

BUS201

INTRODUCTORY LECTURE

- ★ Examine International Business (macro) from a holistic perspective.

READ CHAPTER BEFORE THE LECTURE (outline in unit guide)

GLOBALISATION

: - shift towards a more integrated & interdependent world economy

What is the globalization of markets?

- NOW: 'global market' in addition to a national market = covering multiple markets
- B2C – consumer product B2B – business product which require more capital = more expensive therefore less tailored, needing only 1 product

Globalisation of production

- Firms source goods & services from locations around the globe to capitalize on national differences in the cost & quality of factors of production (land, labour, energy & capital)

E.g. Ford Fiesta everything manufactured overseas, Boeing 787 Dreamliner → put together in Australia but material is all from overseas and all over the world. (Cheaper or higher quality)

Global institutions

- the General Agreement on Tariffs and Trade (GATT)
 - police world trading system
 - make sure that nation-states adhere to the rules laid down in trade treaties
 - promote lower barriers to trade & investment
 - 159 members in 2013
- the World Trade Organization (WTO)
- the International Monetary Fund (IMF) (1944)
 - maintains order in the international monetary system
 - Lends money to countries in crisis
- the World Bank (1944)
 - promotes economic development via low interest loans for infrastructure projects
 - Lends money to developing countries (emerging economies)
- the United Nations (UN)
 - maintains international peace & security
 - develops friendly relations among nations
 - cooperates in solving international problems & in promoting respect for human rights
 - is a center for harmonizing the actions of nations
- the G20

- Explain the process and drivers of globalisation and the opportunities and challenges it creates for business.
- Illustrate how the global economy has changed over the past 50 years.
- Justify the labelling of the twenty-first century as the Emerging Markets Century.
- Debate the impact of globalisation on issues such as job security, income inequality and the environment.
- Compare how the management of international business differs from the management of domestic business.

- forum through major nations tried to launch a coordinated policy response to the 2008-2009 GFC

What is driving Globalisation?

- Declining barriers to the free flow of goods, services, and capital
 - average tariffs are down
 - Declining trade & investment barriers
 - more favourable environment for FDI
 - facilitates global production

Therefore, real world consequences:

- ➔ increasing technological advancements (need more specialists to maintain technology)
 - Technological change means:
 - Lower transportation costs
 - Low cost information processing & communication
 - Low cost global communications networks
 - Global communication networks and global media
- ➔ Decreasing industrial jobs (railway operators, order clerks, farmers etc.)

What does globalisation mean for firms?

- ✓ Lower barriers to trade & investment
- ✗ Firms may find their home markets under attack by foreign firms

Changing demographics of the global economy

1. Changing world output & world trade picture
2. Changing foreign direct investment (FDI) picture
3. Changing nature of the multinational enterprise
4. Changing world order

*How has foreign direct investment changed overtime?

60's: The US dominated the world economy and the world trade picture, There was US domination in foreign direct investment (FDI), US multinationals dominated the international business scene.

TODAY: FDI is not dominated by the US, US multinationals do not dominate IB

- ➔ The share of world output accounted for by developing nations is rising = changing demographics of World GDP & trade

Multinational enterprise (MNE): - any business that has productive activities in two+ countries. Since 60's: number of non US multinational has risen, number of mini-multinationals has risen

Changing world order = many former communist nations in Europe & Asia are now committed to democratic politics & free market economies. China & Latin America are moving toward greater free market reforms.

The world is moving toward a more global economic system but globalisation brings risk.

Independent Global Economy

Supporters: Increased trade & cross border investment = lower prices for goods & services, greater economic growth & higher consumer incomes & more jobs (believe benefits outweigh costs as

countries will specialise in what they do most efficiently & trade for other goods – and all countries will benefit

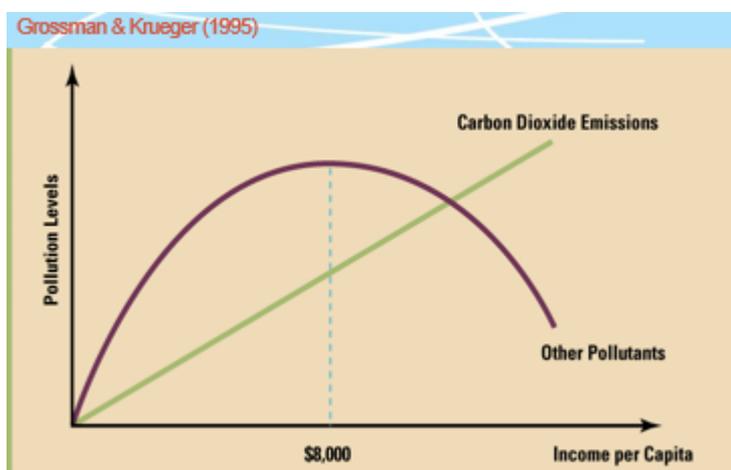
Critics = job losses, environmental degradation & cultural imperialism of global media & MNE's + falling barriers to trade = destroying manufacturing jobs in advanced countries.

Globalisations effect on Labour policies & the environment

Environmental regulations –

Critics: firms avoid cost of adhering to labour & the environmental regulations by moving production to countries where such regulations do not exist/are not enforced

Supporters: tougher environmental & labour standards are associated with economic progress (as countries get richer from free trade, they implement tougher environmental & labour regulations)



Richer & more developed countries = could implement legal implications & could invest in more efficient ways that benefit the environment. *Exception: wealth = cars which causes carbon dioxide emissions to increase.

Globalisations effect on National sovereignty

Is global economy shifting economic power away from national governments to supranational organisations (WTO, UN, EU)

Critics: unelected bureaucrats have the power to impose policies on the democratically elected governments of nation-states

Supporters: power of these organisations is limited to what nation states agree to grant the power of the organisations lie in their ability to get countries to agree to follow certain actions.

Globalisations effect on the World's poor

Is the gap between rich nations & poor nations getting wider?

Critics: globalisation was beneficial there should not be a divergence between rich & poor nations

Supporters: best way for the poor nations to improve their situations is to reduce barriers to trade & invest, implement economic policies based on free market economies, receive debt forgiveness for debts incurred under totalitarian regimes

Global marketplace effect on managers

Managing an international business differs from managing a domestic business as countries are different, range of problems confronted in an international business is wider & the problems more complex than those in a domestic business, firms have to find ways to work within the limits imposed by government intervention in the international trade & investment system & international transactions involve converting money into different currencies.