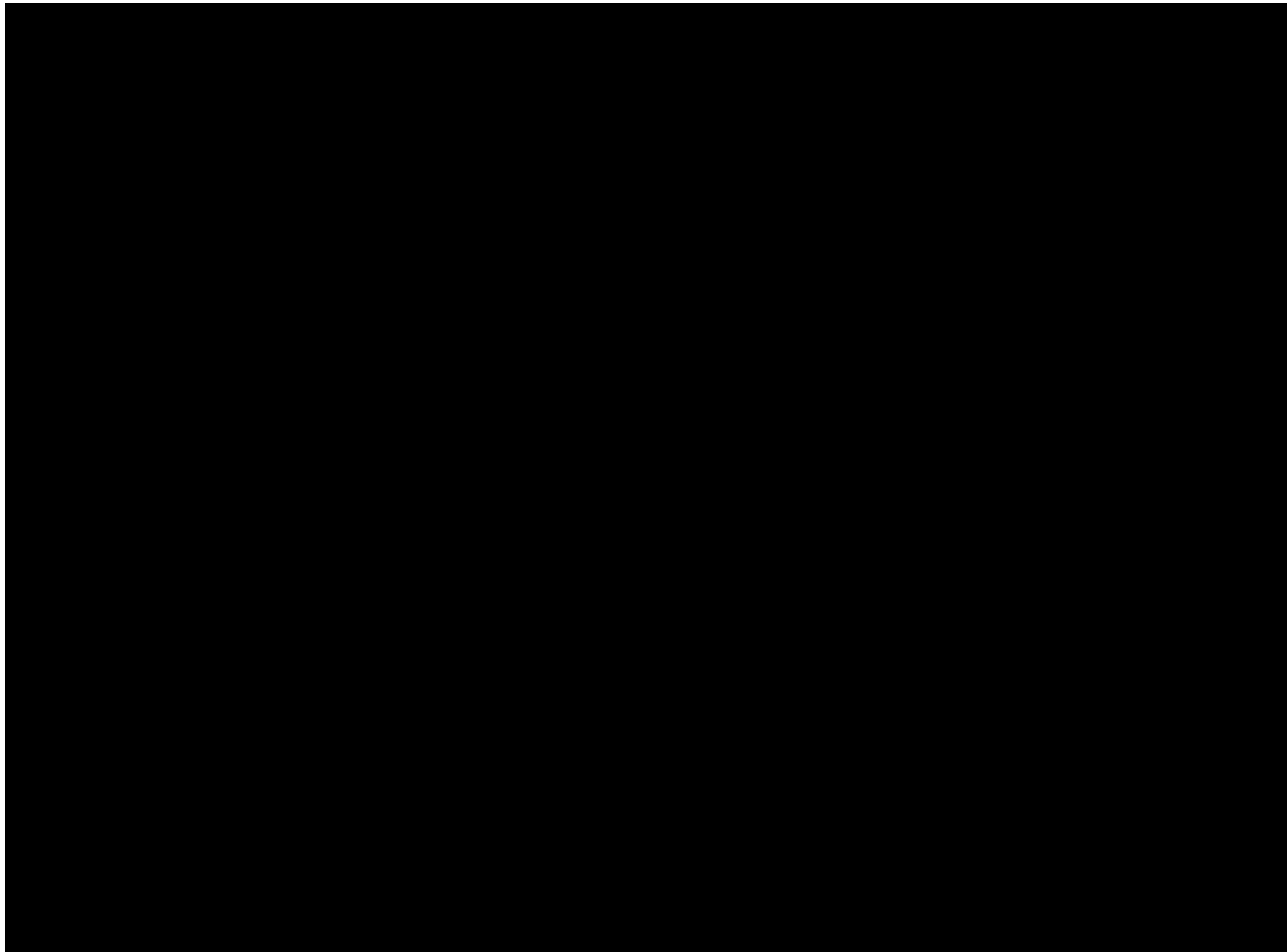




Introduction to International Business

Chapter 1

Lenovo's Global Reach

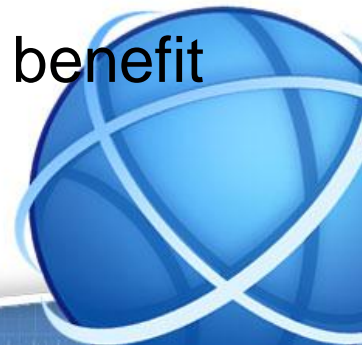


Welcome to the world of international business

Globalisation

Awareness and understanding of and response to global developments and links

- Globalisation helps to change the label of the country from developing to developed
- Globalisation as a means of creating wealth that benefit nations, companies and individuals worldwide



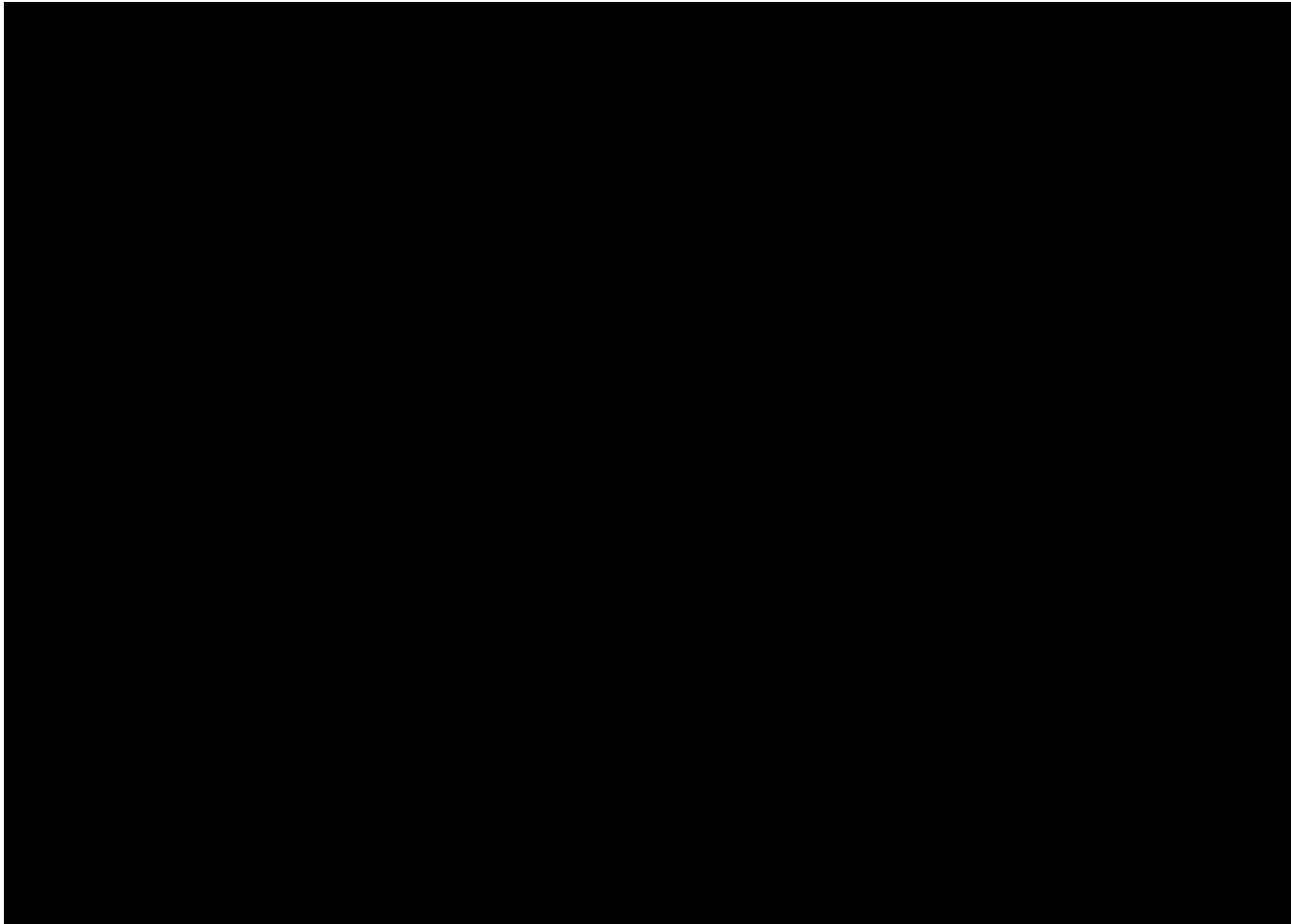
Globalisation

- Globalisation offers companies new markets
- Globalisation enables the flow of ideas, services and capital across the world
 - Faster dissemination of goods and information world-wide, more efficient use of human capital, higher level of innovation and improved access to finance
- Facilitates the mobility of factors of production-except land-and provides new and challenging opportunities



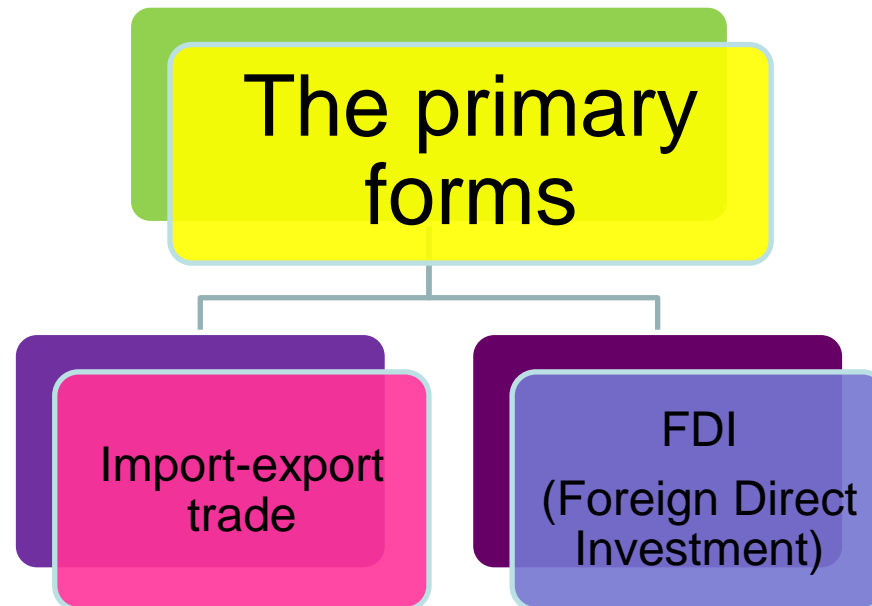
- Globalisation benefits consumers by offering them not just a wider variety of goods to choose from but also improved product and service quality and competitive prices
 - The car you drive
 - The gas station
 - The fast food restaurants





What is international business?

- International business consists of *transactions* that are devised and carried out across national borders to satisfy the objectives of individuals and companies



Export-import

The sale and purchase of tangible goods and services to and from another countries

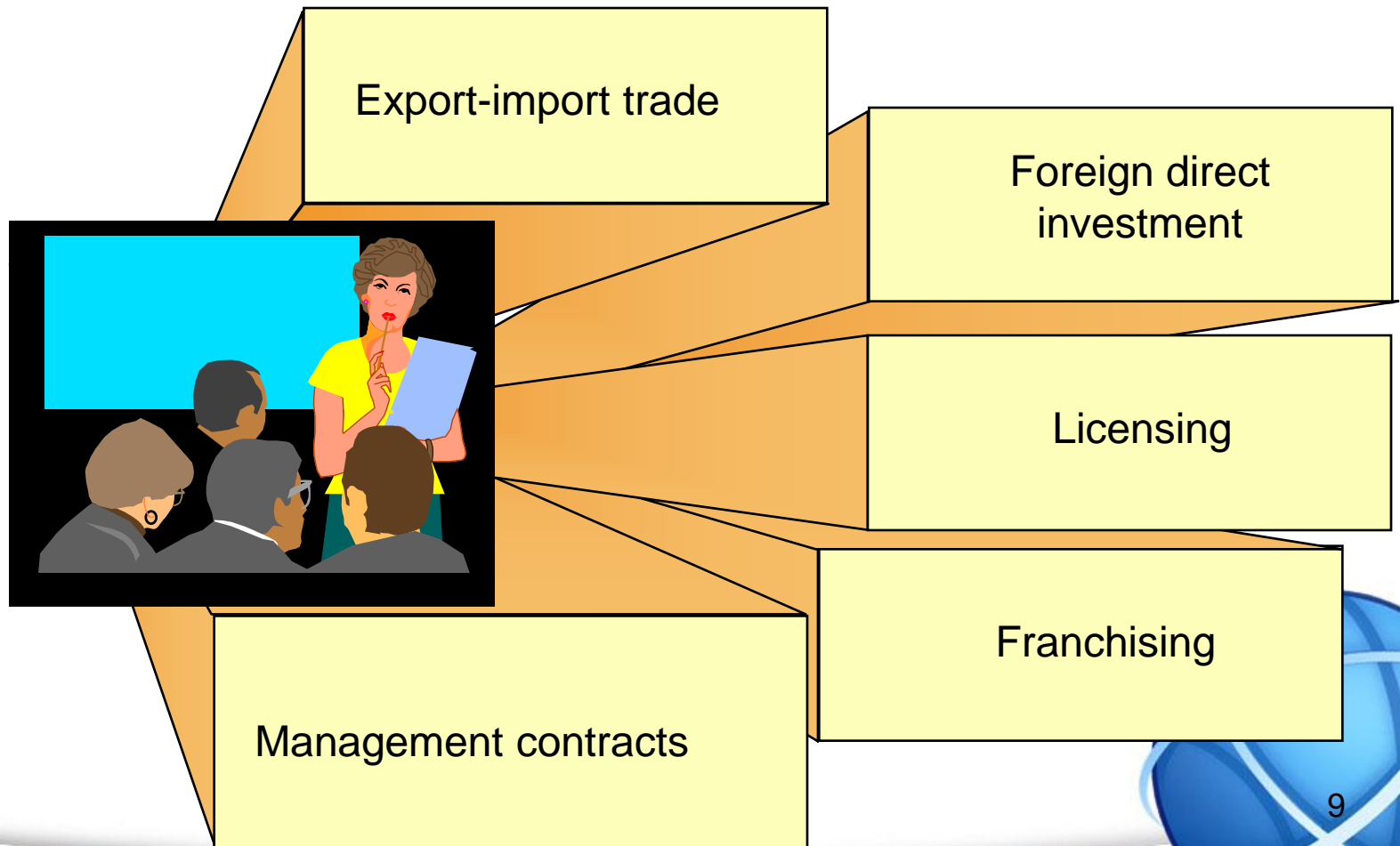
FDI

The establishment or expansion of operations of a company in a foreign country

- FDI: wholly owned subsidiaries and joint ventures
- Other forms: licensing, franchising and management contracts



Types of International Business



International Business Questions

- How will our ideas, goods or services fit into an international market?
- Should we enter the market through export trade or FDI?
- How should the upstream supplies be organised? Should they be sourced domestically or abroad?
- What product adjustments are necessary to adapt to local customer taste?
- What are the threats from global competition, and how can these be counteracted?

To prepare you to participate in the complex business decision process



Global Links Today

- International trade plays an important role in the economic foundation of most nations with trade being at least 20% of GDP around the world
- Much globalisation activity is initiated by **multinational corporations**

Multinational Corporations

Companies that invest and operate in countries around the globe



The Composition of Trade

- **Between the 1960's and the 1990's the importance of manufactured goods increased while the role of primary commodities (i.e. rubber or mining) had decreased.**
- **More recently, there has been a shift of manufacturing to countries with emerging economies.**
- **There has been an increase in the area of services trade in recent years.**



Asia's international trade and investment position

- Asia has accounted for more than half of the world's growth since 2001
- Its current contribution to the increase in the world's **gross domestic product (GDP)** is more than that of the USA

GDP

Total monetary value of goods produced and services provided by a country over a one-year period



International business: uncertainty, risk and terrorism

- Bombings have been linked with globalisation. Globalisation opens up borders, which makes it difficult to erect hurdles for the dangers of terrorism.
- With globalisation comes technological advance and easier migration, which could facilitate potential terrorism risks



Opportunities and challenges of international business

- Regulations and deregulation
- Human capital and migration
- Language and communication
- Technology and innovation



