# Four Basic International Business Activities

International business refers to any business activities that cross national boundaries. These activities can be categorized into four basic types: importing and exporting, licensing, strategic alliance and joint venture and direct investment. Businesses can choose among these activities while expanding their operations to international markets or face these activities of foreign companies in local markets.

**QUESTION 1:**

**¿What kind of activities international business refers?**

**Importing and Exporting**

Importing or exporting or both is the most fundamental and largest international business activity. It is the easiest way of entering a market with a small outlay of capital. Exporting is making a product at the company's domestic location and selling it in another country. Importing is bringing goods, services and capital into the home country from abroad. For example, automotive companies -- GM, Toyota, Volkswagen -- export cars to all countries around the world. Food retailers import international products and sell them in local stores.

QUESTION 2:

a. ¿Could you explain what is exporting?

b. ¿Could you explain what is importing?

**Licencing**

Licensing is an arrangement between companies of different countries, a company allows another one to use its brand name, copyright, patent, technology, trademark or other assets in exchange for an amount (royalty) based on sales. Companies may choose to manufacture or sell their products under licensing when transportation or domestic production costs are too high, government regulations restrict business activities of foreign companies (usually in developing countries) or the company wants to simply produce and sell the same quality everywhere. For example, Starbucks all over the world sell its same-quality beverages in the same-looking stores under licensing contracts.

QUESTION 3:

a. ¿When a company may choose licencing? Give an example.

## Strategic Alliance and Joint Venture

A strategic alliance is a cooperation of two or more companies for mutual gain. A special type of this is a joint venture when the partners mutually found a new company. This cooperation allows companies to share development and production costs, technologies and sales networks. For example, Motorola and Toshiba formed a strategic alliance to develop manufacturing processes for microprocessors. General Mills and Nestle formed a new company, Cereal Partners Worldwide, to produce and sell cereals.

QUESTION 4:

a. Give 2 example2 of Joint Venture in Colombia.

## Direct Investment

Foreign direct investment is a company's physical investment into building a plant in another country or acquisition of a foreign firm or subsidiary. Direct investments allow companies to access foreign markets and act as domestic businesses in that market with a full scale of activities, from manufacturing to selling. Not only can the investing companies benefit, but also the hosting countries through getting to know new products, services, technologies and managerial skills. For example, Volkswagen is building a factory in Tennessee to sell cars in the U.S. market, but it also contributes to develop new technologies at the local university.

QUESTION 5:

a. ¿What things allow Direct investments in a company?