

Chapter 4

Global Analysis

- Section 4.1 International Trade
- Section 4.2 The Global Marketplace



SỰ LỰA CHỌN CỦA THẾ

International Trade

Key Terms

international trade

imports

exports

balance of trade

free trade

tariff

quota

embargo

protectionism

World Trade Organization (WTO)

North American Free Trade Agreement (NAFTA)

European Union (EU)

Objectives

- Explain the interdependence of nations
- Explain the nature of international trade
- Discuss the balance of trade
- List three types of trade barriers
- List three significant trade agreements and alliances that foster worldwide free trade

International Trade

Graphic Organizer

On a chart like this one, organize the key concepts related to international trade.

International Trade		
Balance of Trade	Trade Barriers	Trade Agreements
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Nature of International Trade

imports



Goods and services purchased from other countries.

exports



Goods and services sold to other countries.

International trade is the exchange of goods and services between nations.

Imports ◀ are goods and services purchased from other countries.

Exports ◀ are goods and services sold to other countries.

Interdependence of Nations

Economic interdependence happens when countries must rely on each other's help to produce all the goods they need to survive.

Interdependence of Nations

Different countries can produce specific goods such as:

- U.S. and Canada: Agriculture
- Saudi Arabia and Russia: Oil
- India and Japan: Computer Science and Technology

Absolute Advantage and Comparative Advantage

There are two types of advantages in international trade:

- Absolute
- Comparative

Absolute Advantage and Comparative Advantage

Absolute advantage occurs when a country has natural resources or talents that allow it to produce an item at the lowest cost possible. China has an absolute advantage in the production of silk.

Benefits of International Trade

Consumers benefit with high-quality goods at lower prices.

Producers improve profits by expanding their operations.

Workers benefit with higher employment rates.

Nations benefit because foreign investment improves the standard of living.

Government Involvement in International Trade


All nations control and monitor their trade with foreign businesses. In the U.S., the customs division of the Treasury Department monitors all imports.

Balance of Trade

balance of trade



The difference in value between a nation's exports and its imports.

The difference in value between a nation's exports and imports is called its **balance of trade** . A positive balance happens when a nation exports more than it imports. A negative balance results when a nation imports more than it exports.

Balance of Trade


A negative balance of trade reduces a nation's revenue. When more money leaves a country than comes in, the country is in debt.

Unemployment is one negative result of a large trade deficit.

Trade Barriers

free trade

Commercial exchange between nations that is conducted on free market principles, without tariffs, import quotas, or other restrictive regulations.

Many countries favor and practice **free trade** , or trade that is done purely on free market principles, without restrictive regulations.

Other nations impose restrictions such as:

- Tariffs and quotas
- Embargoes

Trade Barriers

tariff



A tax on imports; also known as a duty.

A **tariff** is a tax on imports. Tariffs come in two different types:

- Revenue-producing: a source of federal income
- Protective: raises the price of imports to encourage consumers to buy locally made goods.

Trade Barriers

quota

A limit on either the quantity or monetary value of a product that may be imported.

An import **quota** ◀ limits either the quantity or the monetary value of a product that may be imported. These help local business compete with foreign companies.

Trade Barriers

embargo



A total ban on specific goods coming into and leaving a country.

An **embargo** is a total ban on specific goods coming into and leaving a country. An embargo can be imposed for different reasons:

- Poisoned or defective goods
- Political reasons

Trade Barriers

protectionism

A government's establishment of economic policies that restrict imports to protect domestic industries.

Protectionism ◀ is a government's establishment of economic policies that systematically restrict imports in order to protect domestic industries. It is the opposite of free trade.

Trade Agreements and Alliances

Governments make agreements with each other to establish guidelines for international trade and to set up trade alliances.

Trade Agreements and Alliances

World Trade Organization (WTO)

A global coalition of more than 140 governments that makes rules governing international trade.

The **World Trade Organization (WTO)**  was formed in 1995 and is designed to:

- Open markets and promote global free trade
- Reduce tariffs and standardize trade rules
- Study important trade issues
- Evaluate the health of the world economy

Trade Agreements and Alliances

North American Free Trade Agreement (NAFTA)



An international trade agreement among the United States, Canada, and Mexico.

The **North American Free Trade Agreement (NAFTA)** is an international trade agreement among the United States, Canada, and Mexico. Founded on January 1, 1994, its goal is to get rid of all trade barriers between the countries by 2009.

Trade Agreements and Alliances

European Union (EU)

European trading bloc.

The **European Union (EU)** ◀ is Europe's trading bloc. It was established to:

- Establish free trade among its member nations
- Create a single European currency
- Maintain competitive practices
- Maintain environmental and safety standards

Trade Agreements and Alliances



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SECTION 4.1 REVIEW

SECTION 4.1 REVIEW

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The Global Marketplace

Key Terms

licensing

contract
manufacturing

joint venture

foreign direct
investment
(FDI)

multinationals

mini-nationals

globalization

adaptation

customization

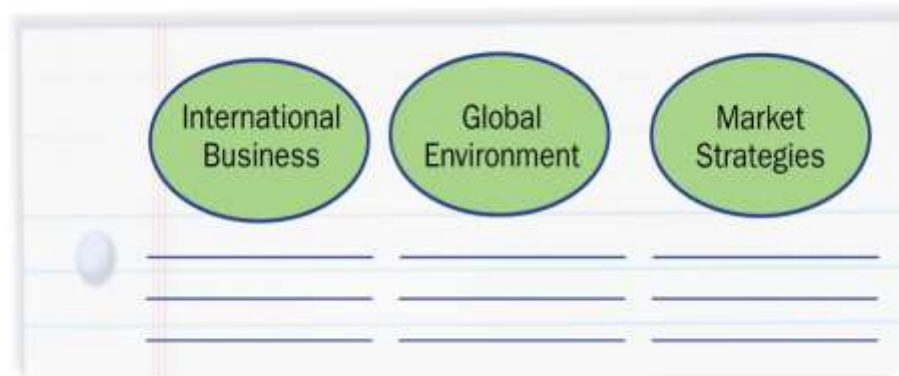
Objectives

- List forms of international trade
- Identify political, economic, socio-cultural, and technological factors that affect international business
- Suggest global marketing strategies

The Global Marketplace

Graphic Organizer

Create a chart like this one to list factors that affect international business.



Doing Business Internationally

Getting involved in international trade can mean:

- Importing and exporting
- Licensing and contract manufacturing
- Joint ventures and foreign direct investment

Importing

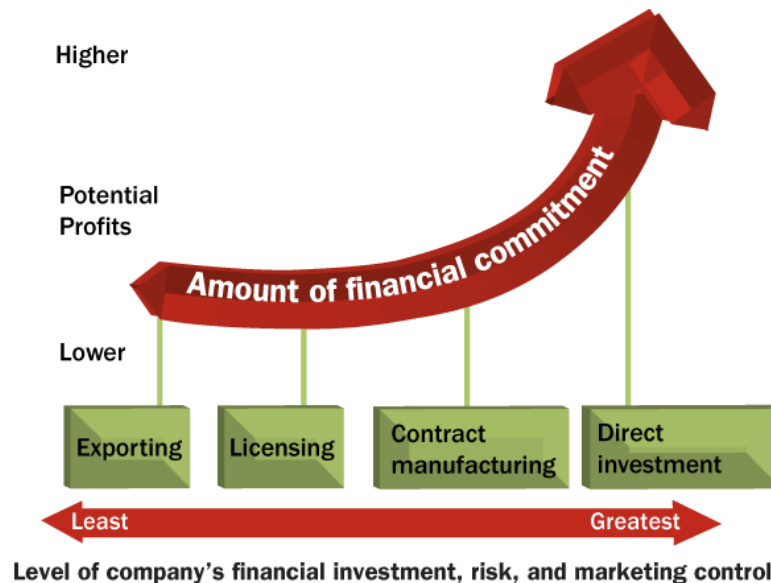
Importing involves purchasing goods from another country. The products must meet the same standards as domestic products.

Most U.S. businesses hire customs brokers to adhere to import laws and procedures.



Exporting

A domestic company entering the global marketplace might consider exporting. These companies can get help from the U.S. government in their trade.



Licensing

licensing



The process of letting another company (licensee) use a trademark, patent, special formula, company name, or some other intellectual property for a fee or royalty.

Licensing involves letting another company use one of the following for a fee:

- Trademark or patent
- Special formula
- Company name or intellectual property

Contract Manufacturing

contract manufacturing



The process of hiring a foreign manufacturer to make products according to certain specifications.

joint venture



A business enterprise that different companies set up together; often, the venture involves a domestic company and a foreign company.

Contract manufacturing ◀ involves hiring a foreign manufacturer to make your products, according to your specifications. The finished goods are sold in that country or exported.

A **joint venture** ◀ is a business enterprise that companies set up together.

Contract Manufacturing

foreign direct investment (FDI)

Investments in factories, offices, and other facilities in another country that are used for a business's operations.

A **foreign direct investment (FDI)** ◀ is the establishment of a business in a foreign country. This process can include:

- Setting up a small office in another country
- Constructing manufacturing plants and retail stores abroad

Contract Manufacturing

multinationals

Large corporations that have operations in multiple countries.

mini-nationals

Midsize or smaller companies that have operations in multiple countries.

Multinationals ◀ are large corporations that have operations in several countries.

Mini-nationals ◀ are mid-size or smaller companies that have operations in foreign countries.

Global Environmental Scan

A global environmental scan includes analysis of:

- Political factors
- Economic factors
- Socio-cultural differences
- Technological levels

This scan's acronym is PEST.

Political Factors

Political factors include:

- A government's stability
- Its trade regulations and agreements
- Any other laws that impact a company's operation

Political Factors

Political uprisings can endanger a business's well-being. Companies must be aware of local trading laws to avoid complications. For example:

- Chile has strengthened its standards for the protection of intellectual property rights.
- Toys cannot be advertised in Greece.

Economic Factors

Key economic factors relevant to doing business in another country include:

- Infrastructure
- Labor force
- Employee benefits

Economic Factors

- Taxes
- Standard of living
- Foreign exchange rate

Socio-cultural Factors

Marketers need to conduct a cross-cultural analysis in order to understand:

- Languages and symbols
- Holidays and religious observances
- Social and business etiquette

Technological Factors

Studying a country's technology means taking into consideration even the most basic factors such as:

- Measurement systems
- Electric voltage standards

Global Marketing Strategies

The possibilities for marketing strategies that involve product and promotion decisions range from globalization to customization.

Globalization

globalization

The process of selling the same product and using the same promotion methods in all countries.

Globalization ◀ is selling the same product and using the same promotion methods in all countries. Examples would be:

- Coca-Cola
- Nike

Adaptation

adaptation

Changing an existing product and/or promotion to better suit the characteristics of a targeted country or region.

Adaptation ◀ is a company's use of an existing product/promotion to which changes are made to better suit the characteristics of a country.

- Products and promotions can be changed to better fit languages or cultural boundaries.

Customization

customization



The process of creating products or promotions for certain countries or regions.

Customization ◀ involves creating products or promotions for certain countries or regions.

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SECTION 4.2 REVIEW

SECTION 4.2 REVIEW

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FOCUS on KEY POINTS

Section 4.1

- International trade is necessary because of the interdependence of nations.
- Governments are involved in international trade through monitoring trade between countries and establishing trade regulations.

continued

FOCUS on KEY POINTS

Section 4.1

- Three types of trade barriers are tariffs, quotas, and embargoes.
- Three significant trade agreements and alliances are the World Trade Organization (WTO), the North American Free Trade Agreement (NAFTA), and the European Union (EU).

continued

FOCUS on KEY POINTS

Section 4.2

- Businesses can get involved in international trade through importing, exporting, licensing, contract manufacturing, joint ventures, and foreign direct investments.

FOCUS on KEY POINTS

Section 4.2

- A global environmental scan analyzes political, economic, socio-cultural, and technological factors.
- Global marketing strategy options include globalization, adaptations of product and/or promotion, and customization.



This chapter has helped prepare you to meet the following DECA performance indicators:

- Discuss the impact of cultural and social environments on world trade.
- Describe the impact of e-commerce on international trade.
- Prepare written reports.
- Make oral presentations.



CHAPTER 4 REVIEW

CHAPTER 4 REVIEW

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