

Introduction – Week 3

Two part of Foreign Direct Investment

- Home – where the money is coming from
- Host – where the money will be used

Flow of foreign investment are increasing, but flow of goods and services in international trade is the most important link among countries in the international economy

Dominant Theory of International Trade

- International variations in comparative advantage of production resulting from international variations in factor endowments
- Each company will have one product that they are better at than competitor
- Benefits of free trade are slow to realized in practice
 - Due to different-sized economies, much of the competitive reaction of price equalization among countries is not the result of trade in goods
 - Large difference in average incomes, factor endowments, scale economies, or technology means large quantities of non-competitive goods enter into international trade

Trade Management

- Practices placed by government because of unfair existing trade patterns
- Most common methods are:
 - Tariffs, quota, and additional barriers to both import and export

International Trade

- Takes place within the Core because they have the highest level of activity
- Most trade happen within a region and not between regions
- Trades are low and people are not trading so globalization is declining
- If the country is in the middle then you have the same amount of trade coming in and out
- If a country is at a deficit then they are bringing in more products than they are exporting
- If a country is at a surplus then they are exporting more than they are importing
- World trade are increasing however, US and Canada percentage of the world trade is decreasing because there are more countries who are trading
- Canadian position of export and import, US is still the number one source of its imports
- The main imports of the US is no longer Canada

Globalization – Week 3

Globalization – spread of Western business method and western technology to international integration in commodity, capital, and labour market

- The worldwide processes that make the world, its economic system, and its society more uniform, more integrated, and more interdependent

Logistics

- Globalization requires greatly increased co-ordination of transport by road, rail, sea, air and now the internet
- Companies are becoming more competitive so they are more involved in logistics
 - To reduce cost and increase sale, companies outsource operations to subcontractors who produce better and cheaper
 - Move production to lower-cost countries

Automatic Company

- 123 employees in 94 cities
- Meets once a year
- An example where technology has changed the way a company runs

Location can be Deceiving

- Nationality of a headquarters often has nothing to do with parts sourcing

The iPhone 6 costs Apple between \$US200 and \$US247 to build, giving the company a profit margin of 69 per cent for the entry-level model sold in the US

Big Mac July 2016

- Prices for identical items can vary dramatically, although they are available globally
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