialism
10. Many third-world countries, or at least those with history of colonialism, worry that foreign direct investment would result in some kind of modern-day economic colonialism, which exposes host countries and leave them vulnerable to foreign companies' exploitation.
11. Poor performance
12. Multinationals have been criticized for poor working conditions in foreign factories.

World Trade Organisation (WTO)

The WTO was established on January 1, 1995. It is the embodiment of the Uruguay Round results and the successor to GATT. 76 Governments became members of WTO on its first day. It has now 146 members, India being one of the founder members. It has a legal status and enjoys privileges and immunities on the same footing as the IMF and the World Bank. It is composed of the Ministerial Conference and the General Council. The Ministerial Conference (MC) is the highest body. It is composed of the representatives of all the Members. The Ministerial Conference is the executive of the WTO and responsible for carrying out the functions of the WTO. The MC meets at least once every two years.

The General Council (GC) is an executive forum composed of representatives of all the Members. The GC discharges the functions of MC during the intervals between meetings of MC. The GC has three functional councils working under its guidance and supervision namely:

a) Council for Trade in Goods.
b) Council for Trade in Services.
c) Council for Trade Related Aspects of Intellectual Property Rights (TRIPs).

Objectives of WTO

In its preamble, the Agreement establishing the WTO lays down the following objectives of the WTO.

1. Its relation in the field of trade and economic endeavor shall be conducted with a view to raising standards of living, ensuring full employment and large and steadily growing volume of real income and effective demand, and expanding the production and trade in goods and services.
2. To allow for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both (a) to protect and preserve the environment, and (b) to enhance the means for doing so in a manner consistent with respective needs and concerns at different levels of economic development.
3. To make positive efforts designed to ensure that developing countries especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development.
4. To achieve these objectives by entering into reciprocal and mutually advantageous arrangements directed towards substantial reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international trade relations.
5. To develop an integrated, more viable and durable multilateral trading system encompassing the GATT, the results of past trade liberalization efforts, and all the results of the Uruguay Round of multilateral trade negotiations.
6. To ensure linkages between trade policies, environment policies and sustainable development.

Functions of WTO

The following are the functions of the WTO:

1. It facilitates the implementation, administration and operation of the objectives of the Agreement and of the Multilateral Trade Agreements.
2. It provides the framework for the implementation, administration and operation of the bilateral Trade Agreements relating to trade in civil aircraft, government procurement, trade in diary products and bovine meat.

3. It provides the forum for negotiations among its members concerning their multilateral trade relations in matters relating to the agreements and a framework for the implementation of the result of such negotiations, as decided by the Ministerial Conference.
4. It administers the Understanding on Rules and Procedures governing the Settlement of Disputes of the Agreement.
5. It cooperates with the IMF and the World Bank and its affiliated agencies with a view to achieving greater coherence in global economic policy-making.

Implications for India

After the Uruguay Round, India was one of the first 76 Governments that became member of the WTO on its first day. Different views have been expressed in support and against our country becoming a member of the WTO.

Favourable Factors

1. Benefits from reduction of tariffs on exports.
2. Improved prospects for agricultural exports because the prices of agricultural products in the world market will increase due to reduction in domestic subsidies and barriers to trade.
3. Likely increase in the exports of textiles and clothing due to the phasing out of MFA by 2005.
4. Advantages from greater security and predictability of the international trading system.
5. Compulsions imposed on India to be competitive in the world market.

Unfavourable Factors

1. Tariff reductions on goods of export interest to India are very small.

2. Less prospects of increase in agricultural exports due to the limited extent of agricultural liberalization.
3. There will be hardly any liberalization of our textile exports during the next 10 years.
4. India will be under pressure to liberalize the services industries.
5. There will be only marginal liberalization to the movement of labour services in which it is competitive.
6. Increased outflows of foreign exchange due to commitments undertaken in the fields of TRIPS, TRIMS and services.
7. Technological dependence on foreign firms will increase as the R & D required to take advantages of Uruguay Round agreement may not be undertaken on adequate scale due to paucity of funds.
8. Only a few large firms or transnational corporations may benefit and smaller firms may disappear.
9. Increasing intrusion in our domestic space in TRIPs, TRIMs and services and agriculture.
10. The Uruguay Round has paved way for similar other institutions in future through linkage between trade, environment, labour standard and treatment of foreign capital.
11. Trend towards neo-protectionism in developed countries against our exports.

To conclude, we may say that WTO membership is going to be beneficial to India in terms of global market thrown open to its goods and services. We must know how to take advantage of this situation. We should try to strengthen our position to sell our products abroad. For that we have to improve the quality of goods and services, cut down costs and wastage and improve our competitive strength.

Trading Block

An agreement between states, regions, or countries, to reduce barriers to trade between the participating regions Trading blocs are a form of economic integration, and increasingly shape the pattern of world trade.

Economic integration is the unification of economic policies between different states through the partial or full abolition of tariff and non-tariff restrictions on trade taking place among them prior to their integration

The degree of economic integration can be categorized into five stages:

1. Preferential trading area
2. Free trade area,
3. Customs union,
4. Common market
5. Economic union,

Stages/types / Forms/ of economic integration

1.Preferential Trade Area

Preferential Trade Areas (PTAs) exist when countries within a geographical region agree to reduce or eliminate tariff barriers on selected goods imported from other members of the area. This is often the first small step towards the creation of a trading bloc.

2. Free Trade Area

Free Trade Areas (FTAs) are created when two or more countries in a region agree to reduce or eliminate barriers to trade on all goods coming from other members.**ustoms Union**

A customs union involves the removal of tariff barriers between members, plus the acceptance of a common (unified) external tariff against non-members. This means that members may negotiate as a single bloc with 3rd parties, such as with other trading blocs, or with the WTO

3. Common Market

A 'common market' is the significant step towards full economic integration, and occurs when member countries trade freely in all economic resources – not just tangible goods. This means that all barriers to trade in goods, services, capital, and labour are removed.

The main advantages for members of trading blocs[this can be written for any trade bloc]

- Free trade practices
- Market access and trade creation.
- Trade creation and trade diversion
- Economies of scale
- lowering costs and lower prices for consumers.
- Jobs creation and employment opportunities
- Protection of individual interests of member countries.

What is Dumping?

Dumping in the financial world occurs when a company or a country exports its products at a price lower than its domestic price. Exporters dump to compete with the producers and sellers in the importing country.

Dumping enables consumers in the importing country to obtain access to goods at an affordable price. However, it can also destroy the local market of the importing country, which can result in layoffs and the closure of businesses.

How Dumping Takes Place?

It may seem that the dumping company may lose a lot of money by charging a lower price. However, it is not the case in real life, as the dumping company is not losing money.

The majority of multinational companies (MNC) practice international price differentiation. They price a certain item depending on what each nation's customer can afford. For example, Tide detergent in China is sold for less than one-fifth of the U.S. price. However, if a particular country is willing to pay more for a product, the MNC will price the product at a higher cost.

Types of Dumping

Below are the four types of dumping in international trade:

1. Sporadic dumping

Companies dump excess unsold inventories to avoid price wars in the home market and preserve their competitive position. They can either dump by destroying excess supplies or export them to a foreign market where the products are not sold.

2. Predatory dumping

Unlike sporadic dumping, which is occasional, predatory dumping is permanent. It involves the sale of goods in a foreign market at a price lower than the home market. Predatory dumping is done to gain access to the foreign market and eliminate competition. It creates a monopoly in the market.

3. Persistent dumping

When a country consistently sells products at a lower price in the foreign market than the local prices, it is called persistent dumping. It happens when there is a constant demand for the product in the foreign market.

4. Reverse dumping

Reverse dumping happens when the demand for the product in the foreign market is less elastic. It means that price changes do not impact demand. Therefore, the company can charge a higher price in the foreign market and a lower price in the local market.

Advantages of Dumping

- Consumers in the importer's country can gain access to products at lower prices.
- Exporters receive subsidies from their government to sell at lower prices abroad.
- The exporter's country can generate employment and become industry leaders.

Disadvantages of Dumping

- The debt of the exporter's country will increase due to subsidies provided to sell at lower prices abroad.
- Dumping is expensive, and it will take the exporters years to sell at a lower price and put competitors out of business.
- The target company can retaliate and cause a trade war.

What is Anti-Dumping Duty?

Anti-dumping duty is a tariff imposed on imports manufactured in foreign countries that are priced below the fair market value of similar goods in the domestic market. The government imposes anti-dumping duty on foreign imports when it believes that the goods are being "dumped" – through the low pricing – in the domestic market. Anti-dumping duty is imposed to protect local businesses and markets from unfair competition by foreign imports.

The duty is priced in an amount that equals the difference between the normal costs of the products in the importing country and the market value of similar goods in the exporting country or other countries that produce similar products. The anti-dumping duty can be anywhere from 0% up to 550% of the invoice value of the goods.

Role of the WTO in Regulating Anti-Dumping Measures

The World Trade Organization (WTO) plays a critical role in the regulation of anti-dumping measures. As an international organization, the WTO does not regulate firms accused of engaging in dumping activities, but it possesses the power to regulate how governments react to dumping activities in their territories.

Some government sometimes react harshly to foreign companies engaging in dumping activities by introducing punitive anti-dumping duties on foreign imports, and the WTO may come in to determine if the actions are genuine, or if they go against the WTO free-market principle.

According to the WTO Anti-Dumping Agreement, dumping is legal unless it threatens to cause material injury in the importing country domestic market. Also, the organization prohibits dumping when the action causes material retardation in the domestic market.

Where dumping occurs, the WTO allows the government of the affected country to take legal action against the dumping country as long as there is evidence of genuine material injury to industries in the domestic market. The government must show that dumping took place, the extent of the dumping in terms of costs, and the injury or threat to cause injury to the domestic market.

Calculating the Anti-Dumping Duty

The WTO Anti-Dumping Agreement allows governments to act in a way that does not discriminate between trading partners and honors the DATT 1994 principle when calculating the duty. The GATT 1994 principle provides a number of guidelines to govern trade between members of the WTO. It requires that imported goods not to be subjected to internal taxes in excess of the costs imposed on domestic goods.

Also, it requires that imported goods be treated the same way as domestic goods under domestic laws and regulations. However, it allows the government to impose a duty on foreign imports if they exceed the bound rates and threaten to cause injury to the domestic market.

There are several ways of determining whether an imported product has been dumped lightly or heavily, and the amount of duty to be applied. The first method is to calculate the anti-dumping duty based on the normal price of the product.

The second alternative is to use the price charged on the same product but in a different country. The last alternative is to calculate the duty based on the total product costs, expenses, and the manufacturer’s profit margins.

Examples of Dumping Cases in the United States

Recently, there's been an increase in the number of anti-dumping cases initiated by American businesses. Local businesses rely on anti-dumping laws to limit unfair competition from below-market-value imports manufactured abroad. The International Trade Commission (ITC) imposes the anti-dumping duties based on the recommendations of the U.S. Department of Commerce.

1. Flat Panel Display Screens Dumping by Japanese Companies in 1991

Following complaints by American businesses on the dumping of flat panel display (FPD) screens by Japanese companies, the Commerce Department ruled that Japanese companies were liable for the dumping of the FPD screens in the U.S. market. Consequently, the ITC initiated an investigation in early 1991, and the agency found that Japanese companies dumped FPD screens, causing material damage to American businesses. The ITC recommended a 62.5% anti-dumping duty on FPD screens imported from Japan.

2. Dumping of Steel by Chinese Companies in 2015

Large American steel producers filed complaints with the U.S. Department of Commerce on the dumping of steel by Chinese companies in U.S. markets. The American businesses complained that the large imports of steel resulted in unfair competition since the imports were unfairly low in price.

The ITC investigated the allegations on the recommendation of the Commerce Department to find out if there was injury or threat to injury on the domestic market. The agency found the Chinese companies guilty of dumping steel products, and that it caused material damage to the American businesses. The ITC imposed a 500% import duty on select steel imports from China to protect the domestic steel industry.