

# GEB 3373 Homework 1

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1. What is international business? How does it differ from domestic business?

- International business is any business conducted between parties in more than one country. This could be importing and exporting goods or expanding the firm's business to a new, overseas market.
- International business differs from domestic business in that in international business, the parties may use different currencies, have different laws regarding business practices, and have different work cultures.

2. Why is it important for you to study international business?

- The book states that although there are many reasons to study international business, they all converge to one major, overarching reason, that "international business is critical to career success in the twenty-first century."

Studying international business is not particularly relevant to my career goals because I want to go into public transportation management. However, just because it isn't super relevant doesn't mean it isn't relevant. Recently, the MBTA began receiving orders of new subway cars from a company in China. Without international business, that deal would never have happened. Outside of my career, I think it is important that in a global economy people understand how international business is conducted and how it affects economies and politics from the local to global scale.

3. What are the basic forms of international business activity?

1. *Exporting and importing*: "Exporting is the selling of products made in one's own country for use or resale in other countries." Importing is similar but instead of sending products outside your country, you're purchasing them from outside the country and bringing them into your country.
2. *International investments*: When capital is supplied by citizens of one country to citizens of another.
3. *International licensing*: "A contractual arrangement in which a firm in one country licenses the use of its intellectual property (patents, trademarks, brand names, copyrights, or trade secrets) to a firm in a second country in return for a royalty payment"
4. *International franchising*: When a firm licenses its brand and operating structure to an overseas company in return for royalties.
5. *International management contracts*: When a firm in one country has an agreement to manage a firm in another country.

4. How do merchandise exports and imports differ from service exports and imports?

- Merchandise imports and exports are durable goods while service exports and imports are services being offered internationally. Service exports and imports could be banking or

accounting services or international call centers.

5. What is portfolio investment?

- A portfolio investment is a purchase of financial assets such as stocks, bonds, or certificates of deposit for reasons other than gaining control of another company.

6. What are the basic reasons for the recent growth of international business activity?

1. Strategic imperatives
2. To leverage core competencies
3. To acquire resources and supplies
4. To seek new markets

● Environmental causes

1. To better compete with rivals
2. Changes in political environments
3. Technological changes