

# Introduction to global business

[Business](#)



Introduction to Global Economy Theory of Mercantilism: f Theory of Absolute Advantage: g Theory of Comparative Advantage: c

2. According to Porter's diamond theory, the basis for achieving comparative advantage is not inherited by a particular country. In fact, comparative advantage is actually created by particular factors, which are all related to one another in one way or the other. The national advantage will only occur, when the factor conditions, the supply and demand conditions, as well as related and supporting industries, and the local market are in favor for comparative advantage. Since diamonds do not meet up with these conditions anymore, diamonds have decreased in terms of comparative advantage. It is necessary to find out particular industries, which may help in the building of another industry, which will give national advantage. As suggested by President Khama, the country should promote commercial farming and safari tourism in the country. However, commercial farming would probably require a large labor force, which is not ample in Botswana. The question is whether these industries will lead to an increase in the economic development. Since Porter's theory explicitly states that the comparative advantage needs to be created, if the government encourages tourism, by building proper safari parks, and marketing the tourism industry of Botswana in the international arena, then the conditions of Porter's diamond theories will be fulfilled. Tourism also does not require much investment, and hence it can work efficiently. If the competition in the commercial farming is increased, then the supply conditions will also be met. The African Safari in Botswana can be an attraction, because it gives individuals to roam around unguided, if they have a car, and they can spot different types of animals, which includes zebras, monkeys, wild boars and

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many other birds, which will give Botswana an edge in the global market. Hence, using factor conditions, and creating favorable conditions, the government can create comparative advantage for this industry. Fisher and Clark's structural change theory also suggests that in the case of Botswana, diamonds are not ' forever', and therefore there should be a change in the structure, moving from primary to the service industry, in the form of tourism. This would definitely lead to further specialization and economic development (biz-ed, n. p).

3. The government can impose trade barriers, which includes imposing quotas. It can also put custom duties and tariffs on certain products to increase the price of the imported goods to deter people from buying them. Sometimes, the government can also impose a trade embargo on certain countries, which puts a complete restriction on the import of goods and services from one particular country. As a respondent, the United States has been alleged by Pakistan, Malaysia and Thailand to have put a complete ban on shrimp and shrimp products. While United States stated that it will implement the rulings of the DSB, it did not do so, as told by Malaysia. Currently, the United States has stated that it has cleared up such discriminatory aspects, because they were not in accordance with the conditions of the WTO.

4a. Foreign Direct Investment is determined by a variety of different factors, which includes the way the companies will be able to operate in a foreign country, which will include the different rules and regulations, which are relevant to the operations of the foreign investors, the attitude of the people in the home country towards foreign affiliates, trade policies, as well as privatization policy, and the functioning of the local markets. The company <https://assignbuster.com/introduction-to-global-business/>

will also assess, whether there are any restrictions on the flow of profit abroad to the home country. Location of the country will also be another factor. Sometimes, the export of a particular good gets expensive, which is why it is better to open a base in a particular country. Foreign investors will also assess the high national economic growth rates, the general macroeconomic stability of a country, the health of the banking system, and other macroeconomic determinants, such as the cost of materials, interest rates and the exchange rate stability. In times of economic turmoil, FDI tends to decrease in a country, because companies do not find it profitable (Globalization101. org, n. p)

4b. The national government of South Korea (the country chosen) would be changed five years. Therefore, the company would have to look towards that, because this will largely determine the different types of laws, which exist under the current government. Additionally, the conservative party in South Korea in the current assembly may be a problem, because they may have a closed approach towards companies, investing from abroad. Therefore, these factors will definitely impact the decision made to invest.

#### Works Cited

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