

International marketing groupassignment assignment

[Art & Culture](#)



Comparative Advantage - Mutually beneficial trade can occur whether or not countries have any absolute advantage - Emphasized cost (relative) differences - The world consists of two nations (each using single input to produce two commodities) In each nation, labor is the only input (Fixed Endowment of labor, Labor is employed and homogeneous) - Labor can move freely among industries - Technology (fixed for both) - Cost do not vary with the level of production - Transportation costs are zero - Free trade occur between nation 4.

Absolute Advantage - Uses less labor to produce one unit of output. Principle of absolute advantage - two nation, two-product world -import good if absolute disadvantage, export good if absolute advantage . Factor endowment - Heckscher- Olin theory - Immediate basis for trade : the difference between pre- trade relative product prices of trading nations. - Price depend on the production possibilities curves and tastes and preferences in trading countries. Production possibilities curves depend on technology and resource endowments -determinants of comparative advantage : technology, resource endowment, demand - resource endowment ratio - determine comparative advantage (capital/ labor) - export the product that uses a large amount of its relative abundant resource. - import the product which n production uses the relatively scarce resource. - Differences in relative resource endowment -> Difference in relative resource price -> Differences in relative product prices -> Pattern of comparative advantage 6.

Tax, tariff - Tariff is a tax levied on a product when it crosses national boundaries - Import tariff (most widespread) - tax levied on imported
<https://assignbuster.com/international-marketing-groupassignment-assignment/>

products - Export tariff (less common) - tax imposed on exported product (often used by developing nation- to raise revenue and increase the world price) - Purpose : a. Protective tariff - reduce amount of imports entering a country b. Revenue ruff - to generate tax revenue Type of Tariff a.

Specific tariff (based on quantity) - fixed amount of money per physical unit of the imported product - easy to apply and administer - Disadvantage : - degree of protection it affords domestic producers varies inversely with changes in import prices. - Advantage - provides domestic producers more protection during a business recession. B. Ad valor tariff (%) - Fixed percentage of the value of the imported product. - Distinguish among small differentials in product quality - Advantage - maintain a constant degree of protection for domestic producers ruing period of changing price. Ex: tariff tax is 20%, import price is 200, duty = 40 ; import price increase to 300, duty = 60) - Disadvantage - administrative complexity (custom valuation problem - problem when trying to determine the value of an imported price) Reason - imported price is estimated by custom appraiser and import price tend to fluctuate over time. - free on board (FOB) valuation - tariff applied to a product's value as it leaves the exporting country. Cost insurance freight (CIFS) valuation - tariff are levied as a % of imported commodity's total value as it arrives at its final destination. . Compound Tariff - combination of specific and ad valor tariffs - neutralize the cost disadvantage of domestic manufacturers from tariff protection granted to domestic suppliers of raw materials and ad valor tariff protects the finished -good industry. 8. Non-tariff a. Quota import quota - physical restriction on the quantity of goods that can be imported during a specific time period. Ex : no more than 1

<https://assignbuster.com/international-marketing-groupassignment-assignment/>

million kg of cheese can be imported during some specific time.) - require import license - specifies the volume of imports allowed and the total volume should not exceed the quota. Import quota on manufactured goods have been outlawed by World Trade Organization. - global quota - permits a specified number of goods to be imported each year, but it does not specify from where the product is shipped / who permitted to import - selective quota - import quota allocated to specific countries.

Disadvantage - lead to domestic monopoly of production and higher prices.

Export Quota - market sharing pact, voluntary export restraint agreement -

Purpose : - moderate the intensity of international competition, allowing less efficient domestic producers to participate in markets. . Domestic Content

Requirement - minimum the % of product's total value that must be produced domestically if the product is to qualify for 0 tariff rates. - to pressure both domestic and foreign firm to use domestic inputs (workers) c.

Subsidy provide domestic firm a cost advantage - allows domestic firms to market their products at prices lower than warranted by their actual cost - outright cash disbursement, tax concessions, insurance arrangements and loans at below market interest rate. 2 type : i) Domestic production subsidy - granted to producers of import-competing goods to encourage the output and thus vitality of import- competing producers. - protective effect represent deadweight loss of welfare. Lower welfare loss than tariff and quota ii) Export subsidy - granted to producers of goods that are to be sold overseas. - deadweight loss - decrease in consumer surplus - increase the producer surplus - taxpayer bears the cost of export subsidy d. Antiquating

9. Dumping, Antiquating - means international price discrimination - occur when foreign buyers are charged lower prices than domestic buyers for an identical product, after following for transportation costs and tariff duties -

Selling in foreign markets at a price below the cost of production Form of Dumping 1) Sporadic dumping - a firm disposes of excess inventories on foreign markets by selling abroad at lower prices than at home - Usually Sporadic dumping happened because of misfortune or poor planning by foreign producers - Although Sporadic dumping may be beneficial to importing consumers, it can be quite disruptive to importing-competing producers - Temporary tariff protection can be apply under this circumstance, but government reluctant to do as Sporadic dumping has minor effect on international trade) Predatory dumping - Producer temporary reduces the prices charged abroad to kick foreign competitors out of business - They will raise back the price when they monopolized the market (Their new higher price can cover back their loss and can prevent entry of potential competitors) - After that, home government started to concern about predatory pricing - Government implies antiquating duties that eliminate price differential 3) Persistent dumping - It mesas goes on indefinitely - Producer may consistently sell abroad at lower prices than at home to maximize economic profit Antiquating duties - U. S antiquating law is designed to prevent price discrimination and below cost sales that injured U. S. Industries - Antiquating duty is being implied when U. S Department of Commerce realized that foreign merchandise is being sold at less than fair value (LTV) - U. S International Trade Commission determine that LTV imports are causing material injury (E. , unemployment, lost sales and profit)

- After that, anti-dumping duties are imposed to normal tariff in order to neutralize the effect of price discrimination

Margin of dumping - to calculate the amount by which the foreign market value exceeds the U. S price

Price-based definition - dumping occurs whenever a foreign company sells a product in US market at a price below that for which the same product sells in the home market

Cost-based definition - Commerce department constructs a foreign market value equal to the sum of the cost of manufacturing the merchandise, general expenses, profit on home market sales and the cost of packaging and shipment

**They will get fined by International Trade Commission 10.

Regional Trade, multi-regional trade

1) Regional Trade - member nations agree to impose lower barriers to trade within the group (They are discriminating against the rest of the world)

Two factors suggest that the members of a regional trading agreement may not be greatly interested in worldwide liberalizing

1) Trade bloc members may not realize additional economies of scale from global trade liberalizing

2) Trade bloc members may want to invest their time and energy in establishing strong regional linkages rather than investing them in global negotiations.

- economic integration - process of eliminating restrictions on international trade, payments, and factor mobility.

- result in uniting of two or more national economies in a regional trading arrangement.

Type : a. Free-trade area - association of trading nations in which members agree to remove all tariff and non-tariff barriers among themselves.

- each member maintains its own set of trade restrictions against outsiders.

B. Custom union - agreement among two or more trading partners - to remove all tariff and non-tariff trade barriers between

themselves. - each member impose identical trade restriction against nonparticipating. C. Common market - group of trading nations that permits

- i) free movement of goods and services among member nations
- ii) the initiation of common external trade restrictions against non-member
- iii) free movement of factors of production across national borders within the economic bloc

d. Economic union - national, social, taxation and fiscal policies are harmonize and administered by supranational institution. - include monetary union

Effect a. Static effect of economic integration - on productive efficiency - and consumer welfare

- i.) Trade- creation effect - welfare gain - occur when some domestic production of one customs-union member is replaced by another member's lower-cost imports. Consist of consumption and production effect
- ii) trade-diversion effect - welfare loss - import from a low-cost supplier outside the union

b. Dynamic effect - relate to long term rate of growth - creation of larger markets by movement to freer trade - Dynamic gain includes, economics of scale, greater competition, stimulus of investment 11.

Strategic Trade Policy - Government help domestic companies to capture economic profits from foreign competitors - Support for certain " strategic" industries (Such as High Technology) that are important to future domestic economic growth and that roved widespread benefits to society - Notion underlying strategic trade policy is " imperfect competition" - Many industries participating in trade while mostly are dominated by a small number of large companies - Such power give them have potential to attain long term economic profits - According to Strategic Trade Policy, government have to power to change the term of competition to favor

<https://assignbuster.com/international-marketing-groupassignment-assignment/>

domestic companies over foreign companies Critics of strategic trade policy

- From a political perspective, special-interest groups may dictate who will receive overspent support
- Worldwide cycle of activist trade policy retaliation and counter retaliation (All nations worse off)
- Governments lack the information to intervene intelligently in the marketplace (Minor miscalculations will cause the home economy worse off)
- Existence of imperfect competition (No guarantee for a strategic opportunity to be pursued)
- Need for a continuing source of economic profits (With no potential competition)

12. Industrialization policy

13. Balance of payment - is an account of the value of goods and services, capital movement (including reign direct investment), and other items that flow into or out of a country

Items that make a positive contribution to a nation payment position include exports of goods and services and capital inflows - Capital inflows means foreign investment entering the home country, whereas the opposite flows would weaken the payments position - When U.