



6.3 Business and the international economy

Why is globalization important?

1. Limited resources, unlimited needs and wants
2. Goods and services not available can be imported or exported
3. Transfer of skills and knowledge
4. Foreign investment => job creation
5. Economic growth from import/export

What are the opportunities and threats for businesses with globalization and international trade?

1. Opportunities
 - a. Specialization of production increase output, lowering cost.
 - b. Increase revenue and profit from exports
 - c. Increase market share from accessing foreign markets
 - d. Attain new technology from knowledge transfer that increases productivity/efficiency
 - e. Hire skilled workers to produce quality product
2. Threats
 - a. Increase competition for home country
 - b. Increase wage cost from competition of skilled workers
 - c. Competition for capital

How are trade barriers imposed?

1. Import tariffs
2. Quotas
3. Subsidies

What is the role of multinational companies? Their advantages and disadvantages

1. Advantages
 - a. Create jobs/employment

- b. Generate demand for local businesses
 - c. Pay taxes and increase tax revenue from tariffs
 - d. Create competition for local businesses
 - e. Increase capital inflow from investment => balance of payment surplus
2. Disadvantages
 - a. Inability of certain local business to compete may close certain businesses
 - b. Capital outflow from profit taking
 - c. Exploitation of workers
 - d. Depletion of (natural) resources

What is the impact of exchange rates to international trade?

1. High exchange rate/currency value => lower export demands => cheaper imports
2. Low exchange rate/currency value => higher export demands => expensive imports

Exports > Imports = Surplus Balance of Payment

Exports < Imports = Deficit Balance of Payment

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Unit 2 – People in Business

Unit 3 – Marketing

Unit 4 – Operations Management

Unit 5 – Financial Information and Decisions

Unit 6 – External Influences on Business Activity