



“A POLITICAL FACTOR: CHALLENGE TO INTERNATIONAL MARKETING”**Imtiyaz M. Sayyad****ABSTRACT**

The Political environment includes the nature of the political parties and the constitution, government system and the government encompassing, the economic business policies and regulations are the factors of utmost importance in the market selection and business strategy formulation. These factors may vary from country to country.

While there are not radical differences in the philosophies of major political parties in some countries, the situation is quite different in some others. The government of several countries are making rapid economic progress and having liberal policies towards foreign capital and technology.

KEYWORDS: Political Environment, Market Selection, Business Strategy.

OBJECTIVE:

To exhibit how the Political factor is critical and poses challenges to international marketers through various dimensions.

INTRODUCTION:

The political environment of a country should be carefully analysed before venturing into the country. The following are the factors which play an important role in political environment.

POLITICAL STABILITY:

Political instability may lead to frequent change of government policies, which may not be favourable to foreign companies. The African countries have least stability compared to Latin America.

RISK DUE TO POLITICAL INSTABILITY:

The Political instability leads to risks like Sabotage, Civil unrest, Labour unrest, urban rioting and anti-globalisation movement.

NATIONALISM:

Nationalism plays an important in nation's life, its pride, feelings, prestige and attitude towards foreigners and foreign products.

Some aggressive nationalistic attitudes may put many restrictions on trade and commerce.

For example:

Export of American goods to Indonesia, Iran and Iraq (before the past American action) and action could be both ways i.e by importing country as well as exporting country. International Marketer must understand nationalism in order to do a business in a foreign land.



POLITICAL SYSTEM:

The political system of a country i.e socialistic or capitalistic – influences the economic environment of a country. Allocation of resources in the capitalistic system depends upon demand and consumers determine demand for a product on the basis of their consumption level. In a socialistic system, the government control and decide the production level and prices of products.

For example:

India has adopted mix economic plan i.e mixture of public sector and private sector. Hence less chance available to foreign marketers to offer goods related to public sector. On the other hand in China there is communism so china can fix no taxes for its products and beat foreign competition.

NATIONAL SECURITY AND SOVEREIGNTY:

The foreign marketers need to understand the national security and sovereignty of a particular market before penetration.

For example:

Nowadays some middle east and African countries government have lost their control due to political interference of big European countries and terrorism attacks. They are unable to provide safety to their own people. So it's hard to enter for business there. The best example of this political factor is **Syria**. Where Basher Al-Assad's government is not capable to provide safety due to terrorism issue and bombings by America and Russia.

Political intervention (Political risks):

It refers to a decision taken by the governments of host countries to force a change in the operations, policies and strategies of foreign firms in interest of the country.

The following are the different types of political intervention.

Nationalisation:

In this the host country government take an entire foreign industry for public interest. E.g. Steel

EXPROPRIATION:

It means official seizure of a foreign property (taking a single company) by host country whose intention is to use the seized property for public interest. In return the host country government pays compensation.

CONFISCATION:

In this the Government seize the property without notice and it doesn't pay compensation. This is a worst kind political risk or intervention.

COALITION GOVERNMENT AND POLITICAL IDEOLOGY:

A few years back we had a coalition government of Congress and CPI.Both came together to take a political mileage and to share power but the conflict arise at the time of nuclear deal with America .This is due to their different political philosophies.

OPPOSITION POLITICAL PARTIES VIEW:

The political party which is in opposition whose view can also be barricade.

For example:

A few years back the heated discussion between ruling Congress and opposing party BJP on wall Mart's entry in retail sector in India.

HOSTILE APPROACH OF GOVERNMENT:

The Arab countries stance on not to have any commercial dealing with Israel. They insisted on Israel boycott certificate.

GOVERNMENT REGULATORY ACTION:

The government action significantly affects the firm's ability to sell goods and service because they often result in laws or other regulations that either promote the growth of global market or inhibit growth.

For example:

The Government action includes Tariffs, Quota, and Exchange control and trade agreements.

Political Unrest:

In recent past we get to see a political unrest in several countries which has adverse effect on their business and economic growth.

Examples:

Egypt:

The continuous peoples protest against government on the streets and attacking on police stations, government's offices and property provided a lot of damage to socio economic situation in the country. This is all due to political transition and political reforms .The turmoil situation erupted tourism business in Egypt.

Nepal:

Unlikely Egypt the political turmoil in Nepal has made the entire political system weak that has seriously affected on nation's growth and development. Moreover, no appropriate utilisation of available resources and convenience foreign players to invest in Nepal.

Pakistan:

Pakistan's situation seems to be horrible due to bombings in northern areas. Besides this the social problems like street crimes, child labour, increasing inflation and low income posed a challenge of social security. The military is the potent political force in countries political affair so there could be a difficulty to emerge as a big market for foreign players.

Tunisia:

The successive governments in Tunisia and their failure to combat corruption and economic injustice made people to be on the streets. Moreover, the debt crisis, slowdon economy, political vacuum after Zine El Abidine Ben Ali from his presidency

Middle East:

The political situation in Saudi Arabia, Kuwait, Behrain and Yemen experiencing the continuous demonstration that is dangerous signal to foreign investors.

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