

# BBB4M: International Business Fundamentals

Gregory Polstvin

February 7, 2025

# Contents

**Lecture 1: Chapter 1**

## Part I

# Introduction to BBB4M

## 0.1 What is Trade?

**Definition 1 (Business).** The manufacturing and/or sale of goods and/or services to satisfy customer demands.

Trade is the exchange of goods and services between individuals, businesses, or nations. Trade allows for specialization, greater efficiency, and access to a wider variety of goods and services than would be available domestically.

### 0.1.1 Trade Balance

If a country is importing more than it is exporting, it is running a **trade deficit**. If a country is exporting more than it is importing, it is running a **trade surplus**.

A trade deficit is not necessarily bad; it depends on the context. For example, Canada and the United States have a strong trading relationship, and while Canada imports many consumer and industrial goods from the U.S., it also exports significant resources like crude oil. This exchange benefits both economies.

**Definition 2 (Transaction).** An exchange of things of value.

### 0.1.2 Types of Business Transactions

1. **Domestic Business:** Transactions occur within the borders of one country.
2. **International Business:** Transactions occur between businesses in different countries.

**Definition 3 (Domestic Business).** A business that makes most of its transactions within the borders of the country in which it is based.

**Definition 4 (International Business).** The economic system of transactions conducted between businesses located in different countries.

### 0.1.3 Market Definitions

**Definition 5 (Domestic Market).** The customers of a business who live in the country where the business operates.

**Definition 6 (Foreign Market).** The customers of a business who live in a different part of the world where the business operates.

1. Own a retail or distribution outlet in another country
2. Own a manufacturing plant in another country
3. Export goods and services to businesses or consumers in another country
4. Import goods and services from businesses in another country
5. Invest in businesses located in another country

**Definition 7 (Trading Partner).** When a business in Canada develops a relationship with a business in another country, that country becomes a trading partner with Canada.

It is important to note that international trade occurs between businesses, not entire countries.

#### 0.1.4 Canada's Trade Dependence on the U.S.

Canada has a strong economic relationship with the United States. As of now (Feb. 2025), approximately 75% of Canadian exports go to the U.S. This close trade relationship makes Canada highly dependent on American economic policies and market conditions.

If tariffs or trade restrictions were imposed, it could have significant economic consequences for businesses and consumers on both sides.

## Lecture 2: Chapter 1

### 0.2 TODO: Chapter 1

- Go through and complete review package.
  - Notes:
    - \* Collect and organize all of your notes from the textbook, class slides, and class discussions, and create and commit to Git repo. These notes should cover all of the material that was discussed in Chapter 1.
    - \* Notes should be formatted in a logical, easy-to-follow manner. Include summaries, diagrams, and helpful material.
  - Provide detailed definitions for each term and explain their significance in the context of international trade. Use examples when possible to illustrate the concepts. (**See Classroom Document for Reference.**)
  - Answer the Questions
    - \* Knowledge – 2
    - \* Thinking – 12
    - \* Thinking – 13
    - \* Communication – 20
    - \* Application – 23
- Create Anki deck with key terms (use document on Classroom provided) and upload.

### 0.3 History of Canadian Trade

- Explorers from France and England landed in what is now Canada in the 1600s.
- Traded with the First Nations people, especially the Ojibwe and the Cree, for fur and food, then sent goods back to Europe.
- Success of international business led to the establishment of colonies and outposts in Canada, notably Hudson's Bay Company and North West Company.

#### 0.3.1 (Past?) Trade with Europe

- Trade grew quickly after permanent settlements were established in Canada in the 1700s.
- Demand for raw materials (beaver pelt, fish, lumber) grew in Europe, where manufacturing took place.

- England defeated France in the Seven Years' War, which led to Canada's reliance on England for finished goods.
- Many major cities were established near ports to facilitate trade (Toronto, Montreal, etc.).

### **0.3.2 Trade with the United States**

- The US declared independence from the UK in the late 1700s.
- It needed to become self-reliant.
- The invention of the steam engine and the cotton gin helped the rapid growth of American industry.
- Canada supplied raw materials that were needed in the US.
- The US became Canada's largest trading partner, which holds true to this day.

### **0.3.3 Trade with Asia**

- Canada began trading with Japan after WWII.
- Japan became known for high-quality electronics and cars.
- China has more recently become a trading partner.
- Chinese-made products are inexpensive and popular with North American retailers.

(add bit on here from slide deck)

### **0.3.4 Trade with Mexico**

- Developed since signing NAFTA in 1993.
- NAFTA has since been replaced with CUSMA, an agreement that aims to improve trade relations and economic co-operation among the three countries by setting rules for things like tariffs, IP rights, labor laws, and environmental standards.
- Mexico has since become one of Canada's top 5 trading partners.

### **0.3.5 Trade with Emerging Markets**

#### **Trade with the Middle East**

- Has traditionally centred on oil, but this commodity is not sustainable.
- Political instability has limited trade at times.
- Saudi Arabia remains Canada's largest trading partner in the Middle East.
- Oil and gas, machinery, and defence lead the way.

#### **Trade with India**

- Population of almost 1.5 billion people.
- 66% of the population are below the age of 35.
- It has become a major centre of outsourcing and manufacturing.
- A lack of infrastructure and widespread corruption are persistent.
- Indian companies are aggressively expanding into international markets.

#### **Trade with Africa**

- African imports to Canada are very low.
- Business opportunities at time are limited by unstable governments, lack of infrastructure, and rural economies.
- Rich in primary resources (metals, lumber, etc.)
- Some countries, such as South Africa and Nigeria, are beginning to emerge as Canada's major trading partners.



## Lecture 3: Chapter 1

**Definition 8 (Globalization).** The process whereby national or regional economies and cultures have become integrated through:

- New global communication technologies.
- Foreign direct investment.
- International trade.
- Migration.
- New forms of transportation.
- Flow of money.

### 0.3.6 History of Globalization (not on test)

- Began after WWII with the establishment of the United Nations and fostering of trade relations between countries.
- Economic ties between countries strengthened – tax treaties were negotiated, tariffs abolished, global corporations developed
- New technology allows international business to occur in real time, transforming the globe into one market.
- Has increased interdependence of all nations, blurring political boundaries

**Definition 9 (Interdependence).** The reliance of two or more nations on each other for products or services.

**Three Main Areas of Interdependence:**

- Primary industries
- Secondary industries
- Tertiary industries

**Definition 10 (Multiplier Effect).** When an entity (such as the government, businesses, or individuals) spends money, it generates income for others, who in turn spend that income, creating a ripple effect through the economy.

