

Introduction to International Business

Business activities done across national borders is International Business. The International business is the purchasing and selling of the goods, commodities and [services](#) outside its national borders. Such trade modes might be owned by the state or privately owned organization.

In which, the organization explores trade opportunities outside its domestic national borders to extend their own particular business activities, for example, manufacturing, mining, construction, agriculture, banking, [insurance](#), health, education, transportation, communication and so on.

Benefits of International Business

International Business is important to both Nation and Business organizations. It offers them various benefits.

Benefits to Nation

- It encourages a nation to obtain foreign exchange that can be utilized to import merchandise from the global market.
- It prompts specialization of a country in the [production](#) of merchandise which it creates in the best and affordable way.
- Also, it helps a country in enhancing its development prospects and furthermore make opportunity for [employment](#).
- International business makes it comfortable for individuals to utilise commodities and services produced in other nations which help in improving their standard of life.

Benefits to Firms

- It helps in improving profits of the organizations by selling products in the nations where costs are high.
- It helps the [organization](#) in utilizing their surplus resources and increasing profitability of their activities.
- Also, it helps firms in enhancing their development prospects.

- International business also goes as one of the methods for accomplishing development in the firms confronting extreme market conditions in the local [market](#).
- And it enhances business vision as it makes firms more aggressive, and diversified.

What Is the North American Free Trade Agreement (NAFTA)?

The North American [Free Trade Agreement](#) (NAFTA) was implemented to promote trade between the U.S., Canada, and Mexico. The agreement, which eliminated most [tariffs](#) on trade between the three countries, went into effect on Jan. 1, 1994. Numerous tariffs—particularly those related to agricultural products, textiles, and automobiles—were gradually phased out between Jan. 1, 1994, and Jan. 1, 2008.

- The North American Free Trade Agreement (NAFTA) was implemented in 1994 to encourage trade between the U.S., Mexico, and Canada.
- NAFTA reduced or eliminated tariffs on imports and exports between the three participating countries, creating a huge free-trade zone.
- Two side agreements to NAFTA aimed to establish high common standards in workplace safety, labor rights, and environmental protection, to prevent businesses from relocating to other countries to exploit lower wages or looser regulations.
- The United States-Mexico-Canada Agreement (USMCA), which was signed on Nov. 30, 2018, and went into full force on July 1, 2020, replaced NAFTA.
- NAFTA was a controversial agreement: By some measures (trade growth and investment), it improved the U.S. economy; by others (employment, balance of trade), it hurt the economy.

Understanding NAFTA

NAFTA's purpose was to encourage economic activity among North America's three major economic powers: Canada, the U. S., and Mexico. Proponents of the agreement believed that it would benefit the three nations involved by promoting freer trade and lower tariffs among Canada, Mexico, and the United States.

During the 2016 presidential election, Donald Trump campaigned on a promise to repeal NAFTA and other trade agreements he deemed "unfair" to the United States.

On Sept. 30, 2018, this agreement was modified to include Canada. The [United States-Mexico-Canada Agreement](#) (USMCA) took effect on July 1, 2020, completely replacing NAFTA. If not renewed, the USMCA will expire in 16 years.

South Asian Free Trade Area (SAFTA)

The South Asian Free Trade Area (SAFTA) is the free trade arrangement of the South Asian Association for Regional Cooperation (SAARC). The agreement came into force in 2006, succeeding the 1993 SAARC Preferential Trading Arrangement. SAFTA signatory countries are Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

SAFTA recognizes the need for special and differential treatment for LDCs in its preamble. This has been translated in the following measures:

Market access: LDCs benefit from smaller sensitive lists in some of the SAFTA members (meaning that they have DFQF access in a larger number of products) and less stringent rules of origin (requirement of change of tariff heading and value addition of 10% less than the general requirement for non-LDCs; the general rule is 60% and there are some product-specific rules – See Rule 10 of Annex IV of the Agreement).

Others:

- LDCs were allowed smaller initial tariff reduction and longer implementation periods under trade liberalization programmes;
- LDCs can have a longer list of sensitive products exempted from liberalization commitments than non-LDC signatories;
- LDCs were granted greater flexibility in the continuation of quantitative or other restrictions;
- There is a commitment of contracting states to give, until the trade liberalization programme has been completed by all Contracting States, special regard to the situation of LDCs when considering the application of anti-dumping and/or countervailing measures, providing an opportunity for consultations and favourably considering accepting price undertakings offered by exporters from LDCs;
- The agreement contains a rule whereby safeguard measures are not to be applied against products originating in LDC contracting states, “as long as its share of imports of the product concerned in the importing Contracting State does not exceed 5 per cent, provided Least Developed Contracting States with less than 5 per cent import share collectively account for not more than 15 per cent of total imports of the product concerned”;
- There is also a commitment to consider taking direct trade measures with a view to enhancing sustainable exports from LDC contracting states, such as long and medium-term contracts containing import and supply commitments in respect of specific products, buy-back arrangements, state trading operations, and government and public procurement;

Association of Southeast Asian Nations (ASEAN)

Southeast Asia frames Australia’s northern approaches and sits at the nexus of strategic competition in the Indo-Pacific. It is of profound significance for our future – strategically, economically, and diplomatically. ASEAN brings together ten Southeast Asian states – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam – into one organisation. ASEAN’s success has helped support regional security and prosperity for 50 years and it is uniquely placed to address critical regional issues.

Australia supports a strong, resilient and cohesive ASEAN. ASEAN and its fora play a crucial role in shaping and reinforcing rules and norms in the region. ASEAN-led architecture provides a framework of regular dialogue and cooperation that underpin peace and stability in Southeast Asia. The centrality of ASEAN within regional architecture is essential.

Australia became ASEAN’s first Dialogue Partner in 1974 and we became Strategic Partners in 2014. Australia and ASEAN have an agreed Plan of Action covering the breadth of our cooperation, which is updated every five years. Our partnership with ASEAN amplifies our voice in the region. It also provides a

platform for the Prime Minister and Australian ministers to meet annually with Southeast Asian counterparts. Officials meet through the annual ASEAN-Australia Forum and other mechanisms. Learn some key facts about ASEAN in [Why ASEAN matters: key facts](#).

In March 2018, Prime Minister Turnbull welcomed ASEAN Leaders to Sydney for the ASEAN-Australia Special Summit. Learn more about Australia's engagement with ASEAN in [Why ASEAN matters: our mutual cooperation](#).

In November 2020, Australia and ASEAN agreed to upgrade the tempo of our leaders' meetings to annual summits, marking a new chapter in our Strategic Partnership.

Australia's security interests are inextricably linked with the countries of Southeast Asia. Learn more about Australia's work with ASEAN to address common security challenges in [Why ASEAN matters: our shared security](#).

ASEAN is our second largest trading partner as a bloc and is essential to Australia's economic recovery from the COVID-19 pandemic. In 2019-20, Australia's trade with ASEAN countries was \$113.7 billion, which is greater than our two-way trade with Japan and the United States. Our two-way investment with ASEAN in 2019 was over \$259 billion. Our strong trade links are supported by our regional and bilateral free trade agreements that act as pathways for Australian business to tap into ASEAN and the ASEAN Economic Community. Learn more about our economic ties with ASEAN in [Why ASEAN matters: our shared prosperity](#).

Though disrupted by the COVID-19 pandemic, Australia has strong connections to the people of Southeast Asia, including through migration, education exchanges and tourism. Learn more about our people-to-people links with ASEAN in [Why ASEAN matters: our shared connections](#).

In response to COVID-19, Australia is supporting ASEAN to play a central role in health security and economic recovery in Southeast Asia. Australia has pivoted our suite of ASEAN-Australia development initiatives to tackle the impacts of the pandemic under our [Partnerships for Recovery](#). It focuses on strengthening health security, maintaining social stability, and stimulating economic recovery.

In 2020, Prime Minister Morrison announced an additional \$500 million

South Asian Association for Regional Cooperation (SAARC)

History

The South Asian Association for Regional Cooperation (SAARC) is an economic and political organization of eight countries in South Asia. It was established in 1985 when the Heads of State of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka formally adopted the charter. Afghanistan joined as the 8th member of SAARC in 2007. To date, 18th Summits have been held and Nepal's former Foreign Secretary is the current Secretary General of SAARC. The 19th Summit will be hosted by Pakistan in 2016.

Objectives

SAARC aims to promote economic growth, social progress and cultural development within the South Asia region. The objectives of SAARC, as defined in its charter, are as follows:

- Promote the welfare of the peoples of South Asia and improve their quality of life
- Accelerate economic growth, social progress and cultural development in the region by providing all individuals the opportunity to live in dignity and realise their full potential
- Promote and strengthen collective self-reliance among the countries of South Asia
- Contribute to mutual trust, understanding and appreciation of one another's problems
- Promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields
- Strengthen co-operation with other developing countries
- Strengthen co-operation among themselves in international forms on matters of common interest; and
- Cooperate with international and regional organisation with similar aims and purposes.

Structure and Process

Cooperation in SAARC is based on respect for the five principles of sovereign equality, territorial integrity, political independence, non-interference in internal affairs of the Member States and mutual benefit. Regional cooperation is seen as a complement to the bilateral and multilateral relations of SAARC Member States. SAARC Summits are held annually and the country hosting the Summit holds the Chair of the Association. Decisions are made on an unanimity basis while bilateral and contentious issues are excluded from the deliberations of SAARC. In addition to the eight Member States, nine Observer States join SAARC Summits: China, the US, Myanmar, Iran, Japan, South Korea, Australia, Mauritius and the European Union.

Areas of Cooperation

The Member States agreed on the following areas of cooperation:

- Agriculture and rural development
- Education and culture
- Biotechnology
- Economic, trade and finance
- Energy
- Environment
- Tourism
- Science and Technology
- Information, Communication and Media

- Poverty alleviation
- Security aspects
- People-to-People Contacts
- Funding mechanism
- Social development

Latest Developments

The 18th SAARC Summit held in Kathmandu in 2014 concluded with the adoption of the SAARC Declaration. The Declaration recognizes labour migration as an issue in need of collective action. Article 21 states that SAARC countries agree to collaborate to ensure the protection of migrant workers from South Asia. During the Summit, SAARC leaders also called for authorities to tackle and prevent the trafficking in women and children.

In regards to the Post-2015 Development Agenda, participating countries aim to initiate an inter-governmental process to appropriately contextualize the Sustainable Development Goals