

**A TREND STUDY OF THE INCREASED ROLE OF GOVERNMENTS ON THE  
CROSS BORDER BUSINESS ACTIVITIES**

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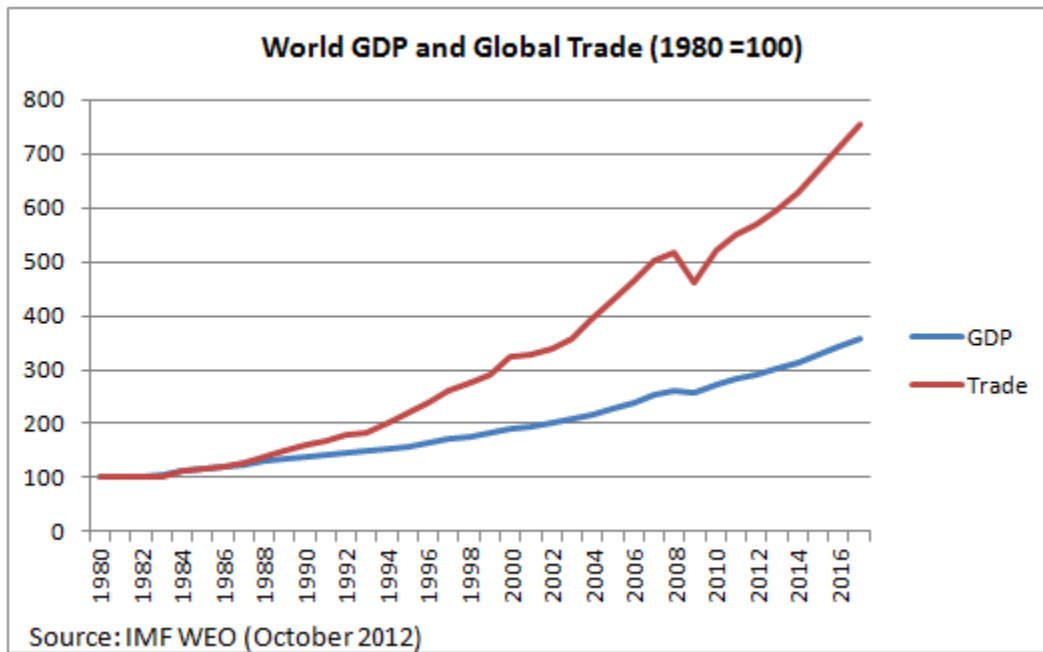
**ABSTRACT**

*Cross-border business activities have been perceived to be the growth engines for the multinational companies. It has always been discussed in commercial parlance that the incentives for the cross border business aspirations is the newer market possibilities with newer avenues of earning profits. But, this incentive is not sufficient for MNCs to go overseas. The incentive in background is the governmental supportive role. The paper studies the role of governments in the cross border business activities. The paper discusses as to how the governmental support brings boosts to the cross border activity at the same time governmental control may de-promote the activity. The trend of the overseas business activities is also discussed in the backdrop of the governmental role.*

**KEYWORDS:** - Cross Border Business, Governmental Support, Policy Promotion, and Mergers & Acquisition.

**DISCUSSION**

In the recent past, the cross border activities have increased manifold. The required growth was taken as possible through the cross border business activities. The domestic firms used every chance to gain momentum in the overseas markets. The global economic openness towards the foreign investment has led to the incentivizing the overseas investing by the corporate firms from across world. Lets' have a look at the recent trend of the cross border business activities. Here are the recent results and projections on the volume of international business. With the increasing levels of the GDP, the volume of the international trade has also been increasing.

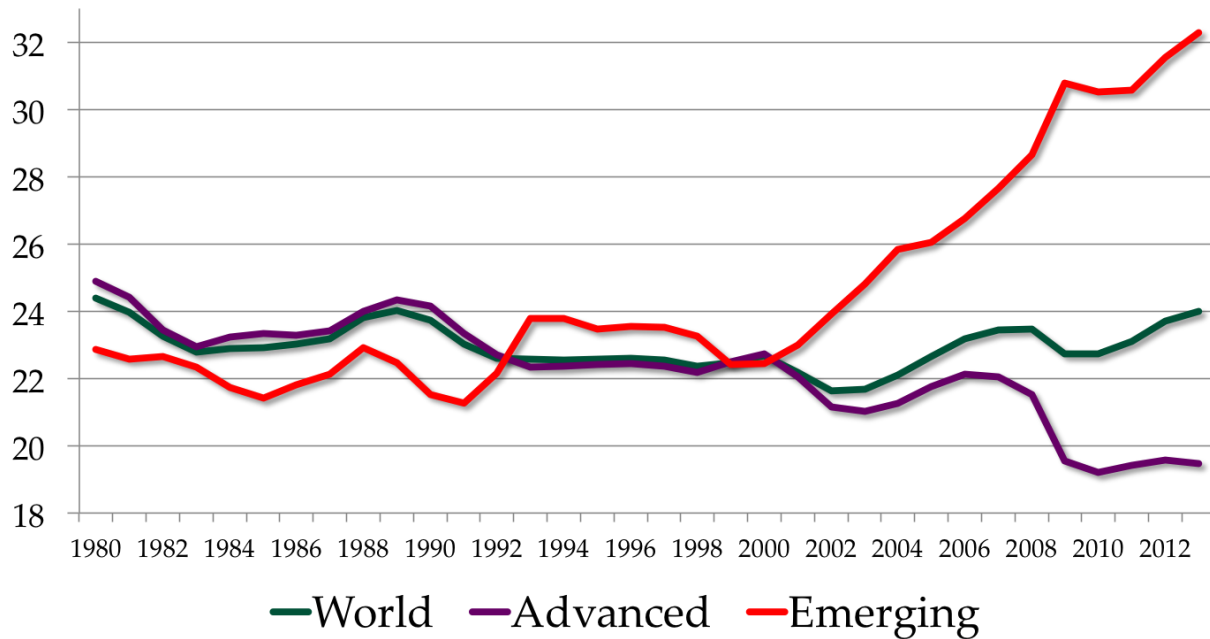


The above chart makes it clear that the international trade has witnessed an increase in the recent past and the same is expected in the upcoming time. The corresponding increase in the international trade is mainly because of the cross border activities by the multinational firms. It is not just the result of the market forces but the governmental support is also there to fuel the growth engines. As shown in the chart, 100 is the base at year 1980 and the same is expected to reach above 750. This shows that there has been an increase of 7.5 times in the international growth since 1980. Between these periods, the governments across world have liberalized their economic system and the related entry barriers. The governments across continents have felt the need of opening up their economies to bring more and more investment to fuel to their growth engines. Every country needed capital formation, to meet this end the governments who had the surplus invested in the promising economies while the deficit economies got the investment from these countries. All this has led to the increase in the increased cross border business activities by the multinational firms.

### CROSS BORDER INVESTMENT TRENDS

Any investment plan is dependent on the saving patterns of any country. In addition to this, the investing criteria and norms also hold place when there is foreign investment is concerned. The cross border investment drives are purely dependent upon the investment policies of a particular country. In the last decade, the cross border investment has been the subject matter of the governments' attention. Taking the developmental agendas on record, the governments particularly that of developing countries has accorded their support to the investing by the foreign investors. The money was needed to take the developmental agenda forward by the developing nations. For attracting more and more foreign investment, the governments had to relax their investing norms. This was followed by the liberalization of the economies to bring more and more transparency within the economies in order to attract the investment from outside the country. The increased allocation for investment is depicted herein below clarifying the trends in the investment arena:-

## Investment Rates (as % of GDP)



The above graph has shown the trend of investment allocation in the developed as well as developing countries. The developing countries are the emerging economies promising to be the profitable places for making investment. The governments of the emerging economies have already felt the need of opening their economies for the foreign investment. The figure shows that the pace of converting the investment more in the developing countries than that in case of developed countries. It is the orientation of the governments which has enabled the investment spree over the developing countries.

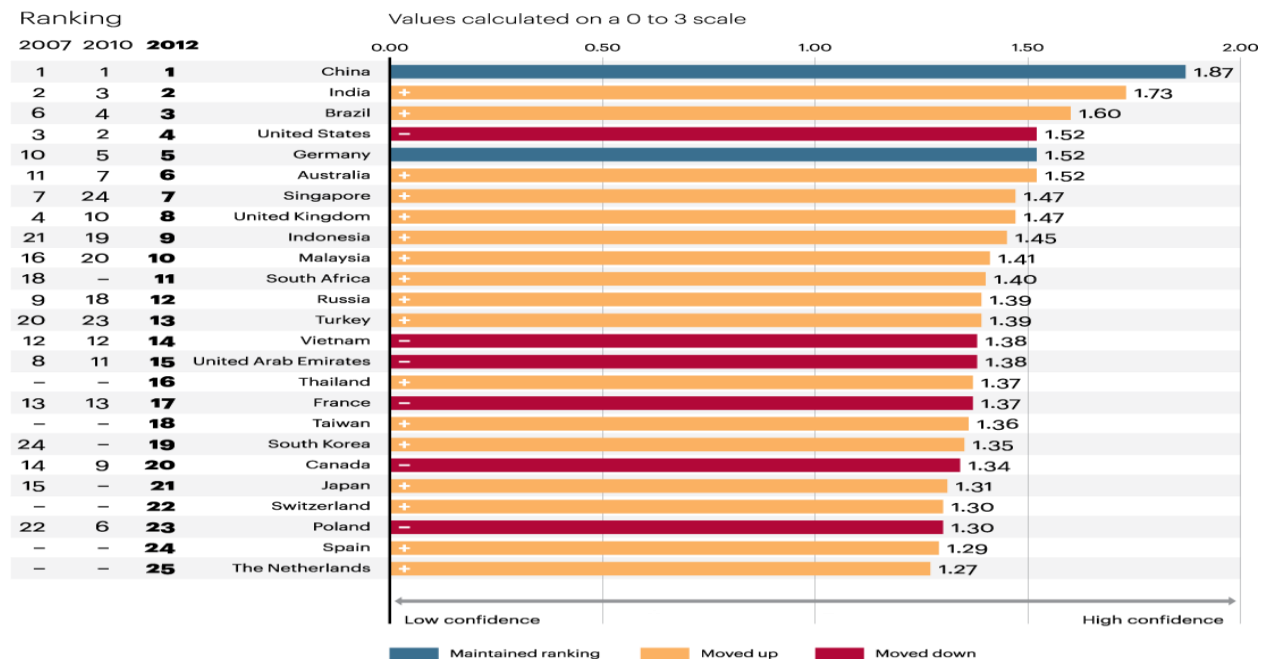
mechanisms are the other characteristics of these open economies. It is the governmental support only which has made these countries the investment hubs of the world.

Following figure shows the level of investors' confidence in the emerging economies. The increased investors' confidence can only be attributed to the eased industrial policy and framework.

### **GOVERNMENTAL LIBERALIZATION POLICIES AS INPUTS TO THE CROSS BORDER BUSINESS ACTIVITIES**

The real incentive for going in the overseas markets is the governmental support whether fiscal or by way of policy relaxation. The leading and emerging countries have progressive governments which have made their economies favorite place to park the money by the foreign investors. The policy instruments in these countries are the most liberalized. The transparent industrial policies and easy entry

Figure  
2012 FDI Confidence Index®



Source: A.T. Kearney Foreign Direct Investment Confidence Index®, 2012

The figure has suggested the names of the countries wherein the FDI policy related instruments in the hands of the governments are used as promotion to the increased foreign investment inflows. All the countries named in the figure are known for their aggressiveness for making their economies open and transparent in order to be the investor friendly jurisdictions.

## CONCLUSION

As discussed in the paper, it can easily be summarized that the governmental support and control do directly affect the cross border investment activities. The relaxed entry barriers notified by the governments have paved the way to attract more and more foreign investment from across the world. The recent trend is justified by the policy re-framing by all the leading and emerging countries. The customs and fiscal controls have been made minimal and business-friendly. The relaxed and openness in the governmental control had led to the increase in the cross border business and investment related activities.

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