Chapter Four

Business in a Borderless World
International Business

- Refers to the buying, selling, and trading of goods and services across national boundaries
- All business activities that involve exchanges across national borders
Advantages

- **Absolute Advantage**: ability to produce something more cheaply, better or more efficiently than other nations can.
  - Example: South Africa in diamonds

- **Comparative Advantage**: ability to produce products at a lower cost, better or more efficiently than it can produce other products.
International Trade

- **Imports** – Goods made or grown outside, but sold in Cyprus
- **Exports** – Goods made or grown in Cyprus, but sold outside of Cyprus
- **Globalization** – integration of markets globally (also known as trade liberalization)
What are the major world markets?

- North America
- Europe
- Asia-Pacific
### Table - 25 Composition of Exports

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¹ Included in other industrial products before 1993.

Source: State Planning Organization
Definitions

- *Balance of Trade*: difference between the value of a country’s exports and imports

- *Trade Deficit*: imports exceed exports 
  i.e., \( I > E \)
  - E.g., N. Cyprus, Turkey

- *Trade Surplus*: exports exceed imports
  i.e., \( I < E \)
  - e.g. Canada, China
## Trade Balance in Cyprus

### Table - 24 Foreign Trade by Countries

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Source: State Planning Organization
International Trade Barriers

- **Economic**
  - Development: infrastructure capacity
  - Exchange rates; affordability

- **Legal/political**
  - Laws, tariffs, sanctions, cartels

- **Social/cultural**
  - Language, customs, religion

- **Technological**
  - Level of infrastructure, current and potential
Agreements

- **General Agreement on Tariffs and Trade (GATT):** Trade agreement that provides a forum for tariff negotiations and a place where international trade problems can be discussed/solved. WTO is responsible for administering GATT.


Organization

- WTO
- World Bank
- IMF

Markets

- EU
- Pacific Rim
Increasing Global Involvement

- Multinational Corporation
- Direct Investment
- Joint Ventures & Alliances
- Contract Manufacturing
- Licensing & Franchising
- Trading Companies
- Exporting & Importing