THE ROLE OF INTERNATIONAL TRADE

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Abstract: International trade is very useful way to improve the living standards, decrease unemployment, boost development and reduce poverty by generating growth through increased commercial opportunities and investments. Through International Trade it is possible to access on new markets which opens up new production possibilities, reduces the costs of inputs, and improves the overall economy of countries. Being knowledgeable in the area that we are willing to be successful and featuredis one ofthe most effective ways to succeed internationally. This paper examines the role of international trade and its importance for the corporate that decide to join this and to go internationally and includes information of international trade in corporation development in general. In business, a company has to be well-prepared against all expected and unexpected emerging developments. Otherwise, huge losses may be caused. Thus, the company is responsible to focus on each level of decision making before investments. Firstly, before taking any decision, decision makers need to have knowledge of what kind of markets they target and what kind of company they have. These questions summarize what this paper consist of. According to current world structure, to be international company and to make profitable investment are both difficult and easy. It depends on how efficiently use factors and co-factors related to business that the company would like to do. Future model of business takes shape in axis of globalization. This paper investigates the role of FDI in international knowledge. Empirical results show that the effect of the bilateral FDI on the evolution of the comparative advantage of the host and source countries is statistically significant. Specifically, the larger the scale of bilateral FDI, the more similar the comparative advantage between the host and source countries becomes. In this research paper it is explained the corporate development, which means how companies seek to deliver the best products and services to their customers while sustaining a competitive advantage. In the context of business development, companies strive to achieve excellence through the implementation.
The impact of FDI on international knowledge diffusion is heterogeneous across countries, i.e. in the case of countries that are not very different in terms of their level of economic development, bilateral FDI has a relatively more significant effect on the similarity of the comparative advantage between countries.
Keywords: FDI; knowledge, comparative advantage, International Trade

INTRODUCTION

International trade is a very important concept in the economy of every country. It is a trade where the exchange of goods and services is done internationally, including countries working with one another. It allows countries to trade with each other in order to fix their economies and gain advantages from other countries that are involved in the international trade. Often, it suggests that international trade and investment in corporate promote development. The rise in the international trade is essential for the growth of globalization. The restrictions on international trade would limit the nations to the services and goods produced within its territories, and they would lose out on the valuable revenue from the global trade.[1] This trade helps not only to improve the economy of one country but at the same time to increase standards of living, increase the income, improve the employment, also improve development in corporate. This paper defines the process of corporate development to improve understanding of the process of management, such a framework must be simple, rooted in reality and intuitively appealing to those whose insight one wishes to develop. The main aim of this paper is to analyze how companies are working in early stages and after going internationally. Internationalization process of the firm follows the development of the product life cycle companies that introduce products only in their home and then they eventually go abroad in the product maturity phase. Many firms do not follow incremental stage approach but is often reported that they start their international activities from their birth: they enter different country at once, approaching new markets for both exporting and sourcing. The role of international trade in corporate development is beneficial because corporations that want to go internationally or global buy and sell easy in foreign markets.[2]The purpose of this paper is therefore to identify and categorize factors that force companies nowadays to follow the international trade.

1.INTERNATIONAL TRADE

International trade is the exchange of goods and services between countries. This type of trade gives rise to a world economy, in which prices, or supply and demand, affect and are affected by global events.

Countries trade with each other when they don't have the capacity as well as the resources to satisfy their own needs and wants. By exploiting their scare resources, countries can produce a surplus and export this for the goods and services they need.

Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries. Almost every kind of product can be found on the international market: food, clothes, spare parts, oil, jewelry, wine, stocks, currencies, and water[2]. Services are also traded: tourism, banking, consulting and transportation. A product that is sold to the global market is an export, and a product that is bought from the global market is an import. Imports and exports are accounted for in a country's current account in the balance of payments.

1.1The Need Of Intranational Trade

There is always a need for trade, because countries have different capabilities and they specialize in producing different things. To compensate for what they don't produce, then have to involve trade with other countries. So, in the modern world no country is completely self-sufficient. Thus, International Trade is very important for all the countries in the world.

2. BUSINESS DEVELOPMENT

2.1. Stages To Development A Corporate

A company willing to grow business have to have into consideration all the things has to build a clear strategy and set sustainable targets to success in its business development.3

Here are the key steps of a successful development.

1 - The market

Before setting goals, it's important to know the market.

This means to consider not only own customers and prospects, but also competitors' and alternatives to product on the market.

2 - Estimate the position

Once the market is well defined, it's time to identify position (place / price / notoriety) and estimate own market share, key indicator for each company.

3 - Identify own strengths and weaknesses

The analysis of external and internal factors of each company will lead management to create own SWOT model (Strengths / Weaknesses / Opportunities / Threats) and to identify growing opportunities for the company.

4 - Define priority targets

The SWOT analysis will enable quick identification of the key customers and validate the relevance of the sales.

5 - Set goals

Setting goals is essential to give to the team targets to reach and for being able to evaluate the project progress.

Goals can be strategic, operational, qualitative or quantitative. Referring to sales targets, the following issues are supposed to be considered:

- The market and its evolution. This is the Top Down approach. Starting from the Total Available Market, the companies will estimate the Serviceable Obtainable Market.
- The company resources. This is the Bottom Up approach. In regards of the company resources and available internal means (production capacity, work force...), company estimates the maximum business volume

The perspective of these two approaches will help to build a coherent plan for growth.

6 – Building own Marketing Mix

Marketing Mix is the set of tools available in the company to achieve its goals with the target market

According to the 4P method, the company have to consider the following elements

- Product (quality, characteristics, brand, style, packaging, After sales, warranty...)
- Price (Sales price, discount, payment conditions, credit...
- Place (Sales channels, sales points, storage, delivery...)
- Promotion (Advertisement, sales force, direct marketing...

7 - Present own action plan

Finally, translate the strategy into concrete actions for sales and marketing team.

3. WHY COMPANIES GO INTERNATIONAL

internationalisation used to be a big word when growing up and is often associated with large multinational corporations like IKEA, H&M and Shell. But then the internet came along, redefining businesses and enabling anyone with a great product to sell globally.[4]

There's no need to set up a fancy office abroad or actually be present in the countries to sell. Depending on the product, it is enough to have an attractive website that converts online users into paying customers.

3.1. Five Reasons Why Companies Go International

First-mover Advantage

The first-mover advantage is basically getting into a market and gaining all the benefits of being first. For instance, being able to quickly gain traction in a new market by being first. Another benefit is to get early adopters on board easier since there is no one else competing for their attention.

Potential for Growth

Probably the most common reason on the list for going global. And it is the potential for growth. The safe course is always to start locally and grow from the foundation you first established at home. However, what typically happens, is that companies grew and increased sales in consecutive years and then suddenly sales fall flat. This is the infamous glass ceiling at work, where by there are not any people to sell to. In which case, this is the sign to go and start conquering the world.

Small Home Market

Finland for example is a small country with a population of approximately 5.5 million. And while it has experienced great success with games like Angry Birds – it is success has been down to their global reach. Similarly, most of the start-ups should look for global expansion from the very beginning.

More Customers

Likewise, a small home market usually means customers are short supply. Which in turn affects a company's potential for growth. Simple math here really: Bigger market = more customers.

Discourage Local Competitors

Part of the reason why European start-ups exists is because the US companies had not ventured into Europe yet.

Paving the way for others to take the lead

By getting into a new market, you are discouraging others from getting into the same space as you are.

With benefits like more customers, growth potential and a large market on offer it is easy to see why operating globally is a massive attraction for companies. However, one thing companies need to pay attention to, and that is government legislation concerning private transactions of foreign currencies.[5]

3.2. The Born Global Companies

Many SMEs do not follow incremental stage approach but is often reported that they start their international activities from their birth, they enter different countries at once, they approach new markets for both export and sourcing. Different studies show that this phenomenon is becoming more and more known from Australian, American, Asian to European firms. Companies approach international markets from start-up due to new external conditions,[6] as advances in technology regarding production, transportation and communication and due to entrepreneurs with more international experience and foreign market knowledge. At the same time the liberalization of trade pushes firms' customer to international market and causes a more intense competition derived from imports in firm's domestic market: these changing environmental conditions are creating the ideal context for the born global firms to emerge._The concept of "Born Global" companies was coined in a survey for the Australian Manufacturing Council. The study shows clearly the existence of two types of exporters. The first one, including around 75% of the companies, called *domestic-based firms* was made of *home- market based firms*, well established in local market, with strong skills, solid financial situation, and sound product portfolio. The strategic step for companies inside this group is the international market approach, but keeping the primary focus of their competitive activity on home market. The average age of these firms at their first export was 27 years and their export count for 20% of their total sales. The second group, called *born global firms*, began exporting, on average, only two years after their foundation and achieved 76 percent of their sales through exports. The born global firms are successfully competing with larger multinational companies and their subsidiaries established in different geographic area. The survey report that this type of company are present in all industries and exposed to competition from international low cost provider and they can win the competition with quality and value created through innovative technology and product design and being closed to customers by understanding and satisfying their needs better than anyone else in the world. Born Global companies which normally compete in niche markets, are very flexible and move fast. Therefore, they are successful due to:

- skill to satisfy customized or specialized product requests from new customers
- advances in technology process and cost reduction help to reduce the minimum order quantity to suppliers, enabling also small companies to find opportunity on sourcing in international markets
- advances in communication technology let managers work across boundaries
- advantages from small company as "quicker response time, flexibility, adaptability

SMEs are labeled as *International New Ventures* (INV). Starting from different reports from more than ten countries in different geographic areas, where such ventures are growing, due to "internationally experienced and alert entrepreneurs" who are able to find resources from various countries and create products that satisfy needs in international markets, INV are defined as "business organization that from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries.[7]
Features of these start-up companies are international origins - considering that resources like material, people, financing are coming from different nations – from the inception. The focus is on the age of the firm when they become international, due to "proactive international strategy" that contrast with the stage approach where the firms gradually evolve from domestic to multinational. Moreover, INV are developing added value thanks to strategic alliances (for marketing, sales, production or sourcing purposes), instead of foreign assets directly owned.
- *New International Market Makers* are firms that make profit "by moving goods from nations where they are to nations where they are demanded". The activities that make them successful are linked to logistic where they use the imbalance between countries in production costs and market prices to create new markets.
- *Geographically Focused Start-ups* are focusing on use of foreign resources to serve needs of particular regions of the world. "Competitive advantage is found in the coordination of multiple chain activities, such as technological development, human resources and production*".* Coordination that makes successful company inside this group may be inimitable because of its complexity or market knowledge.[8]
- *Global start-up* derives its *"*significant competitive advantage from extensive coordination among multiple organizational activities, the locations of which are geographically unlimited*".* Global start-ups company are living in global markets and they have a proactive strategy for sourcing input and selling output wherever in the world they have the greatest value. These companies face difficulties considering the skills required in geographic and activity coordination, but once established they have a not-possible to copy competitive advantage due to the alliances and knowledge owned, that will strength their growth for different years.

4. BENEFITS OF INTERNATIONAL TRADE IN BUSINESS

International trade or sometimes referred to as global trade comes with many benefits and some of the benefits are clearly observable while others are not. The good thing with International trade is that, countries, states, brands and businesses are able to purchase and sell in foreign market. International trade is beneficial for businesses that want to go in global market because they can buy and sell in foreign markets.[9]
Key benefits that business can achieve by International trade are:

1. greater sales volumes which, providing the business is trading profitably, will translate into higher profits
2. companies' ability to compete in several markets can improve through observing the range of trends in quality, product development, design and packaging
3. the company can improve its reputation with customers and boost staff morale
4. existing products and services can be introduced into new markets, even if they have become less popular in domestic markets
5. the reliance a business has on its domestic market can be reduced, and, although risks themselves cannot be overcome, they can be spread.

CONCLUSION

The International trade gives opportunity to consumers and countries to be exposed to goods and services, also every kind of product can be found on international market.[8] International trade plays a role in business also in development process. On the contrary the knowledge availability, the management experience, the innovation skills and the network links are internal drivers because they are linked to the entrepreneur's characteristics.[10] The investment climate is identified by many factors that detect whether domestic and foreign operation realizes by the soundness of macroeconomic details, the strenght of economic and political structure, functioning of the legit and regulatory framework, business freedom in constitution of country and quality of mechanism of service in governmental framework.

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