International Business: Lesson Notes

1. Trade Barriers: Tariffs and Import Quotas

Countries often use **trade barriers** to protect local industries from foreign competition. Two common types are **tariffs** and **import quotas**.

A. Tariffs

- A **tariff** is a **tax** on imported goods.
- Purpose: To make imported products **more expensive** than local products, encouraging consumers to buy domestic goods.
- Calculated as a **percentage of the product's value** or a fixed amount per item.

Example:

- Canada imposes a 10% tariff on imported smartphones.
- If a smartphone costs $500, the tariff adds $50, so the total cost becomes $550.
- Local smartphones priced at $520 now seem cheaper, so consumers may prefer them.

B. Import Quotas

- An **import quota** is a **limit on the quantity** of a specific product that can enter the country.
- Purpose: To **directly control supply** and protect domestic producers, regardless of price.

Example:

- Canada allows only 1,000 tonnes of sugar to be imported per year.
- Once the limit is reached, no more sugar can enter, which keeps local sugar producers competitive.

Quick Comparison:

Feature	Tariff	Import Quota
Type of Control	Price	Quantity
Effect	Makes imports expensive	Limits the number of imports
Goal	Protect domestic industries	Protect domestic industries

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2. What Makes a Business International?

A business is considered **international** if it **operates beyond its home country**. This can happen in several ways:

1. **Exporting:** Selling goods or services to other countries.
   - Example: A Canadian maple syrup company selling to the U.S. and Europe.
2. **Importing:** Buying goods or services from other countries.
   - Example: A Canadian retailer importing electronics from Japan.
3. **Foreign Investment or Subsidiaries:** Owning factories, offices, or branches in other countries.
   - Example: A Canadian bank opening branches in India.
4. **Partnerships with Foreign Companies:** Collaborating through joint ventures, licensing, or franchising.
   - Example: A clothing brand partnering with a factory in Bangladesh to produce clothes.

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3. Globalization and Its Effects on Domestic Businesses

Globalization has changed how businesses operate. Several factors influence why purely domestic businesses are now rarer:

- **Technology:**
  - Advanced communication and transportation make global operations easier.
  - Example: E-commerce platforms like Amazon allow small businesses to sell internationally.
- **Market Expansion:**
  - Businesses seek larger markets beyond their country to increase profits.
  - Example: A Canadian snack company selling products in the U.S. and Europe.
- **Changes in Consumer Behavior:**
  - Consumers want variety and access to global products.
  - Example: People in Canada buying Italian pasta or Japanese sushi ingredients.
- **Foreign Exchange Rates:**
  - Fluctuations in currency value affect international trade and investments.
  - Example: If the Canadian dollar strengthens, Canadian exports become more expensive for foreign buyers.

Important: A strong domestic currency isn't always beneficial—it can reduce export competitiveness.

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4. Fair Trade Movement

Fair Trade is a movement designed to **improve trading conditions for producers in developing countries**. It ensures ethical, sustainable, and fair business practices.

Key Principles:

1. **Fair Prices:** Producers get a minimum price for their goods, covering production costs and a living wage.
2. **Safe Working Conditions:** No child labor or unsafe practices.
3. **Sustainability:** Encourages environmentally friendly production.
4. **Long-term Partnerships:** Promotes direct relationships between producers and buyers.

Examples of Fair Trade in Action:

- Coffee farmers receive a guaranteed minimum price for their beans.
- Artisans sell handcrafted goods internationally through cooperatives, cutting out middlemen.
- Consumers can identify products with **Fair Trade certification labels**, ensuring ethical sourcing.

Impact: Fair trade supports better living standards for producers, promotes equality, and encourages responsible consumption worldwide.

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5. Industries: Primary, Secondary, Tertiary

Businesses can be grouped into three main **industry types**:

A. Primary Industry

- **Definition:** Extracts or harvests raw materials from nature.
- **Examples:** Farming, fishing, forestry, mining.
- **Role:** Provides raw materials to secondary industries.

B. Secondary Industry

- **Definition:** Transforms raw materials into finished goods.
- **Examples:** Factories making cars, clothing, furniture, processed foods.
- **Role:** Uses primary industry resources to create products for consumers.

C. Tertiary Industry

- **Definition:** Provides services rather than physical goods.
- **Examples:** Retail stores, banks, transport, healthcare, education.
- **Role:** Distributes products and services, connecting businesses and consumers.

Interdependence of Industries

- **Primary → Secondary → Tertiary**
  - Each industry depends on the others to function efficiently.

Example:

1. **Primary:** Farmers grow wheat.

2. **Secondary:** Flour mills turn wheat into flour.
3. **Tertiary:** Bakeries sell bread to consumers and transport companies deliver it.

- If one industry fails, the others are affected.
    - Example: If farming fails, flour mills have no raw materials, bakeries have no products, and transport services lose business.

Key Idea: All three industries **work together to support the economy** and international trade.
