

BASIC FORMS & ACTIVITIES

Historically, international business activity first took the form of exporting and importing. However, in today’s complex world of international commerce, numerous other forms of international business activity are also common.

(Griffin & Pustay, 2020).

IMPORTING & EXPORTING



IMPORTING

Tesla, an American electric vehicle manufacturer, imports lithium-ion batteries from suppliers in South Korea and Japan for its electric cars assembled in the United States.



Importing is the process of purchasing goods or services from another country for domestic use or resale. This allows countries to access products that are not available locally or are cheaper abroad.

Exporting involves selling goods or services produced in one country to another country. Companies engage in exporting to expand their market reach, diversify their customer base, and increase revenue streams.

EXPORTING

Apple Inc. exports its iPhones manufactured in China to various countries, generating an estimated \$200 billion in export revenue annually.



INTERNATIONAL INVESTMENTS



Volkswagen, a German automotive company, has made substantial FDI by establishing production plants in Mexico, contributing to an estimated \$10 billion in annual revenue from its Mexican operations.



FOREIGN DIRECT INVESTMENTS (FDI)

Investments made for the purpose of actively controlling property, assets, or companies located in host countries. The country in which the parent company’s headquarters is located is called the home country; any other country in which the company operates is known as a host country.

BlackRock, a global investment management firm, has made successful FPI by investing in international stocks and bonds, generating an estimated \$5 billion in annual returns for its clients.

BLACKROCK

FOREIGN PORTFOLIO INVESTMENTS (FPI)

Purchases of foreign financial assets (stocks, bonds, and certificates of deposit) for a purpose other than control. This allows investors to diversify their portfolios and potentially achieve higher returns.

OTHER FORMS (AND THE REST)



Type	Explanation	Example
International Licensing	A contractual arrangement in which a firm in one country licenses the use of its intellectual property (patents, trademarks, brand names, copyrights, or trade secrets) to a firm in a second country in return for a royalty payment.	 The Coca-Cola Company licenses its beverage brands to bottling companies worldwide, generating an estimated \$1 billion in annual royalties.
International Franchising	Occurs when a firm in one country (the franchisor) authorizes a firm in a second country (the franchisee) to use its operating systems as well as its brand names, trademarks, and logos in return for a royalty payment.	 McDonald's operates through franchising in over 100 countries, with estimated annual franchise fees and royalties exceeding \$10 billion.
International Management Contract	An arrangement wherein a firm in one country agrees to operate facilities or provide other management services to a firm in another country for an agreed-on fee.	 Hilton Worldwide Holdings enters into management contracts with local partners to operate its hotels globally, contributing to an estimated \$2 billion in annual management fees.