

Competing in the Global Economy

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Chapter 3 - 1

Why Nations Trade

**Scarce
Recourses**

**Limited
Capabilities**

**Global
Ambitions**

**Economies
of Scale**

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Theories of Production and Trading

**Absolute
Advantage**

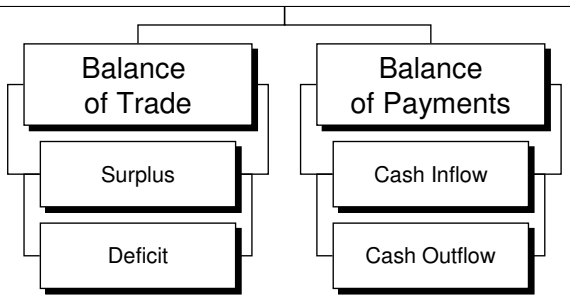
**Comparative
Advantage**

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Measuring International Trade



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US Exports and Imports – Goods (in \$ billions, 2002 data)

	Foods, Feeds and Beverages	Industrial Supplies & Materials (including Petroleum)	Machinery & Transport Equipment (not autos)	Automotive Vehicles, Engines & Parts	Consumer Goods (non-food)	Other Goods
Exports	49,616	156,837	290,496	78,942	84,359	32,854
Imports	49,687	267,681	283,323	203,743	307,854	49,078

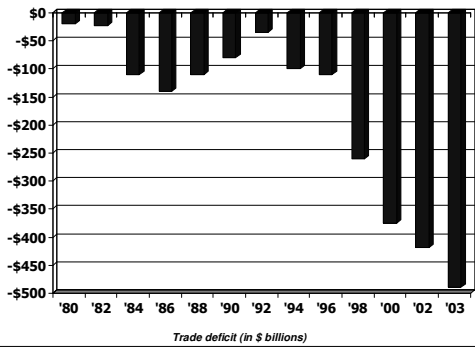
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US Exports and Imports – Services (in \$ billions, 2002 data)

	Travel and Passenger Fares	Other Transport	Royalties and License Fees	Other Private Services	Military, Defense Services	Misc. Government Services
Exports	83,593	29,166	44,142	122,594	11,943	795
Imports	78,013	38,527	19,258	69,436	19,245	2,920

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Trade Deficit on the Rise



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Global Trade Issues



Free Trade

Fair Trade

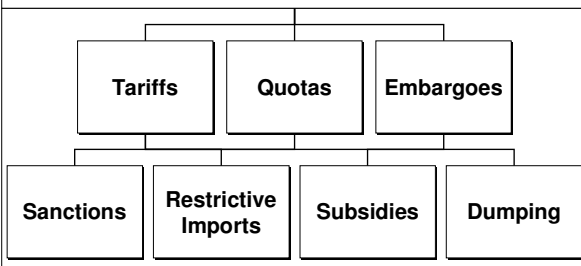
Trade Restrictions

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Protectionism and Trade Restrictions

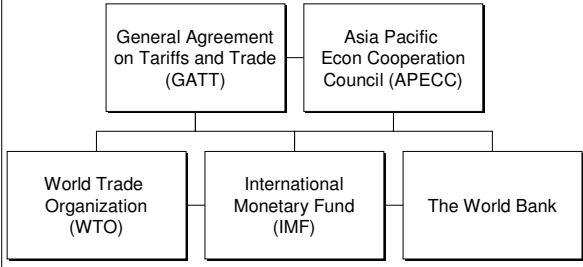


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Promoting Free Trade



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Trading Blocs

Advantages	Disadvantages
<ul style="list-style-type: none"> • Help smaller countries • Promote competition • Widen markets • Foster economic growth 	<ul style="list-style-type: none"> • Economic isolation • Trade restrictions • Decline in world trade • Fewer choices

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The European Union

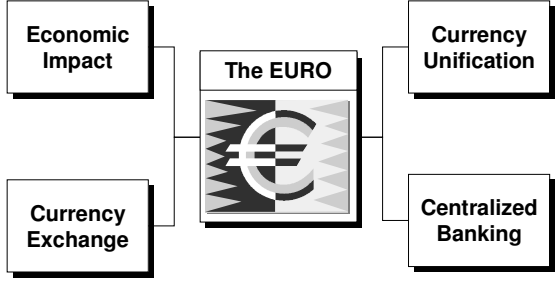
Minimizing	Establishing
Local Regulations	Global Product Standards
Variations in Product Standards	Consumer Protection
Trade Protectionism	Environmental Protection

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The Economic and Monetary Union (EMU)



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Foreign Exchange Rates and Currency Valuations

Floating Rates	
Government Action	
Currency Devaluation	
Fixed Value System	

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The Global Business Environment

Opportunities	Challenges
<ul style="list-style-type: none"> ▪ Growth Potential ▪ Increased Sales ▪ Operating Efficiencies ▪ New Technologies ▪ More Consumer Choices 	<ul style="list-style-type: none"> ▪ Laws and Customs ▪ Consumer Preferences ▪ Ethical Standards ▪ Labor Skills ▪ Politics and Economics

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Cultural Differences In Global Business

- Consider the other person's customs
- Deal with the individual
- Clarify your intent and meaning
- Adapt your style to the other person
- Show respect

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Legal Differences In Global Business

Common Law

Civil Law

Theocratic Law



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International Business Activity

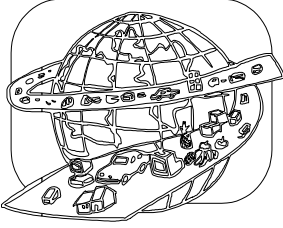
Common Forms	Levels of Commitment		
	Ownership	Financial	Risk
Importing and Exporting	Low	Low	Low
Licensing and Franchising	Low	Low	Low
Strategic Alliances and Joint Ventures	Moderate	Moderate	Moderate
Direct Foreign Investment	High	High	High

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Strategic Approaches to International Markets



- ✓ Products
- ✓ Support
- ✓ Promotion
- ✓ Pricing
- ✓ Staffing

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Impact of Terrorism on Global Business

Government Expenditures

Business Expenditures

Transportation

Banking

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