##### ***Victoria University of Bangladesh***

##### Final Assessment-Summer Semester 2022

##### Course Title : International business

##### Course Code: IBS 433

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Ans to the question no.1

Yes, I heard about European Union (EU). It is a international organization, comprising 27 European countries and governing common economic, social, and security policies. The European Union was created to bind the nations of Europe closer together for the economic, social, and security welfare of all. It is one of several efforts after World War II to bind together the nations of Europe into a single entity.

Since World War II, the EU has been one of several attempts to integrate Europe. Several Western European countries wanted stronger economic, social, and political links after the war to achieve economic growth and military security. The European Union has its origins in the European Coal and Steel Community, which was established in 1950 with only six members: Belgium, France, Germany, Italy, Luxembourg, and the Netherlands. It was renamed the European Community after becoming the European Economic Community under the Treaty of Rome in 1957. (EC). The European Atomic Energy Community also established the Euratom Treaty in 1957. The Treaty's initial goal was to establish a specialized market for nuclear power throughout Europe.

This served to deepen the integration of the member nations' foreign, security, and internal affairs policies. The EU established a common market the same year to promote the free movement of goods, services, people, and capital across its internal borders.

Other countries were welcome to join the common European project in order to achieve peace and prosperity in Europe. Denmark, Ireland, and the United Kingdom joined the shared effort in the 1970s. The European Community opened its doors to the rising democracies of Southern Europe in the 1980s (Greece in 1981 and Spain and Portugal in 1986).

The EEC's expansion resulted in political stability and economic progress in Europe's Mediterranean region. New measures to address regional disparities were also developed. Finally, in 1992, the European Union (EU) was formed (Maastricht Treaty signed), beginning the single internal market.

Austria, Finland, and Sweden joined the EU in 1996, and another ten nations joined in 2004, with Bulgaria and Romania joining in 2007, bringing the total number of member countries to 27. With a population of about 500 million and a GDP of 12 million euros, the EU has become a worldwide giant as a result of these enlargements.

Ans to the question no.2

Foreign direct investment (FDI) is an investment from a party in one country into a business or corporation in another country with the intention of establishing a lasting interest. FDI differs from foreign portfolio investments, where investors hold foreign stocks without any active involvement, due to the presence of lasting interest. Buying a long-term stake or expanding one's business abroad are both examples of foreign direct investments.

*The benefits of FDI on the economy of Host country is :*

**Trade Effects:** FDI boosts economic growth by enhancing total factor productivity and resource utilization efficiency in the host country. It boosts the host country's capital stock, hence increasing output levels.

**Human capital contribution:** FDI makes a major contribution to human capital in host countries. MNEs provide jobs, which helps to reduce unemployment in the host country. Domestic employees, for example, can switch from foreign to domestic enterprises. Local enterprises may boost their productivity by collaborating with overseas firms.

**Spill Over Effects:** One of the positive effects of FDI is that it generates significant technological spillover in the host countries. MNE's usually possess a higher level of technology, especially "clean," which is the main factor of their higher productivity. Local firms might increase their productivity as a result of gaining access to modern, improved, or cheaper intermediate inputs.

**Competition Level:** FDI has a major impact on the level of competition in the host country. MNE presence promotes economic development by increasing domestic competition, resulting in increased productivity, innovation, cheaper pricing, and more effective resource allocation.

**Management and government practice:** FDI through the acquisition of local firms, resulting in the changes in management and corporate governance. MNEs generally impose their company policies, internal reporting systems, and principles of information disclosure. This effect improves the business environment and develops corporate efficiency.

***The benefits of FDI on the economy of Home country is :***

Three factors contribute to FDI's positive effects on the home (source) country. First, the inflow of foreign earnings helps the home country's balance of payments. FDI can also help the home country's balance of payments if the foreign subsidiary generates demand for exports of capital goods, intermediate goods, complementary items, and the like from the home nation.

Second, the employment benefits of FDI abroad are advantageous to the home country. Similar to balance of payments, when the foreign subsidiary increases demand for exports from the home nation, positive employment impacts result.

Thirdly, there are advantages when the home country MNE acquires useful skills via exposure to the international market that may then be applied in the home country. This has the effect of a reversed resource transfer. An MNE can gain knowledge of higher management practices and superior product and process technology by being exposed to a foreign market. Once transferred, these resources can help the economy of the home country thrive.

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Ans to the question no.3

The Uruguay Round was the eighth and last round of the GATT. The round was discussed in Montevideo, Uruguay, in 1986, and it was believed that it would be completed by 1990. However, impasses were common, and the cycle was not completed until 1994. One reason for the delay is because the negotiations in this round included several new concerns.

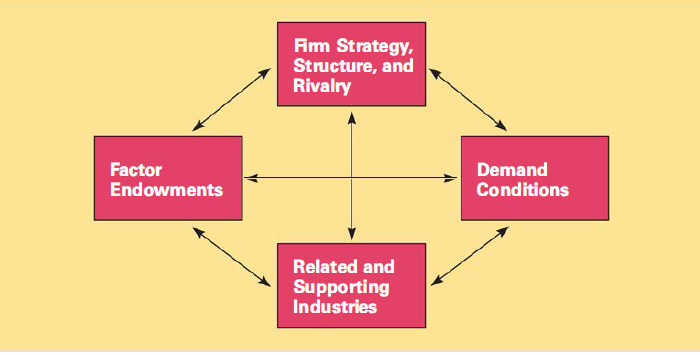
After seven GATT rounds of trade liberalization, by the mid-1980s tariffs in the main developed countries were as low as 5 percent to 10 percent. But there was less room for further liberalization in a number of areas, including agriculture, textiles and apparel, services, and intellectual property. The ambitious objective of the Uruguay Round was to bring those issues to the table and forge a more comprehensive trade agreement. The round resulted in the establishment of the World Trade Organization (WTO), with GATT continuing to be a vital feature of WTO agreements. The Uruguay Round was without a doubt the largest trade negotiation ever, if not the greatest negotiation ever. It established laws and standards for all global trade, from banking to consumer goods.

The Tokyo Round of trade negotiations left out numerous complex issues that have since become increasingly significant in international economic relations. These included agriculture, the expanding role of services, particularly finance and telecommunications, and high-technology industries. In 1986, at Punta del Este, Uruguay, the members of the GATT decided to launch a round of multilateral trade negotiations. The Uruguay Round was concluded at the end of 1993. The WTO Agreements were signed in March 1994 in Marrakesh.

The World Trade Organization was established at the beginning of 1995. Its immediate task will be to put the Uruguay Round agreement into effect. The first stocktake will take place in Singapore in December 1996.

Ans to the question no.4

Michael Porter, an American strategy professor, created an economic diamond model for (small-sized) enterprises to help them evaluate their competitive position in global markets. This Porter Diamond Model, also known as the Porter Diamond hypothesis of National Advantage, was given this name because all essential aspects in global economic competitiveness resemble the points of a diamond. It is demonstared below:



Porter’s Diamond Model of National Competitive Advantage

**Firm Strategy, Structure and Rivalry:** Michael Porter's work focuses on the factors that determine whether a company will be established in a particular country or region. These factors include the way in which an organization is organized and managed, its corporate objectives and the measure of rivalry within its organizational culture. According to Michael Porter, national rivalry and the ongoing pursuit of competitive advantage within a country can aid organizations in gaining an advantage over rivals outside. The Japanese automobile industry is a notable illustration of this, with fierce competition between players such as Nissan, Honda, Toyota, Suzuki, Mitsubishi, and Subaru. Because of their severe local competition, they have gained the ability to compete more easily in overseas markets as well.

**Factor Endowment:** This is a country's situation in terms of production elements such as expertise and infrastructure. These are important elements for competitiveness in specific industries. These elements can be classified as material resources, people resources (labor expenses, qualifications, and dedication), knowledge resources, and infrastructure.

**Demand conditions:** A wider market means more obstacles, but it also offers more opportunity to develop and improve as a firm. The presence of complex demand conditions from local customers also encourages businesses to expand, innovate, and improve quality. Companies strive to reach new heights in order to satisfy a demanding domestic market.

**Related and supporting Industries:** The success of a market depends on the presence of suppliers and related industries within a region. If an organization is successful this could be beneficial for related or supporting organizations. They can benefit from each other's know-how and encourage each other by producing complementary products.