

MEXICO INTERNATIONAL BUSINESS OVERVIEW

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Abstract

Mexican international business involves all economic transactions related to international trade and foreign investment. Mexico has a fairly strong business relationship with the US, of which the US is its largest trading partner. The main business owned by Mexico comes from the wholesale and retail trade sector. Mexico's international business includes both export and import. Mexico is a major producer and exporter of crude oil, electronics and automobiles. Plus, Mexico too importing raw materials and machinery for the purpose of producing goods to be sold domestically. Foreign investment in Mexico is sourced from various sectors, including manufacturing, tourism, and financial services. Mexico offers several incentives to attract foreign investors, such as lower taxes and access to the North American market. However, Mexican international business also has its own challenges, such as corruption and crime related to the drug trade. Therefore, through planning that is quite long and creative and innovative ideas are needed to assist the City Government in dealing with these challenges.

Keywords: *International Business, International Trade, Mexico*

1. Background

BC, Venetian and Greek merchants sent representatives abroad for the goods they had. In 1600, the British East India Company, one of the newly founded business firms, established overseas branches throughout Asia. At the same time, a group of Dutch companies formed in 1590 made an eastbound route to join forces to form the Dutch East India Company and set up branch offices in Asia. Colonial American businessmen had operated using the same model in the 1700s. The first American company to successfully enter into foreign production was the factory built in Scotland by Singer Sewing Machines in 1868. By 1880 Singer had become a world organization with an outstanding overseas sales organization and a number of overseas manufacturing plants. Other companies would soon follow and by 1914, there were at least 37 American companies with production facilities in two or three places overseas. In 1919, General Motors and Chrysler set up overseas operations.

According to Law no. 7 of 2014 concerning trade is the Law on trade containing the main materials in accordance with the scope of regulation which includes Domestic Trade, Foreign Trade, Border Trade, Standardization, Trade through Electronic Systems, Trade Protection and Security, Empowerment of cooperatives and Micro, Small Enterprises, and Medium, Export Development, International Trade Cooperation, Trade Information Systems, Government Duties and Authorities in the Trade Sector, International Trade Committee, Supervision, and Investigations. Ball et al. (2006), businesses whose activities outside the territory of a country are not only international trade, but a very broad scope including foreign manufacturing companies and the growth of service industries, such as transportation, tourism, advertising, construction, retail, wholesale, and mass communication. Mexico, often known as tacos, tequila, drug cartels, and idyllic beaches has thrived over the last two decades. Those unfamiliar with Mexico may not be aware of how large the volume of international trade continues to grow today. Mexico is one of the most open and attractive countries in the world for imports and exports, which has explained the recent and strong increase in cash injections into the country.

This developing country ranks 15th in the world in 2015 with a GDP of \$USD 1.4 billion. Mexico occupies a slightly higher position than its neighbors in Latin America (except Brazil) as well as countries such as Saudi Arabia and Indonesia. Mexico is only two positions behind the Russian Federation. Not only that, World Bank analysis predicts that in 2050 the Mexican economy will become the 6th largest in the world.

2. Literature Review

International business is a business activity carried out by companies or organizations in other countries where they are located. International business is carried out because of the limitations and needs experienced by a country so that business relations occur from one country to another. International business also involves environmental and social aspects to run a business. Huala Adolf, (2009) explains the full meaning of trade, namely the activity of trading the products of the agreement each country together. Which aims to obtain trade benefits that can be additional income for a country. According to Febrianty, et al (2020), explaining that international trade is an extension of the processes of production, exchange and consumption, which are basic elements of life. Producers and consumers who are included in international trade come from various countries.

According to Setiawan and Lestari (2011), explaining international trade is a type of trade that occurs between residents of a country and residents of other countries based on a mutual agreement. Meanwhile according to Tambunan (2001), explains the meaning of international trade simply, namely trade across or between countries which includes export and import activities. According to Christianto (2013), the notion of international trade quoting from the economics dictionary is trade that by two or more countries. There is also an understanding of international trade according to Bonaraja Purba et al (2021), the definition of international trade is trade by governments or residents between countries where there is a profitable process of exchanging products or services. According to his definition above, international business/international trade is a process that occurs between traders and buyers who are from one country to another where they carry out a sale and purchase transaction in the form of goods or services that are mutually agreed upon so as to generate profits for both parties.

3. Research Methods

In this study the authors used descriptive qualitative research methods, according to Sugiyono (2012) descriptive qualitative research methods are research methods based on the philosophy of postpositivism that are used to examine objects with natural conditions (real conditions, not set or in experimental conditions) where the researcher is key instrument. Study literature is done by reading, taking notes, and processing library materials that are organized chronologically or thematically. According to Zed (2008) study literature is a series of activities or methods for collecting data, be it library data, readings and much more that functions to manage research material later.

4. Theory Study

International Business

International business is defined as an activity that crosses the boundaries of a country's territory. This definition includes not only international trade and overseas manufacturing, but also growing service industries in fields such as transportation, tourism, banking, advertising, construction, retail, wholesale, and mass communications.

Classification of business based on activities carried out to generate profits is as follows:

- Manufacturing is a business that produces a product from raw materials or components, then sells it for a profit. Like companies that produce physical goods, namely cars or pipes.

- A service business is a business that produces intangible goods, and earns income by asking for compensation for the services they have provided. For example Go-jek and Grab.
- Retailers and distributors are parties that have a role as intermediaries for goods between producers and consumers.
- Agriculture and mining business is a business that produces raw goods, for example plants or minerals.
- Financial business is a business that focuses on profits from investment and capital management.
- The information business is a business that generates income by reselling intellectual property.
- Utilities are a business that operates services for public services, such as water and electricity, which are usually funded by the government.
- Real estate business is a business that generates profits by renting, selling and developing properties, houses and buildings.

The Nature of International Business

As above, international business is a business activity carried out across national borders. Business transactions like this are international business transactions (International Trade). This business transaction activity is carried out by companies in a country with other individuals or other companies in other countries which is referred to as international marketing or international marketing.

Reasons for Doing International Business

A country or company conducts an international business transaction either in the form of international trade which generally has reasons/considerations. These considerations include political, economic or socio-cultural considerations. International trade cannot be avoided because no country is able to meet the needs of its own products and goods produced by the country itself. This is due to the uneven distribution of resources, both human and capital resources. The inequality of resources results in the emergence of a good advantage from a certain country that has certain resources. Like Australia which has a very large landmass which has a very small population, and vice versa with the country of Hong Kong which has such a narrow land area but the population is very dense. Therefore, we can see that there are several reasons to carry out international business, namely as follows:

1. Specialization between nations

In having certain strengths or advantages along with their weaknesses, a country must be able to make good choices to produce a strategic commodity, namely:

- Utilizing with maximum power, the power that actually turns out to be the most superior so that it can produce it efficiently and at the cheapest price
- Concentrating his attention on producing or controlling the commodity that has the highest weakness for his country.

This strategy is closely related because there are two concepts of superiority that a country has compared to other countries in certain fields, namely:

- **Absolute advantage**

A country can be said to have absolute capability if that country holds a monopoly in producing and trading these products. This can be achieved if no other country is capable of making the product until that country becomes one of the producing countries.

- **Comparative advantage**

This concept of advantage is the most realistic concept and is widely available in international business, where a country has a high ability to promote these products compared to other countries.

Stages In Entering International Business

A company entering the international business area will usually involve itself in stages from the simplest that have no risk to the more complex stages that have very high business risks. Entering international business has several stages, namely:

a. Incidental Export

In order to enter into the field of international business, a company usually starts from the first involvement that is by way of incidental exports. At this stage it usually occurs when foreigners arrive in our country, then someone buys the products we have, then we have to send them to the foreign country.

b. Active Export

If the previous stage can develop then there are regular and ongoing business relationships, even more active transactions. The liveliness of this transaction relationship can be marked by the growing number and types of international business commodities. In this active stage, a company in its own country must be active in carrying out the management of the transaction.

c. License Sales

The next stage is the license selling stage. In this stage, an immigrant country wants to sell licenses or products to the receiving country. In this stage, only the brand or license will be sold, so that the recipient country can carry out extensive management of marketing and production processes including raw materials and equipment. For the purposes of using the license, a company or recipient country must pay a fee for the license to the foreign company.

d. Franchising

The next stage is a more active stage, namely a company in a country does not only sell licenses or trademarks, but complete with all its attributes including the production process, equipment, mixed recipes for the production process, quality control of raw materials, quality control and finished goods. and forms of service. This method is usually known as "Franchising".

In this "franchise" form, the company that receives can be said to be a franchisee and the company that gives it can be said to be a franchisor. Usually it works for certain types of business, for example the culinary field (food). Examples include Mc Donalds, KFC (Kentucky Fried Chicken), California Fried Chicken (CFC), Hanamasa, Hoka Bento and so on.

An example of a franchise in Indonesia is NY Fried Chicken. Suharti, Es Teler 77, and so on. Kindness includes:

- Proven system management.
- Good recordability for assessment tools.
- Has a well-known name.

Vice versa, this form also has ugliness, including:

- The cost is quite high to get a franchise.
- Heavily affected by the failure of other franchises. If there is a failure, the assumption will arise that other forms of franchising are not good either.
- Business decisions will be limited by the Francilisor.

e. Overseas Marketing (Active Marketing)

The next stage is a form of overseas marketing. This form will require management intensity and quite high management involvement because foreign companies (Hous Country) must be active and independent to carry out marketing management for their products in foreign countries (Home Country). Foreign companies that are immigrants must be able to understand the characteristics (segmentation) that exist in the receiving country so that they are able to carry out marketing programs that are quite effective.

f. Overseas Production and Marketing

Furthermore, the last stage is a very intensive stage in engaging with international business, namely the "Overseas Production and Marketing" stage. This stage is usually referred to as "Total International Business". This can trigger an MNC (Mult National Corporation), namely a Multi-National Company. In this stage foreign companies come and build companies in foreign countries

with all their capital, then produce in that country and sell their products in that country too. This form has a positive element for developing countries because in this form the receiving country does not need to spend a lot of capital to build the factory.

Barriers to Entering International Business

Doing business internationally will of course have more obstacles than in the domestic market. Other countries also have considerations that often hinder the implementation of international business transactions. On the other hand, the cultural habits of other countries will certainly be different from their own country. Therefore there are several obstacles in international business, namely as follows:

a. Trade restrictions and import duty rates.

b. Differences in language, social culture / cultural.

Differences in language usually often trigger obstacles for international business, this is because language is a vital tool for communication both spoken and written language. Without good communication, the business relationship will not run smoothly. The language barrier is currently decreasing due to the presence of an international language, namely English. Differences in socio-cultural conditions are a problem that must be overcome in conducting international business. For example, the coloring of products or their packaging must be more precise because certain colors which in one country have a certain meaning in another country can have conflicting meanings.

c. Political and Legal/Legal Conditions.

Unfavorable political relations between a country and other countries will trigger limitations in business relations from both countries. For example in America, which embargoed trade commodities with communist countries. Legal provisions or laws that apply in a country sometimes limit the continuity of international business. For example in Arab countries which prohibit products containing haram for the Islamic religion.

d. Operational Barriers.

Barriers to international business trade are operational problems, namely the transportation of goods or transportation. Transportation is often used because the two countries do not have shipping lanes for regular sea vessels. This can result in transportation or expeditions being quite expensive because the transportation only serves that one country.

Multinational Company

In essence, a multinational company is a company that does activities internationally or usually referred to as carrying out its operations in several countries. Companies like this are usually called Multinational Corporations (MNC). All countries will be affected by actions made by other countries. This usually happens because there is the fastest way for us to find out an event that is happening in all countries in the world along with advances in technology and communication. There is a tendency that the demands and needs of people anywhere in the world are approaching the same thing. The need for consumer goods and for everyday life tends not to differ much from other countries. Because of this similarity that makes a company able to operate internationally. Furthermore, the company started looking for a place to be able to produce a product to be marketed to the world market, so that it could be more economical and competitive. The existence of export-import restrictions between countries encourages a company to produce goods in its own country and then sell it in that country too even though the owner is from abroad. That way, the export-import restrictions no longer apply to him. Examples such as multinational companies: Johnson&Johnson, Coca Cola,

5. Results and Discussion

Mexico already has a large number of free trade agreements in force. All of this started in 1990 when negotiations were underway with the US, Canada and Mexico. In late 1993, the Treaty was signed, and the North American free trade agreement (NAFTA) was initiated. The world's largest free trade agreement. Many believe that Mexico's renaissance began on this day. Since then,

there has been a massive increase in the export of industries such as automobiles, agriculture, and natural resources. In 2015, Mexican exports to the US totaled \$296 billion. This number increased to 638% from 1993 (Pre NAFTA).

Mexico's main exports are automobiles, crude oil vehicle parts, delivery trucks and computers, with these goods heading primarily to the US., Canada, China, Spain, and Brazil. Meanwhile, Mexico's main imports are refined petroleum, vehicle parts, integrated systems, computer parts and broadcasting accessories with these goods mainly coming from the US, China, Japan, South Korea and Germany. Mexico's main imports are from the US and are auto parts valued at \$23.8 billion. There are several other major exports to Mexico, namely household appliances. Mexico is the world's largest exporter of refrigerators, flat-screen TVs and freezers. Additionally, Mexico is the 4th largest exporter of computers. In addition, the Mexico factory is one of the largest manufacturers in the automotive industry that has a factory here. There are several of them Ford, Chrysler, Mazda, GM, Nissan, Honda, Volkswagen, and Toyota. It is no longer surprising if we see the quality and quantity of technicians and engineers who graduate each year. The increase in the automotive industry can be attributed to the cultural similarities between Mexico and Western culture. Hard working attitude and relaxed nature, many opportunities to do business in Mexico are easier than in some Asian countries.

A 2014 study by the World Economic Forum which is often called "The Global Enabling Trade Report" examines international trade relations in depth. One of the key factors assessed is market entry attractiveness, based on the country's ability to access foreign markets. Overall, Mexico is in position 29 out of 138 countries. The study found that Mexico has a competitive advantage in several areas, including the following:

- Fare faced
- Number of documents required
- Customs transparency
- Openness to foreign transparency
- Openness to multilateral trade rules

Apart from this openness, it is necessary to be aware of the complexities in international trade with Mexico. Leading the way with international trade laws, customs, trade barriers, tariffs and taxation can be challenging. With the right help, these challenges can be understood and one can successfully trade with Mexico. If you wish to do business in Mexico, consult a legal expert in Mexico on how to get started. You really need guidance to ensure your business stays compliant with local laws and regulations throughout the process establishment of a company and in a continuing capacity.

6. Conclusion

Mexico has considerable potential in doing international business with a strong economy, strong trade relations with other countries, and is attractive to foreign investors. However, companies wishing to do business in Mexico will face several challenges/difficulties such as complicated bureaucracy, corruption, and security issues. Mexican international business covers various aspects of life, such as international trade, service industry, manufacturing and tourism. Therefore, for business people who will do business in Mexico, they must consider several of these factors and make good business preparations in order to be able to face the dynamic situation in Mexico. At this time, companies must focus on market presence that exists throughout the world. Companies that are going to enter the world market can use the author's explanation above, namely the stages in entering international business and the obstacles in entering international business, which are as follows:

- a. Incidental Export
- b. Active Export
- c. License Sales

- d. Franchising
- e. Overseas Marketing (Active Marketing)
- f. Overseas Production and Marketing

As well as barriers in entering international business, namely:

- a. Trade restrictions and import duty rates.
- b. Differences in language, social culture / cultural
- c. Political and Legal/Legal Conditions.
- d. Operational Barriers

7. Advice

Mexico is a country that offers quite a lot of business opportunities. To get into Mexican business, there are several ways that we can use, including studying the Mexican economic context to find out the business opportunities that exist in that country. Considering cooperation with Mexico in any fields such as social, economic, trade, culture, and others. Take advantage of the country of Mexico to expand business relations with the US market. Understand the regulations and business requirements in the country of Mexico to ensure compliance for your business success in the country. Never hesitate to take advantage of platforms like MIKTA in strengthening international trade and building cooperation with Mexico.

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