

Task

Assess political and economic risks and cultural issues of the target country to establish the financial costs and viability.

Introduction

This section will provide the introduction to the risks and cultural issues involved in international trade. While the same risks of slow payment found in domestic transactions carry over to international sales, there are many additional risks in the international arena that we don't normally find in domestic business. International business requires a series of screenings that overlay finance, marketing, personnel and production which are the four basic areas of business. These four areas need to be evaluated from many perspectives which include the following: competitive, distributive, economic, financial, labor, legal, physical, political and technological. All of these perspectives seem to be understood and expected in any business environment but in the international arena the sociocultural and socioeconomic impact on these areas are not as easy to assess. Three screenings that most companies overlook are the sociocultural forces, the competitive forces and the final selection with a personal visit. The concept of "country related risks" will be introduced so that a distinction can be made between the risks associated strictly with a customer's unwillingness or inability to make payment and the impediments to payments caused because of the political, economic, and cultural components that are a part of international or cross border transactions.

Some of the causes of the political and economic risks will be introduced along with some of the causes of culturally created risks.

To have a thorough understanding of this area you will need:

- Knowledge of political and economic risks causing late and/or non-payment from overseas markets (e.g., cancellation/failure to grant U.S. export license, civil unrest, foreign currency delays/shortage)
- Knowledge of cultural issues of buyer's country which may impact payment methods, money transmission methods, language used, credit control procedures, level of governmental control, corruption issues, and sources of finance
- Knowledge of resources for determining risk (e.g., U.S. government organizations, credit bureaus, websites)