Export and Import Dynamics: Exploring the Process, Risks, and Challenges in International Trade

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ABSTRACT

Business activities conducted within a country's borders are referred to as national business, whereas those extending beyond national boundaries are termed international business or cross-border business. The purpose of this study is to understand international business and international trade, delineate the differences between them, explore the elements of international business, and examine the concepts of export and import. Additionally, this study aims to outline the process of exporting, and identify the risks and challenges associated with international business. The aim of this study is to provide a comprehensive framework for conducting import and export activities between two countries while minimizing challenges and managing risks. This study offers guidance for new entities entering international business. This study consolidates past research on import and export, providing a comprehensive procedure for these activities while highlighting the associated risks and challenges in international trade. In conclusion, firms must first decide whether to engage in trade or investment when entering foreign markets. For trade, they can utilize initial foreign market entry strategies such as direct or indirect export, following a systematic procedure. Firms can also leverage distribution channel intermediaries, facilitators, and government entities to facilitate market entry. Additionally, they must manage four key risks prior: cross-cultural risk, country risk, currency risk, and commercial risk.

Keywords: Import, Export, International trade, International business, International trade process

INTRODUCTION

International business is a highly popular term in the context of globalization. It refers to companies conducting business outside the national boundaries of their home country for investment, selling, or purchasing purposes. Unlike national business, international business involves distinct challenges and risks, including political, legal, economic, and cultural factors in the foreign country. International trade has been steadily increasing. International trade is a crucial component of international business, encompassing the import and export of goods or services. International trade can be conducted either directly or indirectly. Direct trade involves the export or import of goods or services without the use of a foreign intermediary, while indirect trade entails the assistance of a foreign intermediary in the export or import process. John Harry Dunning, often regarded as the father of international business, began writing on the subject in 1971. He defined an international firm as one that not only exchanges goods and services across national boundaries but also engages in transactions internally before or after adding value through the assets it owns or controls in foreign countries [4].

Research Questions

1. What are the procedures for engaging in international trade from the domestic country to the foreign destination?
2. What strategies can be employed to minimize the risks associated with international trade from the home country to the host country?

Research Objectives

1. To understand the international trade process with minimize risk from home country to host country.
2. To understand the strategies can be employed to minimize the risks associated with international trade from the home country to the host country.

Research scope

This research aims to develop a comprehensive plan of action, outlining step-by-step procedures for engaging in international trade while also addressing the challenges and risks encountered by both new and established exporters and importers. It is important to note that the scope of this study is not confined to trade between two specific countries; rather, it offers general insights that can be tailored to suit the requirements of international trade in any given context. The primary objective of this research is to furnish small enterprises or individuals intending to initiate international trade with a detailed process, accompanied by an awareness of the challenges and risks inherent in such endeavours. By providing insights into these challenges and risks, this study seeks to equip new entrants in the international trade arena with the knowledge needed to identify and effectively manage potential pitfalls, thereby enhancing their prospects of success in the global marketplace.

Research significance

The significance of international trade has become increasingly pronounced after the COVID-19 pandemic, which precipitated economic challenges such as poverty, unemployment, diminished economic activity, and reduced GDP in many countries. With economies worldwide experiencing downturns, there is a pressing need to stimulate economic growth and recovery. International trade emerges as a pivotal driver in this regard, capable of bolstering a country's GDP and overall economic vitality while also fostering employment opportunities. This study addresses the imperative for new entrants to engage in international trade by providing a comprehensive plan of action. By offering detailed insights into the intricacies of international trade processes and elucidating the associated risks and challenges, the study equips aspiring traders with the knowledge and tools necessary to navigate the global marketplace effectively. Overall, this research serves as a valuable resource for individuals and organizations seeking to engage in international trade, providing practical guidance and strategic direction to facilitate successful cross-border trade.

LITERATURE REVIEW

International trade constitutes a pivotal aspect of the global business. The era of nations operating in isolation in terms of commerce has elapsed. Presently, companies encounter fewer impediments in expanding their operations internationally. In the 21st century, nations are more intricately interconnected through trade and investment than ever before, establishing unprecedented ties with each other [9]. International business emerges as a consequence of globalization, a phenomenon that traces its roots back over 4000 years to the Bronze Age, although significant evidence suggests a substantial surge in globalization occurred around the 1820s [12]. It's important to note that while international business and globalization are closely intertwined, they represent distinct concepts.

Globalization can be defined as the amalgamation of distinct national markets into a singular vast marketplace [10]. This process entails the exchange of goods and services between multiple countries, characterized by cross- border trade and foreign investment. Additionally, globalization involves the reduction of geographical distance through advancements in transportation and communication, the fostering of multicultural interactions, the influence of government regulations, and the integration of national and international economies [8]. However, international business encompasses commercial activities conducted across national borders. This involves offering products to foreign customers, groups, governments, and firms to meet their needs or desires. The movement of goods, services, capital, technology, knowledge, and information across borders constitutes the inflow and outflow characteristic of international business [7].

The businesspersons are driven to engage in international business for various reasons, including the pursuit of profit, expansion and growth opportunities, challenges posed by domestic market competition, limitations within the domestic market, and governmental policies and regulations [2]. International business operations are governed and managed through a framework of institutions and mechanisms such as the World Trade Organization (WTO) agreements, Export-Import (EXIM) Policies, strategies for managing foreign exchange risk, approaches to foreign investment, and trade invoicing mechanisms [10].

Various forms of international business include trading, manufacturing, marketing, and outsourcing products within the home country or on a global scale [2]. International trade, a subset of international business, specifically refers to the exchange of goods and services across borders. It's important to note that while international business encompasses a broad spectrum of activities, international trade specifically pertains to imports and exports [7].

The several forms of international business are trading, manufacturing, marketing and outsourcing the product in the home country or globally [2]. International trade, a subset of international business, specifically refers to the exchange of goods and services across borders. International business encompasses a broad spectrum of activities, while international trade specifically pertains to imports and exports [7]. International trade denotes the exchange of goods and services across national boundaries, encompassing both exports and imports, which respectively refer to the sale and purchase of products or services [1]. Export represents the outward flow of goods, while import signifies the inward flow. Prior to delving into international trade, it is crucial to discern the distinction between international business and international trade.

International business

In today's increasingly interconnected world, international business products interact with customers throughout their daily lives. From the moment customers leave home for work until they return, they encounter numerous touchpoints such as billboards advertising popular products like beauty creams, soft drinks, and Hollywood movies. Business activities conducted within a country's borders are referred to as national business, whereas those extending beyond national boundaries are termed international business, also known as cross-border business [1]. As we know, companies do not offer only physical goods; they also provide services. These products can be either tangible or intangible. Tangible goods commonly traded include clothing, computers, and motor vehicles, while intangible goods encompass services provided by various industries, such as banking, consulting, hospitality, construction, and retail.

Today, firms operating in the service sector are prominent players in the international business arena, leading the global market [1].

Firms engaged in organizing, outsourcing, manufacturing, marketing, buying, selling, and adding value at a national level are involved in business activities. Similarly, international business encompasses not just selling products in other countries but also organizing, outsourcing, manufacturing, marketing, buying, selling, and adding value on a global scale. The primary differences between national and international business lie in the economic, cultural, and political conditions they operate within [1].

International trade and investment activities carried out by a firm are known as international business. Entities that engage in international business include individual firms, governments, and international agencies. These participants in international business activities offer physical products, services, capital, technology, and labour [1]. In our daily lives, we interact with international business offerings through activities such as using Facebook or Instagram, shopping online, listening to music, watching movies, and surfing the internet. International business enables the use of products and services from around the world, enhancing the quality of life and overall lifestyle of individuals [1].

In the past few decades, international business was primarily conducted by large and multinational firms. However, small and medium-sized enterprises have also begun to participate in international business [1]. Firms engaged in international trade and investment contribute significantly to the globalization of markets. When firms expand from their national or home markets into international markets, they encounter various risks and challenges not present in their domestic environments. Firms are not the only entities involved in internationalbusiness; other participants include governments, intermediaries, and facilitators. These entities, when entering foreign markets, employ various market strategies, such as exporting strategies and direct investment strategies, which are collectively referred to as international market strategies [1]. The six elements of international business encompass various dimensions that are crucial for understanding and operating in the global marketplace. These six dimensions are as follows:

1. Globalization of market
2. International trade
3. International investment
4. International risk
5. Participants
6. Foreign market entry strategies

Fig. 1. Dimensions of international business

Globalization of market

Globalization defined as the international transactions, cooperation, and competition between organizations.
Globalization is the integration of world market, interdependent world economy liberalization of market, adoption of

free market and new technology, and reduce the barriers in the international business either trade or investment for organizations [1]. Globalization also refers to the increased economic, cultural, political, and technological interdependence of national economies [11]. Companies can engage in manufacturing, outsourcing, and value addition activities, which include communication, distribution, and providing services. The competition between firms often leads to price reductions in the market. Globalization is an ancient concept that prior to the civilizations of the Mediterranean, involving countries rather than firms, as the concept of firms had not yet emerged. The continents involved in early globalization included Asia, the Middle East, Africa, and Europe [1].

The "globalization of markets" refers to the integration of a single, vast global market formed by merging the national markets of various countries. This economic integration and the resulting interdependency among countries worldwide constitute the globalization of markets [1]. The globalization of markets involves the integration of buyers' tastes and preferences across the globe [11]. For example, the market for Apple phones and the cold drink market for Coca-Cola and PepsiCo illustrate this phenomenon. The buyers in these global markets can be consumers, customers, industries, or governments [11]. This represents a macro trend. The firms can benefit from market globalization by introducing their products into new markets, which can lead to increased sales and profits. This strategy can provide a competitive advantage in the national market and lower unit manufacturing costs. Additionally, intense competition in the home market may prompt firms to expand internationally [1].

International trade

International trade is the exchange of goods and services across national boundaries. This exchange occurs in the forms of imports and exports. Exporting refers to the selling of products from the home country to a foreign country, while importing involves purchasing products from a foreign country into the home country. Exports represent an outflow process, whereas imports are an inflow process [1]. This trade is not limited to finished products; raw materials and components can also be exported and imported. Further details on international trade are discussed below.

International investment

International investment is the allocation of capital, technology, and manufacturing infrastructure (CTM) in foreign markets. This investment can occur through the transfer or hiring of capital and technology. Instead of merely exporting products, a firm may choose to establish operations abroad. The two primary types of international investment are international portfolio investment and foreign direct investment. International portfolio investment involves allocating funds to financial services, such as bonds, initial public offerings (IPOs), and stocks, with the aim of achieving higher financial returns. Foreign direct investment (FDI) entails investing in a foreign country by establishing a significant presence there, with all the necessary resources and operations being established within that foreign country, including the acquisition of land, manufacturing plants, equipment, capital, and technology. FDI is typically intended for long-term engagement [1].

International risks

International risks are activities that can prevent a company's profitability in the international market, potentially leading to losses. While these risks cannot be entirely avoided, they can be managed. There are four major risks associated with international business that firms must avoid or mitigate: cross-cultural risk, country risk, currency risk, and commercial risk. These risks stem from factors such as differences in culture, government policies, currency fluctuations, and commercial operations, collectively known as international risk [1]. The following discussion provides details on these four international risks.

Participants

Businesses rely on intermediaries for their success, and this holds true for international business as well. Intermediaries play a crucial role in stabilizing a firm's operations from a foreign country to the home country of the intermediaries, contributing to the success of the organization. Participants in international business are experts who collaborate with organizations, sharing the same goals and acting as coordinated firms. Various participants are essential for the success of a firm in international business, including the focal firm, distribution channel intermediaries, facilitators, and government entities. A focal firm is a company that either initiates or considers expanding its business internationally. These firms are often multinational corporations (MNCs) or small to medium-sized enterprises (SMEs) looking to enter global markets. A distribution channel intermediary plays a critical role in the supply chain by providing logistics and marketing services to the focal firm. These intermediaries facilitate the movement of products from the point of creation to the point of consumption, ensuring efficient distribution and reaching the target market effectively. A facilitator is a firm or individual that offers various services to the focal firm to support its international business activities. These services may include legal advice, banking services, customs clearance, or other related services that aid in the smooth operation of international business transactions. Government entities play a significant role in international business as well. Governments establish and enforce regulations that govern international trade and investment. They may also act as buyers or suppliers in international transactions. Additionally, governments regulate and oversee various aspects of international business, ensuring compliance with laws and promoting economic growth and stability [1].

Foreign market entry strategies

Foreign market entry strategies refer to the approaches used by firms when expanding into foreign markets. Exporting is one such strategy employed at the initial level. It involves selling products to foreign countries or across national boundaries, whether or not the products are manufactured in the home country. It allows the investors to acquire full or partial ownership of firms, primarily focusing on marketing, manufacturing, and management activities. These strategies enable firms to lower risks and achieve better returns on investment [1]. Additionally, firms can utilize foreign market entry strategies for selling and distributing products in foreign markets.

INTERNATIONAL TRADE

Trade is the exchange of goods or services between two individuals, whether they are persons or organizations, in exchange for monetary value. These organizations can include sole proprietorships, partnership firms, governments, and non-profit organizations (NGOs). When trade occurs between residents of two different countries or across the national boundaries of a country, it is termed international trade [5]. There are several reasons for firms to engage in international trade, including increasing profit and sales, capturing new markets, gaining competitive advantage, and more. Firms seek opportunities for growth in the international market through market diversification, profit maximization, acquiring new knowledge and ideas about products or services, learning new business methods, serving existing customers located abroad, accessing required resources more closely, benefiting from global sourcing advantages, reducing sourcing costs, gaining product sourcing advantages, lowering production costs, and reducing the number of unit's cost [5]. The two primary areas of international trade are exporting and importing.

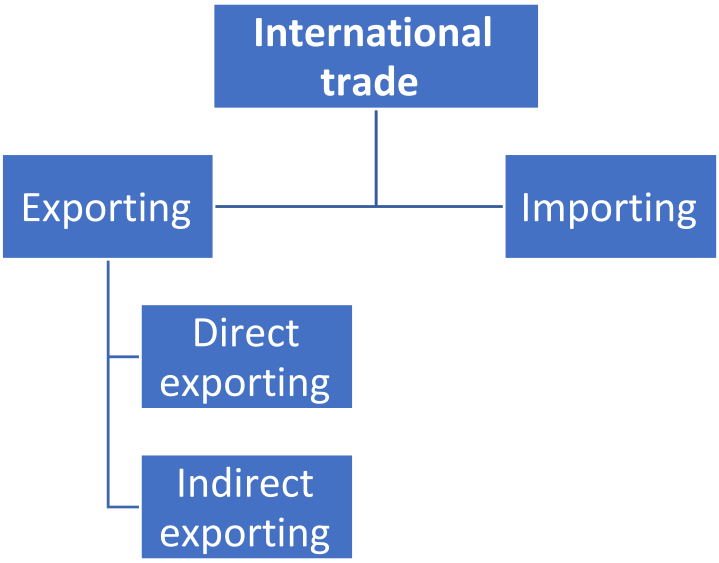

Fig. 2. Branches of International trade

Exporting

Exporting involves selling products to a foreign country, whether for consumption or resale, that were manufactured in the firm's own country. The trade activities involving goods are referred to as merchandise exports, also known as visible exports. Conversely, when selling or providing services to another country, it is termed services export, also known as invisible export [5]. Exporting entails manufacturing the product in the home country and marketing, distributing, and providing customer services in the foreign market. This approach is also known as a foreign entry market strategy [1]. However, globalization has led toa shift in manufacturing strategies for many firms. With the aim of cost-saving and efficiency, firms increasingly opt to manufacture their products in other countries and then export them directly to global markets. China has emerged as a popular manufacturing hub for many companies due to its large workforce, infrastructure, and cost advantages. Companies like Tesla and Apple have leveraged this trend by arranging manufacturing operations in China and selling their products worldwide. By doing so, they can benefit from lower production costs while still maintaining control over marketing, distribution, and customer services in foreign markets. This approach allows them to capitalize on the opportunities presented by globalization and efficiently serve global demand for their products.

Exporting indeed involves both an inflow and outflow process: an inflow of money and an outflow of products or services. This activity contributes to increasing the wealth of a nation and enhances its overall economy. China serves as a prime example of a country that has become a leading economy by manufacturing goods domestically and exporting them to foreign countries at competitive prices, thereby attracting foreign companies to establish manufacturing operations in China. Exporting enables firms to enter and exit foreign markets with relatively lower risks and expenses compared to other market entry strategies [1].

In addition to tangible products, firms have the capacity to offer services to foreign markets. In fact, services constitute a significant portion of economic activity, particularly in developed nations. These services encompass a wide range of industries, including travel, construction, engineering, education, banking, insurance, and entertainment. For instance, Hollywood movies are distributed globally, yielding substantial revenues. The film "Top Gun," for instance, generated significant profits worldwide. Furthermore, construction companies deploy labour services to countries in the Middle East, with workers from India, Pakistan, and Bangladesh contributing to infrastructure projects such as buildings and bridges. Engineers also undertake projects abroad, contributing to urban development initiatives. Additionally, accountants offer their services through various means, including internet platforms, telephone consultations, email correspondence, and in-person visits to foreign locations where necessary. Moreover, insurance packages and strategies formulated in one country can be marketed and implemented in foreign markets.

International travel is indeed a prominent service within international trade for exporting. When individuals travel abroad, they utilize various services such as transportation for city visits, accommodations in hotels for lodging, and food for sustenance. Prior to the pandemic, international travel was flourishing, leading to an increase in import-export services for many countries, including Indonesia, Thailand, and the Maldives. The internet plays a crucial role in facilitating export services, enabling the booking of airline tickets, hotel accommodations, taxi services, and more. These are services that can be exported to other countries, leveraging digital platforms for seamless transactions. However, certain services cannot be exported to other countries. For example, a salon cannot provide its services remotely; the presence of a barber or hairstylist is required in the country where haircuts or shaves are being performed. In terms of exporting, there are two primary types: direct exporting and indirect exporting.

Direct exporting

Direct exporting involves a firm engaging an intermediary located outside its home country, or within the foreign market, to handle the export process. This foreign intermediary assumes responsibility for key marketing activities, including pricing, distribution, and customer service. Direct exporting allows the focal firm to maintain greater control over its export operations, maximize profits, interact directly with foreign customers, and better understand the marketplace [1].

Indirect exporting

Indirect exporting occurs when a firm engages intermediaries located in its home country to facilitate the sale of its products abroad. For example, if the firm 'XYZ' wants to expand its business internationally, it would contact home country intermediaries who assist in selling the product in foreign markets. These intermediaries help by identifying foreign customers, managing shipping, and ensuring timely and fair payment. Indirect exporting reduces the risks, complexity, and costs associated with foreign exports, making it particularly suitable for small-scale enterprises and beginners in international business [1].

Process of Exporting

To initiate exporting, a firm must follow a systematic procedure as outlined by prominent researchers. This structured approach ensures that the firm is well-prepared for the complexities of international trade and can effectively manage the process from start to finish. The four steps of exporting are access opportunity, organizing, acquire required skills and competencies, and implement strategy.

Access international market opportunity

To begin exporting, a firm must conduct thorough research on international markets to identify opportunities that align with its strengths and resources. By analysing its capabilities, the firm can pinpoint suitable markets. The process involves identifying the target international market, screening various potential markets, and selecting the most appropriate one. Additionally, the firm must assess its potential to meet the market requirements. The selecting reliable intermediaries is also crucial for successful international trade, as the right business partners play a key role in facilitating the export process [1].

Fig 3. Process of Exporting

Organizing for exporting

The firm must effectively organize its time, capital, resources, and expertise. Strategic considerations, including the selection of intermediaries for the foreign market, are essential. The firm can choose between direct exporting and indirect exporting, and it also has the option to appoint a sales officer or establish a company-owned subsidiary in the foreign market for marketing activities. The establishing a company-owned subsidiary in a foreign market is relatively uncommon, but it can offer significant benefits to the focal firm. This subsidiary facilitates participation in trade fairs, conducts market research, provides instant market information, interacts with distributors, and manages customer services, all of which contribute to the firm's success in the international market. At an advanced stage, a firm may choose to establish warehouses and distribution centres, as well as hire personnel responsible for marketing activities in a foreign country [1].

Acquire required skills and competencies

International business presents unique challenges and risks that differ from those encountered in domestic business operations. To navigate these challenges effectively, firms must prioritize acquiring expertise, skills, and competencies in various areas. This includes skills related to product development, distribution, logistics, finance, legal matters, currency management, as well as proficiency in language and understanding of different cultures. In addition to enhancing their own capabilities, firms can also benefit from working with facilitators who possess specialized skills and competencies in areas such as banking, legal services, logistics, and consulting. These facilitators play a crucial role in assisting firms with various aspects of international business, helping them mitigate risks and address challenges effectively [1].

Implementation of export strategy

The implementation of strategy at this stage is crucial and must aim to achieve a competitive advantage in the market, thereby ensuring profitability among competitors. Effective strategy implementation is essential for the success of international business operations in a foreign country [1].

Importing

Importing is the purchasing products from a foreign country for consumption or resale. A common term used in the context of importing is global sourcing, also known as global procurement or global purchasing. Global sourcing involves importing goods or services from international suppliers. Global outsourcing specifically refers to procuring in-progress products, raw materials, finished products, or services from abroad [1]. Trade activities involving goods are referred to as merchandise imports, also known as visible imports. Conversely, trade activities involving services are known as services imports, or invisible imports [5].

INTERNATIONAL BUSINESS RISKS AND CHALLENGES

In international business, four types of risks are pervasive and can impact firms at various times. While these risks cannot be entirely avoided, they can be managed and mitigated through proactive measures. Multinational corporations (MNCs) consistently conduct research to anticipate and minimize the impact of these risks by assessing their environment and understanding potential implications. International business does not always guarantee profit, and firms venturing abroad for profit must be prepared for potential losses. To address these challenges, companies must focus on managing the primary risks commonly encountered in international business. These four major risks are cross-cultural risk, country risk, currency risk, and commercial risk.

Fig. 4. International business risks

Cross-culture risk

Cross-cultural risk arises when a company ventures into a foreign market, encountering different cultural environments. This risk emerges from the differences in cultural norms, values, and practices that vary significantly across continents, countries, states, cities, and even villages. When a company expands internationally, it must navigate these cultural differences, which can affect various aspects of business operations, from communication and management practices to consumer behavior and marketing strategies. Cultural risks encompass various factors such as different languages, lifestyles, mindsets, customs, and religions. Language, in particular, is a critical element for international business, as effective communication between a firm and its customers hinges on it. When a company operates in a foreign country, language differences are almost inevitable. To mitigate language-related risks, firms must carefully translate their messages, ensuring the chosen words accurately convey the intended meaning. Miscommunication can occur when words have multiple meanings or when sentence structure alters the intended message, thereby increasing the risk for the firm in the international business environment. People have different lifestyles, which is an important consideration when a firm expands abroad. The lifestyle of one country can significantly differ from another, affecting consumer behavior and preferences. Additionally, mindsets vary among individuals and across cultures, influencing how people think, purchase, and work. Consequently, a firm cannot always sell the same product in a foreign market as it does in its home country. These variations constitute cross-cultural risks. Such risks are not limited to international business; they can also arise within a single country that encompasses diverse cultures, languages, and lifestyles [1].

Country risk

Country risks are associated with the political, legal, and economic conditions of a country. Among these, political risk is particularly significant as it can severely impact a firm's operations and profitability. Political risk often arises in countries with unstable governments. Such governments may frequently change foreign business policies, which can directly affect a firm's profits. Government might restrict international firms from entering the market or impose limitations on the profits that these firms can earn [1].

Thus, governments are directly involved in international business activities, with the extent of involvement varying from country to country. Government actions can include providing tax incentives, altering policies, and offering support to businesses. Therefore, political factors are crucial considerations for firms operating internationally, as are legal factors. The performance of international business is significantly influenced by laws and regulations, which can either facilitate or hinder operations. The key legal factors include intellectual property protection, product liability, and taxation policies. An ideal example of adverse economic conditions is the COVID-19 pandemic, which affected every country. During this period, many people lost their jobs and life survival difficult. Consequently, international firms could not perform as expected. Other economic risks include inflation, national debt, and unbalanced international trade. For instance, many countries faced inflation due to the pandemic, and Sri Lanka experienced increased national debt. These risks affect both international and domestic businesses and are considered political risks. Therefore, understanding and managing political risk is crucial for firms engaged in international business [1].

Currency risk

Currency risk arises due to fluctuations in exchange rates, which commonly occur when the value of one country's currency increases or decreases in comparison to another country's currency. International business transactions predominantly occur in eight major currencies, including the U.S. dollar (USD), Australian/New Zealand dollar, Japanese yen, European euro, British pound, Canadian dollar, Swiss franc, and South African rand [6]. The value of a currency directly impacts a company's profitability. An increase in the currency's value can lead to higher profits, while a decrease in value can result in lower profits. This relationship applies to exports and imports, with the inverse effect occurring for each. Factors contributing to currency value fluctuations include a country's economic conditions, such as natural disasters, inflation, pandemics, and other external factors [1].

Commercial risk

Commercial risk is inherent in both national and international business operations, but the magnitude of potential losses tends to be greater in international business. This risk can arise from various factors, including poor execution of strategies or procedures, selection of channel partners, timing of market entry, pricing strategies, product feature development, inadequate customer service, customer dissatisfaction, and ineffective promotional activities. Currency risk indeed has a direct impact on commercial risk, as fluctuations in currency values can significantly affect the financial outcomes of international deals. The rapid proliferation of the internet has introduced various risks that warrant careful consideration. Among these risks, two prominent concerns have been escalating steadily: cyber risk and social media risk. Cyber risk pertains to the compromise of a company's data and the potential for malicious attacks by hackers targeting the company's information technology infrastructure. Conversely, social media risk encompasses the dissemination of unfavourable information about the company across popular social media platforms, including Facebook, Instagram, and Twitter, which can adversely impact the company's reputation and image [1].

CONCLUSION

It is concluded that firms stand to gain advantages from market globalization by introducing their products into new markets, thereby potentially increasing sales and profits. This can confer a competitive edge in the domestic market and potentially reduce unit manufacturing costs. Intense competition in the domestic market may prompt firms to explore international expansion opportunities. There are six dimensions of international business are globalization of market, international trade, international investment, international risk, participants and foreign market entry strategies. When considering international expansion, firms have the option to pursue either investment or trade. For firms opting for international investment, there are two main avenues: international portfolio investment and foreign direct investment (FDI).

On the other hand, if a firm chooses international trade, it must decide between exporting and importing. Importing entails purchasing products from a foreign country and selling them in the home country. Conversely, exporting involves selling products in foreign markets. Exporting is the initial foreign market entry strategies for international business. Exporting can be executed by a firm through two distinct methods: direct or indirect. Direct exporting entails the firm enlisting an intermediary situated outside its home country, or within the foreign market itself, to oversee the exportation process. Conversely, indirect exporting occurs when a firm utilizes intermediaries located within its home country to facilitate the sale of its products overseas.

Once the decision to export, whether through direct or indirect channels, has been made, a firm can proceed with the exporting process by following established systematic procedures. This structured procedure ensures that the firm is well-prepared for the complexities of international trade and can effectively manage the process from start to finish. The four steps of exporting are access to international market opportunity, organizing for exporting, acquire required skills and competencies and implementation of export strategy. To begin exporting, firms must research international markets, select suitable targets, and choose reliable intermediaries. Effective exporting involves organizing resources, potentially setting up subsidiaries, and hiring local staff. International business poses unique challenges, requiring expertise in various areas and collaboration with skilled facilitators. Effective strategy implementation is crucial for achieving competitive advantage and profitability in foreign markets. The firm can also rely on intermediaries and determine which ones are relevant and helpful for its firm. The four main types of participants in international business are the focal firm, distribution channel intermediaries, facilitators, and the government.

It also concluded that four types of risks are pervasive and can impact firms at various times. While these risks cannot be entirely avoided, they can be managed and mitigated through proactive measures. There are four major risks associated with international business that firms must avoid: cross-cultural risk, country risk, currency risk, and commercial risk. These risks stem from factors such as differences in culture, government policies, currency fluctuations, and commercial operations.

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