

**International Business**  
**Prof. J. K. Nayak**  
**Department of Management Studies**  
**Indian Institute of Technology, Roorkee**

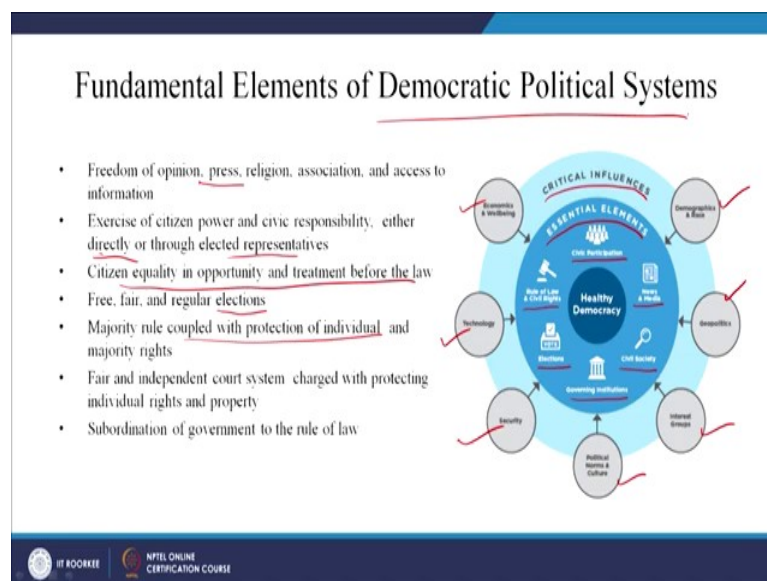
**Lecture - 19**  
**Political Systems, Beliefs, Risks**

Welcome everyone, to the course of International Business. We will continue from where we left in the last lecture. So, in the last lecture we were talking about the political effect and legal effect in any country on the business firms. So, there we discussed about what is the political climate. And what are the types of democracy. And in there we discussed about the basically a direct democracy.

And then we talk about a representative democracy. So, then we talked about the types of you know thought processes in any you know country for example, a communist view or a you know socialist view or a capitalist view. So, what kind of a view the country has right, that also affects for example, when it is a communist view, it is like largely dictated and when it is a capitalist view, there is a high individual freedom and when it is a you know socialist view, it is in between right.

So, from there we move on today to the fundamental elements of the democratic political systems ok.

(Refer Slide Time: 01:22)



So, as it says there is a freedom of opinion, press, religion, association and access to information. So, when in a in a good democracy right this is there is always a freedom of opinion.

For example, the US for example, if you look at the US; now in the US the press is so, powerful that it even does not mind making the president of the country uncomfortable right. It during any elections if we see they asked such tough questions that it would make anybody a shakeup anybody right.

So, then exercise of the citizen power and civic responsibility, either directly or through the elected representatives right; either directly as I said in the direct democracy or through the representative through a representative democracy. So, the exercise, the citizens exercise their power.

So, citizen's equality and opportunity and treatment before the, everybody's same right. There is a free, fair and regular elections. So, in the election is one of the most important parameters of a democracy a free and regular election is expected in a good democracy.

The majority rule coupled with protection of individual and majority rights. So, what is it says? That what is whatever the majority says that is correct right in a democracy, but that does not mean the majority can trample over the individuals right. So, that is not allowed. So, there is a freedom of there is something you know is accepted whatever the majority says, but still an individual cannot be tortured right.

Fair and independent court system is also there right; with protecting the rights and property of the individuals. Subordination of the government to the rule of law. So, the rule of law is so high, that even the government has to abide to those rules of law and they cannot be above it. So, this is the fundamental the signs of a good democracy.

Now, if you look at this diagram, there are two things that are important that is we talk about the what are the critical influences right on a democracy system and what are the essential elements right. So, if we start from the let us say from within. So, what it says? The essential elements is first civic participation; so how much people are participating? What is the how the media the news is playing its role? Right.

What is the role of the civil society? How the civil society is playing its role? For example, I would like to say that India has is moving now is there is a transition going to is happening at the moment that earlier we were not bothered about cleanliness. So, after this new power you know public you know initiative which has started 'Swachh Bharath in India' people are now moving towards understanding the impact of you know cleanliness and its impact on others in a country.

So, how the civil society is working? Right. How the government institutions are working? How effectively they are working for the people? Again here we have a lot of weakness for example, there is a lot of corruption in the Indian institutions right. So, that is not fair it is not good for the democracy.

How the elections are being held? Are they elections? Is there any rigging in the elections? So, earlier days in India when there was a ballot system at that time the papers format when we were doing at that time there was you know cases of booth rigging and all. So, hijacking the entire booth. So, this was something which is against the spirit of democracy, but now we are improving upon it right.

So, we are in a transition phase. India is in a transition phase. US is much developed in case of these rules and you know essential elements how there is civic participation is there, the news is supporting and media is supporting them and all. They are much ahead of us and finally, rule of law and civil rights.

So, these are some of the things which are the essential elements. And what influences these essential elements for example, the demographics what kind of demographics the country has? What is the geopolitical situation right? So, for example, who are your neighbouring countries? What are your relationships with them and all?

What are the different interest groups? Who are involved that the NGO, large NGO's and all right. Who are in the you know even the bodies' institutions. The political norm and the culture of the country right. How security how much security is there from an external and internal point of view? How? What is the role of technology? And finally, the economics and the well-being right.

So, these are some of the factors which influence the of which have a critical influence on the essential elements right. And with this with this together the essential elements

and the critical influencers; the democratic political system of any country is can be considered to be good or not good.

(Refer Slide Time: 06:22)

**Freedom in the World (Index)**

- *Freedom in the World* is an annual global report on **political rights and civil liberties**, composed of numerical ratings and descriptive texts for each country and a select group of territories. The 2019 edition covers developments in 195 countries and 14 territories from January 1, 2018, through December 31, 2018.
- A country or territory's political rights and civil liberties ratings then determine whether it has an overall status of Free, Partly Free, or Not Free.
- ✓ **POLITICAL RIGHTS (0-40 POINTS)**
  - Electoral Process (0-12 points)
  - Political Pluralism and Participation (0-16 points)
  - Functioning of Government (0-12 points)
- ✓ **CIVIL LIBERTIES (0-60 POINTS)**
  - Freedom of Expression and Belief (0-16 points)
  - Associational and Organizational Rights (0-12 points)
  - Rule of Law (0-16 points)
  - Personal Autonomy and Individual Rights (0-16 points)

Source: [freedomhouse.org](https://freedomhouse.org)

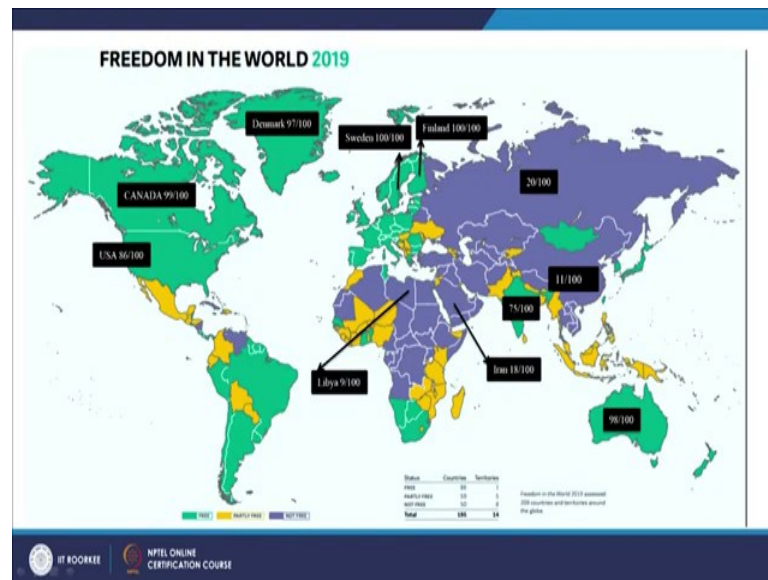
IFT ROOREE | NTEL ONLINE CERTIFICATION COURSE

Now, freedom in the world. So, what is this? Is an annual global report on political rights and civil liberties, and it is composed of ratings and descriptive text for each country and some territories. So, the 2019 edition, which took about 195 countries and 14 territories right, has given some feedback what kind of freedom is there in the world right in different countries.

So, how they have distributed it? On basis of political rights there are 0 to 40 points and they have again subdivided that electoral process is a 0 to 12 points, the political pluralism and participation is 0 to 16 points, functioning of the government is given 0 to 12 points. So, this comprises 16 plus 12 28 plus 12, 40 right. So, 0 to 40.

The remaining 60 points is given for civil liberties. Now, how much freedom of expression and belief is there? 0 to 16 points, association and organizational rights 12 points, rule of the law 16 points, personal autonomy 16 points. So, on basis of these they have created some indices and some ratings.

(Refer Slide Time: 07:32)



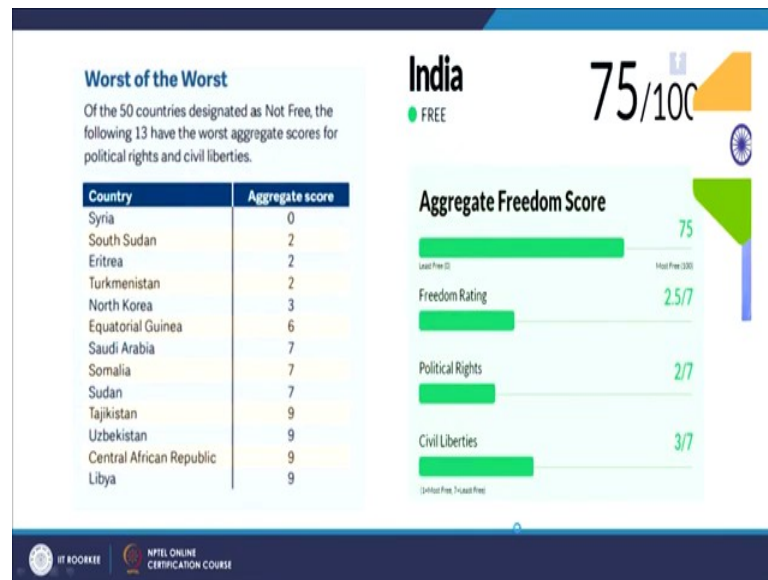
Now, if you can see here for example, we have for Canada out of 100, it gets in the score of 99; which is very high very good. Denmark 97, Sweden 100 on 100. So, in terms of the freedom, Sweden is 100 on 100; Finland 100 on 100 right. Then USA 86.

And Australia 98, but when you come to some of the other countries for example, if you can see some of them have a score of 75; India is 75 which is good enough right good, but not very good; obviously, I would say when it comes to freedom, it is a very important thing, but still it is good, but when you look at some of the other values like 20 right, 11, 9, 18 right. They are not very encouraging, they are not very encouraging right.

So, what it says if you look at this? So, the diagrams are free, completely or largely free is green; all these are green showing are the free countries partly free are the yellow ones right, and not free at all are the blue ones.

So, India comes in the free one at least right. So, completely free countries there are 86 countries and 1 territory, partly free there are 59 countries and 5 territories and not free is still 50 countries ok; which is a substantial number. Out of this 195 and 14.

(Refer Slide Time: 08:56)



Now, the worst of the worst some of the worst countries have been like Syria, which got a score of 0, Sudan 2. So, these are some of the scores like Somalia 7 right Libya 9 and India has got a score of 75 as we mentioned as we discussed right.

So, freedom rating India has got 2.5 on 7 2/7 political rights; so civil liberties. So, these scores are all telling us that, India is still in a good shape there is a political freedom.

(Refer Slide Time: 09:26)

## Totalitarianism

- Restricts decision making to a few individuals
- In a totalitarian system, a single agent- whether an individual or group or party-- monopolizes political power and try to mobilize the population.
- A condition that forcibly merges the interests of individuals with those of the state.  
For *example, China's one child policy*
- **Types**
  - **Authoritarianism**
    - Does not tolerate deviation from the state ideology
    - Reflects and unquestioning obedience to the state authority, and resistance usually incur severe punishment. (e.g. North Korea)

IT ROOKEE NPTEL ONLINE CERTIFICATION COURSE

But this changes; obviously, this changes. Now, we talk about what is totalitarianism? Right. So, here there is a restriction on the decision making to a few individuals only

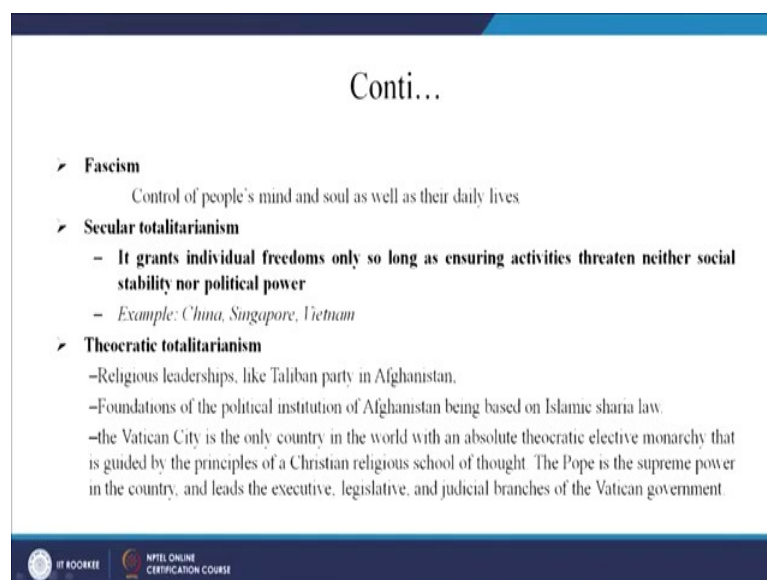
right. So, in this system a single agent whether an individual or a group of party monopolize monopolies the political power and try to mobilize the population. So, there is a monopoly right.

So, for example, North Korea has a monopoly the ruler has a monopoly right. So, that is why the total power is within that is why totalitarianism ok. A condition that forcibly merges the interest of individuals with thus of the state those are the state sorry.

For example, China's one child policy was forced upon the people right. So, some of the types of this are authoritarianism, which is a part of it does not tolerate deviation from the state ideology; there is there is no tolerance very little tolerance. Reflects an unquestioning obedience to the state authority and restriction usually incur severe punishment North Korea.



I came to know about one interesting fact about North Korea that even North Korea government does not allow people to choose their you know dress also. So, there is only a stipulated number of kinds of colour and dress fabric which they can wear. So, there is almost 9 to 10 something like that and they cannot choose anything else. So, this kind of which is unbelievable for a person like me in India.

(Refer Slide Time: 11:02)



Conti...

- **Fascism**  
Control of people's mind and soul as well as their daily lives
- **Secular totalitarianism**
  - It grants individual freedoms only so long as ensuring activities threaten neither social stability nor political power
  - Example: China, Singapore, Vietnam
- **Theocratic totalitarianism**
  - Religious leaderships, like Taliban party in Afghanistan.
  - Foundations of the political institution of Afghanistan being based on Islamic sharia law.
  - the Vatican City is the only country in the world with an absolute theocratic elective monarchy that is guided by the principles of a Christian religious school of thought. The Pope is the supreme power in the country, and leads the executive, legislative, and judicial branches of the Vatican government.

  **NPTEL ONLINE CERTIFICATION COURSE**

Fascism, controlling the peoples mind and soul as well as their daily lives. So, a good example of fascism was when we when we hear this word is we remember Mussolini you know we remember Hitler right. So, these are the people who were practising this.

Secular totalitarianism, it grants individuals freedoms only so long as ensuring activities threaten neither social stability nor the political power. So, till you are not threat a threat so, that time you till the time you are given freedom right. China, Singapore, Vietnam example.

Some people even advocate that there should be some kind of totalitarianism. So, they say China whatever is happening is not wrong because, they feel when it comes when too much of power is given to people, people tend to mis-utilize. So, that is the kind of argument people make, but although I do not support it.

Theocratic totalitarianism is says religious leaders, like Taliban party in Afghanistan. Foundations of the political institution of Afghanistan being based on Islamic sharia law right. The Vatican city with an absolute theocratic elective monarchy that is guided by the principles of a Christian religious school of thought. The pope is a supreme power in the country, and leads the executive, legislative and judicial branches of the Vatican government. So, when religious leaders take up so it is called a theocratic right.

(Refer Slide Time: 12:29)

**Trends in Political Systems**

The past few decades have witnessed the spread of democracy and a decline in totalitarianism. The acceptance of principle of democracy and their expression in the *freer market has been a major reason for growth in international business*

- **Third Wave of Democracy**
  - This emerged systems based on individual freedoms and civil liberties and boasting fair civic institutions, more active media, objective judiciaries, and stronger property rights. **(during 1970s to 1980s countries from Africa, Asia, Latin America, South America and Eastern Europe abandoned totalitarian systems.**
- **Engines of Democracy**
  - The failure of totalitarian regimes to deliver economic progress
  - Improved communications technology
  - Economic dividends of increasing political freedom

IT ROOKIE | NPTEL ONLINE CERTIFICATION COURSE



Now, coming to trends in the political systems. The past few decades have witnessed the spread of democracy and a decline in totalitarianism. So, very little we find nowadays right. So, the acceptance of principle of democracy; that means, giving more power to the people right and their expression in the freer market has been a major reason of growth in international business.

So, international business is growing, but still we saw that there are still about 50 countries which where the freedom is very low right. And, if these countries could also evolve then the freedom the business would be still much better right.

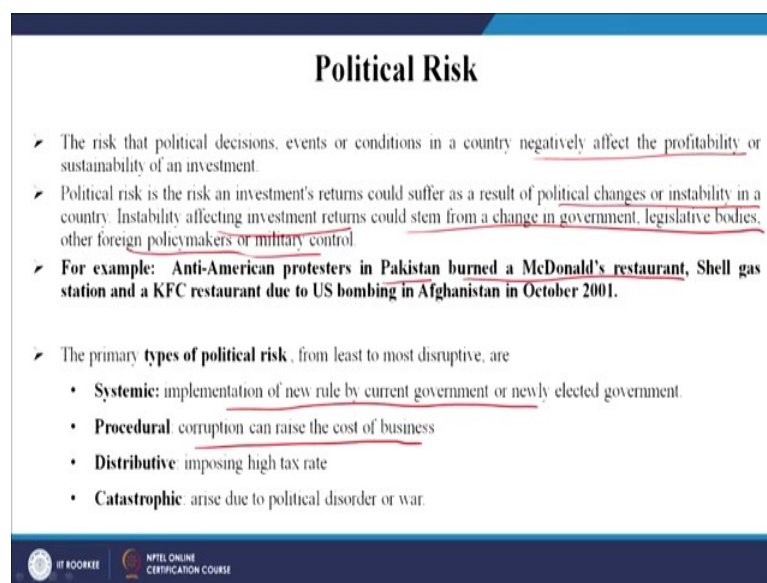
What is this third wave of democracy? This emerged systems based on individual freedoms and civil liberties and boosting fair civic institutions, more active media, objective judiciaries and stronger property rights.

During 1970s to 80s countries from Africa, Asia, Latin America, South America and Eastern Europe abandoned the totalitarian systems right. But still we are plagued by it several poor policies and you know policy and rules in some of these countries and continents right.

The engines of democracy, the failure of totalitarian regimes to deliver economic progress was the first reason why democracy came into place in many of the countries. Improved communication technology. Economic dividends of increasing political freedom.

So, this country is found that instead of staying you know having a one person's rule for example, we talk about Libya, we talk about Syria. So when you talk about these countries they found that economic dividends are more when you are having a more political freedom right.

(Refer Slide Time: 14:16)



### Political Risk

- The risk that political decisions, events or conditions in a country negatively affect the profitability or sustainability of an investment.
- Political risk is the risk an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policymakers or military control.
- For example: Anti-American protesters in Pakistan burned a McDonald's restaurant, Shell gas station and a KFC restaurant due to US bombing in Afghanistan in October 2001.
- The primary types of political risk, from least to most disruptive, are
  - **Systemic:** implementation of new rule by current government or newly elected government.
  - **Procedural:** corruption can raise the cost of business
  - **Distributive:** imposing high tax rate
  - **Catastrophic:** arise due to political disorder or war.

III SEMESTER    NPTL ONLINE CERTIFICATION COURSE

But there are political risks also and what are the political risks? In fact, you will be you should know that when the you know when a country goes for a loan for example, let us say the IMF or anywhere. So, the kind of loan is being given the interest rate being charged on the country depends one of the important factors is the political freedom of this country right. The stability political stability and political freedom right.

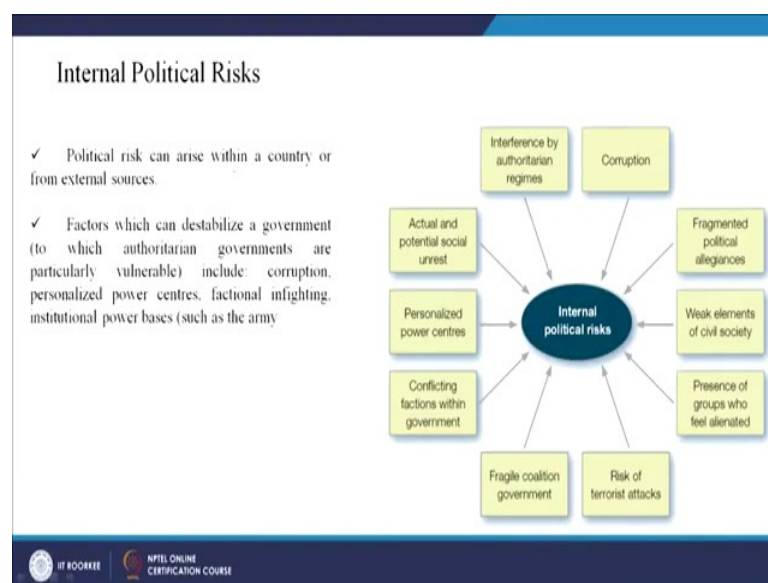
The risk that political decisions events or conditions in a country negatively affect the profitability or sustainability of an investment is called political risk. So, is the risk then an investments return could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government legislative bodies and other foreign policy makers or the military control right. So, such changes can be disastrous.

You see this example anti-American protesters in Pakistan burned a McDonald's restaurant. So, it is not about burning one shop or one you know unit, it is about the kind of fear you instil in the other businesses business forms right. Shell gas station and a KFC restaurant due to US bombing in Afghanistan in October 2001 similarly. The primary types of political risk are, systemic: implementation of a new rule by the current government or newly elected government right. So, this is a systematic systemic political risk.

Procedural: Corruption can raise the cost of business. So, although it I feel bad to say that, but still India is one of the corrupt countries right. Although, we are not as bad as some of the other countries, but still there is a lot to improve in terms of corruption free from corruption.

Distributive: Imposing high tax rates right. And finally, catastrophic which arise due to political disorder or war right. So, these are the types of political risks which emerges on basis of these 4 conditions.

(Refer Slide Time: 16:29)



So, internal political risk, political risk can arise within a country or from outside. Factors which can destabilize a government to which authoritarian governments are particularly vulnerable. For example, if there is a single leader and people are fed up and they are now revolting; so it has happened in Romania, it had happened in Libya in several places right.

Because of the corruption, personalised power centres, factional infighting, you know infighting between the parties in the members of the party, institutional power basis such as the army. So, these are the some of the internal political risks.

Now, if you see internal political risk what are the different forms. What are the effects. Fragmented political allegiances, weak elements of civil society, presence of groups who

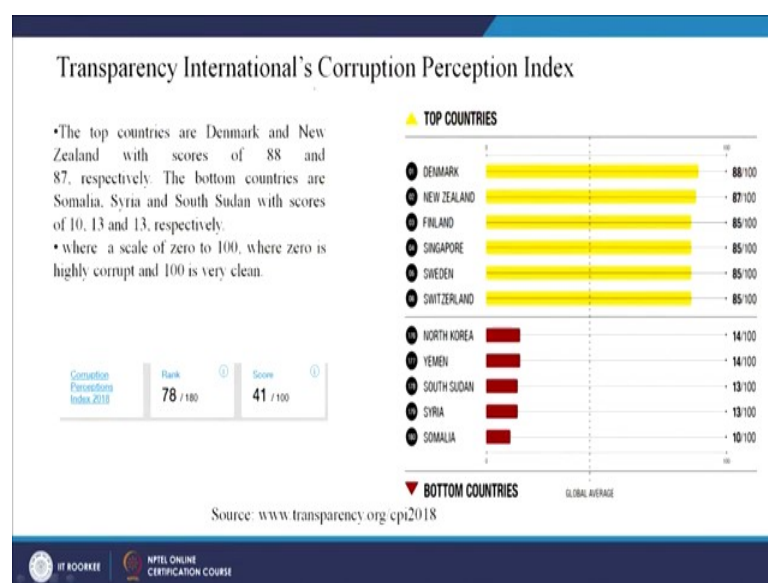
feel alienated, risk of terrorist attack is there right; the terrorists are attacking the people breaking the you know destroying the infrastructure.

Fragile coalition government is one also is a risk that leads to internal political risks. Conflicting factions within the government so within the government there is a lot of disturbance one person you know trying to not to listen to the head maybe they everybody wants to rise to the power, personalized power centres this is what I meant actual and potential social unrest.

So, social unrest can happen because of some cultural issue some new rules have been framed by the government which the people feel is and you know is it is a is the right and the government is trying to curb their rights.

So, for example, it happened in India, when Supreme Court banned bullfighting, but then they were not successful right. So, this was a case where they had to go back to their old rules right. So, the this kind of things can be dangerous right.

(Refer Slide Time: 18:15)

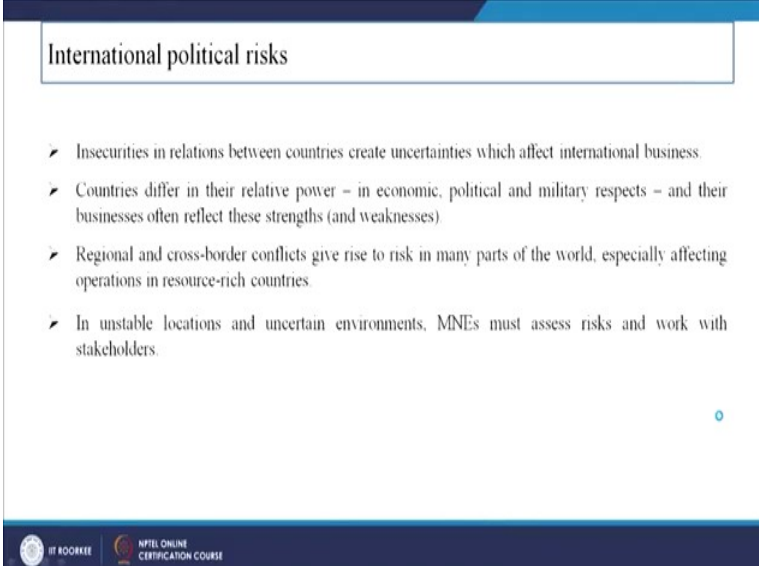


Transparency international's corruption perception index. So, the top countries in this are Denmark and New Zealand with scores of 88 and 87 respectively. The bottom countries are Somalia, Syria, South Sudan with 10, 13 kind of score.

A scale of 0 to 100 right, where 0 is highly corrupt and 100 is very clean right. So, this is what you can see some like Denmark is 88, New Zealand 87, Finland 85, Singapore 85, Sweden 85 and when you come to North Korea 14, Somalia for 10.

So, transparency international has made this corruption you know perception index. How corrupted these countries are. And this helps the firms the business firms to decide whether they should be enter into this market or not, if they want to enter into the market, what should be the right way to enter into the market. For how long they should they should enter think of making their strategies and everything right.

(Refer Slide Time: 19:14)



The slide is titled "International political risks" and contains four bullet points. The first bullet point states that insecurities in relations between countries create uncertainties which affect international business. The second bullet point states that countries differ in their relative power – in economic, political and military respects – and their businesses often reflect these strengths (and weaknesses). The third bullet point states that regional and cross-border conflicts give rise to risk in many parts of the world, especially affecting operations in resource-rich countries. The fourth bullet point states that in unstable locations and uncertain environments, MNEs must assess risks and work with stakeholders. The slide also features a small blue circle icon on the right side and a footer with logos for IIT ROORKEE and NPTEL ONLINE CERTIFICATION COURSE.

- Insecurities in relations between countries create uncertainties which affect international business.
- Countries differ in their relative power – in economic, political and military respects – and their businesses often reflect these strengths (and weaknesses)
- Regional and cross-border conflicts give rise to risk in many parts of the world, especially affecting operations in resource-rich countries.
- In unstable locations and uncertain environments, MNEs must assess risks and work with stakeholders.

When we come to the international political risks; it talks about insecurity in relations between the countries which create uncertainties in the and affect the international business. So, the relationship between the countries for example, recently there was a very serious tension between India and China.

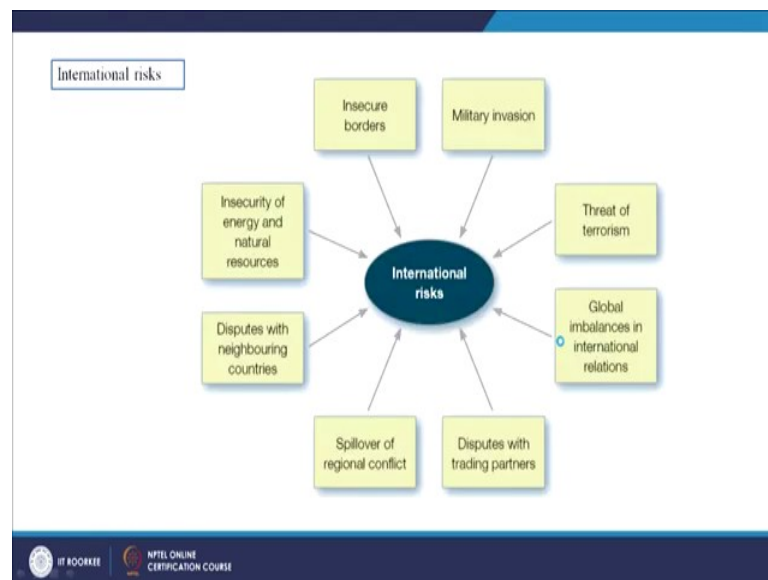
So, both parties had started you know pushing their armies towards making their armies ready and that sign was not a very good sign. So, that affected the business climate also; recently India and Pakistan right.

Countries differ in the relative power - in economic, political military respects - and their businesses often reflect the strengths and weaknesses. Regional and cross-border conflicts give rise to risk give rise to risk in many parts of the world, especially affecting

operations and resources countries recently you must have heard about the relationship between Mexico and USA right.

So, even Trump president Trump did not you know feel wrong in saying that they would create a you know wall to dissuade the people to enter into USA right. In stable locations and uncertain environments right, MNEs must assess risks and multinational; basically MNEs are the multinationals right must assess risks and work with the stakeholders.

(Refer Slide Time: 20:34)



So, when there is an international political risk now, let us look at what factors are affecting the international risk? In secured borders, Military invasion, Threat of terrorism, Global imbalances in the international trade, Dispute with the trading partners, spillover of regional conflict. So, this is the spillover from the region to this may be centre, disputes with neighbouring countries insecurity of energy and natural resources and (Refer Time: 20:59) insecure borders. So, these are some of the international risks.

(Refer Slide Time: 21:03)

Macro Political Risk	Micro Political Risk
<ul style="list-style-type: none"><li>• Macro-political risks will affect all foreign firms in the same general way</li><li>• For example, expropriation, the seizure of private businesses with little or no compensation to the owners as indigenization laws which require that national citizens hold a majority share in all enterprises</li></ul>	<ul style="list-style-type: none"><li>• Micro-political risk tends to affect selected sectors of the economy or specific foreign companies and is often driven by the dominance of those firms.</li><li>• These risks often take the form of industry regulation, taxes on specific types of business activity and local content laws</li></ul>
In 2001, Iraq war caused to increased price of oil and severely affected airline industry. For example Air Canada has filed for bankruptcy and is cutting 3,600 jobs from its 40,000 workforce and United Airlines in February the company lost \$367m - amounting to \$13m a day.	In Maldives, 2007, change the foreign labour regulation indicating that all foreign labours such as drivers, waiters, divers must be replaced by local Maldivians by the end of 2007

Now, this this table test talks about macro political and micro political risks. Now, when it comes to macro, the larger perspective and micro is the smaller. So, macro-political risk will affect all firms in the same general way. Micro-political risk tends to affect selected sectors of the economy and or specific foreign companies and is often driven by the dominance of those firms. Example, I would explain what is expropriation. right.

The seizure of private business with little or no compensation right. So, is one of the major political risks there are other source also for example, confiscation, domestication and expropriation is one of them, which I will explain is maybe the next slide.

So, expropriation what happens the seizure of the private property has happened businesses happen with some compensation is being given to them or maybe very little. In 2001, Iraq war cost to increase price of oil and severely affected the airline industry. Air Canada filed for bankruptcy and is cutting this amount of work jobs from its workforce and United Airlines in February the company lost 367 million and this is.

So, this is kind of you know macro political because of the Iraq war in 2001, this kind of tensions happen in those times right. In micro political risk what happens? This risk often take the form of industry regulation. So, the government maybe for example, today only I was reading; so, the companies like ITC, which is largely where cigarette is one of the major contributors. The governments new rule that is going to come in very shortly is would be hampering the business of ITC largely right.

So, they are going to improve increase the tax for these kind of this is a sin product because alcohol, cigarettes are also sin products. So, first these kind of products they are going to increase the tax further. So, this is an internal you know regulation that has happened within the country and this is going to affect the business.

In Maldives, example 2007 change the foreign labour regulation indicating that all foreign labour such as drivers, waiters and divers must be replaced by local Maldivians. Now, similarly it has happened in US also it had happened in India also. But I can say positively in India, one was that was not a risk it was a good situation where, our labour laws were amended.

And which helped the companies to set up and be more flexible in handling their workforce right. But here we are talking about political risks; so the Indian example is a positive thing, here this we are talking about the localization of you know the workforce. Even when Trump came to power his major agenda was to stop outsourcing and give jobs to the local people in America.

So, that is how he won, and that is a risk right risk to the not only the Indian businesses, but it is a risk to the businesses in America itself. Because, these businesses now have to hire people the local people at a much higher cost and that is not economically good for them.

(Refer Slide Time: 24:18)

**Political risks of global business**

- Confiscation, Expropriation, and Domestication
  - Confiscation(seizing of a company's assets without payment)
  - Expropriation (some reimbursement for the assets is made)
  - Domestication (government mandates local ownership)
- Economic Risks, and
- Price Controls

IF ROOKEE | NPTEL ONLINE CERTIFICATION COURSE



So, these are 3 types of risks which I was talking about confiscation, seizing of a company's assets without payment. So, this happened you know during the time in Iran; so, when Iran Ayatollah Khomeini, Khomeini came to power he seized the some of the businesses international businesses and he took their assets right.

Expropriation is against some reimbursement for the assets is made it happened in India also in 50s and 60s when shell company came to India, the Indian government did not allow, did not want that the oil should be controlled by the foreign firms. So, they expropriated these industries right.

Last is domestication, government mandates local ownership. For example, Hero Honda, Maruti Suzuki are examples of that. So, there are economic risks right. So, the economic risks are for example, is as we understand the even there is a maybe the whole business there is a chance that it might not exist, it might not survive anymore or if it all the survives then the profitability of the firm becomes a challenge.

Price controls are some of the political risks that happens because of the political climate so, the government makes this price controls the changes and for example, they increase the import duties for you know they give subsidies to the government the local players. So, these kind of situations also plays a risk.

Similarly, these are the some of the impacts of the political risk we can see we this may be our last slide for the day.

(Refer Slide Time: 25:54)

Impacts of Political Risk	
Type of political risk	Impact on MNE
Expropriation/confiscation	Loss of sales Loss of assets Loss of future profits
Campaign against foreign goods	Loss of sales Increased costs of public relations campaigns to improve public image
Mandatory labour benefit legislation	Increased operating costs
Kidnappings, terrorist threats and other forms of violence	Disrupted production Increased security costs Increased managerial costs Lower productivity
Civil wars	Destruction of property Lost sales Disruption of production Increased security costs Lower productivity
Currency devaluation	Reduced value of repatriated earnings
Currency revaluation	Less competitive in overseas markets and in competing against imports in home market
Increased taxations	Lower after-tax profits

So, when it comes to expropriation or confiscation, there is the loss of sales, future profits are gone and there is a campaign against foreign goods for example, So, this is a political risk again you see this as some you know increased cost of public relations, campaigns to improve public image right; when there is a foreign good against the foreign goods.

For example, when Ramdev Baba, Ramdev talked Patanjali talked about talked against the foreign goods he says [FL] why should people you know buy a product from Hindustan Unilever for example, and they should buy only the Desi or the Swadeshi or the local goods then it is the money stays in India.

So, these kind of statements now are very damaging for sometimes business because these companies now have to spend extra money to improve their image; because, then they are felt like they are some outsiders was snatching our money.

Mandatory labour benefit legislation. So, it increases the operating costs now if you make a law [FL] this much of money is to be minimum given. So, these kind of also can increase the cost of the businesses. These are found in countries like you know Syria, Libya, Afghanistan you know African countries.

Kidnapping, terrorist is there in many other countries also, but very little. So, disrupted production, increase security costs and all this lower productivity. Civil wars is a serious

type of political risk whether the destruction of property, disruption of production, lower productivity etcetera.

Currency devaluation, reduced value of the repatriated earnings so, what happens? So, because of currency devaluation the local industries gain, because the local currency becomes cheaper. So, more people can buy people can buy from outside a large amount of things at a very nominal or cheap lower cost.

But, there is still you know it is bad for some of the businesses who are doing these are trying to sell their products in the country right. So, currency revaluation, increased taxations. So, these are some of the political risks that happens and for any business firms and all business firms have to be very careful when they are looking into these things.

So understanding the business climate of a country is one of the most important issues that any manager of an international business has to look into. Because the hard earnings the huge capital investments can be can become an absolute, you know 0 or it can fall badly just because of a change in the political climate.

So, firms and business managers need to understand how political risks or political influences can affect their business at large. So, this is all we have for the day.

Thank you very much. We will meet in the next lecture.

Thank you so much.