

# International mobility of goods and services

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# Lecture objectives

- Highlight on history of international business activities
- Know the need for international business in the age of globalization
- Understand the role of global interdependence in business

# A brief history of international business

- Mobility of goods and services date back to the period of national border formation (e.g. the Silk Road up to 1400c )
- Trading routes and conditions were far more difficult and dangerous in ancient times than today
- Directly or indirectly, international business is shaping and reshaping the national borders e.g. colonization and invasion
- Roman Empire (up to 1450c ) attempted to safeguard their travelling merchants
- British Empire (up to 1997 Hong Kong) developed quite effective transportation and intensive trade
- Pax Americana (an American sponsored and enforced peace) looks like more effective since the World War II (since 1945)
- International organizations like The World Bank, International Monetary Fund, United Nations, World Trade Organizations are facilitating the movement of goods and services

# The need for international business

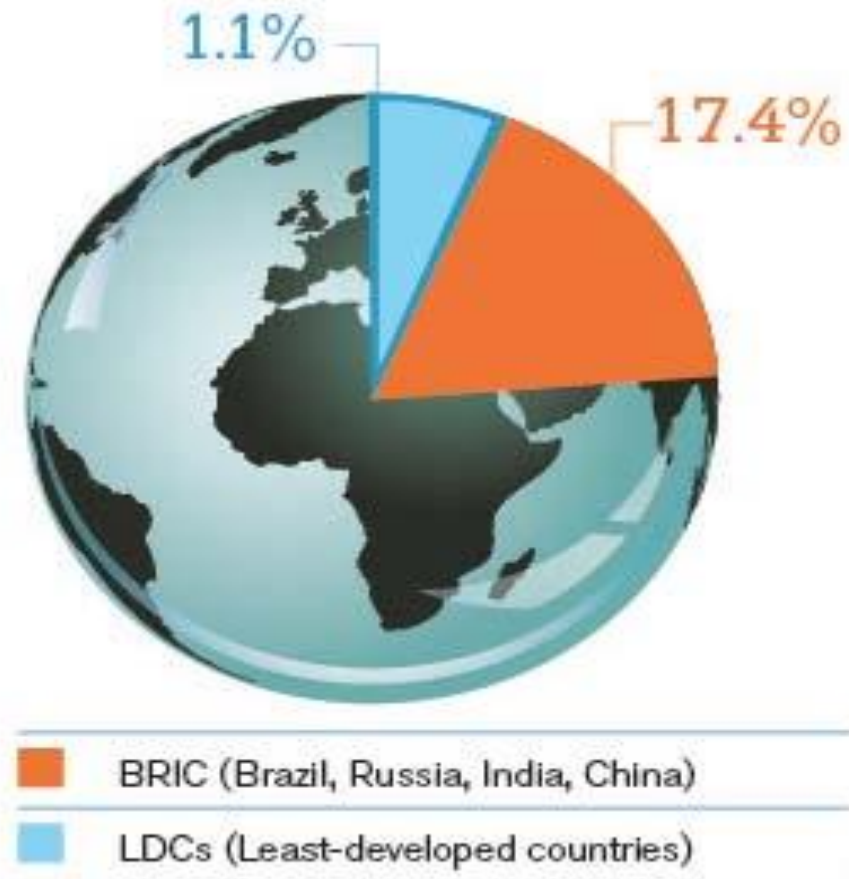
- Economic isolationism has become impossible in this age
- Economic integration promotes global harmony
- Free flow of commodity improves quality of life and wellbeing
- International business offers companies new market opportunities and innovation becomes obvious
- Diversification of risks in multiple companies in multiple countries
- Global competitiveness improves efficiency and effectiveness in global operations

# The basic questions (adopted from Czinkota, et.al.)

- How will our idea, good, or service fit into the international market?
- Should we enter the market through trade or through investment?
- Should I obtain my supplies domestically or from abroad?
- What product adjustments are necessary to be responsive to local conditions?
- What threats from global competition should be expected and how can these threats be counteracted?

# World trade statistics 2013

## Share in world merchandise exports 2012



*Adopted from WTO*

# The multinational companies

- Companies established in one country and having operations and transactions in other multiple countries
- Multinationals are the major actors in international business
- Licensing, franchising, strategic alliances, joint ventures, turnkey operations, subsidiaries, fully owned companies are some common forms
- The triad (three major trading and investment blocs in the international arena: the US, the EU, and Japan) consists much more multinationals

# Top 10 multinational companies 2013

Rank	Company	Country	Industry	Revenue in USD
1 	<a href="#">Royal Dutch Shell</a>	<a href="#">Netherlands</a> <a href="#">United Kingdom</a>	Petroleum	\$481.7 billion
2 	<a href="#">Walmart</a>	<a href="#">United States</a>	Retail	\$469.2 billion
3 	<a href="#">ExxonMobil</a>	<a href="#">United States</a>	Petroleum	\$449.9 billion
4 	<a href="#">Sinopec</a>	<a href="#">China</a>	Petroleum	\$428.2 billion
5 	<a href="#">China National Petroleum Corporation</a>	<a href="#">China</a>	Petroleum	\$408.6 billion
6 	<a href="#">BP</a>	<a href="#">United Kingdom</a>	Petroleum	\$388.3 billion
7 	<a href="#">State Grid Corporation of China</a>	<a href="#">China</a>	Power	\$298.4 billion
8 	<a href="#">Toyota</a>	<a href="#">Japan</a>	Automobiles	\$265.7 billion
9 	<a href="#">Volkswagen</a>	<a href="#">Germany</a>	Automobiles	\$247.6 billion
10 	<a href="#">Total</a>	<a href="#">France</a>	Petroleum	\$234.3 billion

*Adopted from: Wikipedia*

# Assignment and exercise

- Write a note on history of international business activities
- Discuss the need for international business in the age of globalization
- Identify the volume of world export by countries in the year 2013

# Selected reading

Chapter 1. Czinkota, M. R., Ronkainen, I. A., & Moffett, M. H. (2011). *International Business*. Hoboken, NJ: John Wiley & Sons.