“How can our company sell electric motors in Eastern Europe?”
“What are the biggest markets for soft drinks in Asia?”
“What trade barriers might be encountered when doing business in Latin America?”

Trade Specialists at Export Assistance Centers of the U.S. Department of Commerce are ready to answer these, and other, international trade questions. With offices in more than 80 cities around the U.S., Trade Specialists are able to
• research potential foreign markets for a product or service
• help locate customers in other countries
• assist with developing an international marketing plan

Additional exporting and international trade information is available from the U.S. Department of Commerce at www.ita.doc.gov and www.usatrade.gov

THINK CRITICALLY
1. Why are Export Assistance Centers important to business and the economy?
2. What skills would be necessary to work as a trade specialist in an Export Assistance Center?
A Global Business Plan

PROJECT OBJECTIVES
- Become aware of the geographic, economic, cultural, and political factors that influence international business activities
- Develop an understanding of methods used for measuring international trade activities
- Explain the factors that influence the level of economic development in a country

GETTING STARTED
Read through the Project Process below. Make a list of materials that you will need. Decide how you will get the needed materials or information.
- Create a list of geographic, economic, cultural, and political situations in different countries.
- Describe how these factors might cause business activities to be conducted in a different manner in other nations.
- Combine the list of geographic, economic, cultural, and political factors. Select three or four in each category for class use.

PROJECT PROCESS
Part 1 LESSON 1.1 Discuss the influences of geographic, economic, cultural, and political factors on business activities. Give examples from your research or travel experiences.

Part 2 LESSON 1.2 Explain how these factors could affect the imports, exports, and international trade activities of a country.

Part 3 LESSON 1.3 Discuss how these and other factors affect the economic development of a country.

CHAPTER REVIEW
Project Wrap-up Create a poster, newsletter, web site, or video that displays examples of geographic, economic, cultural, and political factors that affect global business activities and international trade.
Electronic products from Asia. Clothing from Eastern Europe. Fresh fruits and vegetables from Central and South America. Most people take the goods and services they use each day for granted. They do not realize that these items are the result of international business activities. In the past, most families in a country grew the food they ate and made the clothes they wore. However, as the population grew, production and distribution methods improved. People became dependent on others for goods and services. Today, the world has a complex business system that makes a wide variety of items available for use.

In many countries, people still labor independently to provide for their daily necessities. Most nations of the world do not have the extensive

Kim Soo Lee and Hector Ramirez have been operating a business that sells customized carrying cases for CDs and DVDs for three years. Their sales have continued to grow with telephone and web site orders coming in from all over the United States. Recently, they decided to start selling to customers in other countries. What factors should Kim Soo and Hector consider before getting involved in international business?
1.1 INTERNATIONAL TRADE

production and distribution facilities found in places like the United States, Canada, Japan, and Western Europe. While these countries have some level of economic independence, they also are dependent on other countries. For example, most of the coffee used in the United States comes from Brazil, and Japan is dependent on other countries for much of its oil.

Most business activities occur within a country’s own borders. Making, buying, and selling goods and services within a country is called domestic business. Purchasing a soft drink produced in your own country is an example of domestic business.

In contrast, if you purchase a shirt made in Guatemala, you are participating in the global economy. Even though you bought the shirt from a U.S. company, it was obtained from a foreign manufacturer. International business includes all of the business activities necessary for creating, shipping, and selling goods and services across national borders. International business also may be referred to as global business, international trade, and foreign trade. Companies in various countries participate in international business for five main reasons.

SOURCE OF RAW MATERIALS AND PARTS

Products manufactured in the United States often include raw materials and parts made all over the world. Each year, the country obtains oil, gas, iron, and steel from other nations for use in factories. Many U.S.-built automobiles have engines, transmissions, and other parts that were manufactured in Japan, Germany, Mexico, Brazil, France, Korea, Italy, England, and other countries.

DEMAND FOR FOREIGN PRODUCTS

A global dependency exists when items consumers need and want are created in other countries. People do need and want goods and services produced in other countries. For example, when the African country of Zimbabwe had very little rain, crops failed and farm animals died. As a result the nation had to buy 90 percent of its food from other countries.

NEW MARKET OPPORTUNITIES FOR BUSINESSES

Companies such as Coca-Cola, Ford, McDonald’s and Microsoft sell to businesses and customers in other countries to expand business opportunities. Many businesses, large and small, increase sales and profits through foreign trade.

INVESTMENT OPPORTUNITIES

Many people invest money in businesses to earn additional funds. As companies expand their business activities in other countries, new investment opportunities are created. In hopes of earning money, investors also provide funds to foreign companies that are either just getting started or are growing enterprises.

International trade is not a new idea. Evidence suggests that countries like China, India, and Japan were trading products throughout the world more than 10,000 years ago.
CHAPTER 1  FOUNDATIONS OF INTERNATIONAL BUSINESS

GLOBAL E-COMMERCE  “In how many countries does your company do business?” This question is commonly heard among global managers. The likely response to this question today is, “In every country that has access to the Internet!” Technology allows companies to buy, sell, and exchange information around the world. The Internet, automated production methods, and video conferencing are changing the way business is being done. These technologies are creating global e-commerce opportunities, such as:

- Online selling to technologies are creating global e-commerce opportunities, such as computer users around the world
- Online buying by businesses linked to suppliers in other countries
- Mass customization of goods and services to meet geographic and cultural needs of customers
- Information processing and data distribution for customer service and inventory records
- Online research of global customer needs

THINK CRITICALLY  What types of international business activities are faster and easier as a result of technology?

IMPROVED POLITICAL RELATIONS

Someone once observed that “countries that trade with one another are less likely to have wars with each other.” International business activities can help to improve mutual understanding, communication, and the level of respect among people in different nations.

Everyone is affected by international business. Even if business owners do not offer foreign products for sale or do not sell to companies in other countries, they are still affected. Every business competes against companies that are either foreign-owned or that sell foreign-made products. As a result, even when you may not realize it, international business is affecting your life.

CHECKPOINT

What are the five main reasons countries participate in international trade?
Some aspects of business are similar around the world. Consumers try to satisfy their needs and wants at a fair price. Businesses try to sell their products at a price that covers costs and provides a fair profit.

Other aspects of business differ from country to country. For example, in many parts of Africa, the exchange of goods and services takes place in an open-air market rather than in a shopping mall. Consumers in Japan buy food such as raw fish for their evening meal that non-Asians might not like to eat. Some governments require that television advertisements for toys costing over a certain amount include the price.

These are examples of factors that make up the operating environment of international business. The four major categories of the international business environment are geography, cultural and social factors, political and legal factors, and economic conditions.

**GEOGRAPHY**

The climate, terrain, location, and natural resources of a country will influence its business activities. Very hot weather will limit the types of crops that can be grown and the types of businesses that can operate in these conditions. A nation with many rivers or ocean seaports can easily ship products for foreign trade. Countries with few natural resources must depend on imports.

**CULTURAL AND SOCIAL FACTORS**

In some societies, a handshake is an appropriate business greeting. In other societies, hugging is the custom. These differences represent different cultures. Culture is the accepted behaviors, customs, and values of a society. A society's culture has a strong influence on business activities. For example, many businesses were traditionally closed in the afternoon in Mexico while people enjoyed lunch and a siesta, or relaxing rest period.

The main cultural and social factors that affect international business are language, education, religion, values, customs, and social relationships. These relationships include interactions among families, labor unions and other organizations.
POLITICAL AND LEGAL FACTORS

Each day you encounter examples of government influence on business. Regulation of fair advertising, enforcement of contracts, and safety inspections of foods and medications are a few examples. In general, however, people in the United States have a great deal of freedom when it comes to business activities. This is not true in all countries of the world. In many places, the activities of consumers and business operators are restricted. The most common political and legal factors that affect international business activities include the type of government, the stability of the government, and government policies toward business.

ECONOMIC CONDITIONS

Every country and every individual faces the problem of limited resources to satisfy needs and wants. This basic economic problem is present for everyone. You continually make decisions about the use of your time, money, and energy. In a similar way, every country plans the use of its land, natural resources, workers, and wealth to best serve the needs of its people.

Factors that influence the economic situation of a country include the type of economic system, the availability of natural resources, and the general education level of the country’s population. Other economic factors include the types of industries and jobs in the country, the stability of the country’s money supply, and the level of technology available for production and distribution of goods and services.

CHECKPOINT

What are the four elements of the international business environment?
THINK CRITICALLY

1. In what ways might you and others in your community be affected by international trade?

   ________________________
   ________________________
   ________________________

2. How does geography affect international business activities?

   ________________________
   ________________________
   ________________________

3. How might customs, religious beliefs, or other cultural practices affect the business practices of a nation?

   ________________________
   ________________________
   ________________________

4. Describe a government action that might discourage international trade among countries.

   ________________________
   ________________________
   ________________________

MAKE CONNECTIONS

5. BUSINESS LAW Describe some laws in foreign countries that are different from those in the United States.

   ________________________
   ________________________
   ________________________

6. GEOGRAPHY Locate a map for a country in Africa, Asia, or South America using the library or Internet. Describe geographic features of the country and explain how these factors could affect global business activities and international trade.

   ________________________
   ________________________
   ________________________

7. COMMUNICATIONS Interview someone who has lived in or traveled to another country. Obtain information about the various cultural and economic differences of that nation. Prepare an oral presentation with a summary of your findings.

   ________________________
   ________________________
   ________________________

8. HISTORY Research an event from world history. Write a short paper explaining how that event might encourage or deter trade among countries.

   ________________________
   ________________________
   ________________________
LESSON 1.2
GLOBAL BUSINESS BASICS

EXPLAIN the basics of imports and exports
DISCUSS methods used for measuring global business activities

INTERNATIONAL TRADE FUNDAMENTALS

When one country has a lot of one item, such as oil or bananas, it attempts to sell this surplus to another country. Businesses in various countries attempt to participate in international trade. A company in one country sells to businesses and consumers in other countries. Examples include a manufacturing company in Thailand selling radios to an electronics store in France. Or, a computer company in Brazil selling its products to India.

International trade activities can be viewed from two sides—buyer and seller. Products bought by a company or government from businesses in other countries are called imports. For example, radios for France and computers for India. From the point of view of the seller, exports are products sold to companies or governments in other countries. Using the same examples, Thailand is exporting radios and Brazil is exporting computers.

Although the process sounds simple, obstacles can arise. Trade barriers are restrictions that reduce free trade. They include import taxes that increase the cost of foreign products, restrictions on imports, and laws preventing certain

ON THE SCENE

After some preliminary research, Kim Soo Lee and Hector Ramirez have decided to offer their customized carrying cases for CDs and DVDs to customers in other countries. They plan mailings to distributors around the world as well as adapting their web site to different languages. What are some competitive advantages Kim Soo and Hector might have when compared to other companies in the United States and around the world? What obstacles might they face with their international business activities?
products from coming into a country. One of the most common trade barriers is a tariff, a tax on imported items. Also called an import duty, a tariff raises the cost of goods produced in other countries, thus discouraging consumers from buying them.

INTERNATIONAL TRADE ACTIVITIES

In the past, economies were viewed solely in terms of national borders. With international trade expanding every day, these boundaries are no longer completely valid in defining economies. Countries are interdependent with each other and so are their economies. Consumers have come to expect goods and services from around the world.

Buying and selling among companies in different countries is based on two economic principles. **Absolute advantage** exists when a country can produce a good or service at a lower cost than other countries. This situation may occur from natural resources or raw materials of a country. Some South American countries have an absolute advantage in coffee production. Canada has an absolute advantage in lumber sales, and Saudi Arabia in oil production.

A country may have an absolute advantage in more than one area. If so, it must decide how to maximize its economic wealth. For example, a country may be able to produce both computers and clothing better than other countries. The world market for computers, however, might be stronger. This means the country would better serve its own interests by producing computers and buying clothing from other countries. This is an example of **comparative advantage**, a situation in which a country specializes in the production of a good or service at which it is relatively more efficient.

How do imports differ from exports?

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MEASURING GLOBAL BUSINESS ACTIVITIES

The World Cup, the World Series, and the Olympics are sports events that involve scorekeeping. As with sports, international business also keeps score. Various economic measures are used to evaluate and analyze the economic condition of a country.

**Gross domestic product (GDP)** measures the output of a country within its borders, including items produced with foreign resources. For example, the GDP of the United States would include automobile manufacturing in the United States by foreign-owned companies.

Because all nations do not have the same number of people, comparing total GDP is not always meaningful. To evaluate the economic progress of countries, businesspeople use a per capita comparison, which refers to an
amount per person. The per capita gross domestic product of a country is total GDP divided by the number of people in the country. For example, a country with a total GDP of $600 million and a population of 2 million people would have a per capita GDP of $300.

\[
\text{per capita GDP} = \frac{\text{total GDP}}{\text{population}}
\]

\[
= \frac{600 \text{ million}}{2 \text{ million}} = 300
\]

INTERNATIONAL TRADE ACTIVITY

Importing and exporting transactions have economic effects. An important measure of a country's international business activity is the balance of trade. Balance of trade is the difference between a country's exports and imports. When a country exports (sells) more than it imports (buys), it has a favorable balance of trade. This is also called a trade surplus. However, if a country imports more than it exports, the nation has an unfavorable balance of trade or a trade deficit. This situation can result in a country borrowing from other countries. Borrowing means the country must pay back money in the future, reducing the amount available for spending.

Balance of trade does not include all international business transactions, just imports and exports. Thus, another measure is needed to summarize the total economic effect of foreign trade. Balance of payments measures the total flow of money coming into a country minus the total flow going out. Included in this economic measurement are exports, imports, investments, tourist spending, and financial assistance. For example, in recent years, tourism has helped the United States' balance of payments because it has increased the flow of money entering the country.

CHECKPOINT

What is gross domestic product (GDP)?

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A country’s balance of payments can either be positive or negative. A positive or favorable balance of payments occurs when a nation receives more money in a year than it pays out. A negative balance of payments is unfavorable. It is the result of a country sending more money out than it brings in. What would be the balance of payments for a country with inflows of $1.7 billion and outflows of $1.9 billion?

**SOLUTION**

Inflow of money – Outflow of money = Balance of payments (+/-)

\[
1.7 \text{ billion} – 1.9 \text{ billion} = -0.2 \text{ billion}
\]

This is a $200 million unfavorable balance of payments for the country.
THINK CRITICALLY

1. Why might a country use a trade barrier to reduce imports into the nation's economy?

2. How can a nation create an absolute advantage through its investment activities?

3. What might create an unfavorable balance of trade for a country?

MAKE CONNECTIONS

4. TECHNOLOGY  Several federal and state government agencies and many other organizations offer information and assistance related to international business activities. Conduct a Web search using phrases such as “international business,” “export assistance,” and “international trade.” Access two web sites and write a summary of the features each contains.

5. VISUAL ART  Select a country in Asia, Europe, or Latin America. Research the major exports and imports for that country. Prepare a graph or chart displaying the top exports and imports of that nation.

6. COMMUNICATION  Select a country in Africa, Latin America, or the Middle East. Research to determine its major trading partners. Write a paragraph explaining why this country likely trades with those other nations.
Every nation decides how to use its factors of production to create goods and services for its people. The way in which these resources are used differs from country to country. The economic choices of a country relate to three basic questions. The questions are

- What goods and services are to be produced?
- How should the goods and services be produced?
- For whom should the goods and services be produced?

Kim Soo and Hector sell a product that is not affordable for all people of the world. However, they believe they can be successful in their international business efforts for two reasons. First, they can target their selling efforts to customers most likely to be able to afford the item. Second, they can adapt their products to make them more affordable among consumers with lower income levels. How should Kim Soo and Hector consider economic situations when selling to customers in other countries?
Every country must decide how to use its productive resources to answer these three basic economic questions. An economic system is the method a country uses to answer the basic economic questions. Nations organize for production and distribution of goods and services based on customs, political factors, and religious beliefs.

Economic systems can be categorized based on ownership of resources and government involvement in business activities. The three common types of economic systems are command, market, and mixed economies.

**COMMAND ECONOMIES**
Throughout history, many nations decided to answer the basic economic questions by using central planning. In a command economy, the government or a central-planning committee regulates the amount, distribution, and price of everything produced. The government also owns the productive resources of the country. At the start of the 21st century, Cuba is one of the few countries using a command system of economic decision making. In a command economy, consumers have very few choices of products to buy. A government agency may even decide what jobs people are to have.

**MARKET ECONOMIES**
In contrast to command economies where all of the decisions are made by the government, market economies are based on the forces of supply and demand. Market economies are those in which individual companies and consumers make the decisions about what, how, and for whom items will be produced. This economic system, also called capitalism, has the following characteristics.

- **Private property** Individuals have the right to buy and sell productive resources, including ownership of a business enterprise.
- **Profit motive** Individuals are inspired by the opportunity to be rewarded for taking a business risk and for working hard.
- **Free, competitive marketplace** Consumers have the power to use their choices to determine what is to be produced and to influence the prices to be charged.

Because market economies have minimal government involvement with business, they are commonly called free enterprise systems or private enterprise economies. Because every country has some governmental regulations affecting business activities, no perfect market economies exist. The United States, although not a pure market economy, is one of the best examples of this type of economic system. Despite strong government involvement in the country’s business activities, the Japanese economy also is usually labeled as a market economy.

**MIXED ECONOMIES**
Many economies are a blend between government involvement in business and private ownership. This is known as a mixed economy. For example, some countries have publicly owned transportation companies, communication networks, or major industries. Socialism refers to economies with most basic industries owned and operated by government. However, individuals are

**Workshop**
As a class, discuss how private property, profit motive, and a free, competitive marketplace benefit the people in a market economy as well as people in other nations.
usually free to engage in other business opportunities and free to make buying choices. Examples of socialist countries include Sweden and France.

In changing from a command economy to a market economy, a country may sell government-owned industries to private companies. This process of changing an industry from publicly owned to privately owned is called privatization. In recent years, local governments in the United States have hired private companies to provide services such as trash collection, landscaping, road repairs, and fire protection.

**CHECKPOINT**

What are the three main types of economic systems?

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**ECONOMIC DEVELOPMENT**

In some countries, people travel on a high-speed bullet train to manage a computer network in a high-rise building. In other countries, people go by oxcart to a grass hut to operate a hand loom to make cloth for family members and people in their village. These differences in living and work environments reflect the level of economic development. The main influences on a country’s level of economic development are

- **Literacy level** Countries with better education systems usually provide more and better goods and services for their citizens.

- **Technology** Automated production, distribution, and communications systems allow companies to create and deliver goods, services, and ideas quickly.

- **Agricultural dependency** An economy that is largely involved in agriculture does not have the manufacturing base to provide citizens with a great quantity and high quality of product.
INDUSTRIALIZED COUNTRIES

An industrialized country is a country with strong business activity that usually results from advanced technology and a highly educated population. Countries with the greatest economic power are usually those with many large companies. Such countries have attained a high level of industrialization with a high standard of living for their residents. Population is centered in large cities and suburbs rather than in rural areas.

Another factor that supports international trade in industrialized countries is infrastructure. Infrastructure refers to a nation’s transportation, communication, and utility systems. A country such as Germany—with its efficient rail system, high-speed highways, and computers—is better prepared for international business activities than many other nations with a weaker infrastructure.

Industrialized countries are actively involved in international business and foreign trade. A portion of the wealth of these nations is the result of successful business activities throughout the world. Countries commonly described as industrialized include Canada, England, France, Germany, Italy, Japan, and the United States.

LESS-DEVELOPED COUNTRIES

Many countries of the world have a very low standard of living. A less-developed country (LDC) is a country with little economic wealth and an emphasis on agriculture or mining. Most LDCs have an average annual income per person of less than $5,000. This compares to the United States with an average annual income per person of more than $25,000.

As a result of low incomes in less-developed countries, citizens often cannot afford adequate housing, food, and health care. This situation results in a high death rate among newborns, a shorter life expectancy than in other countries, and potential for political instability. Examples of LDCs include countries such as Bangladesh, Bulgaria, Chad, Ecuador, Ethiopia, Hungary, Kenya, Liberia, Nepal, Nigeria, Pakistan, Peru, and the Philippines.

Future economic development for less-developed countries presents a challenge for all nations. Industrialized countries need to consider assisting LDCs with the problems of poor health care, limited natural resources, low literacy rates, low levels of employment skills, shortage of investment capital, and uncertain political environments. As these obstacles are overcome, all countries will benefit.
DEVELOPING COUNTRIES

Between the extremes of economic development are the developing countries that are evolving from less developed to industrialized. These nations are characterized by improving educational systems, increasing technology, and expanding industries. These factors result in an increasing national income.

Developing countries offer new international business opportunities for both domestic and global companies. Examples of developing countries include Brazil, India, Singapore, South Korea, Taiwan, and Thailand.

TYPES OF INFRASTRUCTURE

The infrastructure of a country usually refers to the transportation, communication, and utility systems that facilitate business activities. These may be referred to as the physical infrastructure. Countries also have a natural infrastructure consisting of climate, waterways, farmland, and other natural resources that contribute to a nation’s economic development. Business activities also are affected by social infrastructure. This involves family relationships, labor unions, religion, education, and other social organizations.

Finally, the managerial or entrepreneurial infrastructure involves the ability of people to organize and implement business activities. For example, when McDonald’s first opened a restaurant in Russia, company representatives taught managerial skills. Managers from the U.S. explained how to obtain, coordinate, and use the food products, workers, buildings, and equipment necessary to operate a fast-food restaurant.

THINK CRITICALLY

Explain how the various types of infrastructure can affect the economic development of a country?

CHECKPOINT

What three categories are commonly used to describe the level of economic development in a country?
THINK CRITICALLY

1. What are some possible benefits of a mixed economy over a market economy?

2. Why is private property important in a market economy?

3. What actions can improve a country's education level?

4. Why would a modern infrastructure give a country an economic advantage over other countries?

MAKE CONNECTIONS

5. COMMUNICATION Interview a person who is involved with international business activities. Prepare a one-page report summarizing their experiences. What has the person observed about economic activities in different countries?

6. SCIENCE Describe how scientific discoveries might improve the economic development of a country.

7. GEOGRAPHY Conduct Internet research about a country with a developing economy. How could its natural resources, agricultural products, climate, or waterways be used to improve the nation's level of economic development?
CHAPTER SUMMARY

LESSON 1.1 International Trade
A. International trade is important as a source of raw materials, suppliers of foreign products, a new market opportunity, investment opportunity, and path to improved political relations
B. Geography, cultural factors, political factors, and economic conditions influence the international business environment.

LESSON 1.2 Global Business Basics
A. Imports are products bought by a company or government from businesses in other countries. Exports are products sold in other countries. Absolute and comparative advantages are economic principles that explain buying and selling among companies in different countries.
B. Gross domestic product, balance of trade, and balance of payments may be used to measure global business activities.

LESSON 1.3 Economics of Global Business
A. The three main types of economic systems are command economies, market economies, and mixed economies.
B. Literacy level, technology, and agricultural dependency influence the level of economic in a country.

VOCABULARY BUILDER
Choose the term that best fits the definition. Write the letter of the answer in the space provided. Some terms may not be used.

___ 1. A situation in which a country specializes in the production of a good or service at which it is relatively more efficient
   a. absolute advantage  
b. balance of payments  
c. balance of trade  
d. comparative advantage
___ 2. Products bought by a company or government from businesses in other countries
   e. domestic business  
f. economic system  
g. gross domestic product
___ 3. Restrictions that reduce free trade among countries
   h. infrastructure  
i. exports  
j. imports
___ 4. A nation's transportation, communication, and utility systems
   k. international business  
l. tariff  
m. trade barrier
___ 5. A measurement of the total flow of money coming into a country minus the total flow going out
___ 6. A situation when a country can product a good or a service at a lower cost than other countries
___ 7. The business activities necessary for creating, shipping, and selling goods and services across national borders
___ 8. Products sold to companies or governments in other countries
___ 9. The difference between a country's exports and imports
___ 10. The method a country uses to answer the basic economic questions
REVIEW CONCEPTS

11. How does international business create investment opportunities?

12. What factors can influence a country's economic conditions?

13. What are some examples of trade barriers?

14. How does an absolute advantage differ from a comparative advantage?

15. When does a country achieve a favorable balance of trade?

16. How are economic decisions made in a command economy?

17. What are the main characteristics of a market economy?

18. What factors influence the economic development of a country?

19. Why is infrastructure important for economic development?
APPLY WHAT YOU LEARNED

20. What are some examples of the United States’ global dependency on other countries?

________________________________________________________________________

________________________________________________________________________

21. Why would a country with many natural resources have the potential for a strong economy?

________________________________________________________________________

________________________________________________________________________

22. Name a famous person who is able to do something better than anyone else. This is an absolute advantage. Now, for an example of comparative advantage, describe a person who does several things well but selects only one of these talents to make a living.

________________________________________________________________________

________________________________________________________________________

23. What actions could a country take to improve its balance of trade?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

24. What problems may arise when a government decides to sell government-owned businesses to private companies?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

25. What would you recommend to a country with a weak infrastructure? How could this contribute to economic development?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
26. How could expanded use of technology improve a country's economic development?


MAKE CONNECTIONS

27. BUSINESS MATH  For each of the following situations, calculate the trade balance and indicate if it is a favorable or unfavorable balance of trade. Create a spreadsheet for performing these calculations.

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports</th>
<th>Imports</th>
<th>Trade Balance</th>
<th>Favorable/Unfavorable</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$79 bil.</td>
<td>$73 bil.</td>
<td>$___________</td>
<td>_______________</td>
</tr>
<tr>
<td>B</td>
<td>$186 bil.</td>
<td>$193 bil.</td>
<td>$___________</td>
<td>_______________</td>
</tr>
<tr>
<td>C</td>
<td>$7.8 bil.</td>
<td>$8.3 bil.</td>
<td>$___________</td>
<td>_______________</td>
</tr>
<tr>
<td>D</td>
<td>$27.1 bil.</td>
<td>$30.9 bil.</td>
<td>$___________</td>
<td>_______________</td>
</tr>
<tr>
<td>E</td>
<td>$273.4 bil.</td>
<td>$267.3 bil.</td>
<td>$___________</td>
<td>_______________</td>
</tr>
</tbody>
</table>

28. TECHNOLOGY  The location of a business or other organization on the Internet is defined by a URL (uniform resource locator), such as www.swep.com or www.congress.gov. The last section of a URL is the top-level domain name, which indicates the type of organization and the country location. Some examples include:

| .ca   | Canada  |
| .mx   | Mexico  |
| .jp   | Japan   |
| .br   | Brazil  |
| .ng   | Nigeria |
| .uk   | United Kingdom |
| .de   | Germany |
| .fr   | France  |
| .za   | South Africa |

Locate a web site based in another country. What differences of format, language, and other features are present?


29. ETHICS  Companies in some regions of the world commonly use payoffs to gain access to new markets. Some countries consider bribes to be tax-deductible business expenses. However, U.S. companies can face hefty fines and prison sentences when U.S. laws are violated. Sometimes companies cave in to local customs. A U.S. computer company offered Chinese journalists the equivalent of $12 to attend its news conference. The company said the money was for taxi fares; however, the amount was equal to a week's pay for some journalists. Do you believe this to be an appropriate action? Why or why not? Prepare a one-page report of your conclusions.

30. CAREERS  Exporting and international trade create many career opportunities. Use library sources or an Internet search to obtain information about types of international business careers. Choose one of these careers and prepare a short oral report on it.