

CHAPTER
7

Global Trade

Part 1: Content Review

Matching

Write the letter for the correct term for each definition on the line provided.

- _____ 1. Connection made among nations worldwide when economies freely move goods, labor, and money across borders.
- _____ 2. Group of countries that join together to trade as if they were a single country.
- _____ 3. Governmental order that prohibits trade with a foreign country.
- _____ 4. Embargo that affects only certain goods.
- _____ 5. Governmental tax on imported goods.
- _____ 6. Limit on the amount of a product imported into a country during a specific period of time.
- _____ 7. Policy of protecting a country's domestic industries by enforcing trade regulations on foreign competitors.
- _____ 8. Total amount of money that comes into a country, minus the total amount of money that goes out for a specific period of time.
- _____ 9. Exists when a country can produce goods more efficiently and at a lower cost than another country.
- _____ 10. Buying and selling of goods and services between two or more specific nations rather than all nations in the world.

Terms

- A. absolute advantage
- B. balance of payments
- C. embargo
- D. globalization
- E. international trade
- F. protectionism
- G. quota
- H. tariff
- I. trade sanction
- J. trading bloc

Completion

Fill in the blanks with the term that best completes each sentence.

Terms

- | | | |
|------------------------|---------------------------|-----------------|
| balance of trade | foreign exchange rate | offshoring |
| contract manufacturing | import | trade agreement |
| demographics | multinational corporation | trade policy |
| export | | |

- 1. A document listing the conditions and terms for importing and exporting products between countries is a(n) _____.
- 2. A(n) _____ is produced within a country's borders and sold in another country.
- 3. The cost to convert one currency into another is the _____.

4. The _____ is the difference between a nation's exports and imports.
5. A(n) _____ operates in more than one country.
6. A product brought into a country from outside its borders is a(n) _____.
7. The body of laws related to the exchange of goods and services for international trade is known as _____.
8. Transferring production work to another company is _____.
9. _____ is moving sections of a business to another country.
10. Qualities of a specific group of people including age, gender, income, ethnicity, education level, occupation, marital status, and family size is known as _____.

True or False

Decide whether each statement is true or false. If the statement is true, write *True* on the line provided. If the statement is false, write *False* and rewrite the statement to make it true.

1. Exchange rates can vary from day to day and even hour to hour.

2. An international treaty is signed by all the countries in the world.

3. Nations engage in international trade because most countries do not have the factors of production needed to produce all the goods and services needed by their population.

4. The exchange rate of a floating currency is set by market forces.

5. An import is a good sold to another country.

6. The nature of trade regulations is to promote fair competition and honest business practices in the global marketplace.

Name _____

7. Trade sanctions cannot prohibit the importation of a specific product for health reasons.

8. Buying a franchise can be expensive and maintaining established franchise standards can be challenging.

9. Many companies outsource work to foreign companies because the operating costs in other countries are higher.

10. The standard of acceptable working conditions does not vary from country to country.

Part 2: Concept Review

The Kitchen Goes Global

The Kitchen is a successful US business. It offers home-style prepared entrees and side dishes for dining in or carrying out. The business is famous for its rotisserie and oven-roasted chicken. The Kitchen also offers a wide variety of fresh vegetables, salads, and breads. Last, but not least, it offers an array of family-style desserts. People who do not eat meat have plenty of choices.

The Kitchen is considering expanding into the emerging markets of Eastern Europe. Assume you are a marketing manager hired to help the company expand into Europe. The following table shows results from preliminary research completed for the foreign market. Next to each item, write *Plus* if the information indicates the business might be successful. Write *Minus* if the information indicates that the business might have problems. Then, using complete sentences, answer the following questions.

| Preliminary Foreign Market Information | | Plus or Minus |
|--|--|---------------|
| 1. | Usually, both the husband and wife work, so there is little time to cook. | |
| 2. | The people like chicken, but they eat more pork. The Kitchen does not currently offer pork dishes. | |
| 3. | American culture is popular. | |
| 4. | Take-home meals are a new concept. | |
| 5. | In the current culture, women usually prepare meals even if they work full-time. | |
| 6. | Foreign investment is causing a steady increase in wages. | |

7. The Kitchen has hired an accountant named Yulia who lives in one of the foreign countries the company is considering for expansion. Yulia works full-time and has a husband and three children. Her first responsibility at work will be to help The Kitchen understand its potential customers. List two questions you want Yulia to ask potential customers.

A. _____

B. _____

8. What is the purpose for asking these questions?

9. Buying prepared food to bring home is a new concept for the foreign target market. Using complete sentences, list several ways The Kitchen could entice consumers to try its food.

10. A major part of The Kitchen brand is fresh foods. Should the business import the same chicken, vegetables, and fruits it uses in the United States, or find local alternatives? Explain your answer.

Part 3: Marketing Math

Foreign Exchange Rates

Section A

Assume you are planning a world tour to the 15 countries listed in the following chart. You will begin with 100 US dollars in each country. Using the exchange rates as of April 30, 2017, determine how much foreign currency you would receive in each country. Remember to round your numbers to the nearest cent. The first country is completed for you as an example.

Name _____

| Country | Currency | Foreign Units per US Dollar | Foreign Equivalent of 100 US Dollars (\$100) |
|-------------------|------------|-----------------------------|--|
| Australia | dollar | 1.3389 | 133.89 Australian dollars |
| 1. Brazil | real | 3.1775 | |
| 2. Canada | dollar | 1.3649 | |
| 3. China | yuan | 6.8936 | |
| 4. Denmark | krone | 6.817 | |
| 5. European Union | euro | 0.9167 | |
| 6. India | rupee | 64.2623 | |
| 7. Japan | yen | 111.3470 | |
| 8. Mexico | peso | 18.8154 | |
| 9. Norway | krone | 8.5688 | |
| 10. Singapore | dollar | 1.3971 | |
| 11. South Africa | rand | 13.3244 | |
| 12. Switzerland | franc | 0.9938 | |
| 13. Thailand | baht | 34.5474 | |
| 14. Lithuania | litas | 3.1652 | |
| 15. Taiwan | new dollar | 30.1869 | |

Section B

When you leave each country, you have 50 units of that country's currency. Using the exchange rates provided, determine how much you would have in US dollars. Remember to round to the nearest cent. The first country is completed for you as an example. When you have completed the table, answer the questions that follow.

| Country | Currency | US Dollars per Unit of Foreign Currency | Exchange Rate Times 50 | Equivalent of 50 Foreign Units in US Dollars |
|-------------------|------------|---|------------------------|--|
| Australia | dollar | 0.74 | 37 | \$37.00 |
| 1. Brazil | real | 0.32 | | |
| 2. Canada | dollar | 0.73 | | |
| 3. China | yuan | 0.14 | | |
| 4. Denmark | krone | 0.15 | | |
| 5. European Union | euro | 1.09 | | |
| 6. India | rupee | 0.015 | | |
| 7. Japan | yen | 0.0087 | | |
| 8. Mexico | peso | 0.053 | | |
| 9. Norway | krone | 0.12 | | |
| 10. Singapore | dollar | 0.71 | | |
| 11. South Africa | rand | 0.074 | | |
| 12. Switzerland | franc | 0.99 | | |
| 13. Thailand | baht | 0.029 | | |
| 14. Lithuania | litas | 0.318 | | |
| 15. Taiwan | new dollar | 0.033 | | |

Name _____

16. Which foreign units of currency are worth about a US dime?

17. Which foreign units of currency are worth about a US quarter?

18. Which foreign units of currency are worth about a US dollar?

19. Which foreign units of currency are worth about a US penny?

20. Which foreign units of currency are worth more than a US dollar?

Part 4: Be Your Own Leader

Giving Back

Leaders give back, and they often do so without wanting or needing recognition. In December, 2016, a man walked into a Pennsylvania Walmart and anonymously paid off the layaway balances of over 200 customers. The act of kindness, completed in total secrecy, has taken on a life of its own. Others have heard the story and walked into stores with thousands of dollars in their hands to anonymously pay off the layaways of others. A leader will always be willing to help whenever and wherever they see a need. True leaders do not expect anything in return.

As a leader, think of something you could do for someone else. You do not have to spend any money if you do not want to. Giving back is rarely about money. Some ideas are to volunteer at a local shelter or send a kind note to one of your instructors. There are so many possibilities; deciding on just one thing might be the most difficult part. Once you choose your mission, get your instructor's approval—he or she will keep your secret. Fill in the following information about your plan to give back.

1. How do you plan to give back? When will you carry out your plan?

2. Why did you choose this plan?

3. What resources are needed in order to complete your plan?

4. How can you continue to give back in the future?

5. Why is it important for leaders to give back to others?
