MGMT1101 SAMPLE NOTES

Week 1: What is International Business?

International Business: any commercial transaction that crosses the borders of 2 or more countries

Types of IB transactions

- *The exchange of values [E.g. Goods, services, capital, technology, ideas, know-how, IP] between the seller and buyer, typically involving intermediaries and currency*
    - *E.g. Import/export, investment, contractual arrangements*

Types of boundaries

- *Legal:*
    - *Regulations, requirements,*
- *Political:*
    - *Legal jurisdiction, influence of supranational organisations E.g. UN, WTO, EU, etc.*
- *Economic:*
- *Cultural:*
- *Psychological*

Domestic vs IB:

- *Within the boundaries or a single nation vs across the boundaries of 2 or more nations*
- *IB is subject to (External environment):*
    - *Potentially different currencies*
    - *Many national difference [I.e. Legal, political, cultural, economic, social, technological]*
    - *"Liability of foreignness"*
        - *Costs of physical and psychic distance, risks of operating in an unfamiliar environment*
    - *Lack of supranational authority*
        - *No single body to set rules, resolve disputes and to enforce agreements*

Chapter 1 - Globalisation

Globalisation is a process of interaction and integration among people, companies and govt. of different nations, a process driven by international trade and investment aided by information technology.

Globalisation is the shift towards a more integrated and interdependent world economy.

Globalisation has led to:

- Americanisation of popular culture
- Increase of job losses
- Global sourcing

The world economy is now a one economy → evident in the GFC (significant downturn of economic activity because the demand declined).

Offshoring is a form of outsourcing performed overseas. E.g. customer service calls → Increasing trend

Outsourcing is tasks being performed by an external provider.

GLOBALISATION OF MARKETS

Globalisation of markets is the merging of historically distinct and separate national markets into one huge global market place.

GLOBALISATION OF PRODUCTION

It is the sourcing of goods and services from locations around the world to take advantage of national differences in the cost and quality of various factors of production.

Factors of production are the components of production such as labour, technology, land and capital.

General Agreement on Tariffs and Trade (GATT) is an international treaty that committed signatories to lowering barriers to the free flow of goods across national borders; a predecessor (ancestor) to the WTO

World Trade Organisation is an organisation that succeeded the GATT and now acts to police (monitor) the world trading system.

International Monetary Fund (IMF) is the international institution set up to maintain order in the international monetary system.

The IMF has taken a very proactive role in helping countries to cope with the fallout of the GFC and the European financial crisis.

These organisations were introduced to <u>prevent the trade wars</u> that had erupted in the 1920-1930's.

World Bank is the international organisation set up to promote economic development, primarily by offering low-interest loans to governments of poorer nations.

BRIC is Brazil, Russia, India and China; a group of emerging economic powers in the global economy.

UN is an international organisation made up to 192 countries charged with keeping international peace, developing cooperation between nations and promoting human rights.

Their 4 purposes:

- Maintain international peace and security
- Develop friendly relations among nations
- To cooperate in solving international problems and in promoting respect for human rights
- To be a centre for harmonising the actions