

Lecture 4 – The International Political, Economic and Legal Environments

The International Political Environment

- 'Structure that defines what a country is, how a country is managed, how its people and organisations are functioned

Why is it important?

Government Regulations

- What comes in and out of the country (exports and imports) – strategic goods, trade zones (export control)
 - Import Control: Tariffs/ Quotas
 - Prohibitions
 - Standards
 - Buy 'local'
 - Investment barrier
 - Service barriers
 - 'Offset' contracts -
- How businesses function and work (business rules)
- Foreign investment
- Foreign equity
- Product "standards" – all products come in Australia e.g. electrical standards for certain products
- Professional "qualifications" – not all qualifications are recognised in other countries

Set up of "Special Economic/ Trade Zones

- E.g. Cambodia
 - 9% flat rate tax
 - tax 'holiday' for 9 years (no tax for 9 years)
 - Very attractive for investors because there are a lot of easy rules with the government

Boycotts - one country (or group of countries) bans imports/exports from another country (Cuba, North Korea)

Embargos – one country bans specific types of exports to another country (US 'defence' equipment sales to certain countries)

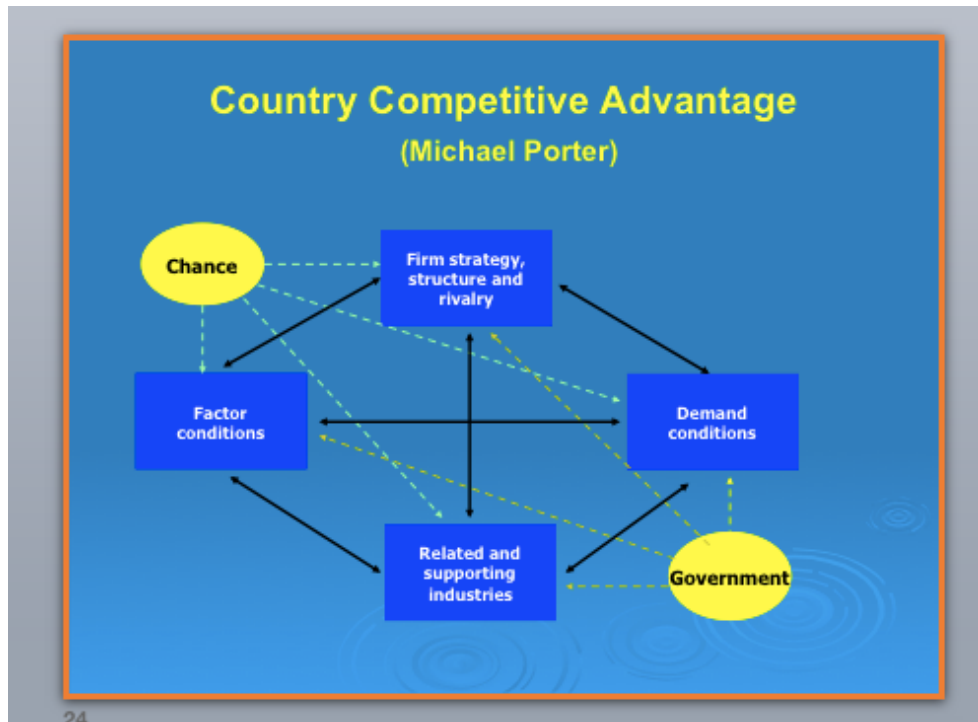
Sanctions – one country (or group) applies specific penalties to certain trade activities e.g. banking

The Economic Environment

- It is the economic policies which governments use to manage a country's finances and economic development
- It's important because of the economic multiplier effect
- These policies effect ALL economic planning and development, therefore have an impact on everyone and every firm in the country – all the time

Country Competitive Advantage

- Each country is better at a different area (oil, minerals, coffee growing, etc.)



Types and Levels of World Trade Structures

1. Preferential Trade Arrangements
 - Australia/ NZ "CER"
2. Free Trade Areas (FTA's)
 - Aims to create special trade categories (NAFTA)
3. Custom's Union (CU's)
 - Evolution of FTA's, members harmonise customs barriers, develop common trade barriers to non-members
4. Economic Union (EU's)
 - Further evolution of FTA's, free mobility labour, capital, production. Harmonise monetary, taxation and govt spending

International Economic 'Processes' (tools used to evaluate the economics of different countries)

1. Demography/ Population (segments)
2. Geography
3. Resources
4. BoP (actual, trends, forecasts)
5. Debt (levels, structure)
6. Infrastructure quality
7. Foreign Exchange Policy
8. Risk

The International Legal Environment

- Rules which individuals and firms undertake all public activities

Legal Structures

1. Common Law – traditional/historic
2. Code Law – specific law created to deal with a particular situation (criminal behaviour)
3. Religious Law – Islamic/ Sharia, others
4. Tribal - indigenous

Legal Issues

- If you're doing a business in another country, you need people to monitor government rule and regulation changes all the time
- Pharmaceuticals in Brazil – Baril Govt, over rode the 'Merck' patent HIV drug and started to manufacture Locally
 - Merck wanted to sell in Brazil @US\$1.57/day while they were selling in Thailand @US \$0.65/day

Lecture 5 - The Cultural, Social and Technological Environments of IB

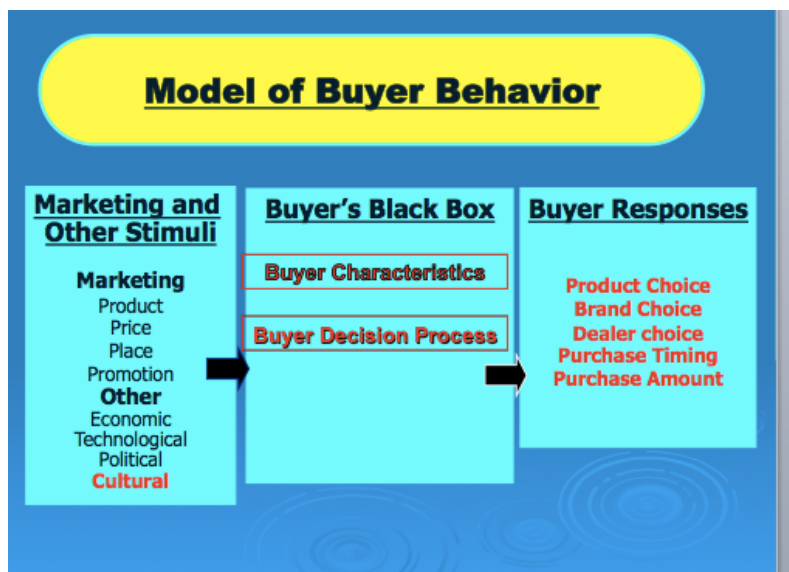
The Cultural Environment

- Forms of behaviour that are acceptable to people in specific community
- Can be found at National, Industry, Firm and Family levels
- Culture is learned, dynamic, subjective
- E.g. if you want to do business in Russia, have to learn culture in Russia

Why Culture is Important?

- IM firms must research and understand components of culture so they can do better and accurately develop business

Model of Buyer Behaviour



Factors Influencing Buyer Behaviour

1. Language Issues
2. Beliefs Attitudes and Behaviours
 - Sources of meaning
 - Each culture, different things can have different meanings
 - E.g. Oil search PNG – need local people to manage the issues they have
3. Time
 - Time perspectives:

- 1. Linear time, - doing things 'one at a time', orderliness, no interruptions
 - 2. Multi Active Time, present more important than future
 - 3. Cyclic time,
 - 4. 'Walk Around the Pool' Time,
 - 5. Meticulous Time
4. Learning
 - Learning styles are the product of each cultural background and upbringing
 5. Rewards and Recognition
 - It's important to research the right 'mix' for your firm in any given country situation
 - Rewards and recognition are not the same thing
 - Main options are: fixed/variable, random, rolling, social, staggered
 6. Food
 7. Values, Norms and Agreements
 - Some cultures rely on a formal legal system (contracts)
 - But many countries signing a contract is not necessary
 - Customer bonds are more important, relationships
 - There is no international law for companies but there's international law with governments
 - Mediation services for disputes
 8. Relationships
 - Americans tend to form relationships quick and easy
 - Asian relationships are much more complex
 9. Religions
 - Religion has a major influence on culture
 10. Self and Space
 - Use, expectations and meanings assigned to space vary widely among different cultures
 - E.g. queuing in Japan would be different in China (orderliness vs. Shoving)
 11. Dress and Appearance
 - Important to understand what way the clients dress in their culture
 12. Symbols, Heroes, Rituals
 - National flag, Emblems
 - Colors, numbers
 - E.g. Sun Yat Sen

Culture in Marketing Mix – Product

- E.g. Mecca Cola by Tawfik Mathlouthi
 - "Why letting Coca Cola in Muslim countries? Don't buy Coca Cola to support Americans, buy Mecca Cola."
 - Doing well in 15 different countries
 - Example of culture within marketing mix
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