

## Unit 1: Introduction to International Business

1. International business – all business activities needed to create, ship, and sell goods and services across national borders
  - a. Also called global business, international trade, foreign trade
  - b. Know the meaning of this quote: “There is no longer any such thing as a purely national economy. The rest of the world is just too big to ignore, either as a market or as a competitor”
2. Globalization
  - a. Increasing integration of the world economy
  - b. Information technology/internet has driven the expansion of globalization farther, faster and cheaper.
3. Global Dependence – countries need each other for trade and economic well being. The stock markets around the world dropped when
4. Exports and imports are the basic components of International Business
  - a. Exports are the goods and services that people in one country sell to people in another country
  - b. Imports are the goods and services people in one country buy from people in another country
  - c. Trade surplus – when a country exports more than it imports
  - d. Trade deficit –when a country imports more than it exports
  - e. Calculate trade deficit or surplus
  - f. Domestic Company – conducts business in only 1 country;
  - g. International company – conducts business across national borders (in many countries)
5. What are the major US imports and exports? Who are our major trading partners?
  - a.
6. The benefits of international Trade:
  - a. Consumers have more choice of goods and services
  - b. Source of raw materials, parts
  - c. Source of less expensive labor, specialized labor
  - d. New market to sell goods and services, new investment opportunities
  - e. Provide increased growth and profits to domestic companies when the home economy is weak (a reason the US stock market has been strong over the past 2 years in spite of a sluggish US economy)
  - f. Improved political relations – IB i improves communications, understanding, respect, interdependence
7. Disadvantages of international trade:
  - a. Domestic workers may lose their jobs to cheaper foreign workers
  - b. Domestic companies may be hurt because they are not be able to compete with lower cost foreign companies
  - c. Inferior products may cause harm to consumers (lead in paint and defective toys)
  - d. Domestic companies may avoid paying US taxes on profits made overseas
8. Why US Companies aren't so American anymore

- a. 40% of the profits for firms listed in the S&P500 come from overseas
  - b. Industries which engage extensively in IB
    - i. Oil companies – go to where the oil is and sell locally
    - ii. Computer chip and processors – used by foreign companies that make computers
    - iii. American car companies – still strong demand for US cars overseas
    - iv. Companies that do construction and infrastructure
  - c. Industries which don't:
    - i. Healthcare – heavily regulated and dominated by government here and abroad
    - ii. Banking – consumer loans, accounts, credit cards remain a domestic business
9. Be able to interpret statistics from a chart/graph about trading partners, imports/exports etc.
10. Geographical proximity of countries Why is it important to know where countries are located when conducting IB
- a. Shipping, travel logistics
  - b. Climate
  - c. Time difference
  - d. Trade alliances, easy to trade with neighbors
11. Absolute, Comparative Advantage – International trade allows countries to specialize so they can produce the things they do best or give up the least to make. Everyone wins when this happens. (LeBron James and his neighbor Scotty)
- a. Absolute advantage – the ability to produce good or service using fewer resources another producer or
  - b. Opportunity Cost – the next best alternative that must be given up to obtain something else ( what you must give up when have to choose between alternatives)
  - c. Comparative advantage – the ability to produce a good or service at a lower opportunity cost than another person
  - d. Law of comparative advantage – the individual, company, or country with the lowest opportunity cost of producing a good should specialize in that good
12. Review your country research and some of the data that you gathered for your country. You don't have to memorize specific data but you should be able to use of these statistics when analyzing a country as a possible market for IB. (GDP, DGP growth rate, percent of population living below poverty line, etc.).
13. The Wall Street Journal. How is the paper organized? In what sections can you find international news?