**Introduction and Types of International Business Environment (IBE)**

The (IBE) International Business Environment is multidimensional including the political risks, cultural differences, exchange risks, legal & taxation issues. Therefore (IBE) [**International Business Environment**](https://enterslice.com/learning/international-business-environment-ibe/) comprises the political, economic, regulatory, [tax](https://enterslice.com/learning/tag/income-tax/), social & cultural, legal, & technological environments.

An international business environment is the surrounding in which international companies run their businesses. It brings along it with many differences.

Thus, it is mandatory for the people at the managerial level to work on the factors that make an International Business Environment.

**The Difference – Business Environment and International Business**

International business is an exchange of goods and services that conducts its operations across national borders, between two or more countries. International business is also known as Globalization whereas, a Business Environment is the surrounding in which the international companies operate.

**Forms of Business Environment**

* Import & Export
* Licensing
* Franchising
* Joint venture
* Foreign Direct Investment

**Advantages of International Business Environment**

* Helps in expanding the business,
* Exposure to more customers
* Helps in the proper management of the product life cycle and
* Helps in mutual growth

**Political Environment**

The political environment refers to the type of the government, the government relationship with a business, & the political risk in the country. Doing business internationally, therefore, implies dealing with a different type of government, relationships, & levels of risk.

There are many different types of political systems, **for example**, multi-party democracies, one-party states, constitutional monarchies, dictatorships (military & non-military). Therefore, in analyzing the political-legal environment, an organization may broadly consider the following aspects:

* The Political system of the business;
* Approaches to the Government towards business i.e. Restrictive or facilitating;
* Facilities & incentives offered by the Government;
* Legal restrictions for instance licensing requirement, reservation to a specific sector like the public sector, private or small-scale sector;
* The Restrictions on importing technical know-how, capital goods & raw materials;
* The Restrictions on exporting products & services;
* Restrictions on pricing & distribution of goods;
* Procedural formalities required in setting the business

**Economic Environment**

The economic environment relates to all the factors that contribute to a country’s attractiveness for foreign businesses. The economic environment can be very different from one nation to another. Countries are often divided into three main categories: the more developed or industrialized, the less developed or third world, & the newly industrializing or emerging economies.

Within each category, there are major variations, but overall the more developed countries are the rich countries, the less developed the poor ones, & the newly industrializing (those moving from poorer to richer). These distinctions are generally made on the basis of the gross domestic product per capita (GDP/capita). Better education, infrastructure, & technology, healthcare, & so on are also often associated with higher levels of economic development.

Clearly, the level of economic activity combined with education, infrastructure, & so on, as well as the degree of government control of the economy, affect virtually all facets of doing business, & a firm needs to recognize this environment if it is to operate successfully internationally. While analyzing the economic environment, the organization intending to enter a particular business sector may consider the following aspects:

* An Economic system to enter the business sector.
* Stage of economic growth & the pace of growth.
* Level of national & per capita income.
* Incidents of taxes, [**both direct & indirect tax.**](https://enterslice.com/learning/international-business-environment-ibe/)
* Infrastructure facilities available & the difficulties thereof.
* Availability of raw materials & components & the cost thereof.
* Sources of financial resources & their costs.
* Availability of manpower-managerial, technical & workers available & their salary & wage structures.

**Technological Environment**

The technological environment comprises factors related to the materials & machines used in manufacturing goods & services. Receptivity of organizations to new technology & adoption of new technology by consumers influence decisions made in an organization.

As firms do not have any control over the external environment, their success depends on how well they adapt to the external environment. An important aspect of the international business environment is the level, & acceptance, of technological innovation in different countries.

The last decades of the twentieth century saw major advances in technology, & this is continuing in the twenty-first century. Technology often is seen as giving firms a competitive advantage; hence, firms compete for access to the newest in technology, & international firms transfer technology to be globally competitive.

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It is easier than ever for even small [**business plan**](https://enterslice.com/business-plan) to have a global presence thanks to the internet, which greatly grows their exposure, their market, & their potential customer base. For the economic, political, & cultural reasons, some countries are more accepting of technological innovations, others less accepting. In analyzing the technological environment, the organization may consider the following aspects:

* Level of technological development in the country as a whole & specific business sector.
* The pace of technological changes & technological obsolescence.
* Sources of technology.
* Restrictions & facilities for technology transfer & time taken for the absorption of technology.

**Cultural Environment**

The cultural environment is one of the critical components of the international business environment & one of the most difficult to understand. This is because the cultural environment is essentially unseen; it has been described as a shared, commonly held body of general beliefs & values that determine what is right for one group, according to Kluckhohn & Strodtbeck.

National culture is described as the body of general beliefs & the values that are shared by the nation. Beliefs & the values are generally seen as formed by factors such as the history, language, religion, geographic location, government, & education; thus firms begin a cultural analysis by seeking to understand these factors. The most well-known is that developed by Hofstede in1980.

His model proposes four dimensions of cultural values including individualism, uncertainty avoidance, power distance & masculinity.

Individualism is the degree to which a nation values & encourages individual action & decision making.

Uncertainty avoidance is the degree to which a nation is willing to accept & deal with uncertainty.

Power distance is the degree to which a national accepts & sanctions differences in power.

This model of cultural values has been used extensively because it provides data for a wide array of countries. Many academics & the managers found that this model helpful in exploring management approaches that would be appropriate in different cultures.

**For example,** in a nation that is high on individualism one expects individual goals, individual tasks, & individual reward systems to be effective, whereas the reverse would be the case in a nation that is low on individualism.

* While analyzing social & cultural factors, the organization may consider the following aspects:
* Approaches to society towards business in general & in specific areas;
* Influence of social, cultural & religious factors on the acceptability of the product;
* The lifestyle of people & the products used for them;
* Level of acceptance of, or resistance to change;
* Values attached to a particular product i.e. the possessive value or the functional value of the product;
* Demand for the specific products for specific occasions;
* The propensity to consume & to save.

**Competitive Environment**

The competitive environment also changes from country to country. This is partly because of the economic, political, & cultural environments; these environmental factors help determine the type & degree of competition that exists in a given country. Competition can come from a variety of sources. It can be a public or a private sector, come from the large or the small organizations, be domestic or global, & stem from traditional or new competitors, [GST registration](https://enterslice.com/gst-registration). For a domestic firm, the most likely sources of competition might be well understood. The same isn’t the case when a person moves to compete in the new environment

**WORLD TRADE ORGANISATION**

The **World Trade Organization** (**WTO**) is an [intergovernmental organization](https://en.wikipedia.org/wiki/Intergovernmental_organization) that is concerned with the regulation of [international trade](https://en.wikipedia.org/wiki/International_trade) between nations. The WTO officially commenced on 1 January 1995 under the [Marrakesh Agreement](https://en.wikipedia.org/wiki/Marrakesh_Agreement), signed by 123 nations on 15 April 1994, replacing the [General Agreement on Tariffs and Trade](https://en.wikipedia.org/wiki/General_Agreement_on_Tariffs_and_Trade) (GATT), which commenced in 1948. It is the largest international economic organization in the world.[[5]](https://en.wikipedia.org/wiki/World_Trade_Organization#cite_note-5)[[6]](https://en.wikipedia.org/wiki/World_Trade_Organization#cite_note-6)

The WTO deals with regulation of trade in goods, services and intellectual property between participating countries by providing a framework for negotiating [trade agreements](https://en.wikipedia.org/wiki/Trade_agreement) and a [dispute resolution](https://en.wikipedia.org/wiki/Dispute_resolution) process aimed at enforcing participants' adherence to WTO agreements, which are signed by representatives of member governments[[7]](https://en.wikipedia.org/wiki/World_Trade_Organization#cite_note-underst-7):fol.9–10 and ratified by their parliaments.[[8]](https://en.wikipedia.org/wiki/World_Trade_Organization#cite_note-britannica-8) The WTO prohibits discrimination between trading partners, but provides exceptions for environmental protection, national security, and other important goals.[[9]](https://en.wikipedia.org/wiki/World_Trade_Organization#cite_note-:2-9) Trade-related disputes are resolved by independent judges at the WTO through a [dispute resolution](https://en.wikipedia.org/wiki/Dispute_resolution) process.[[9]](https://en.wikipedia.org/wiki/World_Trade_Organization#cite_note-:2-9)

**What are the Functions and Objectives of WTO ?**

Some of the important  functions and objectives of WTO are :-

**Functions of WTO**

It is designed to play the role of a watchdog in the spheres of trade in goods, trade in services, foreign investment, intellectual property rights, etc. Article III has set out the The former GATT was not really an organisation; it was merely a legal arrangement. On the other hand, the WTO is a new international organisation set up as a permanent body. following five functions of WTO;

(i) The WTO shall facilitate the implementation, administration and operation and further the objec­tives of this Agreement and of the Multilateral Trade Agreements, and shall also provide the frame work for the implementation, administration and operation of the plurilateral Trade Agreements.

(ii) The WTO shall provide the forum for negotiations among its members concerning their multilateral trade relations in matters dealt with under the Agreement in the Annexes to this Agreement.

(iii) The WTO shall administer the Understanding on Rules and Procedures Governing the Settlement of Disputes.

(iv) The WTO shall administer Trade Policy Review Mechanism.

(v) With a view to achieving greater coherence in global economic policy making, the WTO shall cooperate, as appropriate, with the international Monetary Fund (IMF) and with the International Bank for Reconstruction and Development (IBRD) and its affiliated agencies.

**Objectives of WTO**

Important objectives of WTO are mentioned below:

(i) to implement the new world trade system as visualised in the Agreement;

(ii) to promote World Trade in a manner that benefits every country;

(iii) to ensure that developing countries secure a better balance in the sharing of the advantages resulting from the expansion of international trade corresponding to their developmental needs;

(iv) to demolish all hurdles to an open world trading system and usher in international economic renaissance because the world trade is an effective instrument to foster economic growth;

(v) to enhance competitiveness among all trading partners so as to benefit consumers and help in global integration;

(vi) to increase the level of production and productivity with a view to ensuring level of employment in the world;

(vii) to expand and utilize world resources to the best;

(viii) to improve the level of living for the global population and speed up economic development of the member nations

# Role of WTO in International Business

World Trade organization (WTO) has a crucial role to play in the international trade, global economics, political and legal issues arising in the international business because of the globalization.

WTO has emerged as a world’s most powerful institutions for reducing trade related barriers between the countries and opening new markets.World Trade Organization is the only International governing body that World Trade Organization replaces General Agreement on Tariffs and Trade (GATT) which was created in the year 1948.

The goal of WTO is to provide a fair platform for its member countries to help in services like exports,imports and conduct their business in a peaceful manner.

The advantage to the countries being members in the WTO is that that they lower trade related barriers among themselves. In contrary to this the countries which are not part of WTO must negotiate trade related agreements independently with their trading partners.

Almost all the industrial and agriculture sectors have been affected by trade barriers between the countries. USA considered being a free trade country because of less number of trade barriers for importing, but still it has got many.

### ****Role of WTO in international business****

* WTO facilitates implementation, administration and smooth operations of trade agreements between the countries.
* It provides a forum for the trade negotiations between its member countries.
* Settlements of disputes between the member countries through the established rules and regulations.
* It cooperates with the IMF(International Monitory Fund) and World Bank in terms of making cohesiveness in making global economic policies.

Overall WTO was set up to play a very important role in the world economics though settling trade related disputes through rules, regulations and consensus based agreement mechanisms that would prevent trade related wars between powerful countries.

Through resolving trade related disputed WTO has got the potential to maintain world peace and bilateral relations between its member countries thorough following negotiations, consultations and mediations.

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