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The Economic - Political Environment in International Marketing

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Abstract: *The international marketing environment is much more complex than the internal one, encompassing in its structure a great diversity of forms and structures. These include the economic and political environment. The international economic environment can be analysed under two aspects: as a totality of economic relations at internal level (its national dimension) and as economic relations at the level of foreign national market (its international dimension). The first dimension concerns the economic relations carried out with a single foreign country, and the second one concerns the economic relations carried out on two or more national markets, other than that of the reference firm. The international political environment is given by all the political factors that define the position of a company on its external market, imposing itself to be approached, as well as the economic one: as the internal political environment of the country in which the target external market is (given by the type governance, the system of political parties that disputes their power, the restrictions or facilities granted to companies, the economic policy promoted by the government, etc.) and as a global political environment (defined by: relations with other countries, agreements between countries to which joined, the world organizations of which the country of the company concerned is a member etc.).*
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Introduction

In the current language, the concept of ***environment*** means the set of agents, factors and conditions that influence the existence and evolution of a phenomenon, a process or a situation, and the conjectural one has a similar meaning: "The totality of the factors of objective and subjective, of conditions and of circumstances that exert an influence on the evolution of a phenomenon or on a situation…" [1, 617; 213].

Starting from here, the ***environment of the company*** is defined as the totality of the factors of economic, social, demographic, political, cultural, legal, administrative nature, which act on the activity of the company. This can be:

1) *internal (micro-environment*), consisting of factors all the material, financial, human resources, etc. of the company;
2) *external (macromedia),* consisting of all the factors and forces outside the company (suppliers, service providers, customers, competitors, public bodies, etc.) that act on the activity of the company.

The main components of the international marketing environment are: the economic environment, the technological environment, the natural environment, the political environment, the legal-administrative environment, the demographic and the cultural environment.

In terms of the ***marketing environment*** of the company, it represents that part of the company environment on which its position depends on the market, respectively how it ensures the needs of long-term customers, counteracting competition and obtaining the desired profit.

Therefore, the ***international marketing environment*** of a company is understood to mean all the agents and forces (controllable or not) that influence its ability to achieve its marketing objectives on the international market.

As in the general case, its main components are: the ***micro-environment*** (including external suppliers of production factors, external intermediaries of all kinds, external customers, competitors in the external market) and the international macromedia (economic, political, legal, institutional, demographic and cultural). A basic component of its hatred is the ***supranational macromedia***, of which those bodies that regulate internationally a series of economic, legal, social and other aspects, with major implications on the international affairs of the company. [2, 63]

As firms with an external business orientation know very well that favourable opportunities and threats appear in the environment in which they operate, they will be forced to make great efforts to determine if it is stable (less and less commonly encountered), unstable (dominated) frequent changes, usually predictable) or turbulent (with sudden and unpredictable changes).

1. The International Economic Environment

A good knowledge of this component of the international marketing environment requires clarification of the following issues:

1) *identifying* the level of economic development of each target national market, respectively those of the countries:

- *post-industrial or developed,* in which the tertiary sectors (transport, utilities), quaternary (trade, insurance, finance) and neighbourhoods (health, research, education) dominate, where demand from many products is saturated (the need to replace them is urgent) , the demand for quality products is very high (as well as the demand for top services) - which is why, in order to expand their business, entrepreneurs have to increase their share in both existing and newly created markets;
- *industrial or developing,* in which the secondary sector (industry, construction) is on the foreground;
- *pre-industrial,* based on the primary sector (agriculture, extractive industry), characterized by: low level of income, low percentage of the active population, high dependence on foreign sources etc.;
- *underdeveloped,* in the early stages of industrialization, in which, in addition to the consumer goods markets, which are expanding due to rising incomes, the investment goods markets are beginning to develop timidly;

2) *estimating the absolute and comparative advantages of each target market*, taking into account each success factor separately;

3) *assessment of the level of economic well-being of each target national market*, taking into account: trade and payments balances in these countries; the level of consumer income; the size of inflation; the level and structure of taxes and duties; exchange rates etc.;

4) *assessing the accessibility of the market,* taking into account the complexity, the number and the difficulty of the entry barriers in the targeted markets;

5) *identification of the commercial facilities* that can benefit (economic or customs unions, cooperation agreements, free trade areas etc.);

6) *quantifying* the potential of each market etc.

The economic environment in international marketing has two main dimensions: a national and an international one.

A. The first dimension of the economic environment of international marketing (called the national environment) takes into account each national (internal) economy concerned by the international affairs of the company, viewed under two main aspects: its economic nature and the size of its market.

a) *The nature of the economy related* to the targeted foreign market must be known under the following aspects:

- *natural conditions,* respectively: natural resources, topography (seas, lakes, forests, deserts, mountains etc.), climate (temperature variation, winds, rainfall, snow, drought or excess humidity) etc.;
- *the sides of the economic activity*: the absolute and comparative advantage; the level of economic well-being (the situation of the trade and payments balance, the incomes, the

inflation, the level and structure of taxes and taxes, the stability of the monetary standard); the degree of market accessibility (given the complexity and structure of the existing barriers to entry); the level of facilitating trade relations (cooperation agreements, free trade areas, customs unions, common markets, economic unions); the economic cycle; the origin of the national product and its structure etc.;

- *infrastructure;*
- *urbanization;*
- *the role of the government;*
- *foreign investments;*
- *the size of the external debt.*

b) The potential of the targeted market for a particular product is evaluated according to: the size, structure, geographical distribution and growth rate of the population; the income of potential consumers, the prices at which the company's products can be sold etc.

B. The most important elements related to the second dimension of the economic marketing environment (the international economic environment) are:

- *international trade policies*;
- *international trade;*
- *international economic integration*.

1. *International trade policies* depend, above all, on the two economic doctrines that dominate the relations between states: protectionism and liberalism.

Under the impact of globalization, protectionism, both tariff and non-tariff (long supported by most countries in the world), either gradually diminished or abandoned (with some exceptions, not to be neglected, at least in some sectors and geographical areas - including in the EU), which leaves scope for liberalism (promoted by a whole host of international bodies - first of all by the World Trade Organization).

According to such tendencies, there have been major changes in the world economy consisting of :

- deepening interdependencies between the states of the world;
- modification of the ratio of forces - by weakening the competitiveness of the USA and the EU on international markets, as the competitiveness of Japan, China, India, Mexico and other countries increases;
- the establishment of new forms of *zone protectionism* (under the impact of regional integration), concomitantly with the liberalization of international trade (by gradually removing more and more of the national protectionist regulations and instruments);
- opening the markets of the former communist countries;
- internationalization of competition;
- the entry into force of new regulations aimed at: *export promotion* (subsidies, bonuses, tax facilities, international credits), *customs policies* (customs tariffs, customs laws, customs regulations) and *non-tariff policies* (quotas, export licenses, voluntary export restrictions, monetary barriers etc.).

Protectionism, aiming at preventing foreign competition and reducing losses from trading activities, is based on a series of solid arguments, such as:

- *protecting the national* market and young branches;
- *conservation of own* monetary and natural resources;
- *maintaining employment* and reducing unemployment;
- *maintaining the standard* of living of the population etc.

As protectionism diminishes many of the advantages of international trade, a series of regulations of the G.A.T.T. aims to eliminate its causes and to encourage liberalism. *Liberalism* promotes international trade (and first of all exports) without barriers and improvement of the general climate in which it operates - this current being supported by technical progress (including in the field of transport and communications), as well as by a whole series of measures of nature:

- budget (direct export subsidies, direct export bonuses, various forms of indirect subsidization);
- fiscal (exemption, reduction or deferral of some payments, conditional exemption from customs duties, elimination or reduction of taxes on external transactions);
- financial-banking (providing or guaranteeing export credits, granting loans to suppliers, buyers etc.);
- currency (granting first currency or supporting the depreciation of the national currency at a rate higher than the one in which the purchasing power of the currency on the domestic market is depreciated).

2. International trade, through its forms, volume and structure, is a fundamental element of the external marketing environment. Of the most important changes that have taken place among them, it should be noted:

- *unprecedented development of international transport,* communications and financial transactions;
- *internationalization* of the world economy due to the expansion of foreign investments;
- *strengthening* the economic power of some regional organizations (such as the U.E.);
- *consolidation* of global markets (of cars, food, electronic products etc.);
- *expanding the privatization* of a whole series of public enterprises (General Motors and Toyota, G.T.E. and Fujitsu);
- *forming new* alliances between more and more important companies etc.

3. *The international economic integration* that we are witnessing for a good part of the time is presented in two main forms:

- free trade areas, established through certain economic, customs or commercial arrangements (which eliminate internal customs duties), of this kind being: European Economic Area (EEA); Economic Association of Free Trade (EFTA); North American Free Trade Agreement (ANALS);
- Customs unions, in which, with the abolition of taxes between the countries that created them, common customs duties are established for third parties (this being the Eurasian Customs Union, to which Russia, Belarus and Kazakhstan, Armenia, Kyrgyzstan joined).

They are also joined by extended forms (or combinations) of them, such as:

- the common markets, which are larger customs unions, which, in addition to the usual ones, also allow the free movement of some goods (of the factors of production, first of all);
- economic unions, including the common markets in which the economic policies are harmonized;
- political unions.

The groups of countries reunited in such integration structures form special large markets, which facilitate the international business. More specifically, they provide:

- coordination of joint growth programs;
- expanding the external markets for the products of companies engaged in international business based on mass production and distribution (by bringing together several small national markets);
- capitalizing on the benefits of mass savings;
- creating conditions for improving the infrastructure etc.

In addition to the items I referred to, the international economic marketing environment includes others. Is about:

- *economic infrastructure,* including: transport infrastructure (rail, road, river and sea network, airports), energy infrastructure, information and communications technology infrastructure,

commercial and financial infrastructure (advertising and media agencies, distribution organizations and financial and banking institutions);
- *the international monetary system* (defined as a set of rules, instruments, bodies and markets related to the creation, capitalization and circulation of international currencies, with its two defining components: the convertibility of the national currency and the system of establishing the exchange rate;
- *revenues;*
- *inflation;*
- *external debt;*
- *the balance of external payments.*

There are, of course, other elements related to the international economic environment targeted by marketers.

2. The International Political Environment

The international political environment encompasses all the political factors that influence the position that the company occupies in its external market. It needs to be approached at two levels: as an internal political environment of the country where the target foreign market is located and as a global political environment.

The internal political environment of the target foreign market is related to the type of government, the system of political parties that impose their views on the restrictions or facilities granted by foreign companies on their national markets, respectively on the economic policy promoted by the government.

Depending on the type of government, the countries of the world can fall into three types:
- democratic republics (presidential or parliamentary), governed by bodies created through democratic elections;
- dictatorships, which are authoritarian regimes in which governments are led by military or civil dictatorships;
- monarchies, in which the leadership is carried out by a power transmitted hereditary, these can be democratic (also called constitutional monarchies) or absolute.

The political party systems in the target countries can also be grouped into several categories:
- the one-party system (very close to the dictatorship), in which the political life is authoritarian dominated by a single party (such as the Chinese Communist Party), so that no other party has the chance to take (at least partially) the power in elections;
- the bipartisan system, in which the government is ensured by two powerful parties; which succeeds (at greater or shorter time intervals) in power (as in the USA);
- the multi-party system, in which the government is carried out, simultaneously or successively, by several parties (most often, by coalitions).

In general, the external political environment for a particular country can be more friendly or hostile depending on: the political stability it offers, the (economic) nationalism it manifests and the economic restrictions it imposes.

A target country presents an ideal political environment if it benefits from stable governance, that is, if it ensures that the policies and regulations concerning business are maintained for a sufficiently long period, regardless of the government in power. In the absence thereof, the company will have to take certain political risks, which can be aggravated by some major unwanted events (strikes, demonstrations, government crises, violent attacks by some groups on others, wars or guerrilla battles, political assassinations, blows state, revolutions, attacks, acts of terrorism), which is manifest beyond the control of governments.

Major risks include those related to:

- *expropriation* (confiscation), when the property of the company passes (without compensation) from the company to the host country;
- *nationalization,* when the same thing happens through the payment of the means taken;
- *limitations on employment*, the host country forcing the foreign company to hire local workers or managers;
- *price control* (in the first place in the key vulnerable sectors - food, energy, health);
- control of exchanges and capital flows (which can be total, partially or selectively), in order to stop imports or use differentiated exchange rates for some companies;
- *boycotts,* aiming at eliminating foreign companies from various national markets (especially those carrying out transactions with political enemies);
- *restrictions on property,* aiming at the total or partial prohibition (only in certain sectors) of foreign property etc.

The economic nationalism that is promoted in some countries as a state policy proves to be a very harmful environmental factor for international affairs. For marketers engaged in supporting international affairs, the most important elements of the government's economic policy in the country concerned would be:

- the policy of restricting exports and imports (through embargoes or sanctions, through export and import licenses, through the taxation related to these operations, through the rules regarding the movement of capital etc.);
- the policy regarding nationalizations and expropriations;
- the policy regarding the economic conduct of companies, their economic and competitive behaviour, their attitude towards corruption, their monopolies etc.

The assessment of such political risks can be done by:

- gathering information from the target market, by sending there specialists of the company (as Epson and Xerox companies do, which mobilize their local branches and managers for this purpose);
- the use of political analysts (the case of General Motors);
- activating sources that monitor political risk (such as The Economist Intelligence Unit, which publishes the results of its monitoring regarding 80 countries).

To reduce political risks, companies can use two types of strategies:

- defensive, aimed at reducing the company's dependence on the host country (entering, for example, on several markets);
- integration, which aims to transform the respective company into an integral part of the companies in the host country, respectively improving relations with it by: hiring local staff including in key positions; developing communication channels with members of the national and local political elite; the use of local subcontractors and distributors; creation of joint ventures etc.

Conclusions

Apart from the internal political environment of the target external market, the international affairs of the company are also influenced by the global environment, defined by:

- the relations of the host country with other countries (the international company becoming involved in them, regardless of its degree of neutrality);
- agreements between countries (NAFTA or EU type) - if the country has acceded to them, it will have to adopt them;
- World organizations (such as the International Monetary Fund or the World Bank) - the more a country adheres to such international organizations, the more it will have to accept more regulations;
- international terrorism etc.

Obviously, the international political environment can be investigated under other aspects as well.

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