**Chap 6 International Trade Theory -Aaron Linder**

What did you learn from the opening case about India’s drug industry?

Despite India’s drug industry trade boom, the Drug sector has

United States leadership; The various’s processes are put through a

computer and locations are spread about the globe, to maximize stock

profits. The united states government commissions scientific funding

to the universities to research and patent new drugs through university

partnerships to create patents (Indian Patents are respected also), then

the big drug companies pay for the patents and commercially develop

the products in India and China and in the United States. My internship

at Xanofi, Inc. is a brand new startup based on carbon nanofibers, it is

running an international business from here to China and India and

Britain and it takes time to develop.

Is there any relevance to your paper?

Yes there is, the international partnerships are very good at stimulating

business overseas, giving cost effective labor costs, and then increasing

corporate profits through parting out the different phases of drug

development.

Explain the term “free trade”.

Free Trade is tariff-less, opens the borders for travel, allows freight to

travel to places for manufactured products for less labor costs, and

allow corporate profits to create wealth. Free Trade makes the cost of

products decline because the manufacturing cost is lowered. Free

trade allows products to be manufactured cheaper in other countries

through outsourcing.

Discuss the ideas that make up the theory of Comparative Advantage.

“The basic message of the theory of comparative advantage is that

potential world production is greater with unrestricted free trade than

is with restricted trade.”

Explain the theory of Competitive Advantage (Porter’s Diamond). Why

are his 4 attributes important? What 2 factors (not the attributes)

that may affect his diamond?

The four theories of Competative Advantage (Porter’s diamond are);

1. Firm Strategy, Structure, and Rivalry

Firm strategies basic position is to obtain a large market share of

the market (as the marketplace is evaluated by bulk, and then the

particular company is chosen and shown it’s bulk sales as

percentage of market share, the business changes its strategy to

increase its market share over its competitors.

1. Factor Endowments

“Factor endowments lie at the center of the Heckscher-Ohlin

theory. While porter does not propose anything racially new, he

does analyze the characteristics of factors of production. He

recognizes hierchies among factors, distinguishing between basic

factors (e.g., natural location, and demographics) and advanced

factors (e.g. communication infrastructure, sophisticated and

skilled labor, research facilities, and technological know-how).

1. Demand Conditions

Porter emphasizes the role home demand plays in upgrading

competitive advantage. Firms are typically most sensitive to the

needs of their closest customers. Thus, the characteristics of

home demand are particularly important in shaping the attributes

of domestically made products and in creating pressures for

innovation and quality. Porter argues that a nation’s firms gain

competitive advantage if their domestic consumers are

sophisticated and demanding.

1. Related and Supporting Industries

What are the implications to international business of “first mover”,

“location”, and “policy” as discussed in the Implication for Managers

section?

The third broad attritube of national advantage in an industry is the

presence of suppliers or related industries that are internationally

competitive. The benefits of investments in advanced factors of

production by related and supporting industries can spill over into an

industry, thereby helping it achieve a strong competitive position

internationally.

What is meant by the “balance of payments”?

FDI can benefit of FDI to the home (source) country arise from three

sources. First, the home countri’s balance of payments benefits from

the inward flow of foreign earnings. FDI can also benefit the home

country’s balance of payments if the foreign subsidiary creates

demands fro home-country exports of capital equipment, intermediate

goods, complementary products, and the like.