

# Impact Of Us Political Environment On International Business-Constructive & Grey Area

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## ABSTRACT

*The political environment in international business consists of a set of political factors and government activities in a foreign market. In America, the status existed first, and they struggled to create a national government. Each of the world's national government regulates trade and commerce with other countries and attempts to control the access of outside enterprise to national resources. Laws and regulations constrain the cross-border movement of products, services, people, money and know-how. There are many external environment factors that can affect the business. Political environment is very important because political situations of a country may affect its economic setting. The political environment of a country affects its economic setting. There is major difference in democratic and republican in the US. Government interventions like shifts in interest rate can have effect on the demand patterns of company, political decision affecting the Economic environment. A measure of the strength of the US economy is based on the quantity of business exports and imports to and from the international marketplace, making international business extremely important to the quality of life in this country.*

**Keywords:** Democracy, Federalism, Regulations, Political Environment.

## INTRODUCTION

The political environment in international business consists of a set of political factors and government activities in a foreign market. There is often a high degree of uncertainty when conducting business in a foreign country, and this risk is often referred to as political risk or sovereign risk. Democracy is government of the people, by the people, and for the people. A federal system of government is one in which a nation is ruled by central government under which there are smaller subdivision of government.

Some factor affect the US political environment they are political, economic,

social and technological (knows as PEST analysis), companies also study environmental, legal, ethical and demographical factors. Managers must find how upcoming legislations can affect their activities increase or decrease in taxes will have a direct effect on the business. So the managers must always stay up-to-date with such political factors. International business is very important to individual companies and the US economy. The political environment of a country affects its economic setting. There is major difference in democratic and republican in the US. This influences factors like taxes and government spending, which affect the economy.

## **Definition of political environment**

Government actions which affects the operations of a company or business. These actions may be on local, regional, national or international level. Business owners and managers pay close attention to the political environment to gauge how government actions will affect their company.

## **Definition of Federalism and Democracy**

Washington, D.C. is the seat of the national government in the United States.

Democracy is a form of government in which power rests with the people, who either create policies directly or elect leaders to do so on their behalf. The United States, a democratic republic – meaning citizens elect representatives to give voice to their interests -- has a federal system, in which power is divided between the national government and the states.

## **Federalism in the Constitution**

While the word "federalism" never appears in the Constitution, the idea of a dividing power between the national and state governments was a fundamental idea in America's founding document. The U.S. system of government was devised in reaction to the failed Articles of Confederation government that the states established the Revolutionary War. Under the Articles, each state retained the rights of a sovereign nation, and the central government was very weak and unable to levy taxes. As a result the states were, as George Washington put it, "incapable of governing ourselves." When the Constitutional Convention convened in 1787, the states recognized the need for a stronger national government, but were unwilling to cede all their powers. The federal system the Constitution envisions was the solution to these competing concerns.

## **Federalism and Democracy**

In a confederal system, laws are fashioned closer to the people, and may better reflect the needs of local constituencies. In other words, state and local leaders, the ones who are closest to those who elect them, are thought to be more responsive to local needs, which makes for a better-functioning democracy. The federal system seeks to maintain these advantages while providing the stability, efficiency and unity that come with a central government.

## **Importance of us political environment on international business**

International business is important to individual companies and the US economy generally. With Internet globalization of the world marketplace, companies are competing with businesses from around the world whether they want to or not. Knowing how to take advantage of international business opportunities can ensure a company's continued success. Also, a measure of the strength of the US economy is based on the quantity of business exports and imports to and from the international marketplace, making international business extremely important to the quality of life in this country according to the U.S. Department of State.

## **Objectives of political environment**

Each of the world's national governments regulates trade and commerce with other countries and attempts to control the access of outside enterprises to national resources. Every country has its own unique legal and regulatory system that affects the operations and activities of the global enterprise, including the global marketer's ability to address market opportunities and threats.

Laws and regulations constrain the cross-border movement of products, services, people, money, and know-how. The global marketer must attempt to comply with each set of national constraints. The fact that laws and regulations are frequently ambiguous and continually changing hamper these efforts.

### Democracy and Federalism

Democracy illustrates a small number of connected forms of government and also government in which power rests with the people. Despite the fact that there is no particular, all around acknowledged meaning of democracy is there are two rule that any meaning of popular government incorporates, correspondence and flexibility. These standards are reflected by all residents being equivalent under the watchful eye of the law, and having level with access to control. Furthermore, all nationals can appreciate legitimized opportunities and freedoms, which are normally secured by a constitution.

The term federalism is likewise used to depict an arrangement of the administration in which sway is intrinsically isolated between a focal administering power and constituent political units like states or areas. Federalism is a framework in which the ability to administer is shared in the middle of national and state governments, making what is regularly called an organization. Defenders are regularly called federalists.

### Difference between Democracy and Federalism

Democracy	Federalism
It is a form of government in which power is held by the people or exercised	A Federal system of government is one in which a nation is ruled by central

on their behalf by elected representatives	government under which there are smaller sub decisions of government. it is a two tiered system of government.
Everyone having the equal rights under democratic system	There is a division of powers between twolends of government of equal states
It allows freedom to people	-

### FACTORS AFFECTING US POLITICAL ENVIRONMENT

There are many external environmental factors that can affect your business. It is common for managers to assess each of these factors closely. The aim is always to take better decisions for the firm’s progress. Some common factors are political, economic, social and technological (known as PEST analysis). Companies also study environmental, legal, ethical and demographical factors.

#### Bureaucracy

A system of government in which most of the important decisions are taken by state officials rather than by elected representatives.

#### Corruption level

Transparency International (TI) has published the Corruption Perceptions Index (CPI) since 1995, annually ranking countries "by their perceived levels of corruption, as determined by expert assessments and opinion surveys." The CPI generally defines corruption as "the misuse of public power for private benefit."

#### Tariffs

A tax or duty to be paid on a particular class of imports or exports.

Fix the price of (something) according to a tariff.

### **Trade control**

Exercise of proper trade control by way of appropriate implementation of measures that are in compliance with the Foreign Exchange and Foreign Trade Law, such as screening for import/export permission and approval, and on-site inspection and disposal of illegal exports.

### **Education Law**

Education Law is the area of law that relates to schools, teachers, and the rights of Americans to a public education, as well as standards for those students who attend private schools. American laws mandate that every child be given the opportunity to an education.

### **Employment law**

Employment law governs the rights and duties between employers and workers. Also referred to as labour law, these rules are primarily designed to keep workers safe and make sure they are treated fairly, although laws are in place to protect employers' interests as well. Employment laws are based on federal and state constitutions, legislation, administrative rules, and court opinions. A particular employment relationship may also be governed by contract.

American labour laws trace back to public outcry against the oppressive practices of the industrial revolution. In the early 20th century, the first laws were passed to compensate injured workers, establish a minimum wage, create a standard work week, and outlaw child labour. In the 1960s and '70s, Congress acted to prohibit discrimination and unsafe work conditions. Current issues involve employee healthcare and equal pay for men and women.

### **Environmental law**

The broad category of "environmental law" may be broken down into a number of more specific regulatory subjects. While there is

no single agreed-upon taxonomy, the core environmental law regimes address environmental pollution. A related but distinct set of regulatory regimes, now strongly influenced by environmental legal principles, focus on the management of specific natural resources, such as forests, minerals, or fisheries. Other areas, such as environmental impact assessment, may not fit neatly into either category, but are nonetheless important components of environmental law.

### **Health and safety law**

Health and Safety at Work etc., Act 1974. Often referred to as HASAW or HSW, this Act of Parliament is the main piece of UK health and safety legislation. It places a duty on all employers "to ensure, so far as is reasonably practicable, the health, safety and welfare at work" of all their employees.

### **Regulation and deregulation**

Regulation is the process of governments passing laws to control certain activities, often restricting some business activities.

Deregulation is the opposite process of governments removing these restrictions and granting businesses greater freedom.

### **Tax policy (tax rates and incentives)**

Tax policy is the choice by a government as to what taxes to levy, in what amounts, and on whom. The macroeconomic aspects concern the overall quantity of taxes to collect, which can inversely affect the level of economic activity; this is one component of fiscal policy.

### **Import restrictions on quality and quantity of product**

Methods employed in controlling the volume or value of goods coming into a country, usually to maintain the exchange rate of the country's currency. Also called import controls, the primary import restrictions are:

(1) Tariffs (import duties) or taxes levied on the imported goods to make them costlier.

(2) Import licenses or import quotas that limit the total quantity of goods imported, or imported from a certain country.

(3) Currency restrictions that limit the amount of foreign exchange available for payment of imports.

(4) Prohibition that prevents entry of illegal or harmful items. The last three are collectively known as non-tariff barriers.

### **Intellectual property law (Copyright, patents)**

Intellectual property is the area of law that deals with protecting the rights of those who create original works. The purpose of intellectual property laws are to encourage new technologies, artistic expressions and inventions while promoting economic growth.

### **Consumer protection and e-commerce**

The study has reviewed the proposed amendments in the Consumer Protection Act, 1986, proposed by the union ministry of consumer affairs. “To effectively protect a consumer buying goods or services through-commerce would need a separate law, as other countries have,” said the study conducted by IIM Ahmadabad.

## **IMPACT OF US POLITICAL ENVIRONMENT**

The political situation of a country affects its economic setting. The economic environment affects the business performance.

For example, there are major differences in Democratic and Republican policies in the US. This influences factors like taxes and government spending, which

ultimately affect the economy. A greater level of government spending often stimulates the economy.

### **Changes in regulation**

Governments could alter their rules and regulations. This could in turn have an effect on a business.

After the accounting scandals of the early 21st century, the US SEC became more attentive on corporate compliance. The government introduced the Sarbanes-Oxley compliance regulations of 2002. This was a reaction to the social environment. The social environment urged a change to make public companies more liable.

### **Political Stability**

Lack of political stability in a country affects business operations. This is especially true for the companies which operate internationally. For example, an aggressive takeover could overthrow a government. This could lead to riots, looting and general disorder in the environment. These disrupt business operations. Sri Lanka was in a similar state during a civil war. Egypt and Syria faced disturbances too.

### **Mitigation of Risk**

Buying political risk insurance is a way to manage political risk. Companies that have international operations use such insurance to reduce their risk exposure.

There are some indices that give an idea of the risk exposure in certain countries. The index of economic freedom is a good example. It ranks countries based on how politics impacts business decisions there.

## ADVANTAGE OF US POLITICAL ENVIRONMENT

- The Constitution protects the rights of minorities against the tyranny of the majority
- Free speech and a free press are protected especially in the cases of public figures and political speech (Eg., what might be libelous against a private person is often allowed against politicians)
- The Establishment clause of the Constitution prevents religious doctrine or laws from

## DISADVANTAGE OF US POLITICAL ENVIRONMENT

- The separation of powers can delay or stop government action on important issues, especially when the president and congress are controlled by different parties.
- Some of the powers granted to states create wasteful inefficiencies, eg, regulation of insurance companies and medical care by states rather than having one national

### Conflicts in Federalism

- While the Constitution strives to strike a balance, federalism from the start led to tensions between the states and the national government.
- . The first Supreme Court chief justice, John Marshall, said that this conflict "is perpetually arising, and will probably continue to arise, as long as our system shall exist."
- The Civil War was fought in part over states' rights – in particular Southern fears that the Northern-

dominated national government would block the expansion of or even abolish slavery.

### Six major agreement between india and us:

1. Arrangement between the Multi-Agency Centre/Intelligence Bureau. Arrangement of Terrorist Screening Information.
2. Co-operation on Energy Security, Clean Energy and Climate Change.
3. Co-operation in areas such as Wildlife Forensics and Conservation and combating wildlife trafficking.
4. Development of an International Expedited Traveller Initiative.
5. Unclassified Maritime Information Sharing.
6. Cooperation in Gas Hydrates.

### Constructive area

- Bringing goods into a country from abroad for sale is an importing.
- India importing products from many countries including USA.
- India has an importing share with 13.87%.
- India's one of the major trade partner is USA that is \$12.2bn and it is iron and steels that are importing from USA.
- Economic level of India is increased if India doesn't have an origin of any products, then it important products from other countries

### Grey area

- India's it sector has fallen down when barak Obama thrown out it

people from USA to their own countries.

- India has one of the major dependent in the it field.
- At 2009, in barak Obama presidency he throwout all it sector people from USA, at that india has a vulnerable change in it economical issues.

### **Conclusion:**

A cyclical political environment develops, as democratic government have to pursue re-election every year. A measure of the strength of the US economy is based on the quantity of business exports and imports. Corruption is a barrier to economic development for many countries. For reducing political risk buying political insurance is a best way. This influences factors like taxes and government spending, which affect the economy. The political factor which affected the business performance in US are Bureaucracy, Corruption level, Trade control, Education Law, Employment law etc.

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