**Global Business Plan Project**

**5. Accessing the Political-Legal Environment**

**Learning Goals**

1. To assess political and legal influences on international business activities
2. To identify appropriate strategies for operating in various political-legal environments

**Purpose**

Political stability is commonly related to the type of government and degree of corruption present in a country. In addition, a company may face various business regulations when conducting international business. In this module, your goal is to identify political and legal factors that could affect global business decisions.

**Resources**

Web links:

* Global Edge CyberSite: <http://globaledge.msu.edu/>
* Business Around the World Atlas: <https://highered.mcgraw-hill.com/sites/0078137217/student_view0/business_around_the_world.html>

**Conduct Research**

Based on the country (or countries) you are analyzing for your global business enterprise, research information related to the following areas:

1. GOVERNMENT AND POLITICS

Describe the type of government and recent political developments that could influence the economic and business environment of the country. (For example, various events in recent years in the Middle East have contributed to an uncertainty when doing business with some countries.)

1. FORMAL TRADE BARRIERS

Identify formal trade barriers (tariffs and other taxes, foreign exchange controls, ownership restrictions) that might require a company to adapt its business strategy.

1. PROMOTING GLOBAL BUSINESS

Analyze host government efforts to attract foreign investment. (Some nations offer tax incentives to attract foreign capital.)

1. INTELLECTUAL PROPERTY

Discuss the country’s regulations to protect intellectual property, such as brand names, copyrights, patents, software, music, videos. (Some countries do not enforce these laws resulting in the pirating of products and lost profits for companies.)

**Supplementary Activity**

Conduct a survey of local businesspeople who are involved with or aware of political and economic trends around the world. Obtain information related to their assessments of which regions are the best prospects for international business expansion.

**E-Commerce Application**

Research possible restrictions or taxes imposed for online activities in other countries. Describe how these government actions could affect global business operations.

**Prepare Summary**

In a separate Word document, prepare a summary report consisting of the following components:

1. An overview of government regulations, taxes, and formal trade barriers that affect global business activities.
2. A synopsis of intellectual property rights and regulations.
3. Recommend actions that might be necessary for an existing company or a new enterprise with regard to factors in the political and legal environment. Provide evidence to support your proposal.

**View Sample Report**

The following project segments are EXAMPLES and SAMPLE MATERIALS. Please note:

1. These samples were selected from several student team projects at one school and are not intended to represent a particular level of quality, and DO NOT represent a complete project.
2. The accuracy of content, data, and clarity of writing are NOT guaranteed; and
3. These samples may NOT BE DUPLICATED.

Politically, Peru is currently quite stable. Harbors will give Peru an opportunity for expanded foreign trade giving them stronger exporting ties and therefore increasing political relations with other Latin American countries. Current political risks include the presidential election going on which might change certain tax factors that could directly affect the importing and exporting activities. In addition, the threat of guerilla upheaval on the government is a direct risk the company must consider.

Consumer and Franchising Laws have enabled companies to franchise their businesses more steadily as the government moves toward an unregulated, free trade economy. The Real Plan has resulted in a significant increase in the real income of poorer Brazilians as they were no longer forced to bear the inflationary burden. The Real Plan has effectively lowered the annual rate of inflation, reformed social security, taxation, and public administration. Therefore, the demand for consumer goods and services has expanded in Brazil.

Politically, Bolivia has had its share of instability, having gone from dictatorships to democratic rule. The military rule was in effect until very recent years, from 1964 until 1982. After this, Bolivia became a democratic country. Today, the government of Bolivia is a republic that is very active in foreign trade. The government is especially cooperative with educational resources, and they strongly support educational institutions (like El Coche Libro), and services.

Government regulations that our company will have to deal with include Peru’s current system of tariffs and taxes. Currently, Peru has a two-tier tariff structure with a duty of 15% on the vast majority of imports and 25% on the rest. However, Peru does have in effect a simplified drawback scheme, which allows small exporters to claim a flat 5% rebate. Since the beginning of 1991, Peru has applied surcharges (in addition to the 15% tariff) on numerous agricultural products, including wheat, rice, corn, sugar, and milk products, but recently these surcharges have all but become extinct. Peru is also involved in free trade agreements, which grant tariff preferences to most Latin American countries. A positive aspect of operation in Peru is the elimination of non-tariff barriers, including subsidies, import licensing requirements, import prohibitions, and quantitative restrictions.

Costa Rica has a stable democratic political system. “Bilateral relations between the United States and Costa Rica remain excellent, reflecting shared democratic values and traditions” ([www.usatrade.gov](http://www.usatrade.gov)). In February 1998, national elections voted in Miguel Angel Rodriguez of the Social Christian Party over Jose Miguel Corrales of the National Liberation Party. In 1983, President Luis Alberto Monge announced Costa Rica’s permanent neutrality creating a demilitarized country, in which their constitution prohibits armed forces, only allowing room for the Coast Guard. Costa Rica is nicknamed the “Switzerland of Central America.” Tourists will be able to feel safe and secure when visiting this country.