

Week 10 – Lecture 2: Barriers and International Trade

Scene #	Scene/Interaction	Narration
1	Interaction Type: Conversation Scene: Classroom	<p>Dr. Benson: In today's lecture, we will discuss key reasons for international trade, strategies for accessing global markets, and barriers to international trade.</p> <p>Dr. Benson: What are some of the key reasons for international trade?</p> <p>Rosa: To provide domestic businesses the opportunity to expand across national boundaries.</p> <p>Dr. Benson: Very good, Rosa. There are a number of reasons why countries engage in international trade. Some countries are deficient in critical raw materials, such as oil and lumber. In order to make up for these deficiencies, they engage in international trade to acquire those resources. Acquisition of these resources enables them to produce the goods and services desired by their citizens. In addition to trading raw materials, nations also exchange a wide variety of processed foods and finished goods. Each country has its own specialties that are based off its economy and the skills of its citizens.</p> <p>Cheryl: So what strategies can businesses use to enter the global market?</p> <p>Dr. Benson: There are a number of strategies that businesses can use to access global markets. These include licensing, exporting, franchising, contract manufacturing, and foreign direct investment. Licensing is a global strategy in which a business allows a foreign company to produce its products for a royalty. Generally, a company interested in licensing will send business representatives to the foreign producer to help set up operations. Other strategies include strategic alliances and joint ventures.</p> <p>Anthony: What is foreign direct investment?</p> <p>Dr. Benson: Foreign direct investment is when a business purchases permanent property or a business in a foreign nation. The most common form of foreign direct investment is through foreign subsidiaries. The subsidiaries operate as domestic businesses. They observe the legal requirements of both the parent company's home country and the foreign nation where it operates.</p> <p>Dr. Benson: What are trade barriers?</p> <p>Rosa: Trade barriers stop non-citizens from doing business in a foreign country.</p> <p>Dr. Benson: Well, not quite! Trade barriers are measures governments introduce to make imported goods and</p>

	<p>services less competitive than locally produced goods and services.</p> <p>Tonya: What are some examples of trade barriers?</p> <p>Dr. Benson: Mechanisms for trade barriers include tariffs, import quotas, and embargos. Tariffs are special taxes levied by national governments on imports that make imported goods more expensive to purchase. Import quotas are when a national government limits the number of product categories a nation can import.</p> <p>Cheryl: What about embargos?</p> <p>Dr. Benson: Embargos are a complete ban on the import of certain products. Embargos stop all trade activities among certain countries.</p> <p>Ryan: What is trade protectionism?</p> <p>Dr. Benson: Trade protectionism is the use of government regulations to limit the imports of goods and services. Tariffs and import quotas are examples of trade protectionism.</p> <p>Tonya: Why is trade protectionism necessary?</p> <p>Dr. Benson: Trade protectionism is used by nations that thinks their industries are being damaged by unfair competition from another country. Protectionism serves as a defense mechanism and is often politically motivated. A nation may strategically use trade protectionism when trying to strengthen its new industries. For example, tariffs will protect those new industries from foreign competitors. This gives businesses in the new industry time to learn how to produce the good efficiently, and develop their own competitive advantage.</p> <p>Cheryl: Does this affect workers too?</p> <p>Dr. Benson: Yes, trade protectionism also temporarily creates jobs for domestic workers. Since domestic companies are protected by tariffs, quotas, or subsidies, they will hire locally. This will continue until other countries retaliate.</p> <p>Anthony: From what I am hearing, trade protectionism is a good thing, isn't it?</p> <p>Dr. Benson: Well, prolonged trade protectionism may weaken an industry due to the minimal or non-existence of competition in the market. This may cause businesses to lack both innovation and market improvement. Furthermore, imposing such trade restrictions could cause other countries to retaliate.</p> <p>Dr. Benson: Any other questions? [Slight pause] You're now familiar with key reasons for international trade,</p>
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		<p>strategies for accessing global markets, and barriers to international trade. Let's stop for a moment and apply this knowledge to the scenario interaction for this week.</p>
2	<p>Interaction Type: Assessment Scene: Background graphic should look like a mobile device such as a tablet or iPad device. Include photos of scenario character "Chris" and "Erica". Use the same voice as the instructor for the narration. Make it seem as though they are listening to the teacher while looking at the assessment text on their mobile device. Show text and include audio. Assessment Type: multiple choice question. Correct Answer: C</p>	<p>Dr. Benson: From the scenario, we learned that Chris and Erica are exploring the possibility of expanding their business into the global market. Assuming they develop a special dipping sauce and chose to sell it globally, which of the following strategies can they use to expand into the global market?</p> <p>A: Selling off their domestic business to a foreign company B: Purchasing the business next door C: Licensing Or, D: None of these</p>
2a	<p>Interaction Type: Assessment Feedback Scene: Same as assessment, however please change the character images to express the look of an incorrect answer if the answer given is incorrect, or a correct answer if the answer given is correct. Also show the feedback in text form as well as audio. Number of Attempts: 1</p>	<p>Feedback Answer A: This is not appropriate answer. Selling off their domestic business would rather take away their ownership. The correct answer is C. Chris and Erica can use licensing, a global strategy through which a business allows a foreign company to produce its product for a royalty, to globally distribute their dipping sauce.</p> <p>Feedback Answer B: This is not appropriate answer. Although purchasing the business next door may help to expand their domestic market, it does not necessarily provide them the opportunity to sell the product in the global market. The correct answer is C. Chris and Erica can use licensing, a global strategy through which a business allows a foreign company to produce its product for a royalty, to globally distribute their dipping sauce.</p> <p>Feedback Answer C: Correct! Chris and Erica can use licensing, a global strategy through which a business allows a foreign company to produce its product for a royalty, to globally distribute their dipping sauce.</p> <p>Feedback Answer D: This is not appropriate answer. The correct answer is C. Chris and Erica can use licensing, a global strategy through which a business allows a foreign company to produce its product for a royalty, to globally distribute their dipping sauce.</p>
3	<p>Interaction Type: Conversation Scene: Classroom</p>	<p>Dr. Benson: Let's look back at today's lecture. We learned that there are a number of reasons why countries engage in international trade. We also learned that strategies businesses can use to enter global markets include licensing, exporting, franchising, contract manufacturing, and foreign direct investment. Finally, we discussed barriers to international trade.</p> <p>This concludes our lesson.</p>