

International Business

Avoiding and Managing Common Mistakes and Problems



International Business Vocabulary

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

International Business Vocabulary

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

International Business Vocabulary

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

International Business Vocabulary

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



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

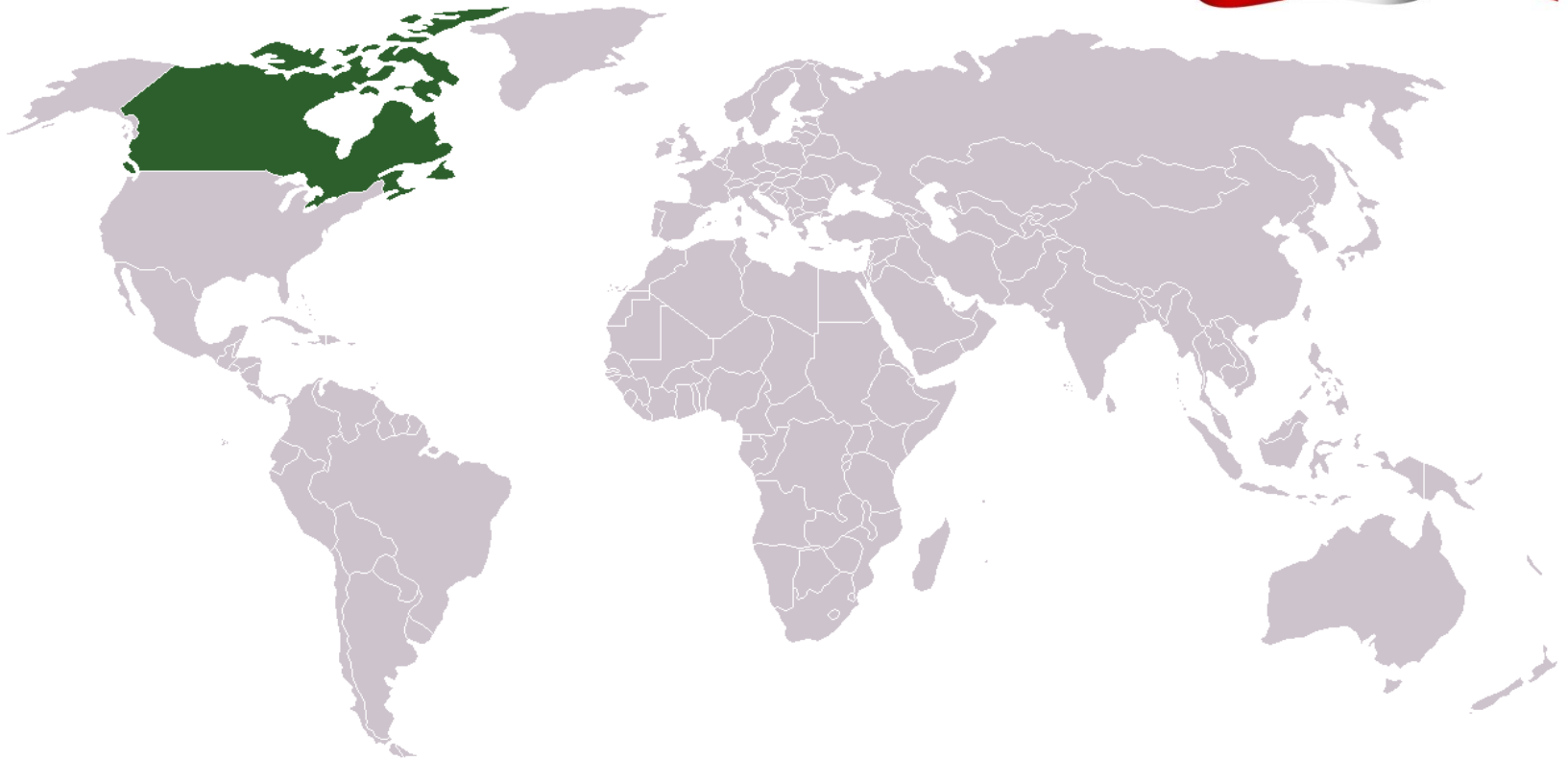


Select a Country

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