

5.3: The Political Environment

Learning Objectives

After reading this section, students should be able to ...

1. appreciate the importance of the political environment

The political environment abroad is quite different from that of the US. Most nations desire to become self-reliant and to raise their status in the eyes of the rest of the world. This is the essence of nationalism. The nationalistic spirit that exists in many nations has led them to engage in practices that have been very damaging to other countries' marketing organizations. For example, foreign governments can intervene in marketing programs in the following ways:

- contracts for the supply and delivery of goods and services
- the registration and enforcement of trademarks, brand names, and labeling
- patents
- marketing communications
- pricing
- product safety, acceptability, and environmental issues

Student Example

Recently I ordered a product from China, and I was to receive it in four weeks. The product cost and shipping seemed to be reasonable. However, in the second week, I received an email from the seller saying Chinese customs had detained my shipment. Apparently, a new governmental charge was imposed on the type of product I was ordering. Now I was faced with paying the new fee (close to the price of the product) or canceling my order and trying to get it from another seller/country. The seller was friendly and paid for half of the charge while I paid for the other half. Then the product released, but it arrived four weeks after paying the imposed fee.

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Political Stability

Business activity tends to grow and thrive when a nation is politically stable. When a nation is politically unstable, multinational firms can still conduct business profitably. Their strategies will be affected however. Most firms probably prefer to engage in the export business rather than invest considerable sums of money in investments in foreign subsidiaries. Inventories will be low and currency will be converted rapidly. The result is that consumers in the foreign nation pay high prices, get less satisfactory products, and have fewer jobs.

Source

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