

# International Business

Avoiding and Managing Common Mistakes and Problems



# International Business Vocabulary

<b>Term</b>	<b>Definition</b>
<b>Importing</b>	buying products from another country
<b>Exporting</b>	selling products to another country
<b>International trade</b>	The economic system of exchanging good and services, conducted between individuals and businesses in multiple countries.
<b>Multinational Corporation</b>	an organization that manufactures and markets products in many different countries
<b>Global company</b>	an organization that attempts to standardize and integrate operations worldwide
<b>Foreign direct investment</b>	the buying of permanent property and businesses in foreign nations

# International Business Vocabulary

<b>Term</b>	<b>Definition</b>
<b>Foreign subsidiary</b>	a company owned in a foreign country by another company (called the parent company).
<b>Outsourcing</b>	purchase of goods and services from sources outside a firm rather than providing them within the company
<b>Fair trade</b>	A movement which strives for fair treatment for farmers.
<b>Free trade</b>	movement of goods and services among nations without political or economic obstruction
<b>Balance of trade</b>	a nation's ratio of exports to imports

# International Business Vocabulary

<b>Term</b>	<b>Definition</b>
<b>Trade deficit</b>	a country imports more than it exports
<b>Trade surplus</b>	a country exports more than it imports
<b>Exchange rate</b>	value of one nation's currency relative to the currencies of other countries.
<b>Dumping</b>	selling products in a foreign country at lower prices than those charged in the producing country (illegal in Canada)
<b>Tariff</b>	a tax imposed on imports
<b>Import quota</b>	a limit on the number of products in a certain category that a nation can import.

# International Business Vocabulary

<b>Term</b>	<b>Definition</b>
<b>Embargo</b>	a complete ban on the import or export of a certain product.
<b>Devaluation</b>	lowering the value of a nation's currency relative to other currencies.
<b>Trade protectionism</b>	the use of government regulations to limit the import of goods and services.
<b>Absolute advantage</b>	a nation's ability to produce something more cheaply or better than any other country.
<b>Comparative advantage</b>	a nation's ability to produce some products more cheaply or better than it can produce others.

# Global Business

- <https://www.youtube.com/watch?v=9M5wWSA5vQQ>
- <https://www.youtube.com/watch?v=GSyYo4ph3hM> global Markets
- <https://www.youtube.com/watch?v=xzsmY1zIEbw> HSBC Rules
- <https://www.youtube.com/watch?v=A9hx9roR2CQ>



# Some of the World's Countries

- Afghanistan
- Australia
- China
- Egypt
- France
- Germany
- Greece
- India
- Italy
- Japan
- North Korea
- Norway
- Peru
- Saudi Arabia
- South Africa
- South Korea
- Spain
- Switzerland
- Thailand
- Turkey
- Vietnam

# Select a Country

Create a PowerPoint and Answer the following questions

- Map of the World with country identified
- Flag
- President / Prime Minister
- Population
- Capital and population
- Monetary unit/currency
- Geography
- Government

Use

<http://www.infoplease.com/countries.html> as a resource



# Select a Country

Find information on...

- Languages
- Ethnicity/race
- Religions
- Literacy rate
- Economic summary
  - GDP/PPP
  - Unemployment
  - Agriculture
  - Labour Force
  - Industries
  - Natural resources
  - Exports
  - Imports
  - Major Trading Partners

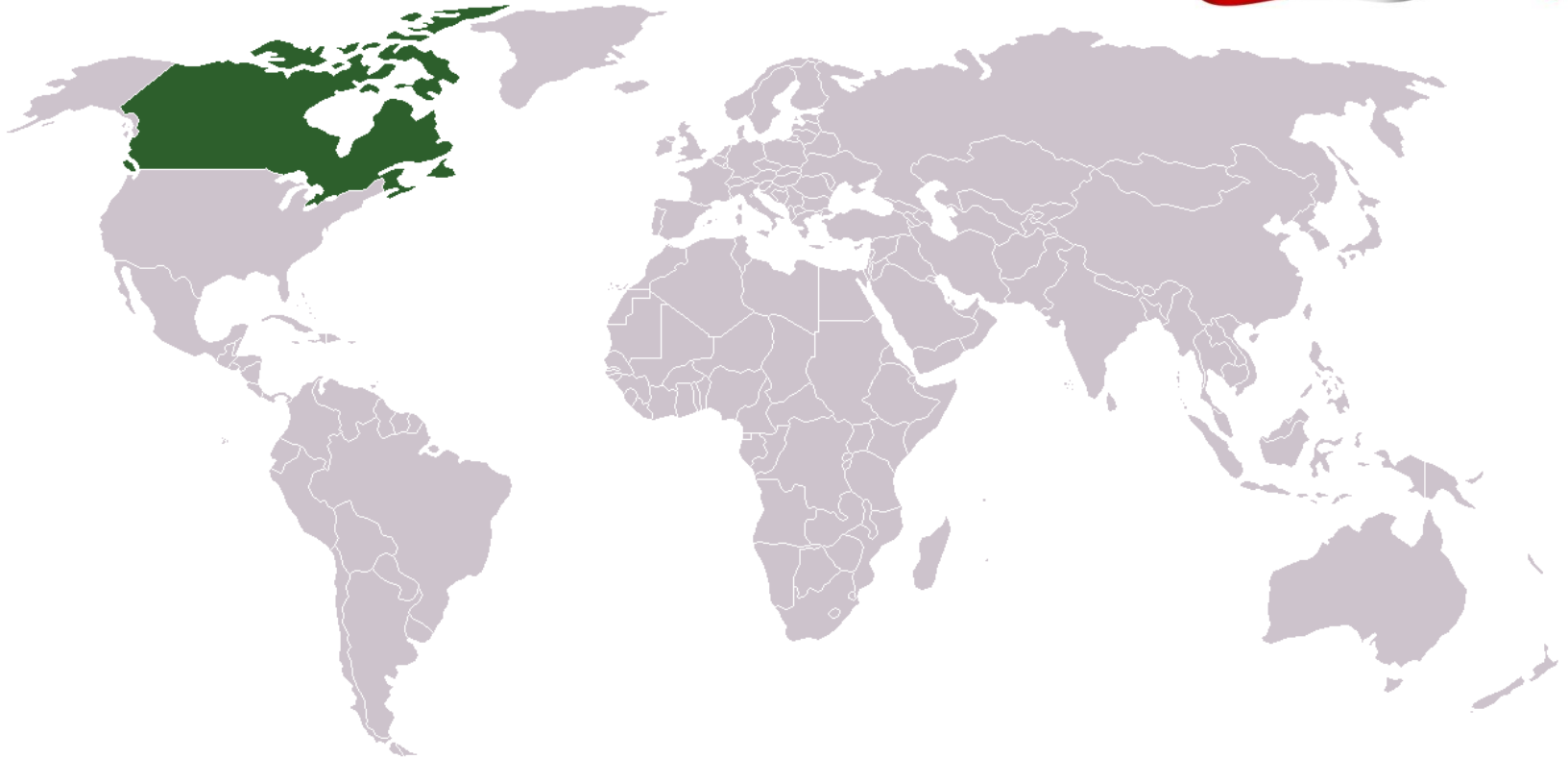


# Select a Country

Find information on...

- Transportation
  - Railways
  - Highways
  - Waterways
  - Ports and harbors
  - Airports
- International disputes

# Canada



# Canada

- **Prime Minister** – Stephen Harper (since 2006)
- **Population** – 34,300,083 (2012 est.)
- **Capital** – Ottawa, Ontario  
**Population** – 1,170,000 (metro area)
- **Currency** – Canadian Dollar

# Canadian Geography

- Covering most of the northern part of the North American continent and with an area larger than that of the United States, Canada has an extremely varied topography.

# Canada is a federation of 10 Provinces and 3 Territories

## ◦ Provinces

1. Alberta
2. British Columbia
3. Manitoba
4. New Brunswick
5. Newfoundland and Labrador
6. Nova Scotia
7. Ontario
8. Prince Edward Island
9. Quebec, and
10. Saskatchewan) and

## ◦ Territories

1. Northwest Territories
2. Yukon, and
3. Nunavut

# Canadian Government

- Formally considered a constitutional monarchy, Canada is governed by its own House of Commons.
- While the governor-general is officially the representative of Queen Elizabeth II, in reality the governor-general acts only on the advice of the Canadian prime minister.

# Canada

- **Languages** - English 59.3%, French 23.2% (both official); other 17.5%
- **Ethnicity/race** - British Isles origin 28%, French origin 23%, other European 15%, indigenous Indian and Inuit 2%, other, mostly Asian, African, Arab 6%, mixed background 26%



# Canada

- **Religions** - Roman Catholic 43%, Protestant 23% (including United Church 10%, Anglican 7%, Baptist 2%, Lutheran 2%), other Christian 4%, Muslim 2%, none 16% (2001)
- **Literacy rate** - 99% (2011 est.)



# Canada – Economic Summary

- **GDP/PPP** – (2011 est.) \$1.389 trillion;  
per capita \$40,300
- **Unemployment** – 7.5%
- **Agriculture**
  - wheat, barley, oilseed, tobacco, fruits,  
vegetables; dairy products; forest  
products; fish.

# Canada – Economic Summary

## ◦ Labour Force

- 18.67 million (2011)
- agriculture 2%
- manufacturing 14%
- construction 5%
- services 75%
- other 3% (2004).

## ◦ Industries

- transportation equipment, chemicals, processed and unprocessed minerals, food products, wood and paper products, fish products, petroleum and natural gas.



# Canada Natural Resources

- Iron ore
- Nickel
- Zinc
- Copper
- Gold
- Lead
- Molybdenum
- Potash
- Diamonds
- Silver
- Fish
- Timber
- Wildlife
- Coal
- Petroleum
- Natural gas
- Hydropower

# Canada – Exports

- **\$450.6 billion f.o.b. (2011 est.)**
- Motor vehicles and parts
- Industrial machinery
- Aircraft
- Telecommunications equipment
- Chemicals
- Plastics
- Fertilizers
- Wood pulp
- Timber
- Crude petroleum
- Natural gas
- Electricity
- Aluminum

# Canada – Imports

- **\$459.6 billion f.o.b. (2011 est.)**

- Machinery and equipment
- Motor vehicles and parts
- Crude oil
- Chemicals
- Electricity
- Durable consumer goods.

# Canada Major Trading Partners

U.S.

Japan

UK

China

Mexico



# Canada – Transportation

- **Railways** – 46,552 km
- **Highways** – 1.0423 million
- **Waterways** – 631 km



# Canada

## Ports and Harbours

### ◦ Ports Canada ports are:

- St John's, NF
- Halifax, NS
- City of Québec, PQ
- Montréal, PQ
- Vancouver, BC
- Prince Rupert, BC

### ◦ Noncorporate ports are:

- Saint John, NB
- Belledune, NB
- Chicoutimi, PQ
- Sept-Iles, PQ
- Trois-Rivières, PQ
- Prescott, ON
- Port Colborne, ON
- Churchill, MB

# Canada – Transportation

## ○ Airports – 1,404



Toronto Pearson  
International Airport

## ○ International Airports

- St. John's, Gander
- Halifax
- Moncton, Fredericton
- Quebec, Montreal
- Toronto, Ottawa
- Winnipeg
- Calgary, Edmonton
- Vancouver

# Canada

## International Disputes

- Managed maritime boundary disputes with the US at Dixon Entrance, Beaufort Sea, Strait of Juan de Fuca, and around the disputed Machias Seal Island and North Rock
- Working toward greater cooperation with US in monitoring people and commodities crossing the border
- Uncontested sovereignty dispute with Denmark over Hans Island in the Kennedy Channel between Ellesmere Island and Greenland.



# Culture

- Reflection of the values and beliefs of a community or nation
  - Religion
  - Laws
  - Language

# Customs

- Ways in which cultural behaviours are performed:
  - Dress
  - Food
  - Rituals



# Cultural Determinants

## Religion

- Some countries have a single religion that shapes laws and customs, others have multiple beliefs that sometimes conflict
- Holidays usually related to religion

# Negotiation Styles

- The way in which people negotiate business relationships
  - Canadians – may mention they are considering other offers, some countries may find this rude
- Emphasis on financials too early may offend, and accounting practice may vary from country to country
- Canadians may wait for foreign reps to contact them when they should be persistent
- Laws that reflect different cultural values may pose challenges.



# Culture and International Business Practices

## ◦ ***Language***

- Communication may not be clear if people speak different languages
- Translators should be local
- **Silent language** or nonverbal communication such as gestures and appearance may be different in different cultures





# Culture and International Business Practices

- **Forms of greetings** important, not everyone shakes hands!
- Should have a business card, translated if necessary on one side
- Style of dress - formal vs. informal

# Culture and International Business Practices

## ◦ ***Business Protocol***

- Rules of correct or appropriate behaviour to follow when meeting with business people or officials in another nation
  - gift giving
  - punctuality
  - scheduling of meetings
  - entertaining



# Culture and International Business Practices

## ◦ ***Employee Management***

- Typical rules for labour
  - hours of work
  - breaks
  - hiring and firing
  - work ethic
  - punctuality

# Common Pitfalls - Costing

- **Full landed cost** is the final fixed price that buyers will pay for their items at their merchants' site, inclusive of shipping charges and taxes and duties.
  - *Merchants' Price: US\$34.99 +*
  - *Shipping & Handling: US\$6.06 +*
  - *Sales Tax: US\$3.39 +*
  - *= Full Landed Price of US\$44.44 (approx SGD\$65.32)*
- **Full landed cost** must be calculated (includes transportation, exchange rate, brokerage fees, insurance, tariffs)
- Must sell at a standard markup
- Protect against currency fluctuations by buying forward or fixing exchange rate
- Have bank issue a **letter of credit**



# Common Pitfalls – Costing

- Tariffs and Duties – depend on product and country and Canada's trade relationship
- Transportation
  - Agents
  - Method
  - Weight
  - Size
  - Distance
- Hidden Costs

# Standards

- Production Standards
  - Electrical
  - Clothing
  - ISO – helps establish standards worldwide (i.e. safety, quality, etc.)
- Ethical Standards
  - Use of child labour
  - Inadequate health and safety
  - Environmentally destructive



# Realistic Marketing


- Marketing errors
  - Miscalculation of size, composition, and distribution channel of target market
  - Lack of research in branding, packaging, and timing
  - Misunderstanding of culture, customs, advertising and promotion
- Example: selling toasters in China



# Size and Composition of the Market

- Don't overestimate demand
- Consider preferences  
(i.e. tea vs. coffee in Britain)





# Branding, Packaging & Labelling

- Cannot transfer brand identity directly
- Must examine brand name, logo, and slogan and see if it can be translated
- Packaging differences, i.e. Japanese like lavish packages
- Different environmental standards and labelling laws for packages
- Culture and Customs, i.e. not all countries celebrate Christmas



# Infrastructure & Services

- Infrastructure includes public systems, services, and facilities in a country or region that are necessary for economic activity
- Includes:
  - Power & Water
  - Transportation
  - Telecommunications
  - Financial Services
  - Health care and education



# Transportation

- Reliable systems essential for delivering freight
- Roads, docks, etc. must exist and be in good condition
- If major centres are far apart, roads and rail become important
- Types of transport, i.e. refrigerated trucks, trains that carry containers, etc. are also important
- Airports should be able to receive cargo



# Communication Systems

- Phones, cellular networks, Internet, etc. are important for communication as well as for advertising
- Research may discover censorship or regulation of advertising methods



# Government Services

- Support for connecting buyers and investors with local businesses
- Financing or tax incentives
- Some countries may deal in bribes or payoffs



# Other Services

If you visit the country, you may need to know about:

- Accommodation
- Food
- Health care
- Safety
- Education
- Business Support Services
- Financial Services
- Official Canadian Presence
- Communication & Business Etiquette