Chapter 1

Trade: an exchange

Business: the manufacturing, sale of goods, and service to satisfy the needs and wants of the consumers.

Transaction: an exchange of something value

Domestic business: a business that makes most of its transaction within the borders of the country in which it is based

- A domestic business in Canada is
    - Owe by Canadians
    - Relies on Canadian product and services
    - Sells products and services to Canada

International business: transactions that are conducted between businesses located in different countries. businesses

Domestic transaction: transactions that are made between Canadian companies

International transaction: transactions that involve a Canadian company and a non-Canadian company.

Domestic market: the production, distribution, sale of goods and services in an internal market of a single country

International market: any market that has its business organization outside the home country

- Five ways for a business to be considered an international business
        - Own a retail outlet in another country
        - Own a manufacturing factory
        - Export & import to business
        - Investment in business

Trading partner: when a business in Canada develops a relationship with business in another country, that country becomes a trading partner with Canada.

History of Canadian Trade:

- In 1600, France and England explorers landed in Canada and traded with First Nations people for fur and food. This led to the establishment of outposts, such as Hudson's Bay Company.
- **European Trade:**
    - In 1700, trade grew quickly after the permanent settlements were established in Canada.
    - The Seven Years War increased Canada's dependence on England for manufacturing.
    - Major cities were established near ports to import and export
- **Trade with the US:**
    - Canada supplies raw materials for the US, then the US becomes Canada's largest trading partner
- **Trade with Asia:**
    - Canada traded with Japan after WWII, who had high-quality electronics and automobiles.
    - China becomes the trading partner with Canada as their products are inexpensive and popular with North American retailers and customers.
- **Trade with Mexico:**

    - The relationship was developed since NAFTA.
    - Goods made in the US and Mexico enter Canada duty-free.
    - Signed USMCA which has implications for auto sector production. USMCA needs to be ratified before having any effects.
- **Trade with the Middle East:**
    - political instability, war, lack of industrialization has limited trade.
    - Dubai, Egypt, Israel have established trading relationships with Canadian businesses.
- **Trade with India:**
    - major center of outsourcing and manufacturing.
    - India's persistent problems: lack of infrastructure and corruption.
- **Trade with Africa:**
    - rich in primary resources.
    - Business opportunities are limited by unstable governments, lack of infrastructure, rural economics.

Globalization: the process which national or regional economies and cultures have become integrated through

- New global communication technologies
- New forms of transportation
- Foreign investment
- International trade
- migration
- Flow of money

History of globalization:

- After WWII, the UN and the fostering of trade were established
- Economic ties between countries: tax treaties were negotiated, tariffs abolished, global corporations developed

- New technology allows the international business to occur, transforming the globe into one market
- Has increased the independence of all nations, blurring political boundaries

Interdependence: the reliance of two or more nations on each other for products and services

- Three main areas of interdependence
    - **Primary industries:** extraction of natural resources from the earth or sea. Ex: fishing, agricultural, forestry, mining, energy
    - **Secondary industries:** create a finished, usable product. Secondary manufacturing produces capital goods and consumer goods
    - **Tertiary industries**: provide necessary services to consumers and other businesses. Ex: banking, communication, transportation, retail

Branch plant: a plant or factory in Canada belonging to a company whose headquarters are in another country.

International business helps Canadians:

- Variety of products
- Foreign investments
- New markets, more jobs
- New technologies

International business hurts Canadians:

- Loss of culture/ identity
- Increase foreign ownership of companies in Canada
    - Foreign companies are loyal to investors and executives in the home country
    - Exports are reduced since products from branch plant often stay in Canada
    - Profits leave Canada to pay the head office costs
    - Economic destabilization

Chapter 2

Foreign portfolio investment: investment in businesses located outside of Canada through stocks, bonds, and investment

- Allows Canadians to spread out their investments, which is less risky than investing in just on area
- Provides greater choice and opportunity

Global sourcing: the process of a country buying equipment, goods, row materials, or services from around the world

Value added: the amount of worth that is added to a product at each stage of processing. It is the difference between the cost of raw materials and the finished goods.

- Example: forestry-lumber-furniture

Licensing agreement: an agreement that grants permission to a company to use a product, service, brand name, and patent

Exclusive distribution rights: a form of licensing agreement that grants a company the right to be the distributor of a product.

Franchise: an agreement granted to an individual or group by a company to use that company's name, services, products, and marketing

Joint venture: the company's shared ownership is formed by the two businesses

Foreign subsidiary: a branch of a company that is run as an independent entity in a country where the parent company is not located

- The parent company sets financial targets, and allow the subsidiary to manage its one day to day operations.

Tariffs: taxes or duties put on imported products or services.

- Raises the cost of imports, so that locally manufactured products are less expensive and more appealing to consumers

Protectionism: protecting domestic industries from foreign competition, often through trade barriers such as tariffs.

- Were put on Canadian imports of fur by American government

Trade quotas: a government-imposed limit on the amount of product that can be imported

Trade embargo: a government-imposed ban on trade of a specific product or with a specific country

- Represents a complete prohibition of all trade activities between countries

Trade sanction: economic action taken by a country to coerce another to conform to an international agreement

Foreign investment restriction: Insures that all foreign investments are reviewed to determine how they will benefit Canada

- canadian law with the greatest impact is the Investment Canada Act

Standards: countries have different standards for products in areas such as environment protection, voltage, health, and safety

- ISO (International Organization for Regulation): network of standardization groups to set quality regulations

High Canadian Dollar is benefit for: importers, Canadian travellers, major league sports teams in canada

High Canadian Dollar hurts: exporters, Canadian tourism, Canadian retailers

Floating rate: an exchange rate that is not fixed in relation to other currencies

Currency revaluation: the increase in value of a currency because the demand for that currency is higher than the supply

Currency devaluation: the decrease in value of a currency because the demand for that currency is lower than the supply

Factors affecting the exchange rate: economic conditions (inflation rate: unemployment rate: GDP)

- Trading between countries: more favourable of trade, the higher the currency exchange
- Politics: political tension and instability, threat of terrorism decrease the demand for a currency
- Psychological factors: historical significance

Hard currencies: stable currencies, easily to convert to other currencies on the world exchange markets. Such as euro and CAD

Soft currencies: countries with weak, small, fluctuates economy, it is difficult to convert to other currencies. Such as russian ruble

Time zones: communication technology allows international business to operate 24h/ day