

Introduction to International Business

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Key concepts, drivers, and frameworks for understanding cross-border commerce

1. What Is International Business?

Aspect	Definition
Scope	All commercial activities that involve the exchange of goods, services, technology, or capital across national borders.
Participants	Multinational corporations (MNCs), small- and medium-sized enterprises (SMEs), governments, NGOs, and individuals.
Core Activities	Export/import, foreign direct investment (FDI), licensing, franchising, joint ventures, strategic alliances, and global sourcing.

2. Why Companies Go Global

Motivation	Explanation	Typical Example
Market Seeking	Access larger or faster-growing consumer bases.	A U.S. apparel brand opening stores in China.
Resource Seeking	Secure raw materials, labor, or technology unavailable at home.	A car manufacturer building a plant in Mexico for cheaper labor.
Efficiency Seeking	Exploit economies of scale, lower production costs, or specialized capabilities.	Outsourcing IT support to India.
Strategic Asset Seeking	Acquire brands, patents, or distribution networks.	Acquiring a European biotech firm for its R&D pipeline.
Diversification	Spread risk across different economies and currencies.	Investing in multiple regions to offset a downturn in one market.

3. The Global Business Environment

3.1 Economic Environment

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- **Trade regimes:** Free trade agreements (FTAs), customs unions, World Trade Organization (WTO) rules.
- **Currency & exchange rates:** Spot rates, forward contracts, currency risk management.
- **Economic integration:** Levels (free trade area ? customs union ? common market ? economic union ? political union).

3.2 Political & Legal Environment

- **Political risk:** Instability, expropriation, policy changes.
- **Legal systems:** Common law, civil law, religious law, hybrid systems.
- **Regulatory frameworks:** Import/export controls, antitrust laws, labor standards.

3.3 Socio?Cultural Environment

- **Cultural dimensions:** Hofstede's dimensions (power distance, individualism, etc.), Trompenaars, Hall's high?/low?context.
- **Consumer behavior:** Preferences, buying habits, brand perception.
- **Language & communication styles:** Direct vs. indirect, negotiation etiquette.

3.4 Technological Environment

- **Digital platforms:** E?commerce, mobile payments, cloud services.
- **Innovation diffusion:** Transfer of technology, R&D collaboration.
- **Infrastructure:** Logistics networks, internet penetration, transport quality.

3.5 Natural & Environmental Factors

- **Resource availability:** Minerals, water, arable land.
- **Sustainability pressures:** Carbon regulations, ESG reporting, green supply chains.

4. Key Theoretical Frameworks

Theory	Main Idea	Relevance to International Business
Absolute & Comparative Advantage (Ricardo)	Nations specialize where they are most efficient.	Guides export?import decisions and global production allocation.

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Theory	Main Idea	Relevance to International Business
Product Life Cycle Theory (Vernon)	Products move from innovation (high income) to maturity (low income) markets.	Explains shifting manufacturing locations over time.
Eclectic (OLI) Paradigm (Dunning)	Firm-specific O wnership, L ocation, and I nternalization advantages drive FDI.	Helps assess why a firm should invest abroad vs. license.
Porter's Diamond		