

NINTH EDITION



Learning Objectives (1 of 2)

Explain why nations trade' and describe how international trade is measured.

Discuss the nature of conflicts in global business' including free trade and government interventions in international trade.

Identify the major organizations that facilitate international trade and the major trading blocs around the world.

Discuss the importance of understanding cultural and legal differences in the global business environment.

Define the major forms of international business activity.

Discuss the strategic choices that must be considered before entering international markets.

Describe the current state of AI-assisted translation and its value to international businesses.

Why Nations Trade (1 of 2)

- **Economic globalization**
 - The increasing integration and interdependence of national economies around the world
- **Economies of scale**
 - Savings from buying parts and materials' manufacturing' or marketing in large quantities

Focusing on relative strengths

Expanding markets

Pursuing economies of scale

Acquiring materials' goods' and services

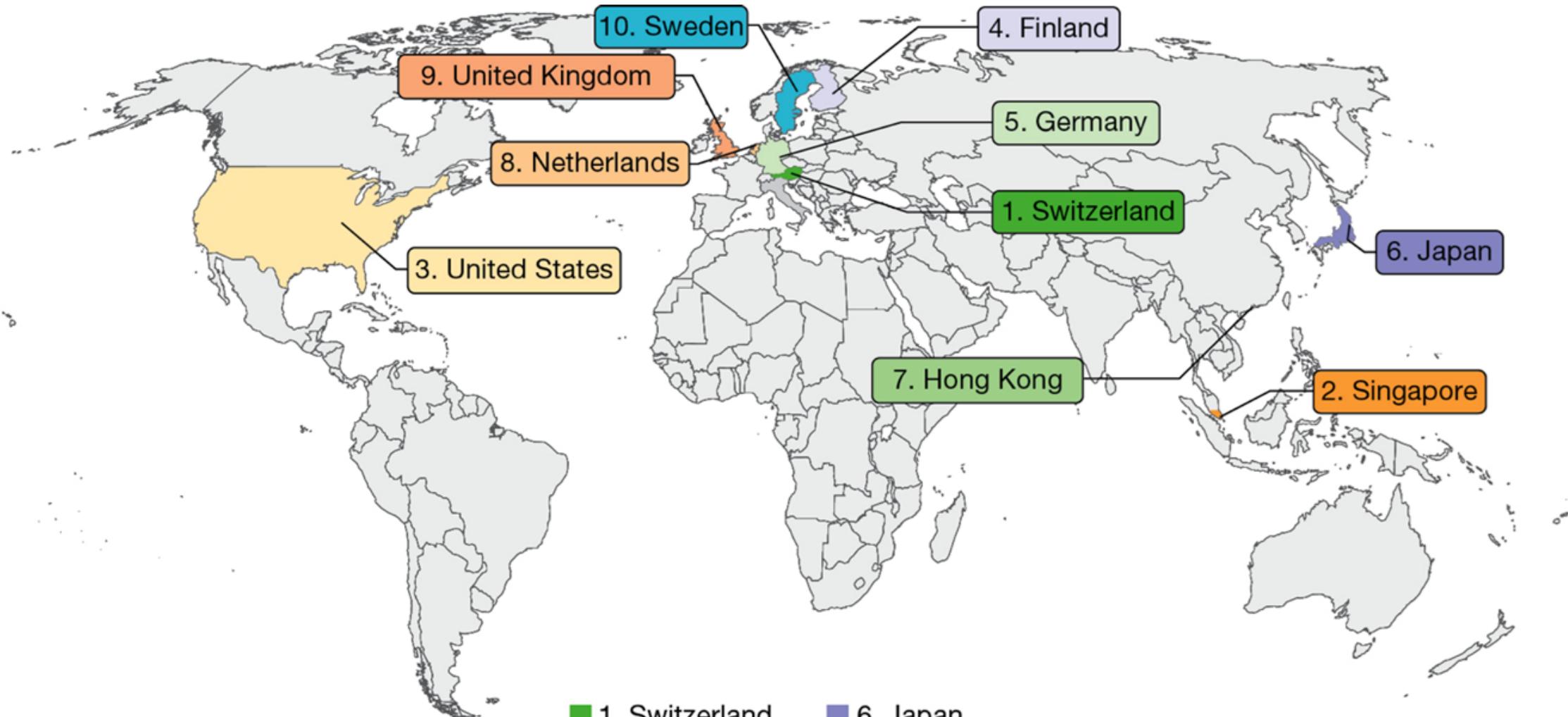
Keeping up with customers

Keeping up with competitors

How International Trade is Measured

- **Balance of trade**
 - Total value of the products a nation exports minus the total value of the products it imports' over some period of time.
- **Trade deficit**
 - An unfavorable trade balance is created when a country imports more than it exports
- **Balance of payments**
 - The sum of all payments a country receives from other countries minus the sum of all payments it makes to the other countries' over some specified period of time

Exhibit 3.1 The World's Most Competitive Economies



- | | |
|------------------|-------------------|
| 1. Switzerland | 6. Japan |
| 2. Singapore | 7. Hong Kong |
| 3. United States | 8. Netherlands |
| 4. Finland | 9. United Kingdom |
| 5. Germany | 10. Sweden |

Foreign Exchange Rates and Currency Valuations

- Exchange rate
 - The rate at which the money of one country is traded for the money of another

Exhibit 3.2 Strong and Weak Currencies: Who Gains, Who Loses?



Free Trade

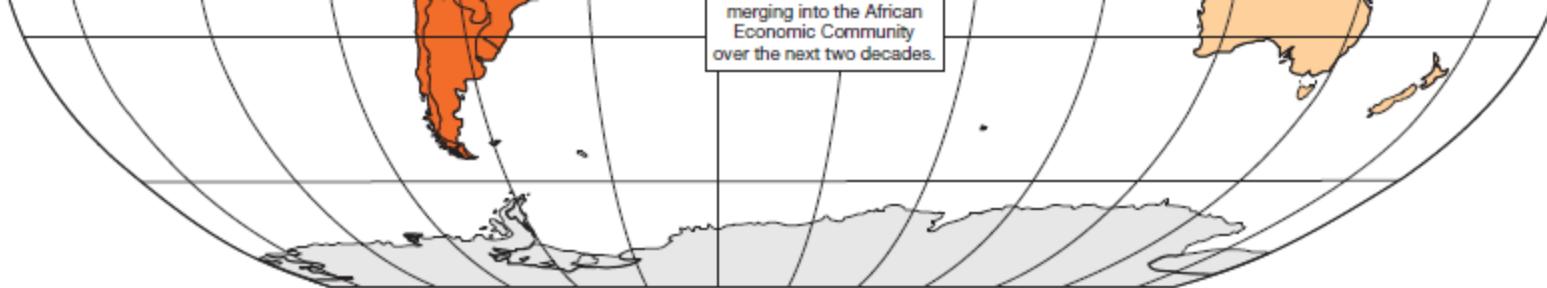
- **Free trade**
 - International trade unencumbered by restrictive measures
- Supporters of free trade generally acknowledge that it produces winners and losers but that the winners gain more than the losers lose' so the net effect is positive

- Government policies aimed at shielding a country's industries from foreign competition
- **Tariffs**
 - Taxes levied on imports
- **Import quotas**
 - Limits placed on the quantity of imports a nation will allow for a specific product
- **Embargo**
 - A total ban on trade with a particular nation .a sanction. or of a particular product
- **Export subsidies**
 - A form of financial assistance in which producers receive enough money from the government to allow them to lower their prices in order to compete more effectively in the global market
- **Dumping**

International Trade Organizations (1 of 3)

- **World Trade Organization .W T O.**
 - Permanent forum for negotiating' implementing' and monitoring international trade procedures' and for mediating trade disputes among the150 member countries
- **International Monetary Fund .I M F.**
 - Formed to monitor global financial developments' provide technical advice and training' provide short.term loans to countries that are unable to meet their financial obligations' and work to alleviate poverty in developing economies
 - Founded to finance reconstruction after World War
 - and is now involved in hundreds of projects around the world aimed at addressing poverty' health' education' and other concerns in developing countries
 - Is a United Nations agency owned by its 187 member nations

- Organizations of nations that remove trade barriers among their member countries and establish uniform barriers to trade with nonmember nations
- **North American Free Trade Agreement .N A F T A.**
 - Formed by the United States' Canada' and Mexico to pave the way for the free flow of goods' services' and capital within the bloc through the phased elimination of tariffs and quotas
- **European Union .E U.**
 - Constitutes more than two dozen countries and a half billion people
 - Now accounts for the world's largest economy
- EU nations have eliminated hundreds of local regulations' variations in product standards' and protectionist measures that once limited trade among member countries
- Asia-Pacific Economic Cooperation APEC
 - An organization of 21 countries working to liberalize trade in the Pacific Rim



European Union (EU)	North American Free Trade Agreement (NAFTA)	Association of Southeast Asian Nations (ASEAN)	Union of South American Nations (UNASUR)	Asia-Pacific Economic Cooperation (APEC)	Greater Arab Free Trade Area (GAFTA)
Austria	Canada	Brunei Darussalam	Argentina	Australia	Algeria
Belgium	Mexico	Cambodia	Bolivia	Brunei Darussalam	Bahrain
Bulgaria	United States	Indonesia	Brazil	Canada	Egypt
Croatia		Laos	Chile	Chile	Iraq
Cyprus		Malaysia	Colombia	China	Jordan
Czech Republic		Myanmar	Ecuador	Hong Kong	Kuwait
Denmark		Philippines	Guyana	Indonesia	Lebanon
Estonia		Singapore	Paraguay	Japan	Libya
Finland		Thailand	Peru	Republic of Korea	Morocco
France		Vietnam	Suriname	Malaysia	Oman
Germany			Uruguay	Mexico	Palestine
Greece			Venezuela	New Zealand	Qatar
Hungary				Papua New Guinea	Saudi Arabia
Ireland				Peru	Sudan
Italy				Philippines	Syria
Latvia				Russia	Tunisia
Lithuania				Singapore	United Arab Emirates
Luxembourg				Chinese Taipei	Yemen
Malta				Thailand	
Netherlands				United States	

The Global Business Environment (1 of 3)

- **Culture**
 - A shared system of symbols' beliefs' attitudes' values' expectations' and norms for behavior
- **Stereotyping**
 - Assigning a wide range of generalized attributes' which are often superficial or even false' to an individual based on his or her membership to a particular culture or social group
- **Ethnocentrism**
 - Judging all other groups according to the standards' behaviors' and customs of one's own group
- **Cultural pluralism**
 - The practice of accepting multiple cultures on their own terms

Exhibit 3.4 Checklist for Doing Business Abroad (1 of 3)

Legal Differences in the Global Business Environment

- **Tax haven**
 - A country whose favorable banking laws and low tax rates give companies the opportunity to shield some of their income from higher tax rates in their home countries or other countries where they do business

Exhibit 3.5 Forms of International Business Activity

Importing and exporting

Buying and selling goods and services across national borders, without establishing a physical or legal business presence in other countries

International licensing

Licensing intellectual property such as a design patent to a company in another country, which then produces the product and sells it locally

International franchising

Selling the rights to use an entire business system, such as a fast-food restaurant, including the brand name and internal processes

International strategic alliances and joint ventures

Forming a long-term business partnership with a local company in a new market or creating a new company with a local partner

Foreign direct investment

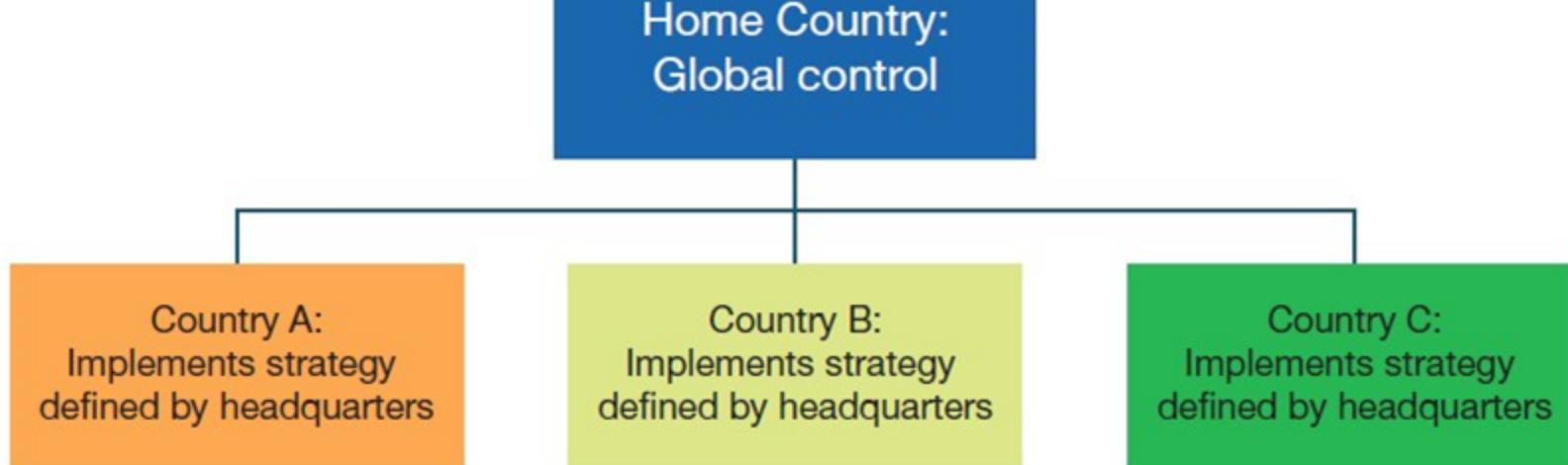
Buying an established company or launching a new company in another country

Forms of International Business Activity (1 of 3)

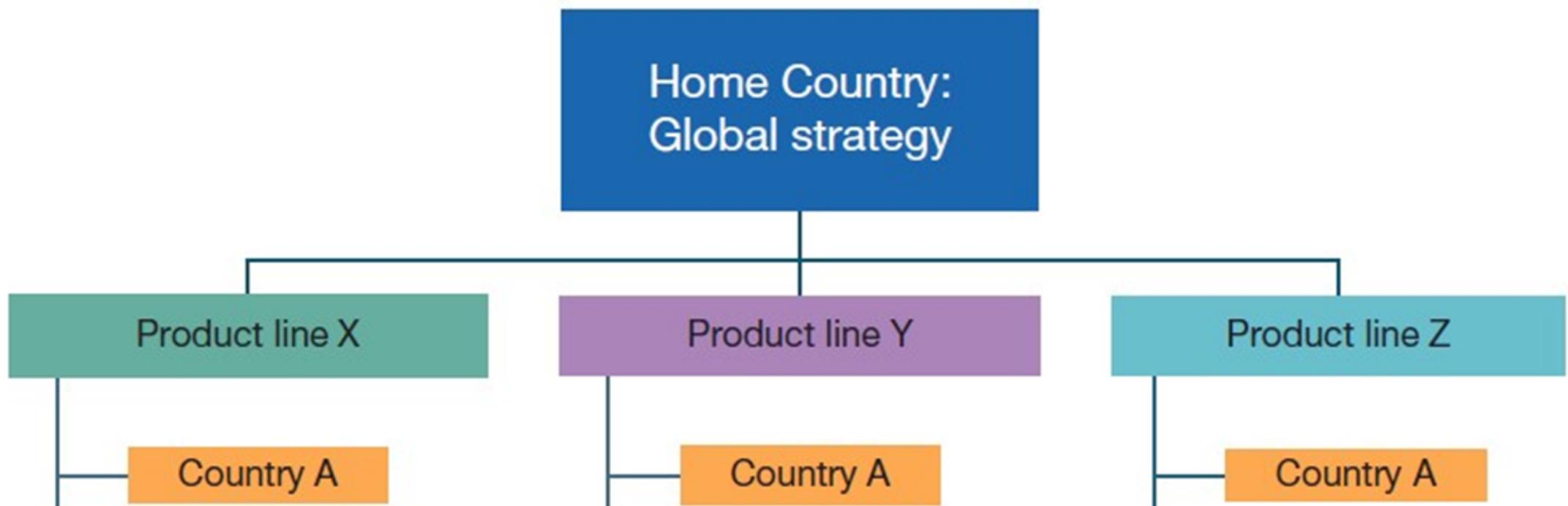
- **Importing**
 - Purchasing goods or services from another country and bringing them into one's own country
- **Exporting**
 - Selling and shipping goods or services to another country
- **Licensing**
 - Agreement to produce and market another company's product in exchange for a royalty or fee
- **Foreign Direct Investment (FDI)**
 - Investment of money by foreign companies in domestic business enterprises
- **Multinational Corporations (MNC)**
 - Companies with operations in more than one country

Strategic Approaches to International Markets (1 of 2)

- **Multidomestic strategy**
 - A decentralized approach to international expansion in which a company creates highly independent operating units in each new country
- **Global strategy**
 - A highly centralized approach to international expansion' with headquarters in the home country making all major decisions
- **Transnational strategy**
 - A hybrid approach that attempts to reap the benefits of international scale while being responsive to local market dynamics



Global: Centralized control and single approach' applied as uniformly as possible around the world

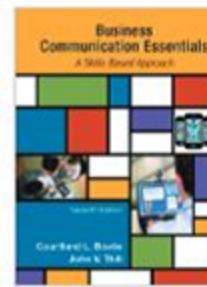


AI-Assisted Translation

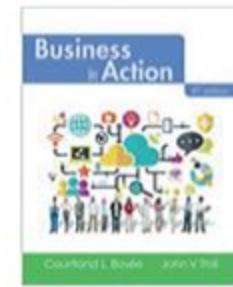
- **Text translation**
 - Translates written text' text within images' and spoken language' includes translation features of web browsers and mobile apps
- **Real.time voice translation**
 - Requires multiple levels of technology including speech recognition' synthesis' natural language processing' and natural language generation



Business Communication Essentials



Business In Action



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Applying What You've Learned (1 of 2)

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