Entrepreneurship in a Global Setting (INT 135G)

ENTREPRENEURSHIP IN A GLOBAL SETTING (INT 135G)

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INTRODUCTION

This textbook has been compiled for the online version of the St. Clair College course: INT 135G – ENTREPRENEURSHIP IN A GLOBAL SETTING. The chapters are organized by Course Learning Outcome.

Course Description: This course presents an overview of the most important characteristics of today's global trading environment. It seeks to help students understand the key forces affecting the international marketplace as well as Canada's place within it. In turn, students gain an understanding of the effect of these forces on their life and work. Topics include the characteristics of the global trading system, key integrative forces driving the international economy, and the importance of culture and cultural sensitivity in the conduct of international business.

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Cultural competencies that are essential for conducting business internationally.

- How to Successfully Work Across Countries, Languages, and Cultures

HOW TO USE THIS TEXTBOOK

Entrepreneurship in a Global Setting (INT 135) is available to be read online or can be downloaded in a variety of formats to be used offline including Digital PDF and ePUB . We recommend that you access this text online or through offline format that can be used with a mobile device or computer so that you can access the special features.

Special Features:

Self-check exercises: we have included exercises created with H5P to give you opportunities to interact with the text material. For example, many of the chapters begin with a drag and drop exercise that reviews some of the important terminology you will encounter.

Videos: A variety of videos have been included to expand on the text provided. All videos selected have a captioning option and a transcript is included.

Print PDF: A Print PDF format is also available for download, however, the exercise and videos are not available in the print version. When one of these items appears in the online text, a notice will be listed in the print version with a link to the exercise or video. In addition, links to other resources that are provided in the online text do not appear in the printed text, instead, we have provided a list to the full URL for all links in the Appendix.

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We recommend you review the text chapter prior to attending the lecture portion of your course. Having a general idea of the material and the terminology will help you understand the lecture more completely. When you are ready to do an in-depth reading of your text, we recommend using a study strategy called SQ3R.

SQ3R: Scan, Question, Read, Recite, Review

SQ3R is a reading strategy that was first recommended by Frank Robinson in 1946. While the strategy has been used for many years, it remains an effective way to read your textbooks.

There are five steps:

Scan: First, quickly review the material of the chapter in order to gain an overview of the material. Check out the headings, images, diagrams, etc. to get a sense of what the chapter is about. For this text, attempting the drag and drop terminology exercises is a good way to start your scan.

Question: Before you begin deep reading, create a few questions about the chapter. For example, you can create questions about the headings in each chapter by simply adding "What do I need to know about ____?" or "Why is ____ important?"

Read: Write down your first question and read the chapter until you find the answer. Stop, and write down some keywords and phrases in answer to the question. Then, write down your next question and repeat until you reach the end of the chapter.

Recite: When you have completed all the questions, look at your notes and verbally answer the question using the keywords and phrases as if you were explaining the idea or concept to a friend.

Review: Finally, cover up the answers for each question and mentally review. Can you still remember the answer? This step can also be done as part of your study activities for a text. Come back to your notes and write the questions on a fresh page. Attempt to answer the question without looking at the text or your lecture notes. After you have your answer, then check the answer with your text or your notes to see if you are correct or if you have missed any important details.

SQ3R material has been provided by Irene Stewart and adapted from THRIVES.

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- Row and column headers have the correct scope assigned.
- Tables include a caption.
- Tables avoid merged or split cells.
- Tables have adequate cell padding.

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- All speech content
- Relevant descriptions of speech
- Descriptions of relevant non-speech audio
- Headings and subheadings
- Captions of all speech content and relevant non-speech content are included in the multimedia resource; this includes the audio synchronized with a video presentation.
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References:

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CLO 1: DETERMINE HOW CURRENT ISSUES AND TRENDS IN THE GLOBAL ECONOMY AND TRADING ENVIRONMENT AFFECT THE CANADIAN ECONOMY.

CHAPTER 1: DISCUSS CURRENT GEOPOLITICAL ISSUES AND THEIR EFFECT ON THE CANADIAN ECONOMY.

CLO 1: Determine how current issues and trends in the global economy and trading environment affect the Canadian economy.

Before you begin

Before you begin reading, check your understanding of some of the key terms you will read in this chapter:

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Image by macrovector on Freepik

1. Introduction

Geopolitical tensions are exactly what they sound like — political issues between or involving two or more countries that cause tension or unrest. These tensions can stem from several factors, but some examples are power, trade, military activity, climate change or a significant event like Brexit'

Geopolitical definition: The struggle over the control of geographical entities with an international and global dimension, and the use of such geographical entities for political advantage.

What are some examples of geopolitics? Geopolitical examples may include trade agreements, war treaties, border or territorial acknowledgements, climate agreements, and more. Two recent examples are NAFTA and the Kyoto protocol.

Concerns about global economic and financial fragmentation have intensified in recent years amid rising geopolitical tensions, strained ties between the United States and China, and Russia's invasion of Ukraine.

Financial fragmentation has important implications for global financial stability by affecting cross-border investment, international payment systems, and asset prices. This in turn fuels instability by increasing banks' funding costs, lowering their profitability, and reducing their lending to the private sector.

Financial stability risks

Geopolitical tensions threaten financial stability through a financial channel. Imposition of financial restrictions, increased uncertainty, and cross-border credit and investment outflows triggered by an escalation of tensions could increase banks' debt rollover risks and funding costs. It could also drive-up interest rates on government bonds, reducing the values of banks' assets and adding to their funding costs.

At the same time, geopolitical tensions are transmitted to banks through the real economy. The effect of disruptions to supply chains and commodity markets on domestic growth and inflation could exacerbate banks' market and credit losses, further reducing their profitability and capitalization. The stress is likely to diminish the risk-taking capacity of banks, prompting them to cut lending, further weighing on economic growth.

The financial and real-economy channels are likely to feed off one another, with the overall effect being disproportionately larger for banks in emerging markets and developing economies, and for those with lower capitalization ratios.

Source

Catalan M., Natalucci F., Qureshi M., & Tsuruga T. (2023, April 5). [Geopolitics and Fragmentation Emerge as Serious Financial Stability Threats (imf.org)]

2. US-China trade tensions

Image on Wikimedia

The China–United States trade war is an ongoing economic conflict between China and the United States.

In January 2018, U.S. President Donald Trump began setting tariffs and other trade barriers on China with the goal of forcing it to make changes to what the U.S. says are longstanding unfair trade practices and intellectual property theft. The Trump administration stated that these practices may contribute to the U.S.–China trade deficit, and that the Chinese government requires transfer of American technology to China. In response to US trade measures, the Chinese government accused the Trump administration of engaging in nationalist protectionism and took retaliatory action. After the trade war escalated through 2019, in January 2020 the two sides reached a tense phase one agreement; it expired in December 2021 with China failing by a wide margin to reach its targets for U.S. imports to China. By the end of the Trump presidency, the trade war was widely characterized as a failure. His successor, Joe Biden, has kept tariffs in place.

Video: An unwinnable conflict? The US-China trade war (South China Morning Post)

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Source

The 'bystander effect' of the US-China trade war. Fajgelbaum, P., Goldberg, P., Kennedy, P.,& Taglioni. (2023). VoxEU

3. Brexit

Photo by tanaonte on Adobe.

What is Brexit?

Brexit is the abbreviation of "Britain Exit," which refers to the decision of the United Kingdom to leave the European Union. Brexit involves the process of negotiating new trade deals, citizen registration rules, borders, etc. The process started on June 23, 2016, after the referendum passed by 51.9% to 48.1%.

Summary

- Brexit stands for "Britain Exit", which refers to the UK's decision to leave the European Union.
- The process involves the renegotiation of things such as residence permits and trade regulations.
- The announcement of Brexit caused the depreciation of the pound, a decrease in car manufacturing within the UK, and the relocation of $1 trillion worth of assets from the UK to other European countries by the financial services industry. However, many analysts believe Brexit will ultimately be net positive economically for the UK

How Did Brexit Start?

Brexit officially started on June 23, 2016, after the passing of the Brexit referendum. However, there had been growing pressure for such a referendum for several years. The referendum passed for several reasons, such as immigration, sovereignty, and monetary issues. Immigration is a longstanding issue in Britain. Like much of Western Europe, the UK has experienced a massive influx of Muslim immigrants from the Middle East within the past 10-20 years. According to The Economist, areas of the UK that saw a large increase in the foreign-born population also saw a higher percentage of people voting to leave the EU.

There are also arguments that Britons feel less integrated with the EU than other citizens within Europe. UK citizens have less of a European identity and a strong UK identity.

Monetary issues also swayed votes for the referendum and were the source of criticisms about misleading information. During the lead-up to the referendum, the Leave campaign stated that leaving the EU would lead to a £350 million increase in weekly spending for the UK. Not only was the amount incorrect, but it also did not take into account the amount saved from discounts and rebates from being in the EU.

Benefits of Brexit

If the United Kingdom does a hard Brexit, they will achieve more freedom to create their own trade deals and regulations. A hard Brexit is a scenario in which the UK gives up access to the single market and customs union. Regaining sovereignty is seen as a win even by those who opted to stay in the EU.

For example, under EU law, a citizen of another EU nation can decide to move to and live in the UK with no restrictions. This has led to a large increase in immigration into Britain and created difficulties fulfilling housing and service needs. Through a hard Brexit, the UK will exercise full control over its borders.

Drawbacks of Brexit

By being a part of the EU, the United Kingdom benefits from trade deals between the EU and other world powers. As an entity, the EU exerts stronger bargaining power as it is the largest economy as a group. Therefore, by leaving, the UK would lose negotiating power and free trade with other European countries. As the UK tries to recreate trade deals with other countries, they may get less favorable results.

The uncertainty of Brexit also causes volatility and affects businesses operating within the UK. In the case of a hard Brexit, goods and services will be subject to tariffs, increasing the cost of raw material into Britain and finished products out.

Brexit's Impact on Britain

On the day of the referendum result, the pound dropped to a 31-year low. This reflected the uncertainty investors felt for the UK's future after Brexit. As investors adapted to the news, the pound strengthened over the next year. However, once the Brexit transition plans were released and rejected multiple times, the pound weakened again. While a lower value currency increases exports, the volatility of the pound shows a lack of investor confidence. It also makes it unattractive to buy UK fixed-income assets, and foreign direct investment (FDI) will likely slow.

Uncertainty in terms of tariffs caused the UK car industry to slump 46% in 2017 and 80% over three years. While Brexit was not the sole reason for the decrease, it played a major role. British car plants get components from Europe and export a majority of finished cars to Europe as well. If there are vehicle import tariffs, auto manufacturing plants in the UK may become unprofitable.

Brexit may also impact the supply chain. With possible delays at the borders and additional requirements for importing components, companies will need to hold more inventory to avoid delays. Honda already closed its plant in Britain, while Nissan decided to make a new model of car in Japan instead of in Britain. However, both companies stated the decision was not made because of Brexit.

Another industry heavily impacted is the financial services industry. Since there are many regulatory laws in place for banks set by the EU, Brexit would leave the banks in the UK in an uncertain situation. For example, during a hard exit, UK banks may not be able to access the European market. At the beginning of 2019, it was reported that banks and financial companies had already shifted $1 trillion worth of assets from the UK to the EU.

Source

Brexit, CFI Team (2022). Corporate Finance Institute.

Causes of the vote in favour of Brexit

Why did the UK want Brexit?

Factors included sovereignty, immigration, the economy and anti-establishment politics, amongst various other influences. The result of the referendum was that 51.9% of the votes were in favour of leaving the European Union.

Issues with the European Union: There had been enormous variations in attitudes towards the European Union in Britian over the last decade. The big picture is that people supported membership if they felt that it was delivering what they wanted – a prosperous economy, protection against crime and terrorism, control over immigration and efficient public services. If they did not feel that membership helped to deliver these things, or worse still prevented the British government from delivering them they opposed membership. Many of the latter felt 'left behind' by changes in society and the economy.

The recession of 2008: Britain's failure to effectively recover from the worst recession for over 70 years coloured the whole backdrop of the referendum, leaving many people feeling discontented and unrepresented.

The collapse of power in the Middle East: The Arab Spring, created new waves of immigration into Europe. Many voters concluded that not only had successive UK governments mishandled this issue but so had the European Commission.

Austerity: In managing their economy, the EU opted for austerity – however austerity did not work and delayed economic recovery both in Europe and Britain and stimulated Euroscepticism.

The 'Leave' camp's dual campaign: The Leave campaign was able to mobilize two types of voters, those that saw themselves as respectable and conservative and those that felt left behind.

Source

Insight: Why Britain really voted to leave the European Union, Whitely, P. (n.d.), University of Essex.

Brexit Meaning and Impact: The Truth About the U.K. Leaving the EU. Hayes, A. (2023), Investopedia.com

4. Climate change

Source: Timothy Krause, (CC-BY 2.0, 2012)

Basic Terminology

What is generally called climate change or global warming in the popular media is referred to by scientists as anthropogenic climate forcing. Anthropogenic means man-made and specifies that they are talking about global warming that is caused by human activity and not by natural variations in temperature. The global temperature of the earth has varied continuously since the birth of the planet, and even today, some portion of that variation can still be attributed to unpredictable increases and decreases in the amount of solar radiation the Earth is receiving from the sun. Climate forcing refers to the effect of human activities in pushing the natural variation of the earth's temperature in one direction or another. From this perspective, global warming is an imprecise term because some of the observed warming of the earth's temperature may also be due to natural causes or natural variation. Most press commentators prefer to use the term climate change because many of the negative impacts of global warming will be the product of changes in weather patterns. There is thus more to climate change than increased temperatures, and it is even possible that some areas of the planet could experience cooling of temperatures (for example, it has been postulated that continued global warming could disrupt the Gulf Stream, which brings warm Caribbean waters to Europe—thereby leading to much colder European winters).

The Threat of Climate Change

Climate change is perhaps the most important problem facing the world's citizens today. In the consensus view of scientific experts, climate change—in particular as manifested through global warming—is likely to produce disastrous social and environmental catastrophes in this century. For example, certain low-lying Pacific islands are in danger of being inundated by rising sea levels. Another fear is that deserts in Africa and the Middle East will not only grow rapidly in size, but eventually will become inhospitable to human and animal life as temperatures rise. Yet another major concern is that the hurricanes and typhoons that regularly pound the world's coastlines will reach ever-greater levels of destructive power.

Despite these risks, neither the United Nations nor the world's governments have yet implemented a clear and convincing strategy to fight climate change. Virtually all climate experts agree that the key to stopping or even slowing global warming lies in the urgent reversal of the long-term trend toward increasing atmospheric concentrations of carbon dioxide (CO2).

Solutions and Responses: Mitigation, Adaptation and Geo-Engineering

Mitigation: The long-term solution to global warming is for mankind to further develop renewable or "clean" forms of energy, such as hydropower, solar power, and wind power, which do not generate GHG (Greenhouse Gas) emissions. However, with the exception of hydropower, renewable methods produce energy at prices that are currently so much more expensive than energy derived from coal, oil, and gas that it seems very unlikely that many countries will switch over rapidly to clean energies.

Adaptation: Adaptation involves preparing people and countries to better resist the negative impacts of climate change. One of the most widely-discussed risks associated with increased global warming is the increased intensity of hurricanes. The harmful impact of such hurricanes can be augmented by a gradual increase in sea level, also associated with global warming. For example, it was a combination of a severe hurricane with an unusually high tide that resulted in the devastation and flooding of New York City by Hurricane Sandy in 2012. Adaptation by New York City might involve preventing future encroachment upon the city of hurricane sea surges by building barriers similar to the massive ocean barriers that have been built in the Netherlands.

Geo-Engineering: Often relegated to the realm of science fiction or fantasy by experts, geo-engineering responses continue to be discussed as a possible fallback option if, as seems increasingly likely, humans are unable to reverse the long-term growth of carbon emissions in the twenty-first century. Geo-engineering involves using a number of novel or advanced technologies to reduce carbon emissions or lower the planet's temperature.19 One example is the massive planting of trees, because trees drain CO2 out of the atmosphere, thereby creating a large "carbon sink" and reducing the level of atmospheric CO2. Another solution, more farfetched, would be to spray inert sun-blocking gases high into the stratosphere, creating a sort of "global sun-block." Some concerned scientists are even more frightened by the thought of ill-advised geo-engineering of this nature than they are of global warming itself.

Source:

Jimenez G., Pulos E. (2023). Climate change. Climate Change – Good Corporation, Bad Corporation: Corporate Social Responsibility in the Global Economy (geneseo.edu) – Chapter 3.

CHAPTER 2: THE ECONOMIC ENVIRONMENT AND POLITICAL ENVIRONMENT

2.1. Introduction

Before you begin

Before you begin reading, check your understanding of some of the key terms you will read in this chapter:

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https://ecampusontario.pressbooks.pub/intent135g/?p=26#h5p-3

The economic environment is a major determinant of global market potential and opportunity. In today's global economy, capital movements are the driving force, production is uncoupled from employment, and capitalism has vanquished communism. Based on patterns of resource allocation and ownership, the world's economies can be categorized as market capitalism, centrally planned capitalism, centrally-planned socialism, and market socialism. The final years of the twentieth century were marked by transitions toward market capitalism in many countries that had been centrally controlled. However, there still exists a great disparity among the nations of the world in terms of economic freedom.

The political environment of global marketing is the set of governmental institutions, political parties, and organizations that are the expression of the people in the nations of the world. In particular, anyone engaged in global marketing should have an overall understanding of the importance of sovereignty to national governments. The political environment varies from country to country, and political risk assessment is crucial. It is also important to understand a particular government's actions with respect to taxes and seizure of assets. Historically, the latter have taken the form of expropriation, confiscation, and nationalization.

When global managers explore how to expand, they start by looking at the world. Knowing the major markets and the stage of development for each allows managers to determine how best to enter and expand. The manager's goal is to hone in on a new country—hopefully, before their competitors and usually before the popular media does. China and India were expanding rapidly for several years before the financial press, such as the Wall Street Journal, elevated them to their current hot status.

It's common to find people interested in doing business with a country simply because they've read that it's the new "hot" economy. They may know little or nothing about the market or country—its history, evolution of thought, people, or how interactions are generally managed in a business or social context. Historically, many companies have only looked at new global markets once potential customers or partners have approached them. However, trade barriers are falling, and new opportunities are fast emerging in markets of the Middle East and Africa—further flattening the world for global firms. Companies are increasingly identifying these and other global markets for their products and services and incorporating them into their long-term growth strategies.

The legal environment consists of laws, courts, attorneys, legal customs, and practices. International law is comprised of the rules and principles that nation-states consider binding upon themselves. The countries of the world can be broadly categorized in terms of common-law legal systems or civil-law legal system. The United States and Canada and many former British colonies are common law countries; most other countries are civil-law. A third system, Islamic law, predominates in the Middle East. Some of the most important legal issues pertain to jurisdiction, antitrust, and licensing. In addition, bribery is pervasive in many parts of the world; the Foreign Corrupt Practice Act (FCPA) applies to American companies operating abroad. Intellectual property protection is another critical issue. Counterfeiting is a major problem in global marketing; it often involves infringement of a company's copyright or trademark ownership. When legal conflicts arise, companies can pursue the matter in court or use arbitration.

Savvy global managers realize that to be effective in a country, they need to know its recent political, economic, and legal history. This helps them evaluate not only the current business opportunity but also the risk of political, economic, and social changes that can impact their business.

2.2. The Economic Environment

Image by muhammad useng on Vecteesy

The economic environment is important because of the rapid integration of international economic markets. Increasingly, businesses, consumers, and governments realize that their lives are affected not only by what goes on in their own town, state, or country but also by what is happening around the world. Consumers can walk into their local shops today and buy goods and services from all over the world. Local businesses must compete with these foreign products. However, many of these same businesses also have new opportunities to expand their markets by selling to a multitude of consumers in other countries. The advance of telecommunications is also rapidly reducing the cost of providing services internationally, while the Internet has changed the nature of how many products and services are sold and marketed.

A nation's economic situation represents its current and potential capacity to produce goods and services. The key to understanding market opportunities lies in the evaluation of the stage of a nation's economic growth. Economic growth is the increase in the amount of the goods and services produced by an economy over time. It is conventionally measured as a percentage change in the Gross Domestic Product (GDP) or Gross National Product (GNP). These two measures, which have a slightly different calculation, total the amounts paid for the goods and services that a country produced. As an example of measuring economic growth, a country that creates 9,000,000 in goods and services in 2020 and then creates 9,090,000 in 2021 has a nominal economic growth rate of 1% for 2021.

In order to compare per capita economic growth among countries, the total sales of the countries to be compared may be quoted in a single currency. This requires converting the value of currencies of various countries into a selected currency, for example, U.S. dollars. One way to do this conversion is to rely on exchange rates among the currencies, for example, how many Mexican pesos buy a single U.S. dollar? Another approach is to use the purchasing power parity method. This method is based on how much consumers must pay for the same "basket of goods" in each country.

Inflation or deflation can make it difficult to measure economic growth. If GDP, for example, goes up in a country by 1% in a year, was this due solely to rising prices (inflation) or because more goods and services were produced and saved? To express real growth rather than changes in prices for the same goods, statistics on economic growth are often adjusted for inflation or deflation.

For example, a table may show changes in GDP in the period 2010 to 2020, as expressed in 2010 U.S. dollars. This means that the single currency being used is the U.S. dollar, with the purchasing power it had in the U.S. in 2010. The table might mention whether the figures are "inflation-adjusted" or real. If no adjustments were made for inflation, the table might make no mention of inflation-adjustment or might mention that the prices are nominal.

A country's balance of payments is a record of its economic transactions with the rest of the world; this record shows whether a country has a trade surplus (value of exports exceeds the value of imports) or a trade deficit (value of imports exceeds the value of exports). Trade figures can be further divided into merchandise trade and services trade accounts; a country can run a surplus in both accounts, a deficit in both accounts, or a combination of the two. In 2021, the U.S. imported $3.4 trillion in goods and services and exported $2.5 trillion, totalling a trade deficit of $859.1 billion (Amadeo, 2022).

Trade

The growth of international trade and investment has been stimulated partly by the steady decline of trade barriers since the Great Depression of the 1930s. In the post–World War II era, the General Agreement on Tariffs and Trade or GATT, prompted regular negotiations among a growing body of members to reciprocally reduce tariffs (import taxes) on imported goods. During each of these regular negotiations (eight of these rounds was completed between 1948 and 1994), countries promised to reduce their tariffs on imports in exchange for concessions—that means tariffs reductions—by other GATT members.

When the Uruguay Round, the most recently completed round, was finalized in 1994, the member countries succeeded in extending the agreement to include liberalization promises in a much larger sphere of influence. Now countries not only would lower tariffs on goods trade but also would begin to liberalize the agriculture and services markets. They would eliminate the many quota systems—like the multifiber agreement in clothing—that had sprouted up in previous decades. And they would agree to adhere to certain minimum standards to protect intellectual property rights such as patents, trademarks, and copyrights. The World Trade Organization (WTO) was created to manage this system of new agreements, to provide a forum for regular discussion of trade matters, and to implement a well-defined process for settling trade disputes that might arise among countries.

Foreign exchange provides a means for settling accounts across borders. The dynamics of international finance can have a significant impact on a nation's economy as well as the fortunes of individual companies. Currencies can be subject to devaluation or revaluation as a result of actions taken by a country's central banker. Currency trading by international speculators can also lead to devaluation. When a country's economy is strong or when demand for its goods is high, its currency tends to appreciate in value. When currency values fluctuate, global firms face various types of economic exposure. Firms can manage exchange rate exposure by hedging.

2.3. The Political Environment

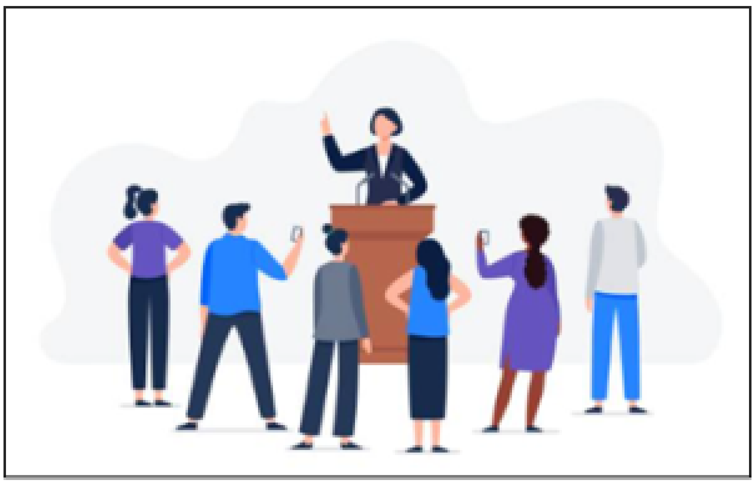

Image by Jenny On The Moon on Vecteezy

The political environment abroad is quite different from that of North America. Most nations desire to become self-reliant and to raise their status in the eyes of the rest of the world. This is the essence of nationalism. The nationalistic spirit that exists in many nations has led them to engage in practices that have been very damaging to other countries' marketing organizations. For example, foreign governments can intervene in marketing programs in the following ways:

- contracts for the supply and delivery of goods and services
- the registration and enforcement of trademarks, brand names, and labelling
- patents
- marketing communications
- pricing
- product safety, acceptability, and environmental issues

Political Stability

Business activity tends to grow and thrive when a nation is politically stable. When a nation is politically unstable, multinational firms can still conduct business profitably. Their strategies will be affected, however. Most firms probably prefer to engage in the export business rather than invest considerable sums of money in investments in foreign subsidiaries. Inventories will be low and currency will be converted rapidly. The result is that consumers in the foreign nation pay high prices, get less satisfactory products, and have fewer jobs.

Source:

Manuel L. (2023). Global Marketing in a Digital World (Chapter 2). Creative Commons Attribution-Non-Commercial-Share Alike 4.0 International License.

2.4. The Political Risk

Political risk is the risk to business interests as a result of political decisions or events. Political risks can be macro, meaning they impact everyone in a country, or micro, meaning that a particular industry or company is impacted. Political risk may be caused by actions of legitimate governments such as controls on prices, outputs, activities, and currency and remittance restrictions. Political risk may also result from events outside of government controls such as war, revolution, terrorism, labour strikes, and extortion.

Forms of investment and risk

For a firm considering a new foreign market, there are three broad categories of international business: trade, international licensing of technology and intellectual property, and foreign direct investment. A company developing a business plan may have different elements of all three categories depending on the type of product or service.

"Forms of Risk" by Alyssa Giles, CC BY-NC-SA 4.0.

The risk between these three categories of market entry varies significantly with trade ranked the least risky if the company does not have offices overseas and does not keep inventories there. On the other side of the spectrum is direct foreign investment, which generally brings the greatest economic exposure and thus the greatest risk to the company.

Protection from political risk

Companies can reduce their exposure to political risk by careful planning and monitoring political developments. The company should have a deep understanding of domestic and international affairs for the country they are considering entering. The company should know how politically stable the country is, the strength of its institutions, the existence of any political or religious conflicts, ethnic composition, and minority rights. The country's standing in the international arena should also be part of the consideration; this includes its relations with neighbors, border disputes, membership in international organizations, and recognition of international law.

If the company does not have the resources to conduct such research and analysis, it may find such information at their foreign embassies, international chambers of commerce, political risk consulting firms, insurance companies, and international business people familiar with a particular region. In some countries, governments will establish agencies to help private businesses grow overseas. Governments may also offer political risk insurance to promote exports or economic development. Private businesses may also purchase political risk insurance from insurance companies specialized in international business. Insurance companies offering political risk insurance will generally provide coverage against inconvertibility, expropriation, and political violence, including civil strife (AON Group, Inc., 2022). Careful planning and vigilance should be part of any company's preparation for developing an international presence.

Government policy changes and trade relations

Governments may change their policies toward foreign enterprises for many reasons. High unemployment, widespread poverty, nationalistic pressure, and political unrest are just a few of the reasons that can lead to changes in policy. Changes in policies can impose more restrictions on foreign companies to operate or limit their access to financing and trade. In some cases, changes in policy may be favourable to foreign businesses as well. To solve domestic problems, governments often use trade relations. As a result, international businesses can experience frequent changes in regulations and policies, which can add additional costs of doing business overseas.

Source:

CHAPTER 3: IDENTIFY THE TRENDS IN TECHNOLOGY, DEMOGRAPHICS, CONSUMERISM, AND SHIFTING WORLD TRADE PATTERNS AND THE GLOBALIZATION OF BUSINESS.

3.1. Defining Global Marketing

Before you begin

Before you begin reading, check your understanding of some of the key terms you will read in this chapter:

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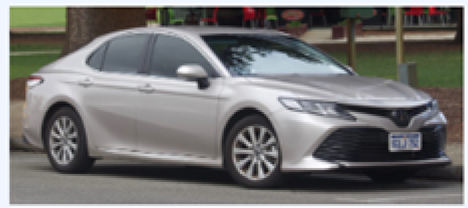
Toyota has a vehicle for every market



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Each market has unique cultural characteristics and contextual circumstances that must be considered. For example, in the United States roads tend to be wide; highways can accommodate a broad array of vehicles with a high number of lanes, and people demand a mix of cars based on their needs. Conversely, in Europe roads tend to be narrow, and the market demands smaller, more fuel-efficient vehicles. Therefore, while a Toyota 4Runner tends to sell extremely well in the United States, it would not be a very popular model in Europe for these very reasons. As a result, Toyota invests billions of dollars every year into market research and market development to make sure they meet the needs and wants of its customers, in each specific country that they sell their vehicles in. This has led to Toyota's success in the US automotive market, as our earlier case suggested. With their #1 selling sedan, Toyota Camry, a wide array of hybrid models, trucks and SUVs to meet the United States constantly-changing expectations, Toyota is, arguably, the strongest player in the automotive industry.

Now that the world has entered the next millennium, we are seeing the emergence of an interdependent global economy that is characterized by faster communication, transportation, and financial flows, all of which are creating new marketing opportunities and challenges. Given these circumstances, it could be argued that companies face a deceptively straightforward and stark choice: they must either respond to the challenges posed by this new environment or recognize and accept the long-term consequences of failing to do so. This need to respond is not confined to firms of a certain size or particular industries. It is a change that to a greater or lesser extent will ultimately affect companies of all sizes in virtually all markets. The pressures of the international environment are now so great, and the bases of competition within many markets are changing so fundamentally, that the opportunities to survive with a purely domestic strategy are increasingly limited to small and medium-sized companies in local niche markets.

Perhaps partly because of the rapid evolution of global marketing, a vast array of terms has emerged. Clarification of these terms is a necessary first step before we can discuss this topic more thoroughly.

Let us begin with the assumption that the marketing process that you have learned in any basic marketing course is just as applicable to domestic marketing as to international marketing. In both markets, we are goal-driven, do necessary marketing research, select target markets, employ the various tools of marketing (i.e., product, pricing, distribution, communication), develop a budget, and check our results. However, the uncontrollable factors such as cultural, social, legal, and economic factors, along with the political and competitive environment, all create the need for a myriad of adjustments in the marketing management process.

Source:

McCubbrey, D. (2015) Business Fundamentals. The Global Text Project.

Global vs Domestic Marketing

One of the inevitable questions that surfaces concerning global marketing is, how does global marketing truly differ from domestic marketing, if at all?

Historically, there has been much discussion over commonalities and differences between global and domestic marketing, but the three most common points of view upon which scholars agree are the following:

1. All marketing is about the formulation and implementation of the basic policies known as the 4 Ps: Product, Price, Place, and Promotion.
2. Global marketing, unlike domestic marketing, is understood to be carried out "across borders".
3. Global marketing is not synonymous with international trade. Perhaps the best way to distinguish between the two is simply to focus on the textbook definition of international marketing. One comprehensive definition states that "international marketing means identifying needs and wants of customers in different markets and cultures, providing products, services, technologies, and ideas to give the firm a competitive marketing advantage, communicating information about these products and services and distributing and exchanging them internationally through one or a combination of foreign market entry modes".

At its simplest level, global marketing involves the firm making one or more marketing decisions across national boundaries. At its most complex, it involves the firm establishing manufacturing and marketing facilities overseas and coordinating marketing strategies across markets. Thus, how global marketing is defined and interpreted depends on the level of involvement of the company in the international marketplace.

Source:

Manuel L. (2023). Global Marketing in a Digital World. Creative Commons Attribution-Noncommercial-Share Alike 4.0 International License.

3.2. Automation and AI (Artificial Intelligence)

What is AI?

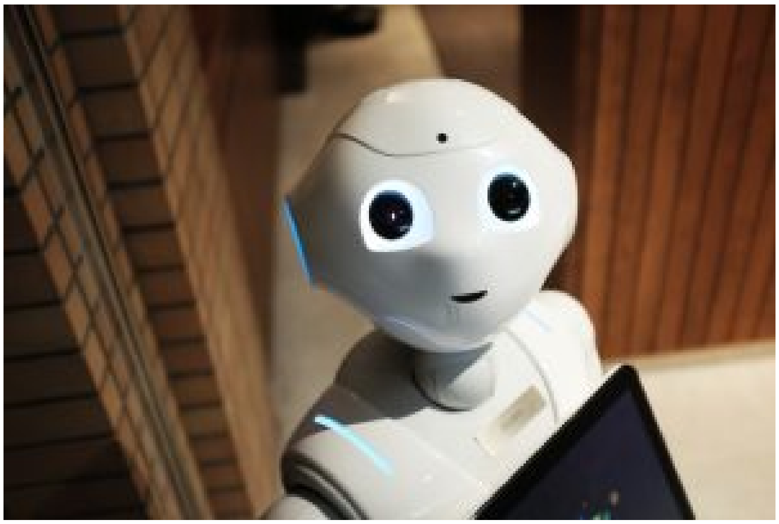

Photo by Alex Knight on Unsplash

Artificial intelligence is a machine's ability to perform the cognitive functions we usually associate with human minds.

Humans and machines: a match made in productivity heaven. Our species wouldn't have gotten very far without our mechanized workhorses. From the wheel that revolutionized agriculture to the screw that held together increasingly complex construction projects to the robot-enabled assembly lines of today, machines have made life as we know it possible. And yet, despite their seemingly endless utility, humans have long feared machines—more specifically, the possibility that machines might someday acquire human intelligence and strike out on their own.

But we tend to view the possibility of sentient machines with fascination as well as fear. This curiosity has helped turn science fiction into actual science. Twentieth-century theoreticians, like computer scientist and mathematician Alan Turing, envisioned a future where machines could perform functions faster than humans. The work of Turing and others soon made this a reality. Personal calculators became widely available in the 1970s, and by 2016, the US census showed that 89 percent of American households had a computer. Machines—smart machines at that—are now just an ordinary part of our lives and culture.

Those smart machines are getting faster and more complex. Some computers have now crossed the exactable threshold, meaning that they can perform as many calculations in a single second as an individual could in 31,688,765,000 years. But it's not just about computation. Computers and other devices are now acquiring skills and perception that have previously been our sole purview.

AI is a machine's ability to perform the cognitive functions we associate with human minds, such as perceiving, reasoning, learning, interacting with an environment, problem solving, and even exercising creativity. You've probably interacted with AI even if you didn't realize it—voice assistants like Siri and Alexa are founded on AI technology, as are some customer service chatbots that pop up to help you navigate websites.

Video: New Coca Cola Stable Diffusion AI Ad (The AI Examiner)

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Transcript is unavailable as this video contains no speech.

Source:

McKinsey & Company (2023, April 24). [What is AI?](#) McKinsey Global Institute.

3.3. Global value chains

Global Supply-Chain Management

Image by muhamad chabib alwi on Vecteezy

In today's global competitive environment, individual companies no longer compete as autonomous entities but as supply-chain networks. Instead of brand versus brand or company versus company, it is increasingly suppliers-brand-company versus suppliers-brand-company. In this new competitive world, the success of a single business increasingly depends on management's ability to integrate the company's intricate network of business relationships. Supply-chain management (SCM) offers the opportunity to capture the synergy of intra- and intercompany integration and management. SCM deals with total business-process excellence and represents a new way of managing business and relationships with other members of the supply chain.

Top-performing supply chains have **three distinct qualities**:

- First, they are ***agile*** enough to readily react to sudden changes in demand or supply.
- Second, they ***adapt*** over time as market structures and environmental conditions change, and,
- Third, they ***align*** the interests of all members of the supply-chain network in order to optimize performance.

These characteristics—agility, adaptability, and alignment—are possible only when partners promote knowledge-flow between supply-chain nodes. In other words, the flow of knowledge is what enables a supply chain to come together in a way that creates a true value chain for all stakeholders. Knowledge-flow creates value by making the supply chain more transparent and by giving everyone a better look at customer needs and value propositions. Broad knowledge about customers and the overall market, as opposed to just information from order points, can provide other benefits, including a better understanding of market trends, resulting in better planning and product development.

Supply Chains: From Push to Pull

A supply chain, the flow of physical goods and associated information from the source to the consumer, refers to the flow of physical goods and associated information from the source to the consumer. Key supply-chain activities include production planning, purchasing, materials management, distribution, customer service, and sales forecasting. These processes are critical to the success manufacturers, wholesalers, or service providers alike.

Electronic commerce and the Internet have fundamentally changed the nature of supply chains and have redefined how consumers learn about, select, purchase, and use products and services. The result has been the emergence of new business-to-business supply chains that are consumer-focused rather than product-focused. They also provide customized products and services.

In the traditional supply-chain model, raw material suppliers define one end of the supply chain. They were connected to manufacturers and distributors, which, in turn, were connected to a retailer and the end customer. Although the customer is the source of the profits, they were only part of the equation in this "push" model. The order and promotion process, which involves customers, retailers, distributors, and manufacturers, occurred through time-consuming paperwork. By the time customers' needs were filtered through the agendas of all the members of the supply chain, the production cycle ended up serving suppliers every bit as much as customers.

Driven by e-commerce's capabilities to empower clients, most companies have moved from the traditional "push" business model. The traditional product-centric and delivery-driven process by which manufacturers, suppliers, and distributors flowed products to the end customer., where manufacturers, suppliers, distributors, and marketers have most of the power, to a customer-driven "pull" model. The new customer-driven process where all supply chain participants are directly connected to the end customer. This new business model is less product-centric and more directly focused on the individual consumer. As a result, the new model also indicates a shift in the balance of power from suppliers to customers.

Whereas in the old "push" model, many members of the supply chain remained relatively isolated from end users, the new "pull" model has each participant scrambling to establish direct electronic connections to the end customer. The result is that electronic supply-chain connectivity gives end customers the opportunity to become better informed through the ability to research and give direction to suppliers. The net result is that customers now have a direct voice in the functioning of the supply chain, and companies can better serve customer needs, carry less inventory, and send products to market more quickly.

Source:

Northeast Wisconsin Technical College (2023). Global Supply-Chain Management. Global Business – Chapter 9.

Video: Comparing Value Chain and Supply Chain. QStock Inventory.

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CHAPTER 4: EXPLAIN THE EFFECT THESE TRENDS HAVE ON INTERNATIONAL BUSINESS

4.1. Value proposition

Before you begin

Before you begin reading, check your understanding of some of the key terms you will read in this chapter:

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Value Propositions

Individual buyers and organizational buyers both evaluate products and services to see if they provide desired benefits. For example, when you are exploring your vacation options, know the benefits of each destination and the value you get by going to each place. Before you (or a firm) can develop a strategy or create a strategic plan, you first must develop a value proposition. A value proposition is a 30-second "elevator speech" stating the specific benefits a product or service offering provides a buyer. It shows why the product or service is superior to competing offers. The value proposition answers the questions, "Why should I buy from you or why should I hire you?" The value proposition becomes critical in shaping strategy.

The following is an example of a value proposition developed by a sales consulting firm: "Our clients grow their business, large or small, typically by a minimum of 30% to 50% over the previous year. They accomplish this without working 80-hour weeks and sacrificing their personal lives" (Lake, 2009).

Note that although a value proposition will hopefully lead to profits for a firm, when the firm presents its value proposition to its customers, it does not mention its own profits. The goal is to focus on the external market or what customers want. For instance, Beaches, an all-inclusive chain of resorts for families, must explain what its value proposition is to customers. Why does a Beaches resort provide more value to vacationing families?

Firms typically segment markets and then identify different target markets, or groups of customers, they want to reach when they are developing their value propositions. Be aware that companies sometimes develop unique value propositions for different target markets just as individuals may develop a unique value proposition for different employers. The value proposition tells each group of customers (or potential employers) why they should buy a product or service, vacation to a particular destination, donate to an organization, hire you, and so forth.

Once the benefits of a product or service are clear, the firm must develop strategies that support the value proposition. The value proposition serves as a guide for this process. With our sales consulting firm, the strategies it develops must help clients improve their sales by 30% to 50%. Likewise, if a company's value proposition states that the firm is the largest retailer in the region with the most stores and best product selection, opening stores or increasing the firm's inventory might be a key part of the company's strategy. Looking at Amazon's value proposition, "Low price, wide selection with added convenience anytime, anywhere," one can easily see how Amazon has been so successful.

Individuals and students should also develop their own personal value propositions. Tell companies why they should hire you or why a graduate school should accept you. Show the value you bring to the situation. A value proposition will help you in different situations. Think about how your internship experience and/or study abroad experience may help a future employer. For example, explain to the employer the benefits and value of going abroad. Perhaps your study abroad experience helped you understand customers that buy from Company X and your customer service experience during your internship increased your ability to generate sales, which improved your employer's profit margin. Thus, you may quickly contribute to Company X, something that they might value.

Value Proposition Canvas

The Value Proposition Canvas (see Figure below) is a tool focusing on what the customer values and needs regarding a product or service that was developed by Dr Alexander Osterwalder explains:

- Gain Creators: How can you improve the lives of your customers?
- Pain Relievers: How can you help relieve customer barriers/issues?
- Products & Services: What products or services can you offer to help customers satisfy a need, want, or desire?
- Customer Jobs: What are your customer's needs, wants, or desires (emotional and/or personal)?
- Gains: How will your customers benefit? (Expectations, social benefits, functional, and financial gains).
- Pains: Are your customers experiencing barriers to basic activities?

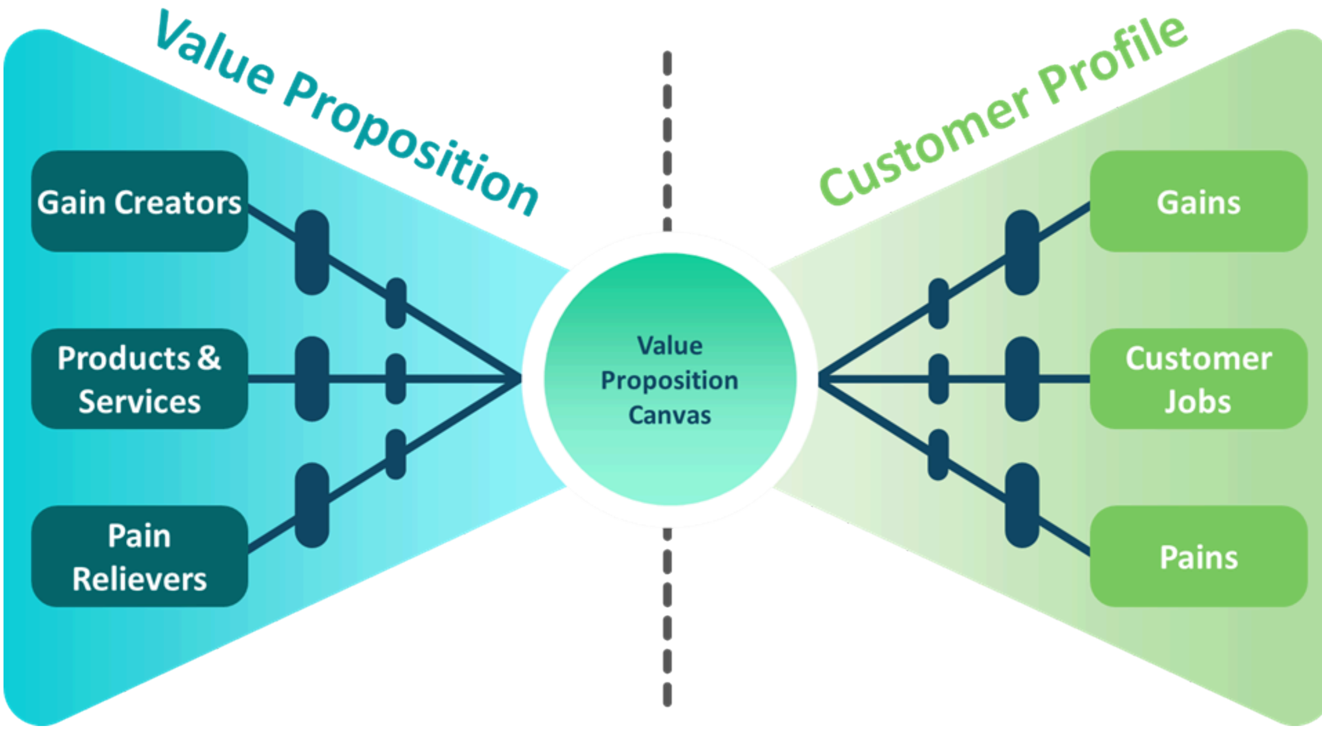

Image by Matthew Pauley (CC BY 4.0), 2021

Source:

Pauley M., (2023). [Business Startup and Entrepreneurship Canada – Chapter 5: Value Prepositions.]() University of Prince Edward Island.

4.2. Ethics

Ethics definition

What is Business Ethics?

Image by Hunters Race from Unsplash

It is in the best interest of a company to operate ethically. Trustworthy companies are better at attracting and keeping customers, talented employees, and capital. Those tainted by questionable ethics suffer from dwindling customer bases, employee turnover, and investor mistrust.

Let us address this question: What can individuals, organizations, and government agencies do to foster an environment of ethical behaviour in business? First, of course, we need to define the term.

What Is Ethics?

You probably already know what it means to be ethical: to know right from wrong and to know when you are practicing one instead of the other. Business ethics is the application of ethical behaviour in a business context. Acting ethically in business means more than simply obeying applicable laws and regulations. It also means being honest, doing no harm to others, competing fairly, and declining to put your own interests above those of your company, its owners, and its workers. In business, you need a strong sense of right and wrong.

You need the conviction to do what is right, even if it means doing something that is difficult or personally disadvantageous.

Why Study Ethics?

Ideally, prison terms, heavy fines, and civil suits would discourage corporate misconduct, but, unfortunately, many experts suspect this assumption is optimistic. Whatever the condition of the ethical environment soon, one thing seems clear: the next generation entering business (which includes most of you) will find a world much different from the one that waited for the previous generation. Recent history tells us in no uncertain terms that today's business students, many of whom are tomorrow's business leaders, need a much sharper understanding of the difference between what is and is not ethically acceptable. As a business student, one of your key tasks is learning how to recognize and deal with the ethical challenges that will confront you. Asked what he looked for in a new hire, Warren Buffett, the world's most successful investor looks for three things, personal integrity, intelligence, and a high energy level, but admits without integrity the others are irrelevant.

Identifying Ethical Issues and Dilemmas

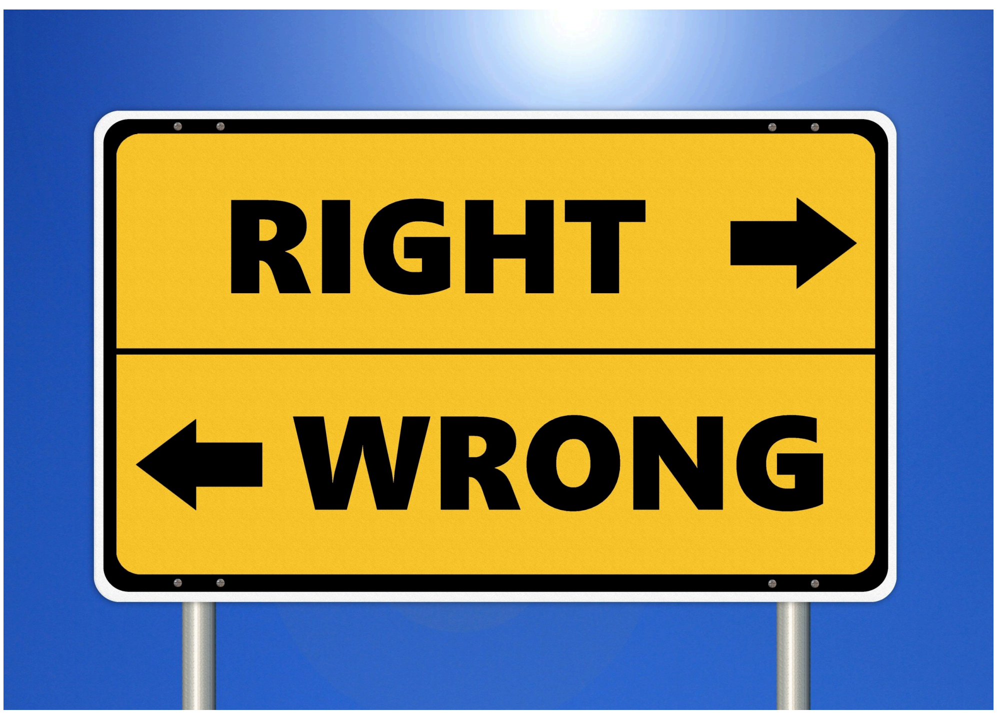

Image by Tumisu from Pixabay

Ethical issues are the difficult social questions that involve some level of controversy over what the right thing is to do. Environmental protection is an example of a commonly discussed ethical issue because there can be trade-offs between environmental and economic factors.

Tips to maintain honesty and integrity

- Follow your own code of personal conduct; act according to your own convictions rather than doing what is convenient (or profitable).
- While at work, focus on your job, not on non-work-related activities, such as emails and personal phone calls.
- Do not appropriate office supplies or products or other company resources for your own use.
- Be honest with customer, management, coworkers, competitors, and the public.
- Remember that it is the small seemingly trivial, day-to-day activities and gestures that build your character.

When you enter the business world, you will find yourself in situations in which you will have to choose the behaviour. How would you answer the following questions?

- Is it OK to accept a pair of sports tickets from a supplier?
- Can I buy office supplies from my brother-in-law?
- Is it appropriate to donate company funds to a local charity?
- If I find out that a friend is about to be fired, can I warn her?

Obviously, the situations are many and varied. Fortunately, we can break them down into a few basic categories: issues of honesty and integrity, conflicts of interest and loyalty, bribes versus gifts, and whistleblowing. Let us look a little more closely at each of these categories.

Ethical Organizations

One goal of anyone engaged in business should be to foster ethical behaviour in the organizational environment. How do we know when an organization is behaving ethically? Most lists of ethical organizational activities include the following criteria:

- Treating employees, customers, investors, and the public fairly
- Holding every member personally accountable for his or her action
- Communicating core values and principles to all members
- Demanding and rewarding integrity from all members in all situations

Employees at companies that consistently make Business Ethics magazine's list of the "100 Best Corporate Citizens" regard the items on the previous list as business as usual in the workplace. Companies at the top of the 2016 list include Microsoft, Hasbro, Ecolab, Bristol-Myers-Squibb, and Lockheed Martin.

- Employees with the following attitudes tend to suspect that their employers are not as ethical as they should be:
- Consistently feel uneasy about the work they do.
- Object to the way they are treated.
- Are uncomfortable about the way coworkers are treated.
- Question the appropriateness of management directives and policies.

Issues of Honesty and Integrity

Master investor Warren Buffett once told a group of business students:

"I cannot tell you that honesty is the best policy. I cannot tell you that if you behave with perfect honesty and integrity somebody somewhere won't behave the other way and make more money. But honesty is a good policy. You'll do fine, you'll sleep well at night and you'll feel good about the example you are setting for your coworkers and the other people who care about you".[1]

If you work for a company that settles for its employees' merely obeying the law and following a few internal regulations, you might think about moving on. If you are being asked to deceive customers about the quality or value of your product, you're in an ethically unhealthy environment.

Think about this story:

"A chef put two frogs in a pot of warm soup water. The first frog smelled the onions, recognized the danger, and immediately jumped out. The second frog hesitated: The water felt good, and he decided to stay and relax for a minute. After all, he could always jump out when things got too hot (so to speak). As the water got hotter, however, the frog adapted to it, hardly noticing the change. Before long, of course, he was the main ingredient in frog-leg soup."[2]

What is the moral of the story? Do not sit around in an ethically toxic environment and lose your integrity a little at a time; get out before the water gets too hot and your options have evaporated.

1. Gostick, A., & Telford D. (2003). The Integrity Advantage. Salt Lake City: Gibbs Smith.
2. Gostick, A., & Telford D. (2003). The Integrity Advantage. Salt Lake City: Gibbs Smith.

Conflicts of Interest

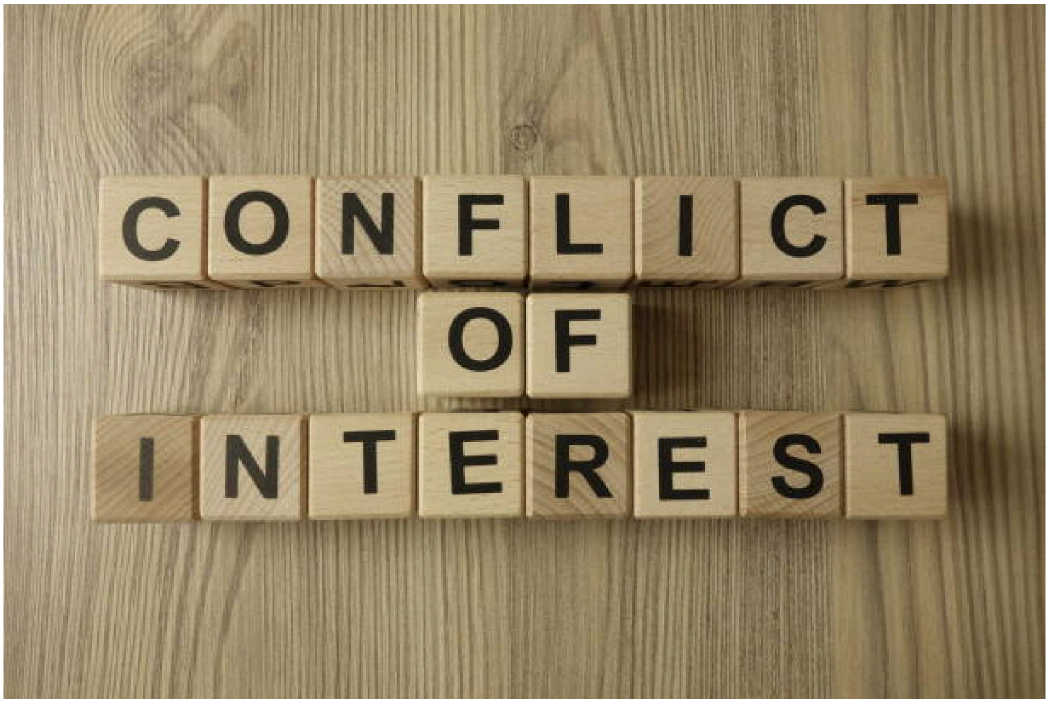

Image by Piotrekswat from iStock

Conflicts of interest occur when individuals must choose between taking actions that promote their personal interests over the interests of others or taking actions that do not. A conflict can exist, for example, when an employee's own interests interfere with, or have the potential to interfere with, the best interests of the company's stakeholders (management, customers, and owners). Let us say that you work for a company with a contract to cater events at your college and that your uncle owns a local bakery. Obviously, this situation could create a conflict of interest (or at least give the appearance of one, which is a problem). When you are called on to furnish desserts for a luncheon, you might be tempted to send some business your uncle's way even if it is not in the best interest of your employer. What should you do? You should disclose the connection to your boss, who can then arrange things so that your personal interests do not conflict with the company's.

The same principle holds that an employee should not use private information about an employer for personal financial benefit. Say that you learn from a coworker at your pharmaceutical company that one of its most profitable drugs will be pulled off the market because of dangerous side effects. The recall will severely hurt the company's financial performance and cause its stock price to plummet. Before the news becomes public, you sell all the stock you own in the company. What you have done is called insider trading, acting on information that is not available to the public, either by trading on it or providing it to others who trade on it. Insider trading is illegal, and you could go to jail for it.

Conflicts of Loyalty

You may one day find yourself in a bind between being loyal either to your employer or to a friend or family member. Perhaps you just learned that a coworker, a friend of yours, is about to be downsized out of his job. You also know that he and his wife are getting ready to make a deposit on a house near the company headquarters. From a work standpoint, you know you should not divulge the information. From a friendship standpoint, though, you feel it is your duty to tell your friend. Wouldn't he tell you if the situation were reversed? What do you do? As tempting as it is to be loyal to your friend, you should not tell. As an employee, your primary responsibility is to your employer. You might soften your dilemma by convincing a manager with the authority to tell your friend the bad news before he puts down his deposit.

Bribes Versus Gifts

Image by Anastasiia_New from iStock

It is not uncommon in business to give and receive small gifts of appreciation, but when is a gift unacceptable? When is it really a bribe?

There is often a fine line between a gift and a bribe. The following information may help in drawing it, because it raises key issues in determining how a gesture should be interpreted: the cost of the item, the timing of the gift, the type of gift, and the connection between the giver and the receiver. If you are on the receiving end, it's a good idea to refuse any item that's overly generous or given to influence a decision. Because accepting even small gifts may violate company rules, always check on company policy.

Source:

Read this excerpt from the Bell's Code of Business Conduct (2023)

2.4.1 Loans from Bell

- We do not accept, whether directly or indirectly, any loan or guarantee of obligations from Bell that are for our personal benefit.

2.4.2 Business Gifts & Entertainment

- Under no circumstances are you to solicit, accept, offer or give bribes, kickbacks or facilitation payments, either directly or indirectly (including for example through a contractor or consultant acting on Bell's behalf).
- Do not solicit, accept, offer or give gifts, gratuities, favours or hospitality from or to suppliers or customers, which may compromise – or appear to compromise – our ability to make fair, objective, business decisions or may unfairly influence a business interaction.
- Do not solicit or encourage gifts, hospitality, entertainment or any other thing for personal use.
- Do not accept gifts having a monetary value; for example, gift certificates, cash, services, discounts or loans.
- These guidelines do not change during traditional gift giving season. We recognize, however, that building relationships with customers and suppliers is an integral part of doing business. You may offer reasonable hospitality and entertainment to private sector suppliers or customers as described in this section. You should consult your manager or contact the Business Conduct Help Line when in doubt about the appropriateness of a particular situation.
- You may accept and participate in unsolicited business hospitality or entertainment with private sector suppliers or customers depending on the function or services you perform for Bell and if the hospitality or entertainment is clearly intended to facilitate business goals and is reasonable.
- You may sponsor events/activities for private sector customers or potential customers where

the purpose is to strengthen business relationships; however it is your responsibility to inform yourself and be sensitive to the customer's own code of conduct on these issues.

- You may accept unsolicited, nominal value hospitality, gifts or mementos from private sector suppliers or customers that are customary or business related.
- You may accept business entertainment from private sector suppliers or customers in the form of meals as long as it is modest, infrequent, and as far as possible on a reciprocal basis.
- You may solicit modest gifts or prizes for Bell sponsored events from private sector suppliers or customers, which provide clear benefits to the sponsor and/or charitable organization, upon approval by your manager.
- Note: All hospitality and entertainment offers using Bell company-owned tickets, including those made to domestic public officials, must be made in accordance with the Bell National Hosting Suites and Ticketing Policy. Do not solicit, accept, offer or give gifts, gratuities, favours or hospitality from or to domestic public officials or sponsor public sector events/activities without first consulting with the Regulatory and Government Affairs Team, complying with any applicable process or policy, for example, the Bell National Hosting Suites and Ticketing Policy, in the case of hospitality requiring Bell company owned tickets and obtaining their express prior consent where required. Questions should be directed to the Regulatory and Government Affairs Team.
- Do not solicit, accept, offer or give gifts, gratuities, favours or hospitality from or to foreign public officials, sponsor foreign public sector events/activities or otherwise engage foreign public officials without obtaining the express prior consent of the Regulatory and Government Affairs Team.

Bell Canada's Code of Business Conduct in full is available from their website.

Source: Bell (2022)

Whistleblowing

Image by wildpixel from iStock

Whistleblowing was defined in 1972 by Ralph Nader as

"An act of a man or a woman who, believing in the public interest overrides the interest of the organization he serves, publicly blows the whistle if the organization is involved in corrupt, illegal, fraudulent or harmful activity."[3]

While there are increasing incentives from governments and regulators for whistleblowers to go public about corporate misconduct, protections for whistleblowers are still very limited. Few Canadian laws pertain directly to whistleblowing and therefore whistleblowers are mostly unprotected by statute.

There is a patchwork of protection provisions under the Canadian Criminal Code, Public Servants Disclosure Protection Act (PSDPA), the Public Service of Ontario Act, 2006 as well as the Securities Act. Section 425.1 of the Criminal Code, states that employers may not threaten or take disciplinary action against, demote or end an employee in order to deter her/him from reporting.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) refers to a company's commitment to conducting its business in an ethical and sustainable manner while considering the impact of its actions on society, the environment, and various stakeholders. It involves integrating social and environmental concerns into a company's operations

3. KSY At Law, [What is Whistleblowing? Guide To Whistleblowing in Canada](), (n.d.)

and interactions with its stakeholders, going beyond mere profit-making activities.
CSR encompasses a wide range of responsibilities and initiatives that a company can undertake to contribute positively to society. Here are some key aspects of corporate social responsibility:

1. CSR promotes the responsible use of resources, encouraging companies to minimize waste, adopt efficient practices, and support initiatives that benefit the environment.
2. By prioritizing CSR, companies can build stronger relationships with customers, who are increasingly seeking products and services from socially and environmentally responsible brands.
3. CSR initiatives often lead to increased employee engagement and satisfaction, as employees feel proud to work for a company that demonstrates a commitment to making a positive impact.
4. Engaging in CSR can also help companies attract and retain top talent, as job seekers increasingly prioritize working for organizations that align with their values and have a positive societal impact.
5. Through CSR, companies can contribute to the development and well-being of the communities in which they operate, fostering goodwill and long-term sustainability.

Source:

Fernando, J. (2023, April 23). Corporate Social Responsibility (CSR) explained with examples. Investopedia.

Video: What is Corporate social responsibility (#CSR)? Servier International.

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CHAPTER 5: LOCATE IMPORTANT EMERGING MARKETS

5.1. China

Before you begin

Before you begin reading, check your understanding of some of the key terms you will read in this chapter:

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https://ecampusontario.pressbooks.pub/intent135g/?p=34#h5p-17

Image by Nuno Alberto from Unsplash

Since China began to open up and reform its economy in 1978, GDP growth has averaged over 9 percent a year, and more than 800 million people have lifted themselves out of poverty. There have also been significant improvements in access to health, education, and other services over the same period.

China is now an upper-middle-income country. Although China has eradicated extreme poverty, a significant number of people remain vulnerable, with incomes below a threshold more typically used to define poverty in upper-middle income countries.

China's high growth based on investment, low-cost manufacturing and exports has largely reached its limits and has led to economic, social, and environmental imbalances. Reducing these imbalances requires shifts in the structure of the economy from manufacturing to high value services, from investment to consumption, and from high to low carbon intensity.

Over the past few years, growth has moderated in the face of structural constraints, including declining labor force growth, diminishing returns to investment, and slowing productivity growth. The challenge going forward is to find new drivers of growth while addressing the social and environmental legacies of China's previous development path.

China's rapid economic growth exceeded the pace of institutional development, and there are important institutional and reform gaps that China needs to address to ensure a high-quality and sustainable growth path. The role of the state needs to evolve and focus on providing a clear, fair and stable business environment, strengthening the regulatory system and the rule of law to further support the market system, as well as ensuring equitable access to public services to all citizens.

Given its size, China is central to many regional and global development issues. Although not the main source of historical cumulative emissions, China today accounts for 27 percent of annual global carbon dioxide and a third of the world's greenhouse gas emissions – with per capita emissions now surpassing those of the European Union, although slightly below the OECD average and well below the level of the United States – and its air and water pollution affects other countries. Global environmental problems cannot be solved without China's engagement. China's growing economy is also an important source of global demand. Its economic rebalancing will create new opportunities for manufacturing exporters, though it may reduce demand for commodities over the medium-term.

China is a growing influence on other developing economies through trade, investment, and ideas. Many of the complex development challenges that China faces are relevant to other countries, including transitioning to a new growth model, rapid aging, building a cost-effective health system, and promoting a lower-carbon energy path.

Following China's swift reopening after the COVID-19 outbreaks in late 2022, GDP growth is expected to rebound to 5.1 percent in 2023, from 3 percent in 2022. Growth will be led by a recovery in demand, particularly for services. Investment is expected to remain robust, supported by slower but sustained growth in infrastructure and manufacturing investment, as well as the gradual stabilization of property investment. Net exports are expected to weigh on growth, due to softer external demand coupled with a modest acceleration in import growth driven by the increase in domestic demand.

To support the ongoing recovery fiscal policy is expected to remain expansionary, albeit less so than in 2022. Monetary policy is likely to be relatively accommodative, and policy easing in the property sector will be maintained in 2023.

Over the medium term, China's economy continues to confront a structural slowdown. Potential growth has been on a declining trend, reflecting adverse demographics, tepid productivity growth, and rising constraints to a debt-fueled, investment-driven growth model. Structural reforms are needed to reinvigorate the shift to more balanced high-quality growth.

Source:

The World Bank, (2023, Apr 20), China Overview: Development news.

5.2. India

Image by Naveed Ahmed from Unsplash

Over the past two decades, India has made remarkable progress in reducing extreme poverty. Between 2011 and 2019, the country is estimated to have halved the share of the population living in extreme poverty – below $2.15 per person per day (2017 PPP) (World Bank Poverty and Inequality Portal and Macro Poverty Outlook, Spring 2023). In recent years, however, the pace of poverty reduction has slowed; key welfare indicators have also been slow to improve. Recent estimates suggest that extreme poverty increased due to the COVID-19 pandemic but moderated in 2021-22 as access to vaccines became widespread.

Inequality in consumption has remained persistent, with a Gini index of around 35 over the past two decades. Child malnutrition has remained high, with 35.5 percent of children under the age of 5 years being stunted, with the figure rising to 67 percent for children in the 6-59 months age group. Headline employment indicators have improved since 2020 but concerns remain about the quality of jobs created and the real growth in wages.

India's aspiration to achieve high income status by 2047 will need to be realized through a growth process that delivers broad based gains to the bottom half of the population. Growth-oriented reforms will need to be accompanied by an expansion in good jobs that keeps pace with the number of labor market entrants. At the same time, gaps in economic participation will need to be addressed, including by bringing more women into the workforce.

The World Bank is partnering with the government in this effort by helping strengthen policies, institutions, and investments to create a better future for the country and its people through green, resilient, and inclusive development.

Video: India the best emerging market right now: Mobius. CNBC Television.

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Economic Outlook

After real GDP contracted in FY20/21 due to the COVID-19 pandemic, growth bounced back strongly in FY21/22, supported by accommodative monetary and fiscal policies and wide vaccine coverage. Consequently, in 2022, India emerged as one of the fastest growing economies in the world, despite significant challenges in the global environment – including renewed disruptions of supply lines following the rise in geopolitical tensions, the synchronized tightening of global monetary policies, and inflationary pressures.

In FY22/23, India's real GDP expanded at an estimated 6.9 percent. Growth was underpinned by robust domestic demand, strong investment activity bolstered by the government's push for investment in infrastructure, and buoyant private consumption, particularly among higher income earners. The composition of domestic demand also changed, with government consumption being lower due to fiscal consolidation.

Since Q3 FY22/23, however, there have been signs of moderation, although the overall growth momentum remains robust. The persisting headwinds – rising borrowing costs, tightening financial conditions and ongoing inflationary pressures – are expected to weigh on India's growth in FY23/24. Real GDP growth is likely to moderate to 6.3 percent in FY23/24 from the estimated 6.9 percent in FY22/23.

Both the general government fiscal deficit and public debt to GDP ratio increased sharply in FY20/21 and have been declining gradually since then, with the fiscal deficit falling from over 13 percent in FY20/21 to an estimated 9.4 percent in FY22/23. Public debt has fallen from over 87 percent of GDP to around

83 percent over the same period. The consolidation has largely been driven by an increase in revenues and a gradual withdrawal of pandemic-related stimulus measures. At the same time, the government has remained committed to increasing capital spending, particularly on infrastructure, to boost growth and competitiveness.

Source:

The World Bank, (2023, Apr 21), India Overview: Development news.

CHAPTER 6: IDENTIFY THE KEY CURRENT REGIONAL TRADE BLOCKS

6.1. European Union (EU)

Image by Guillaume Périgois from Unsplash

European Union (EU), international organization comprising 27 European countries and governing common economic, social, and security policies. Originally confined to western Europe, the EU undertook a robust expansion into central and eastern Europe in the early 21st century. The EU's members are Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden. The United Kingdom, which had been a founding member of the EU, left the organization in 2020.

The EU was created by the Maastricht Treaty, which entered into force on November 1, 1993. The treaty was designed to enhance European political and economic integration by creating a single currency (the euro), a unified foreign and security policy, and common citizenship rights and by advancing cooperation in the areas of immigration, asylum, and judicial affairs. The EU was awarded the Nobel Prize for Peace in 2012, in recognition of the organization's efforts to promote peace and democracy in Europe.

Source:

Britanica. (2023). European-Union.

6.2. North American Free Trade Agreement (NAFTA)

Image by Koszubarev from iStock

The Canada-U.S.-Mexico-Canada Agreement (CUSMA) entered into force on July 1, 2020, replacing the North American Free Trade Agreement (NAFTA).

The North American Free Trade Agreement (NAFTA), which was enacted in 1994 and created a free trade zone for Mexico, Canada, and the United States, is the most important feature in the U.S.-Mexico bilateral commercial relationship. Tariffs on all covered goods traded between Canada and Mexico were eliminated in 2008. Tariffs on covered goods traded between Canada and the United States became duty free on January 1, 1989

NAFTA has had an overwhelmingly positive effect on the Canadian economy. It has opened up new export opportunities, acted as a stimulus to build internationally competitive businesses, and helped attract significant foreign investment.

NAFTA provides coverage to services except for aviation transport, maritime, and basic telecommunications. The agreement also provides intellectual property rights protection in a variety of areas including patent, trademark, and copyrighted material. The government procurement provisions of the NAFTA apply not only to goods but to contracts for services and construction. Investors are guaranteed equal treatment to domestic investors in the U.S., Mexico and Canada.

In 2016, total trilateral merchandise trade, as measured by the total of each country's imports from its other two NAFTA partners, amounted to nearly USD $1.0 trillion – more than a threefold increase since 1993. In 2016, NAFTA partners represented 28% of the world's gross domestic product (GDP) with just less than 7% of the world's population. Since the implementation of NAFTA, the North American economy has expanded, with the combined GDP for Canada, the U.S. and Mexico reaching USD $21.1 trillion in 2016.

Source:

Global Affairs Canada. (2018) North American Free Trade Agreement (NAFTA) – Fast Facts

International Trade Administration. (2023). North American Free Trade Agreement (NAFTA).

Drag and Drop Exercise: Match the Information to the Correct Trade Agreement

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CHAPTER 7: DEFINE THE TYPES OF ECONOMIC INTEGRATION

7.1. Economic Integration Definition

Before you begin

Before you begin reading, check your understanding of some of the key terms you will read in this chapter:

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What Is Economic Integration? It refers to the collaboration of two or more countries to limit or eliminate trade restrictions and encourage political and economic cooperation. It allows global markets to function more steadily with less government intervention, giving countries a chance to make the greatest use of their resources.

It usually takes place between neighbouring countries, hence sometimes called regional integration. The interconnected global commerce boosts industrial production and generates employment. In addition, more aligned fiscal policy and monetary policy, lower manufacturing and selling costs, and improved flow of capital, labour, products, and services benefit the integration.

7.2. Economic Integration Levels

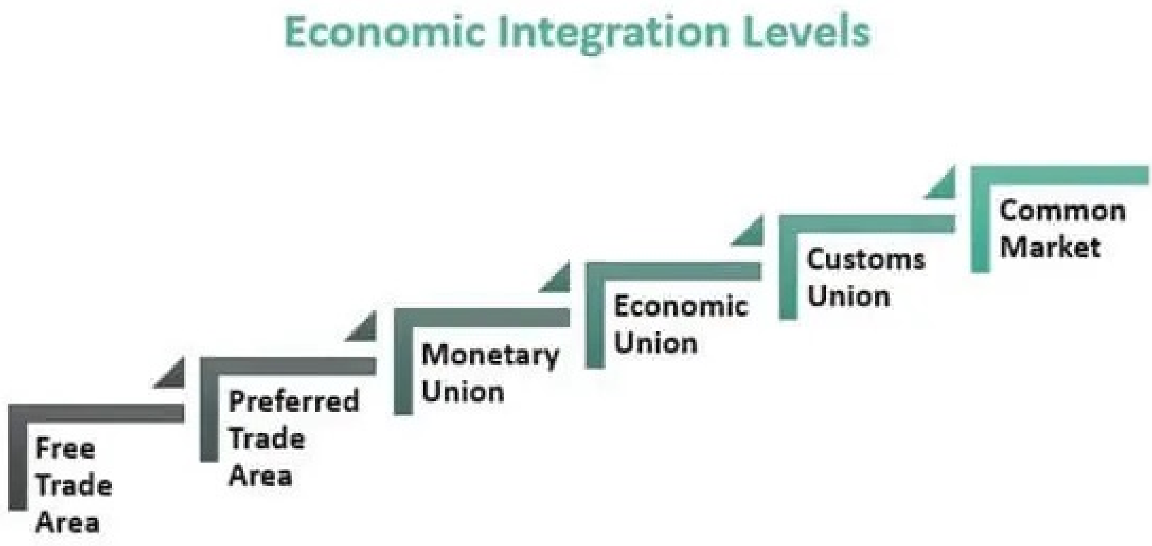

Image by Wallstreetmojo Team from Wallstreetmojo

Let us look at different regional economic integration types, including:

#1 – Free Trade Area: It entails the partial or complete elimination of trade tariffs on goods and services between member countries. Increased cross-border trade, access to foreign markets, the formation of interconnected manufacturing chains, and labor migration are among its goals. However, each country retains control over its trade policy, making this form the least restrictive. Example – European Free Trade Association and North American Free Trade Agreement

#2 – Preferred Trade Area: It assures a better and preferred offering to member countries by cutting tariffs on imports for one another. Example – Commonwealth System of Preferences

#3 – Monetary Union: It concerns agreeing on fixed relative exchange rates and introducing a common currency to participate in foreign exchange and settle international transactions.

#4 – Economic Union: It involves the coordination of monetary, fiscal, and taxation policies and government expenditure to promote the free flow of commodities, services, and production inputs. Example – Belgium, Netherlands, and Luxembourg (BENELUX)

#5 – Customs Union: It establishes common external trade tariffs on imports from non-member nations, making external production factors easier to track and tax within the region. Other features of this shared trade policy include free trade of goods and services and adoption of common customs and commercial laws between member countries. Example – European Economic Community

#6 – Common Market: It is similar to free trade zones and customs unions. It facilitates the free movement of production factors between member countries and liberalizes cross-border labor mobility and investment. Its features include the reduction of tariff obstacles to internal commerce and the coordination of economic policy.

#7 – Complete Economic Integration: It combines coordination of fiscal policies with comprehensive monetary unification. Example – European Union

Other examples: Let us look at the following economic integration examples to understand the concept better:

Example #1

Russia and Belarus decided to establish a unified energy market for oil, gas, and electricity to address the unwarranted western sanctions on both economies. In addition, the leaders of the two countries intend to strengthen global economic integration by reducing business barriers and assisting one another.

Example #2

The Middle East and North Africa (MENA) countries strive to achieve green growth, efficiency, and diversification. The collaboration will enable these least economically integrated countries to generate employment, attract more investment for the water and energy sector, and recover from the COVID-19 pandemic.

Source (Article)

Wallstreetmojo Team. (2023). What is Economic Integration?

CHAPTER 8: NAME AND DEFINE THE ROLES OF THE KEY INTERNATIONAL INSTITUTIONS THAT REGULATE THE CONDUCT OF GLOBAL TRADE.

8.1. World Trade Organization (WTO)

Before you begin

Before you begin reading, check your understanding of some of the key terms you will read in this chapter:

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World Trade Organization Overview:

Image by Beata Haliw from iStock

The WTO provides a forum for negotiating agreements aimed at reducing obstacles to international trade and ensuring a level playing field for all, thus contributing to economic growth and development. The WTO also provides a legal and institutional framework for the implementation and monitoring of these agreements, as well as for settling disputes arising from their interpretation and application. The current body of trade agreements comprising the WTO consists of 16 different multilateral agreements (to which all WTO members are parties) and two different plurilateral agreements (to which only some WTO members are parties).

What it is: The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.

Who we are: The overall objective of the WTO is to help its members use trade as a means to raise living standards, create jobs and improve people's lives. The WTO operates the global system of trade rules and helps developing countries build their trade capacity. It also provides a forum for its members to negotiate trade agreements and to resolve the trade problems they face with each other.

Source:

World Trade Organization. (2023). About WTO: Overview.

Video: Let's Talk WTO

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Canada and the World Trade Organization (WTO)

The World Trade Organization (WTO), established in 1995, provides a common institutional framework for conducting trade relations among its 164 Members, including:

- Administering WTO trade agreements and providing a forum for negotiations of new rules among its members
- Administering the rules and procedures concerning the conduct of handling trade disputes between its members
- Facilitating the monitoring of Members' trade policies to help ensure transparency and compliance with WTO trade agreements
- Providing technical assistance and training to help developing country Members take full advantage of the multilateral trading system

Canada has been a member of the WTO since the organization's establishment and is a strong proponent of the multilateral trading system. Creating opportunities for Canadian workers and businesses through WTO participation on a global scale is a central part of our trade policy.

Canada endorses the goal of universal membership in the WTO and participates in all negotiations of countries seeking to join the organization.

Source:

Government of Canada (2023). Canada and the World Trade Organization (WTO).

8.2. International Monetary Fund (IMF)

Image by funtap from freepik

The IMF works to achieve sustainable growth and prosperity for all of its 190 member countries. It does so by supporting economic policies that promote financial stability and monetary cooperation, which are essential to increase productivity, job creation, and economic well-being.

The IMF was established in **1944** in the aftermath of the Great Depression of the 1930s. 44 founding member countries sought to build a framework for international economic cooperation. Today, its membership embraces 190 countries, with staff drawn from 150 nations. The IMF is governed by and accountable to those 190 countries that make up its near-global membership.

Source:

International Monetary Fund. (2022). About the IMF.

Video: The IMF Explained

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An interactive H5P element has been excluded from this version of the text. You can view it online here:
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8.3. World Bank

Image by Arkadiusz Warguła from iStock

With 189 member countries, staff from more than 170 countries, and offices in over 130 locations, the World Bank Group is a unique global partnership: five institutions working for sustainable solutions that reduce poverty and build shared prosperity in developing countries.

History: The past 70 years have seen major changes in the world economy. Over that time, the World Bank Group—the world's largest development institution—has worked to help more than 100 developing countries and countries in transition adjust to these changes by offering loans and tailored knowledge and advice.

What we do: The World Bank Group works in every major area of development. We provide a wide array of financial products and technical assistance, and we help countries share and apply innovative knowledge and solutions to the challenges they face.

Organization: The World Bank is like a cooperative, made up of 189 member countries. These member countries, or shareholders, are represented by a Board of Governors, who are the ultimate policymakers at the World Bank. Generally, the governors are member countries' ministers of finance or ministers of development. They meet once a year at the Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund.

People: The World Bank operates day-to-day under the leadership and direction of the president, management and senior staff, and the vice presidents in charge of Global Practices, Cross-Cutting Solutions Areas, regions, and functions.

Directors: The World Bank Group Boards of Directors refers to four separate Boards of Directors, namely the Board of the International Bank for Reconstruction and Development (IBRD), the International Development Agency (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). Each Board is responsible for the general operations of their respective organization.

Source:

World Bank. (2023). About the World Bank.

Canada's International Relations

What is Canada's role in international organizations, trade negotiations and sanctions? Canada's presence abroad includes embassies, consulates, high commissions, and trade offices. Canada also maintains several permanent missions to international organizations.

Canada's partnerships and priorities by world region:

- North America: How Canada, the United States and Mexico collaborate on addressing economic, security and environmental challenges.
- Circumpolar Regions: Canada's partnerships and priorities for addressing the challenges and opportunities in the changing Arctic.
- Europe: Canada's partnerships and priorities in Europe.
- Latin America and the Caribbean: Canada's partnerships and priorities in Latin America and the Caribbean.
- Asia-Pacific: Canada's partnerships and priorities in the Asia-Pacific region.
- Middle East and North Africa: Canada's partnerships and priorities in the Middle East and North Africa.
- Sub-Saharan Africa: Canada's partnerships and priorities in Sub-Saharan Africa.

Source:

Government of Canada. (2023). Canada's International Relations.

CLO 2: EXPLAIN HOW CANADA'S STRENGTHS AND WEAKNESSES AS A TRADING NATION WITHIN A GLOBAL ECONOMY TRANSLATE INTO OPPORTUNITIES FOR ECONOMIC GROWTH AND EMPLOYMENT.

CHAPTER 1: REVIEW THE TYPES OF GOODS INVOLVED IN CANADA'S EARLY HISTORY OF TRADE

CLO 2: Explain how Canada's strengths and weaknesses as a trading nation within a global economy translate into opportunities for economic growth and employment.

1. International Trade

Before you begin

Before you begin reading, check your understanding of some of the key terms you will read in this chapter:

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International trade is the buying and selling of goods and services between members of different countries.

This exchange has been a key part of the Canadian economy since the first settlers came. Canadian settlers depended on exports of resources such as timber and grain. In the 20th century, Canada's exports shifted to services, manufactured goods, and commodities such as oil and metals.

Since the 1980s, Canada has signed free trade agreements with dozens of countries to increase global trade and investment.

Canada's three biggest trading partners are the United States, the European Union and China. The United States is Canada largest trading partner by far. However, trade with China grew quickly in the 2010s, and this trend will likely continue.

History

Image by Andrew Neel from Unsplash

In Canada's early history, settlers depended on demand from Europe for resource staples. Staples, in this context, means a colony's main commodities. Canada's staples included fur, grain and timber. European colonial powers, including France and England, believed that economic prosperity depended on exporting more than they imported. This model left colonies dependent on the production of staples.

In the early 20th century, Canada began to export more commodities such as iron ore, nickel and copper. During the Great Depression, many countries tried to improve their economies through protectionism. Those policies made the economic situation worse, however, so nations sought more open trade after the Second

World War. Canada signed onto the first General Agreement on Tariffs and Trade (GATT) in 1947. By reducing barriers like tariffs, GATT promoted freer trade between 23 nations.

The 1965 Canada-United States Automotive Products Agreement, or the Auto Pact, was another key trade milestone. The Canadian government agreed to remove tariffs on vehicles and vehicle parts. However, the Auto Pact also required assemblers to use a minimum percentage of Canadian parts. Further, for every vehicle sold in Canada, a vehicle had to be made in Canada. As a result, autos and auto parts became one of Canada's most important exports.

By 1967, Canada's centennial, imports and exports made up one-third of Canada's gross domestic product. The United States and Canada continued to integrate their economies throughout the 1970s and 1980s.

In the late 20th century, countries around the world signed free trade agreements. Canada and the United States signed the Canada-United States Free Trade Agreement in 1988. The deal was replaced in 1994 by the North American Free Trade Agreement (NAFTA), which included Mexico. Canada joined the World Trade Organization (WTO) in 1994. The Auto Pact ended in 2001 after it was found to break WTO rules.

21st Century

China's entry into the WTO in 2001 had a large impact on Canada. China's rapid economic development created high demand for commodities. This demand benefitted Canadian exporters of oil, coal and ores. But with the worldwide recession in 2008, global demand declined sharply. The recovery in the following years was weak.

In 2017, Canada began negotiating a new agreement with the United States and Mexico to replace NAFTA. While these talks took place, the United States imposed high tariffs on Canadian steel and aluminum. This prompted Canada to impose its own tariffs in response.

The new Canada-United States-Mexico Agreement (CUSMA) came into effect on 1 July 2020. It is expected to have only a modest impact on economic growth. The deal could, however, affect Canada's ability to negotiate future trade deals. It could also limit Canada's options to create policies related to the digital economy.

In addition to CUSMA, Canada had 14 free trade agreements in force as of 2020. These deals included the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Since 2009, Canada has run a trade deficit with the rest of the world. By comparison, in all except three of the preceding 50 years, Canada ran a trade surplus.

2. Canadian Trade Policy

Image by Kyle Ryan from Unsplash

Canada's main trade policy priorities have been to promote free trade and international trading systems while protecting key Canadian industries.

Over time, Canadian governments have played a leading role in building trading systems between three or more countries. Examples of these systems include GATT and the WTO. Canada has joined trading blocs (groups of trading partners) such as the CPTPP. It has also signed a number of two-way free trade agreements. Such deals include agreements with Israel and Chile.

While Canada is party to 15 trade agreements, it also takes measures to protect its own industries. For example, the supply management system of the milk industry controls the supply — and therefore the price — of milk. This system also creates barriers for foreign milk producers who sell milk in Canada.

The Canadian government takes various measures to protect cultural industries. For example, Canadian content rules and subsidies help promote Canadian publishing and broadcasting. (See Cultural Policy.) NAFTA, and later CUSMA, both allowed these cultural exemptions from free trade rules. However, CUSMA set certain new limits on these safeguards.

Fair Trade

Image by marekuliasz from iStock

Free trade has led to economic growth around the world. However, because it encourages specialization, it can also lead to unfair labour practices and sudden losses of income. Specialization is the process by which countries focus on trading goods in which they have a comparative advantage (i.e., what they do best compared to other countries). Some regions can come to depend on commodity crops, such as coffee or cocoa. If the market is flooded with product or demand drops unexpectedly, the resulting collapse of global prices can destroy the livelihoods of local farmers.

The first fair trade labelling organizations were born in the 1980s. Their goal was to ensure that farmers received fair pay for their products. Fair trade shops go back further, to at least the end of the Second World War. The broader movement began with fair trade coffee. It has since grown to include many different commodities. Today, groups such as Fairtrade Canada certify that companies commit to certain standards. These standards include a set minimum price for products, environmentally sustainable practices and longer-term contracts with producers.

Video: What is Fairtrade?

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https://ecampusontario.pressbooks.pub/intent135g/?p=44#h5p-21

Managing Human and Environmental Resources

Modern trade agreements now address issues beyond reducing trade barriers. In particular, new trade agreements include sections on fair labour practices and stewardship of environmental resources. Yet these sections vary in strength and are often non-binding.

Chapters on labour and the environment appeared in a North American trade agreement for the first time with CUSMA in 2020. Member nations of CETA committed to terms on the environment and labour. So did Canada and the 10 countries in the Asia-Pacific region that signed the CPTPP. The new labour chapters of these deals commit nations to upholding the basic rights of workers. These rights include freedom of association and the right to collective bargaining. Environment chapters largely focus on the effective enforcement of each country's environmental laws.

Key Terms

Tariff – A tax on imported goods and services, aimed at making these products more expensive. Tariffs have been used throughout history to protect domestic businesses from foreign competition (see Protectionism).

Quota – A limit to the number or the value of a foreign country's products that can be sold.

Free trade – Trade without barriers, such as tariffs, quotas, and other restrictions. A government that practices free trade does not create a disadvantage for imported goods and services (see Free Trade).

Subsidy – Money that governments give to companies or organizations to keep the prices of their goods competitive, avoid laying off workers or provide a service that is in the public interest.

Trade balance – The difference between what a country sells to residents in other countries and what it buys from them. If a nation sells more than it buys, it has a positive trade balance or a trade surplus. If a nation buys more goods and services than it sells to other countries, it has a negative trade balance or a trade deficit.

Source:

Leck S., (2021, April 29). *International Trade*. The Canadian Encyclopedia.

CHAPTER 2: DISCUSS THE EVOLUTION OF CANADA'S TRADE INTO THE 20TH AND 21ST CENTURIES.

1. Economic History of Canada

Image by NinaHenry from iStock

The economic history of what is now Canada begins with the hunting, farming, and trading societies of the Indigenous peoples. Following the arrival of Europeans in the 16th century, the economy has undergone a series of seismic shifts, marked by the early Atlantic fishery, the transcontinental fur trade, then rapid urbanization, industrialization, and technological change. Although different industries have come and gone, Canada's reliance on natural resources — from fur to timber to minerals to oil, and on export markets for these commodities, particularly the United States — has underpinned much of the economy through the centuries and does so still in many regions today.

The fur trade first created a single transcontinental trading economy; since Confederation in 1867, labour and finance have moved freely among the regions. Improvements in transportation — the railways between 1867 and 1915, and the highway and pipeline systems after 1945 — have helped. The provinces have become important markets and suppliers for one another, so that an investment boom in one region such as the Prairie West could create a nationwide boom, while a slump in Ontario manufacturing becomes a nationwide slump.

By the 1980s, most Canadians had become city dwellers, and the majority of workers were in white-collar jobs, generally in the service-producing industries. Disparities in earnings, living standards and ways of life had been much reduced, especially after 1945. Nevertheless, the various regional economies were still very different. Manufacturing remained largely a matter for Ontario and Quebec, while the four western provinces still generated immense surpluses of natural products. In the Atlantic provinces, living standards after 1945 remained comparatively low and prospects less bright. Partly for this reason, interregional subsidies have become deeply entrenched in Canada's way of life.

Video: Canada's Trade History. Jason Richea.

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An interactive H5P element has been excluded from this version of the text. You can view it online here:
https://ecampusontario.pressbooks.pub/intent135g/?p=46#h5p-10

2. Study of Economic History

Economic history includes the study of the evolution of the economy and economic institutions. Dating to the 19th century, the subject uses ideas from economics, history, geography and political science. It must not be confused with the history of economic ideas or with the interpretation of general history using economic forces.

Distinctive contributions to Canada's economic history came in the 1920s and 1930s both from economists such as Harold Innis, and from historians such as Donald Creighton, who stressed the importance of what they called "staple products" whose markets were abroad. Emphasizing the importance of Canada's distinctive geography — the Canadian Shield and the Great Lakes–St. Lawrence system — they traced interactions between geography, resources, foreign markets and the inflow of people and funds from abroad. They treated regional growth in relation to the staple products.

More recent approaches have supplemented the old with modern economics and statistics. Work has been done in areas including working class history, urban growth, business history, the industrial development of central Canada, that fitted rather poorly into the Staple Thesis. Meanwhile, historical geographers produce invaluable material on settlement patterns and on the growth of towns, while regional studies, which staple theorists treated as components of nation-building, have become routes to regional self-confidence, especially in Quebec and Atlantic Canada. Marxist scholars share business and labour history and other fields with scholars whose ideologies are very different.

Source:

Drummond, I., (2018, March 7). *Economic History of Canada*. The Canadian Encyclopedia.

CHAPTER 3: IDENTIFY CANADA'S KEY TRADING RELATIONSHIPS WITH OTHER NATIONS.

1. Canada and North America

Image from Wikimedia

Canada, the United States and Mexico have long collaborated as continental partners in the world's most prosperous region. The North America region has a combined population of almost 530 million and an economy that represents more than one-quarter of the world's GDP. The three countries are amongst each other's largest trading partners and sources of foreign investment. The continent's abundant natural resources and integrated continental energy markets provide important economic and security benefits for our citizens.

The North American economy has developed as an integrated production platform, which maximizes our capabilities and makes our economies more innovative and competitive. While the majority of Canada's trade is with the United States, trade and investment with Mexico is growing – both directly and indirectly – as part of regional/continental supply chains, which has opened new global export opportunities for Canadian small and medium-sized enterprises. In 2015, North American trilateral merchandise trade amounted to US$1.0 trillion. Our combined GDP has more than doubled over the past two decades, rising from US$8.0 trillion (in 1993) to $US20.6 trillion today. North American economic integration has also encouraged a steady increase in investment among all three countries. For example, in 2015, Canadian companies invested over C$463 billion into the U.S. and Mexico.

The emergence of new economic powers and trading regions, and the resulting increased global competition, is transforming the dynamics of the global economy and posing new challenges to North America's future prosperity. Given geographic proximity, all three countries face common issues relating to environmental sustainability, natural disasters and pandemics. Moreover, our shared land borders bring common security risks, such as the flow of illicit drugs, transnational crime and terrorism.

Close collaboration between the governments of Canada, the United States and Mexico is critical to addressing these broader economic, security and environmental challenges. This collaboration rests on shared democratic values, respect for the rule of law and free market principles. Beyond the North American continent, the three countries work together to advance prosperity and security throughout the region and the world. We collaborate together within the Organization of American States, at the Summit of the Americas and at the G20, with the aim of strengthening the effectiveness of these international bodies to address pressing global challenges.

Source

Government of Canada. (2023, April 22). 3.1. Canada and North America.

Video: Canada – United States Trade Relationship. connect2canada.

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Transcript is unavailable as this video has no speech.

Video: Canada's Major Trade Partners. Jason Richea.

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An interactive H5P element has been excluded from this version of the text. You can view it online here:
https://ecampusontario.pressbooks.pub/intent135g/?p=48#h5p-11

3.2 Canada and Latin America and the Caribbean

Canada values the deep, long-standing relationships that it has with the countries and peoples of Latin America and the Caribbean, as well as with the region's multilateral organizations, such as:

- Organization of American States
- Inter-American Development Bank
- Caribbean Development Bank
- Caribbean Community (CARICOM)
- Pan American Health Organization
- Pacific Alliance

Every three years since 1994, the Summit of the Americas has provided heads of state and government from the hemisphere with an opportunity to meet and work collaboratively to advance a common agenda, affirm shared values and commit to concerted actions at the national and regional level to address challenges faced in the Americas. The most recent Summit of the Americas was held June 6 to 10, 2022 in Los Angeles, United States.

Canada's priorities in the region

Canada shares connections with countries and peoples of Latin America and Caribbean that go far beyond geography, including people-to-people ties; shared values; investment; student exchanges; and tourism. Canada works with partners in the region to reinforce those relationships; address social, economic and security issues; and identify opportunities to further develop trade and investment ties for mutual economic, social and cultural benefit.

Canada engages with the countries and peoples of the region through policy dialogue, stakeholder engagement, and international development programming to, among other things:

- Support an inclusive and sustainable health and economic recovery from the COVID-19 pandemic
- Encourage inclusive economic growth and sustainable development
- Support poverty eradication
- Promote and defend human rights
- Strengthen democracy
- Support climate change mitigation and adaptation
- Improve regional security, including addressing the root causes of irregular migration and supporting safe and orderly migration
- Increase opportunities for marginalized groups, in particular women and girls, and Indigenous peoples

An important partner in the hemisphere

Image by Cytonn Photography from Unsplash

Canada has eight Free Trade Agreements (FTAs) with the following countries in the hemisphere:

- Chile
- Colombia
- Costa Rica
- Honduras
- Panama
- Peru
- United States and Mexico

Canada also has eight Foreign Investment Promotion and Protection Agreements and 30 air transport agreements with countries in the Americas.

The total value of Canadian international assistance in Latin America and the Caribbean was $1.23 billion in 2020-2021.

Source

Government of Canada. (2023, April 22). Canada and Latin America and Caribbean.

3.3 Canada and the Asia-Pacific

Canada is committed to playing a key role in the Asia-Pacific region, now and in the long term. We are working with global, regional and local partners to:

- build partnerships
- strengthen economic ties
- provide development assistance.

Building partnerships

The Asia-Pacific region has a growing role in the global economy and politics. Events in the Asia-Pacific region are of critical importance to a broad range of Canadian goals, including prosperity, development, inclusion, sustainability, peace, and security.

Canada seeks to strengthen its relationships across Asia and the Pacific. We increased our presence on the ground with 10 new offices in China and India since 2006, committed new resources to the Association of Southeast Asian Nations (ASEAN) and appointed Canada's first-ever resident ambassador to Myanmar in March 2013.

Canada actively works with key organizations that share common interests in the Asia-Pacific region, including:

- Asia-Pacific Economic Cooperation (APEC)
- Association of Southeast Asian Nations (ASEAN)
- Asian Development Bank
- The World Bank
- The International Finance Corporation
- Asian Infrastructure Investment Bank
- International Labour Organization
- The Aga Khan Foundation
- The Canadian Red Cross
- North Pacific Anadromous Fish Commission (NPAFC)
- Western and Central Pacific Fisheries Commission (WCPFC)
- North Pacific Fisheries Commission (NPFC)

Economic and Trade Relations

The Canada-Asia-Pacific relationship is important to Canadian trade and investment:

- China is Canada's second-largest trading partner
- Japan is Canada's fourth-largest trading partner and largest source of foreign direct investment from Asia and sixth globally
- Australia is the eighth-largest global destination for Canadian direct investment abroad
- In 2017, two-way merchandise trade between Canada and India reached $8 billion and reached $23 billion between Canada and ASEAN's 10 member countries

Canada has prioritized key trade initiatives, including:

- Comprehensive and Progressive Agreement for Trans-Pacific Partnership
- Exploratory discussions on a possible Canada-China Free Trade Agreement
- Canada-Japan Economic Partnership Agreement
- Canada-India Comprehensive Economic Partnership Agreement Negotiations
- Canada-Korea Free Trade Agreement
- Exploratory discussions for a possible Canada-ASEAN Free Trade Agreement
- Canada-Thailand Exploratory Free Trade Discussions
- Pacific Alliance Free Trade Agreement Negotiations

Canada is committed to promoting a progressive approach to trade that fosters open markets, creates jobs, helps business become more competitive and drives growth across the Asia-Pacific region. To this end, Canada is working to ensure that trade discussions are informed by, and respond to, issues such as workers' rights, the environment, gender equality and reinforcing the continued right of governments to regulate in the public interest.

Development assistance

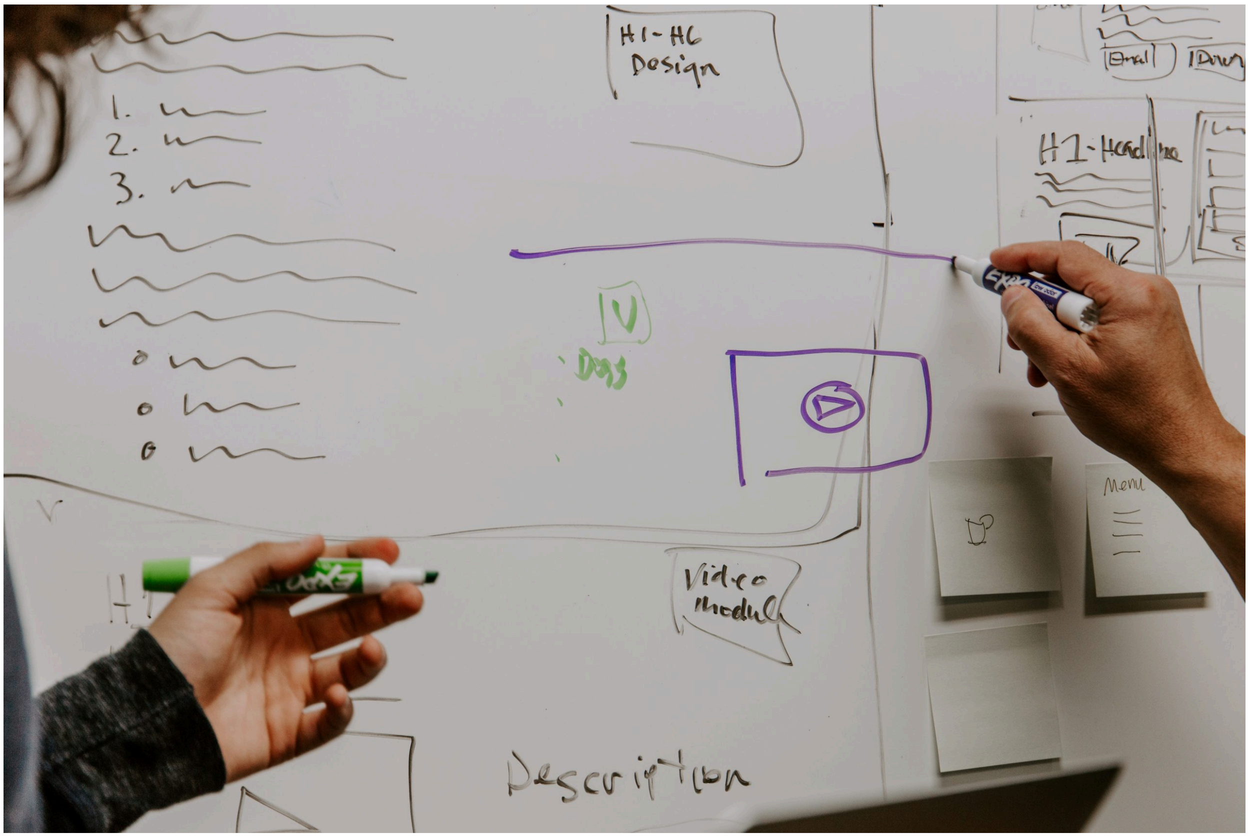

Image by Kaleidico from Unsplash

Canada's development assistance programming in Asia began in the 1950s and remains an important component of our engagement in many developing Asia-Pacific countries. From our early support to help countries to meet basic human needs, Canadian assistance has evolved to provide targeted technical assistance to support institutional reforms necessary for sustainable poverty reduction. Today, Canadian programs help Asian nations develop their capacity to address the region's most pressing challenges:

- reducing poverty
- increasing gender equality and empowering women and girls
- strengthening governance, promoting human dignity, and protecting the environment.

Canada maintains an active development assistance presence in Afghanistan, Bangladesh, Indonesia, Mongolia, Myanmar, Pakistan, Philippines, Sri Lanka and Vietnam, as well as across southeast Asia. Canada also supports multilateral and global programs in Asia.

Source

Government of Canada. (2023, April 22). 3.1. Canada and Latin America and Caribbean.

3.4. Canada and Europe

Image by designer491 from iStock

Canada and Europe share a long history, common values and close ties. Canada has developed strong bilateral relationships with the institutions of the European Union (EU), as well as with most European countries inside and outside of the EU.

Shared values

Canada maintains ties with most European countries (both EU and non-EU member states) through shared membership in various international organizations, including:

- Canada and the United Nations (UN)
- Canada and North Atlantic Treaty Organization (NATO)
- Canada and the Organization for Security and Co-operation in Europe (OSCE)

- Canada and the World Trade Organization (WTO)
- Canada and the Organization for Economic Co-operation and Development (OECD)

Trade and Political Relations

The EU is Canada's second largest trade and investment partner, and a central actor on the vast majority of global issues of concern to Canada. On October 30, 2016, Canada and the European Commission signed the Canada-EU Comprehensive Economic and Trade Agreement (CETA) and the Strategic Partnership Agreement (SPA), which together deepen and broaden the scope of our bilateral relationship on a wide range of issues.

Cooperation on international security

NATO is a cornerstone of Canada's international security policy and a pillar of the rules-based international order. 22 European countries are both NATO Allies and EU Member States. Canada is committed to Euro-Atlantic security, as evidenced by our steadfast engagement in NATO operations, as well as our contribution to EU Common Security and Defense Policy missions. Canada supports NATO-EU cooperation to foster their complementary strengths.

Security and defence in Europe

Image by RomoloTavani from iStock

Canada's history is bound together with Western Europe with whom it maintains strong ties, including in security and defence. Canada's relations with the countries of Eastern Europe and Eurasia have become increasingly important during the past few decades. Canada is a strong voice for democracy and freedom in Eastern Europe and Eurasia and continues to work closely with partners in resolving the conflicts of this region. Canada is one of the strongest supporters of humanitarian, political and economic assistance to Ukraine in the face of Russia's continued aggression.

Trade Commissioner offices abroad

The Trade Commissioner Service can assist with export advice and provide guidance to help you achieve your international business goals.

Source

Government of Canada. (2023, April 22). 3.1. [Canada and Europe.](#)

3.5. Canada and the Middle East and North Africa

Canada values its connections with the countries of the Middle East and North Africa (MENA) and their unique historical, linguistic, and cultural heritages.

We cooperate with MENA countries as a member of:

- Gulf Cooperation Council
- Global Coalition against Daesh
- La Francophonie
- International Syria Support Group

Canada works with partners across the region to promote peace, stability and economic opportunity.

Canada's priorities in the region

Our priorities in the Middle East and North Africa are:

- saving lives and alleviating suffering, especially for vulnerable civilians, refugees and displaced people
- combating terrorism and violent extremism and the spread of weapons of mass destruction
- promoting respect for human rights, including women's rights and the rights of religious minorities
- increasing food security
- improving opportunities for children and youth and empowering women
- encouraging democratic practices and institutions and respect for the rule of law
- advocating for economic reforms and increasing two-way investment and trade

Canada's Middle East strategy

Over the course of five years, between 2016 and 2021, Canada is investing up to $3.5 billion to contribute to international efforts to enhance regional security and stabilization, to provide vital humanitarian assistance to those in need, to help host communities build resilience in the face of conflict, and to increase Canada's diplomatic engagement in Iraq, Syria, Jordan and Lebanon. Find out more about Canada's Middle East strategy.

Trade and economic relations

Over the past decade and a half, Canada has greatly increased its trade presence in the Middle East. Growth in exports and imports with the region exceed Canada's growth in trade overall.

Canada has Free Trade Agreements with Israel and Jordan and 4 Foreign Investment Promotion and Protection Agreements with countries in the region (Egypt, Jordan, Kuwait, and Lebanon).

Source

Government of Canada. (2023, April 22). Canada and the Middle East and North Africa.

CHAPTER 4: NAME THE TRADE AGREEMENTS WITH WHICH CANADA IS A SIGNATORY.

4.1. Canada-European Union Comprehensive Economic and Trade Agreement (CETA)

Before you begin

Before you begin reading, check your understanding of some of the key terms you will read in this chapter:

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Image by Evgeny Gromov from iStock

The European Union (EU) is one of the largest economies in the world and Canada's second-largest trading partner. The Canada-European Union Comprehensive Economic and Trade Agreement (CETA) presents Canadian businesses with preferential access to and excellent opportunities for growth in the EU. September 21, 2022, marks the fifth anniversary of CETA's provisional application. The Agreement will come into full effect when all EU Member States have completed the ratification process. Until then provisional application of CETA will continue and remain accessible to Canadian and EU business alike.

Investing in Canada

More and more global companies are investing in Canada thanks to our top talent, abundant natural resources and preferential access to markets around the globe. The Canada-European Union Comprehensive Economic and Trade Agreement (CETA) has made our market even more attractive to investors from the EU:

- Welcoming investment climate – Canada is recognized as the best country in the G20 to do business. For more than a decade, we've led all G7 countries in economic growth.
- Priority access to global markets – If you're an EU company operating in Canada, CETA offers you guaranteed preferential market access to both the EU and North American markets. Unlike the other top destinations for EU investment in the Americas, such as the United States, Mexico, and Brazil, only Canada has investment treaties in place with all 27 EU member states.
- Enhanced investor protection – If you're an investor from the EU, CETA provides greater certainty,

transparency and protection for your investments. CETA's Investment Chapter offers important guarantees to EU investors in Canada. Some of its core protections include:

    - National treatment which prohibits Canada from discriminating against EU investors in favour of Canadian investors
    - Most-favoured-nation treatment which prohibits Canada from discriminating against EU investors in favour of investors from a third country
    - Treatment of investors and of covered investments which establishes a minimum standard of treatment
    - Expropriation which prohibits Canada from expropriating or nationalizing investments made by EU investors, except for a public process, under due process of law, in a non-discriminatory manner and on payment of prompt and adequate compensation
- Lower investment restrictions – CETA was designed to encourage investment by limiting market access restrictions on investors. Under CETA, the net benefit review threshold under the Investment Canada Act has been raised from Can$600 million to Can$1.5 billion.
- Non-discriminatory treatment – CETA ensures Canada and EU investors receive fair and non-discriminatory treatment. Canada and the EU must provide each other's investors with treatment no less favourable than they provide to their own investors and any third country investor in like situations.

Source:

Government of Canada. (2023). Canada-European Union Comprehensive Economic and Trade Agreement (CETA).

4.2. Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

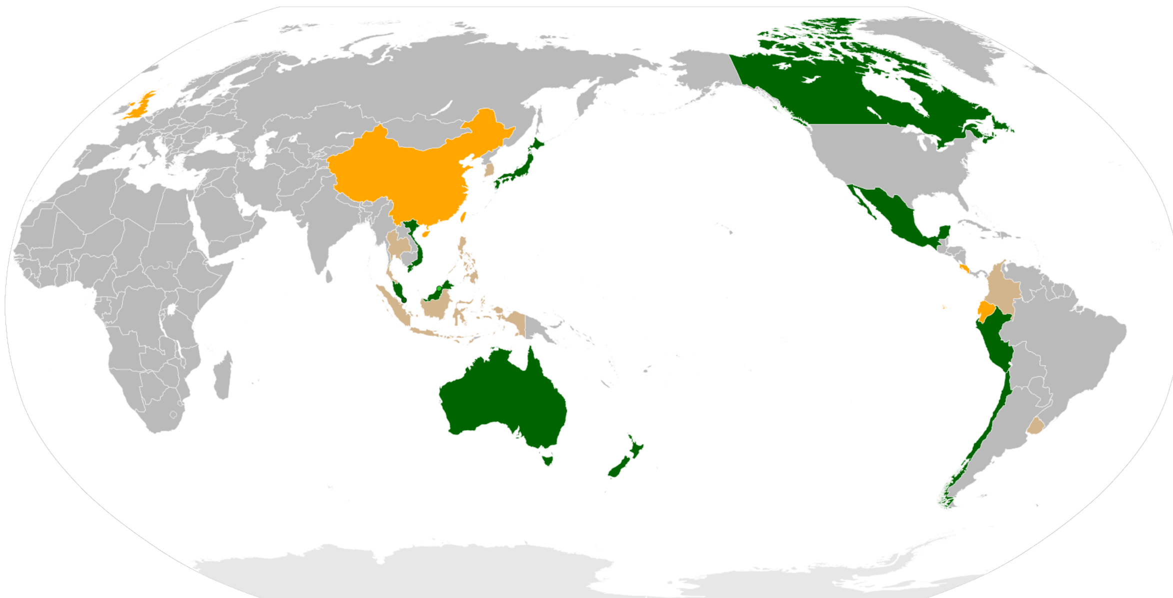

Image by L.Tak from Wikipedia

The Asia-Pacific is now the world's leading region of economic growth, offering big opportunities for trade and expansion. Canadian businesses can get ahead of the global competition by using the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)—a free trade agreement between Canada and 10 other countries in the Asia-Pacific: Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

CPTPP provides greater certainty, transparency and protection for investments. Here are some highlights:

- Most-favoured nation provision to prevent discrimination against investors from member countries
- Assurance that your investments will not be nationalized or expropriated by the Government of Canada, except in specific circumstances and where accompanied by adequate compensation
- No restrictions on covered investments to favour domestic industry, such as requirements that the investor purchase local goods, export a certain percentage, or transfer technology to the host country
- Ability to freely transfer capital and profits related to an investment into and out of the host country (subject to some exceptions)
- Access to an investor-state dispute settlement mechanism to resolve disputes between states and investors

Government of Canada. (2023). Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

CHAPTER 5: IDENTIFY AND EXPLAIN CANADA'S CURRENT STRENGTHS AND WEAKNESSES IN NATURAL RESOURCES, TRANSPORTATION, AND COMMUNICATIONS, ENERGY, AND AGRICULTURE, AMONG OTHERS.

5.1. Natural Resources Canada

Before you begin

Before you begin reading, check your understanding of some of the key terms you will read in this chapter:

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Image by Macrovector from freepik

Committed to improving the quality of life of Canadians by ensuring the country's abundant natural resources are developed sustainably, competitively, and inclusively.

- **Energy efficiency:** Homes, buildings, industry, transportation, products, EnerGuide, ENERGY STAR.
- **Minerals and mining**: Exploration, resources, production, innovation, explosives, regulations.
- **Forests and forestry**: Sustainability, research, industry, and trade, boreal, wildfires, insects, transformation.
- **Energy sources and distribution**: Oil, gas, renewables, fossil and alternative fuels, electricity, nuclear, uranium, co-ops.
- **Climate change**: Green future, infrastructure programs, impacts and adaptations.
- **Public consultations**: Insight and information for the development of policies and programs.
- **Maps, tools, and publications**: Atlas of Canada, land surveys, air photos, satellite images, positioning, software.
- **Science and data**: Research programs, centers and labs, intellectual property, partnerships, analysis.
- **Domestic and international markets**: Transportation fuel prices, lumber, pulp and panel prices, minerals, and metals markets.

- **Natural Resources and Indigenous Peoples**: Land claims in the North, participation in mining activities, partnerships.
- **Funding and partnerships**: Opportunities, grants and contributions, incentive, and partnership programs.
- **Simply Science stories**: Explore Natural Resources Canada's science through articles, podcasts, and videos.

Source

Government of Canada. (2023). Natural Resources Canada.

5.2. Major Macro Economic Indicators

MAJOR MACRO ECONOMIC INDICATORS

	2020	2021	2022 (e)	2023 (p)
GDP growth (%)	-5.1	5.0	3.5	1.1
Inflation (yearly average, %)	0.7	3.4	6.9	3.8
Budget balance (% GDP)*	-11.3	-4.8	-1.4	-1.1
Current account balance (% GDP)	-2.2	-0.3	-0.2	-0.7
Public debt (% GDP)	126.8	116.5	113.2	109.2

(e): Estimate (f): Forecast * *Federal government. Fiscal year from April 1st to March 31st. 2023 data: 2023/24

Table by Coface from Coface.com

Source

COFACE for trade (2023, April). Canada – Major Macro Economic Indicators.

5.3. Canada: Strengths and weaknesses

STRENGTHS

- Abundant energy, mineral and agricultural resources
- 5th-largest oil and gas producer in the world
- Strong, well-capitalised and well-supervised banking sector
- Immediate proximity to the US market
- Trade deals: USMCA with the US and Mexico, CETA with the EU
- Excellent business environment
- Lowest net debt of the G7 (30% of GDP)

WEAKNESSES

- Dependent on the US economy and energy prices
- Loss of competitiveness in manufacturing companies due to low labour productivity
- Insufficient R&D expenditure
- High household debt, mainly mortgage debt
- Deteriorating housing affordability
- Energy exports weakened by inadequate supply pipelines to the coasts and the United States, and by the US' own resources

Chart by Coface from Coface.com

Source

COFACE for trade (2023, April). Canada: Strengths and weaknesses.

Video: Strengths & Weaknesses of Canada's Entrepreneurship Ecosystem | Sushee Perumal, MaxSold. TheFutureEconomy.ca.

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CHAPTER 6: EXPLAIN THE IMPACT OF CANADA'S STRENGTHS AND WEAKNESSES ON OPPORTUNITIES FOR ECONOMIC GROWTH AND EMPLOYMENT.

6.1. Innovation for a better Canada

Before you begin

Before you begin reading, check your understanding of some of the key terms you will read in this chapter:

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Image from ised-isde.canada.ca

Industry Strategy Council

The Industry Strategy Council has been created to provide advice and insight on the scope and depth of COVID-19's impact on industries and inform government's understanding of specific sectoral pressures. The Council offers a chance to build on Canada's strong partnerships between government and industry, notably the Economic Strategy Tables (e.g., Advance manufacturing, agri-food, clean technology, tourism, digital industries. Health/biosciences, and resources of the future) to support Canadians and their jobs.

Canada's Innovation and Skills Plan

Announced in Budget 2017, the Innovation and Skills Plan is an ambitious effort to make Canada a world-leading centre for innovation, to create well-paying jobs and to help strengthen and grow the middle class. The Plan supports Canadians and the entire innovation continuum. It will help establish Canada as one of the most innovative countries in the world and foster a culture of innovation from coast to coast to coast.

Video: Budget 2017: Video – Strengthening the Middle Class (canada.ca)

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Building a nation of innovators

It's time for our country to prosper from the hard work and ingenuity of Canadians. Canada's Innovation and Skills Plan is the plan to get there.

Supporting innovation

Tracking progress and results: How innovation is translating into jobs, business opportunities and higher living standards for Canadians. Innovation translates into more jobs, more business opportunities, a cleaner environment, and higher living standards for Canadians. The government has developed the Innovation and Skills Plan to grow the economy, create middle-class jobs, and provide Canadians with the skills they need to succeed. The Innovation and Skills Plan includes a commitment to deliver and communicate meaningful results to Canadians. The target descriptions, indicators, progress bars, and other information found below track progress towards reaching the goals established under the Innovation and Skills Plan.

Innovation and skills Plan – What we heard report: A plan to address today's challenges and opportunities and ensure our future success. At its most basic, innovation is about making things better in ways that benefit everyone. Innovation isn't always based on technology. Any idea can be transformed into a simple solution that results in new products or services. Innovations can create entirely new jobs, markets and industries that never existed before. And they can give existing industries a new lease on life by making them more productive and efficient.

Source

Government of Canada (2023). Innovation for a better Canada.

CLO 3: DEFEND THE IMPORTANCE OF CONSIDERING CULTURAL DIVERSITY WHEN CONDUCTING BUSINESS GLOBALLY

CHAPTER 1: DEFINE CULTURE

CLO 3: Defend the importance of considering cultural diversity when conducting business globally

Define "culture".

Before you begin

Before you begin reading, check your understanding of some of the key terms you will read in this chapter:

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https://ecampusontario.pressbooks.pub/intent135g/?p=61#h5p-26

Building cultural intelligence makes you a better manager

Cultural intelligence recognizes that different members of your team may have different ways of thinking or expressing themselves. Understanding how a team member's culture differs from your own makes you a more inclusive, supportive, and effective manager.

Cultural intelligence is applicable in a variety of situations—from helping you lead effective 1:1 meeting to making your team members feel more comfortable in group settings. In this chapter, we'll walk you through how to build your cultural intelligence to support all of your team members, no matter where they're from.

What is cultural intelligence?

Simply put, cultural intelligence is the ability to work with and across multiple cultures. Managers with high cultural intelligence actively acknowledge the role culture plays on their team and adjust their management style accordingly.

What is culture?

Broadly speaking, culture is the beliefs, behaviours, norms, traditions, arts, customs, and habits that a group of people share. This umbrella term doesn't necessarily refer to an individual's country(s) of origin so much as the societies or communities they are a part of.

Cultural intelligence is a key skill for every manager, even if you don't work on a distributed or global team. That's because everyone's unique background is part of what makes them an asset to the team. Understanding how cultural context impacts each team member helps you become a better leader.

Cultural intelligence vs. emotional intelligence

Emotional intelligence (EQ) is the ability to recognize and regulate your own emotions to improve collaboration, connection, and empathy—as well as connect with other people or reduce conflict. EQ is key to developing good interpersonal relationships.

Cultural intelligence specifically focuses on using EQ when engaging with people whose cultural backgrounds are different from yours. People with high CQ apply their empathy and connection to understand the needs of team members who don't necessarily share the same cultural norms.

Source

Martins J., (2022, Oct 8th). Building cultural intelligence makes you a better manager.

The Social and Cultural Environment

Student Perspective: Mexico & the U.S.

I travel out of the country to Mexico almost every year. I can see the immense cultural differences between Mexico and the United States, from the language to colors, to the values, religious beliefs, and business norms. As soon as I step out of the plane in Mexico, I feel like I am in a different world. In terms of the language, the primary is obviously Spanish; however, in the past few years, I have noticed signs in the airport with translations to English and Chinese. In terms of values, they seem to focus more on survival. For example, marketing food, shelter products, and clothing. Their religious beliefs are centred around Catholicism.

Photo by Marisol Benitez, Unsplash License

Elizabeth Garcia

Class of 2020

The cultural environment consists of the influence of religious, family, educational, and social systems in the marketing system. Marketers who intend to market their products overseas may be very sensitive to foreign cultures. While the differences between our cultural background in Canada and those of foreign nations may seem small, marketers who ignore these differences risk failure in implementing marketing programs. Failure to consider cultural differences is one of the primary reasons for marketing failures overseas.

This task is not as easy as it sounds as various features of a culture can create an illusion of similarity. Even a common language does not guarantee similarity of interpretation. For example, in Canada and the U.S. we purchase “cans” of various grocery products, but the British purchase “tins”.

A number of cultural differences can cause marketers problems in attempting to market their products overseas. These include: (a) language, (b) colour, (c) customs and taboos, (d) values, (e) aesthetics, (f) time, (g) business norms, (h) religion, and (i) social structures. Each is discussed in the following sections.

Source:

Manuel L. (2023). Global Marketing in a Digital World (Chapter 3.5). Creative Commons Attribution-Non-Commercial-Share Alike 4.0 International License.

CHAPTER 2: DISCUSS HOW CULTURAL DIFFERENCES CAN IMPACT THE EFFECTIVENESS OF VARIOUS CONFLICT RESOLUTION STRATEGIES.

1. Direct vs. indirect communication

Before you begin

Before you begin reading, check your understanding of some of the key terms you will read in this chapter:

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Direct versus indirect communication.

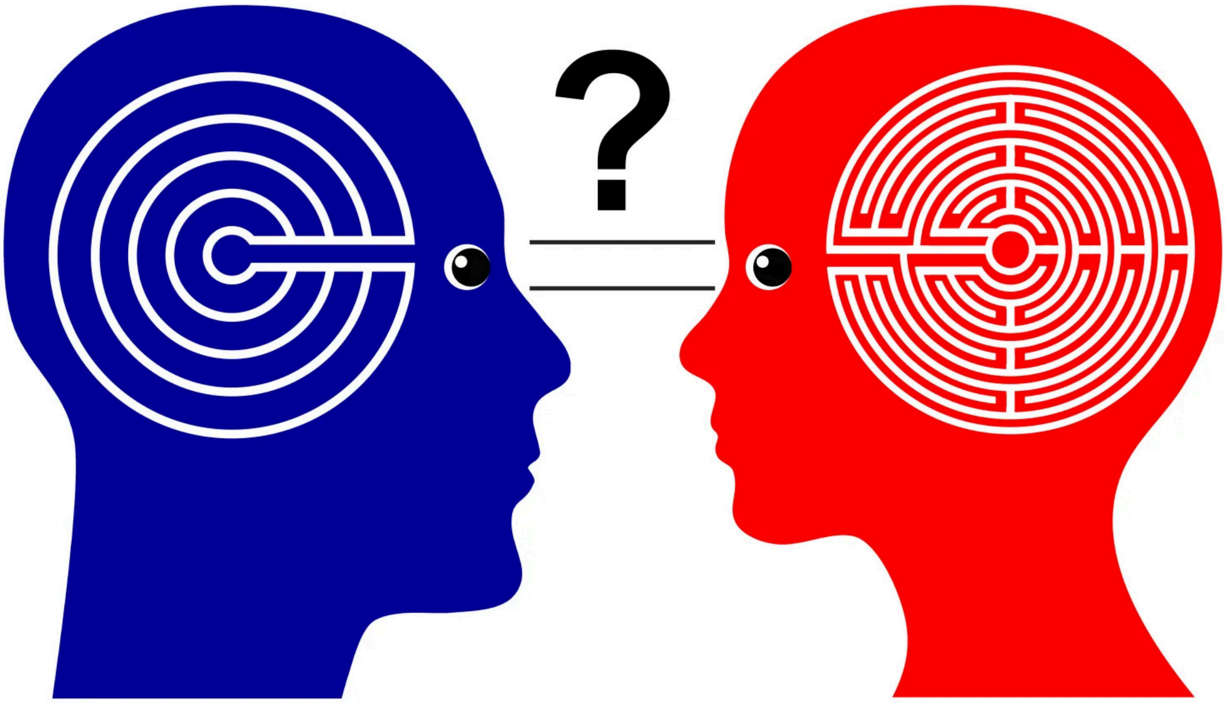

Image by sangoiri from depositphotos.com

Communication in Western cultures is typically **direct** and explicit. The meaning is on the surface, and a listener doesn't have to know much about the context or the speaker to interpret it. This is not true in many other cultures, where meaning is embedded in the way the message is presented. For example, Western negotiators get crucial information about the other party's preferences and priorities by asking direct questions, such as "Do you prefer option A or option B?"

In cultures that use **indirect** communication, negotiators may have to infer preferences and priorities from changes—or the lack of them—in the other party's settlement proposal. In cross-cultural negotiations, the non-Westerner can understand the direct communications of the Westerner, but the Westerner has difficulty understanding the indirect communications of the non-Westerner.

An American manager who was leading a project to build an interface for a U.S. and Japanese customer-data system explained the problems her team was having this way: "In Japan, they want to talk and discuss. Then we take a break and they talk within the organization. They want to make sure that there's harmony in the rest of the organization. One of the hardest lessons for me was when I thought they were saying yes but they just meant 'I'm listening to you.'"

The differences between direct and indirect communication can cause serious damage to relationships when team projects run into problems. When the American manager quoted above discovered that several flaws in the system would significantly disrupt company operations, she pointed this out in an e-mail to her American boss and the Japanese team members. Her boss appreciated the direct warnings; her Japanese colleagues were embarrassed, because she had violated their norms for uncovering and discussing problems. Their reaction was to provide her with less access to the people and information she needed to monitor progress. They would probably have responded better if she had pointed out the problems indirectly—for example, by asking them what would happen if a certain part of the system was not functioning properly, even though she knew full well that it was malfunctioning and also what the implications were.

As our research indicates is so often true, communication challenges create barriers to effective teamwork by reducing information sharing, creating interpersonal conflict, or both. In Japan, a typical response to direct confrontation is to isolate the norm violator. This American manager was isolated not just socially but also physically. She told us, "They literally put my office in a storage room, where I had desks stacked from floor to ceiling and I was the only person there. So they totally isolated me, which was a pretty loud signal to me that I was not a part of the inside circle and that they would communicate with me only as needed."

Her direct approach had been intended to solve a problem, and in one sense, it did, because her project was launched problem-free. But her norm violations exacerbated the challenges of working with her Japanese colleagues and limited her ability to uncover any other problems that might have derailed the project later on.

2.2. Trouble with accents and fluency

Image by Ashley Avarino from phonic.ai

Although the language of international business is English, misunderstandings or deep frustration may occur because of nonnative speakers' accents, lack of fluency, or problems with translation or usage. These may also influence perceptions of status or competence.

For example, a Latin American member of a multicultural consulting team lamented, "Many times I felt that because of the language difference, I didn't have the words to say some things that I was thinking. I noticed that when I went to these interviews with the U.S. guy, he would tend to lead the interviews, which was understandable but also disappointing, because we are at the same level. I had very good questions, but he would take the lead."

When we interviewed an American member of a U.S.-Japanese team that was assessing the potential expansion of a U.S. retail chain into Japan, she described one American teammate this way: "He was not interested in the Japanese consultants' feedback and felt that because they weren't as fluent as he was, they weren't intelligent enough and, therefore, could add no value." The team member described was responsible for assessing one aspect of the feasibility of expansion into Japan. Without input from the Japanese experts, he risked overestimating opportunities and underestimating challenges.

Nonfluent team members may well be the most expert on the team, but their difficulty communicating knowledge makes it hard for the team to recognize and utilize their expertise. If teammates become frustrated or impatient with a lack of fluency, interpersonal conflicts can arise. Nonnative speakers may become less motivated to contribute, or anxious about their performance evaluations and future career prospects. The organization as a whole pays a greater price: its investment in a multicultural team fails to pay off.

Some teams, we learned, use language differences to resolve (rather than create) tensions. A team of U.S. and Latin American buyers was negotiating with a team from a Korean supplier. The negotiations took place in Korea, but the discussions were conducted in English. Frequently the Koreans would caucus at the table by speaking Korean. The buyers, frustrated, would respond by appearing to caucus in Spanish—though they discussed only inconsequential current events and sports, in case any of the Koreans spoke Spanish. Members of the team who didn't speak Spanish pretended to participate, to the great amusement of their teammates. This approach proved effective: it conveyed to the Koreans in an appropriately indirect way that their caucuses in Korean were frustrating and annoying to the other side. As a result, both teams cut back on sidebar conversations.

2.3. Managing Multicultural Teams

Image by maroznc from iStock

Teams whose members come from different nations and backgrounds place special demands on managers—especially when a feuding team looks to the boss for help with a conflict.

Summary: Multicultural teams offer a number of advantages to international firms, including deep knowledge of different product markets, culturally sensitive customer service, and 24-hour work rotations. But those advantages may be outweighed by problems stemming from cultural differences, which can seriously impair the effectiveness of a team or even bring it to a stalemate. How can managers best cope with culture-based challenges?

The authors conducted in-depth interviews with managers and members of multicultural teams from all over the world. Drawing on their extensive research on dispute resolution and teamwork and those interviews, they identify four problem categories that can create barriers to a team's success: direct versus indirect communication, trouble with accents and fluency, differing attitudes toward hierarchy and authority, and conflicting norms for decision making. If a manager—or a team member—can pinpoint the root cause of the problem, he or she is likelier to select an appropriate strategy for solving it.

The most successful teams and managers, the authors found, dealt with multicultural challenges in one of four ways: adaptation (acknowledging cultural gaps openly and working around them), structural intervention (changing the shape or makeup of the team), managerial intervention (setting norms early or bringing in a higher-level manager), and exit (removing a team member when other options have failed). Which strategy is best depends on the particular circumstances—and each has potential complications. In general, though, managers who intervene early and set norms; teams and managers who try to engage everyone on the team; and teams that can see challenges as stemming from culture, not personality, succeed in solving culture-based problems with good humor and creativity. They are the likeliest to harvest the benefits inherent in multicultural teams.

When a major international software developer needed to produce a new product quickly, the project manager assembled a team of employees from India and the United States. From the start the team members could not agree on a delivery date for the product. The Americans thought the work could be done in two to three weeks; the Indians predicted it would take two to three months. As time went on, the Indian team members proved reluctant to report setbacks in the production process, which the American team members would find out about only when work was due to be passed to them. Such conflicts, of course, may affect any team, but in this case, they arose from cultural differences. As tensions mounted, conflict over delivery dates and feedback became personal, disrupting team members' communication about even mundane issues. The project manager decided he had to intervene—with the result that both the American and the Indian team members came to rely on him for direction regarding minute operational details that the team should have been able to handle itself. The manager became so bogged down by quotidian issues that the project careened hopelessly off even the most pessimistic schedule—and the team never learned to work together effectively.

Multicultural teams often generate frustrating management dilemmas. Cultural differences can create substantial obstacles to effective teamwork—but these may be subtle and difficult to recognize until significant damage has already been done. As in the case above, which the manager involved told us about, managers may create more problems than they resolve by intervening. The challenge in managing multicultural teams effectively is to recognize underlying cultural causes of conflict, and to intervene in ways that both get the team back on track and empower its members to deal with future challenges themselves.

We interviewed managers and members of multicultural teams from all over the world. These interviews, combined with our deep research on dispute resolution and teamwork, led us to conclude that the wrong kind of managerial intervention may sideline valuable members who should be participating or, worse, create resistance, resulting in poor team performance. We're not talking here about respecting differing national standards for doing business, such as accounting practices. We're referring to day-to-day working problems among team members that can keep multicultural teams from realizing the very gains they were set up to harvest, such as knowledge of different product markets, culturally sensitive customer service, and 24-hour work rotations.

The good news is that cultural challenges are manageable if managers and team members choose the right strategy and avoid imposing single-culture-based approaches on multicultural situations.

Source

Brett J., Behfar K., Kern M. (2006, November). Managing Multicultural Teams.

CHAPTER 3: CULTURAL COMPETENCIES THAT ARE ESSENTIAL FOR CONDUCTING BUSINESS INTERNATIONALLY.

3.1. How to Successfully Work Across Countries, Languages, and Cultures

Image by Tsedal Neeley from hbr.org

According to a recent McKinsey Global Institute report, the number of people in the global labor force will reach 3.5 billion by 2030. Among the enormous changes this will demand are new skills, attitudes, and behaviors. A five-year study of the global workforce at Rakuten, the Japan-based e-commerce powerhouse, offers a close-up look at what will drive success for this new type of global worker. Five attributes emerged: embracing positive indifference; seeking commonality between cultures; identifying with the global organization rather than your local office; seeking interactions with other, geographically distant subsidiaries; and aspiring to a global career.

The English language mandate, however, set off all sorts of linguistic and cultural challenges. These challenges differed depending on people's backgrounds and location. Two groups had the steepest learning curve in particular. The Japanese employees, while already fluent with Japanese concepts such as kaizen (improvement) and omotenashi (hospitality), struggled to become proficient in English. The American employees, who were fluent in English, struggled to become comfortable with new work routines and expectations from Japan.

The employees who had to adjust to both a new language and a new culture — whom I've named dual expats in their own countries — had the easiest transition when it came to working under the new conditions of the company's English-only mandate. They hailed from countries as diverse as Brazil, France, Germany, Indonesia, Taiwan, and Thailand, and all demonstrated the characteristics of what I call global work orientation. This type of orientation can be incredibly valuable to cultivate for anyone working for multinationals or in other global careers, and can also be used by managers to develop employees. It consists of five key actions.

- **Embracing positive indifference.** Positive indifference is the ability to overlook many cultural differences as being not especially important or worthy of attention, while remaining optimistic about the process of engaging the culture seen as foreign. It's about adapting to work practices that may at first seem culturally foreign — such as having to wear an identification badge or file frequent key performance indicator reports — without becoming unduly troubled.

Positive indifference is important for two reasons. One, because global work is by definition likely to bring employees into contact with cultural differences and culturally diverse practices, the ability to adapt smartly could be the difference between success and failure. And two, positive indifference makes work life that much easier in a global firm because employees are open to learning and exploring new terrains.

- **Seeking commonality between cultures.** This enables you and your employees to draw closer to a foreign culture and become receptive to its differences, in line with characteristic number one. The commonalities you find may be different from anyone else's and not initially obvious. For example, a French employee at Rakuten found commonality with his Japanese coworkers by recognizing that both cultures are results-oriented and prone to analyzing processes for how they could be improved. An Indonesian engineer found commonality with Rakuten's requirement that employees spend five minutes per week cleaning their desks by comparing it to his practice of washing his feet and hands when entering a mosque. In his mind, both cleaning rituals demonstrated commitment and responsibility to a particular place. Seeking commonality is important to a global work orientation because it draws colleagues from diverse cultures closer, which in turn translates to more effective collaboration and teamwork.

- **Identifying with the global organization rather than your local office**. If you feel a sense of belonging with the larger organization, you're more likely to share its values and goals. Organizational identification, the term for when an individual feels at one with the organization, is crucial for fostering job satisfaction, commitment, and performance. Here's how an Indonesian employee at Rakuten voiced this behavior: "From my perspective, if I'm doing my job, I'm becoming part of the globalization of the company." Identifying with the global organization, in his mind, was synonymous with the collective international company and its further expansion.

Explicit messaging from the top leaders about the company's global expansion also helped spread people's sense of belonging in the superordinate organization, as did instituting an internal social media site to promote cross-national interactions.

- **Seeking interactions with other, geographically distant subsidiaries.** The dual expats, unlike employees from Japan and the United States, welcomed and sought out increased interactions with employees at other Rakuten locations. Brazil reported the largest extent of these self-reported voluntary interactions at nearly 52%. In comparison, the U.S., which had the lowest voluntary interactions with other subsidiaries, hovered around 2%.

This behaviour is important to global work orientation because, my research finds, in general, when interactions are high, there is a greater ability to develop trust and shared vision among international coworkers. Interactions are also vital for sharing knowledge across sites. As such, tacit knowledge can become more explicit; sharing information or best practices can become advantageous; and learning from one another's common experiences can accelerate the spread of business efficiencies across the global organization. As a Thai employee pointed out in discussing the implications of the rapidly expanding internet business in his country: "Learning from other countries, especially other developing countries, is very, very key."

- **Aspiring to a global career.** In some sectors, the global market demands for English-speaking workers makes a global career quite attractive. Travel, living in a new country, and the opportunities for career advancement that may come with working for a multinational firm were all reasons that dual expats gave for their global career aspirations. Some people I interviewed had entertained long-standing aspirations to work globally, while others had this dream kindled as they learned English. The desire to learn English and work abroad seemed to reinforce one another. "It'll be great for me to have the chance to go to another country, to work in another country. It's definitely something I want to do in the future — when my English is better," said a Taiwanese employee.

These five attitudes and behaviours are what make a successful global employee. Perhaps you have already adopted some, or all, in your current work role. Or maybe you're looking for ways to advance your career in a multinational. In either case, we can all learn from Rakuten's dual expats, who are a model for present and future global workers.

Source:

Neeley T., (2017, August 29). How to Successfully Work Across Countries, Languages, and Cultures.

Video: Video 1: What is Cultural Competence? Arkansas Open Educational Resources (OER)

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Thank you

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Accessibility Statement

- Web version of the book and book format options: https://ecampusontario.pressbooks.pub/intent135g/

CLO 1: Determine how current issues and trends in the global economy and trading environment affect the Canadian economy:

Chapter 1: Discuss current geopolitical issues and their effect on the Canadian economy.

- Geopolitics and Fragmentation Emerge as Serious Financial Stability Threats (imf.org) – https://www.imf.org/en/Blogs/Articles/2023/04/05/geopolitics-and-fragmentation-emerge-as-serious-financial-stability-threats#:~:text=Geopolitical%20tensions%20threaten%20financial%20stability,rollover%20risks%20and%20funding%20costs
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Chapter 2: The Economic Environment and Political Environment

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Chapter 3: Identify the trends in technology, demographics, consumerism, and shifting world trade patterns and the globalization of business.

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Chapter 4: Explain the effect these trends have on international business

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Chapter 5: Locate important emerging markets

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Chapter 6: Identify the key current regional trade blocks

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Chapter 7: Define the types of economic integration

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Chapter 8: Name and define the roles of the key international institutions that regulate the conduct of global trade.

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CLO 2: Explain how Canada's strengths and weaknesses as a trading nation within a global economy translate into opportunities for economic growth and employment.

Chapter 1: Review the types of goods involved in Canada's early history of trade

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Chapter 2: Discuss the evolution of Canada's trade into the 20th and 21st centuries.

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Chapter 5: Identify and explain Canada's current strengths and weaknesses in natural resources, transportation, and communications, energy, and agriculture, among others.

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Acknowledgements

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Please note that these links are directly associated with the content covered in each respective chapter and can be accessed for further information or references.

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