**The Global Economy**

**Student Notes Key**

Fill in the blanks as we discuss the multi-media presentation. Keep this as a study guide.

**TERMINOLOGY:**

* NAFTA: North American Free Trade Agreement
* WTO: World Trade Organization
* EU: European Union
* International Trade: The sale of products/services to people in other countries
* Imports: Products/services purchased from another country
* Exports: Products/services sold to another country
* Indirect Exporting: Marketers with exporting experience represent the exporting company; arranges for the sale of products in other countries
* Direct Exporting: Company handles all responsibilities to market products in other countries
* Balance of Trade: The difference between a country’s imports and exports
* Foreign Production: A company owns and operates production facilities in another country
* Joint Venture: Two or more companies in different countries with common interests develop a relationship to join in common business activities
* Multinational Companies: Businesses that have operations all over the world and conduct planning for worldwide markets
* Pre-industrial Economy: Based on agriculture and raw material development; low standard of living
* Post-industrial Economy: Based on mix of business and consumer products/services produced and marketed in the global marketplace
* Gross Domestic Product: The total $ value of all goods/services produced within a country in one year
* Gross National Product: The total $ value of all goods/services (including imports) produced within a country in one year
* Quota: Limits on the numbers of certain types of products foreign companies can sell in a country
* Tariffs: Taxes placed on imported products to increase the selling price
* Subsidy: Money provided to a business to help in the development and sale of products
* Standard of Living: A measure of the quality of life for the citizens of a country
* Software as a Service (SaaS): Distribution model where users utilize software made available over a network, such as the Internet, instead of the traditional method of

installing the software on their local machine. Users typically pay a subscription fee for using the software for a period of time.

* Productivity: The average output by workers for a specified period of time
* Purchasing Power: The amount of goods/services that can be bought with a specific $ amount of money
* Consumer Price Index: The variance in the cost of a specified set of goods over time
* Business Cycle: Consists of 4 stages: Prosperity, Recession, Depression and Inflation



* Software Lifecycle: Describes the process for planning, creating, testing, and deploying software systems

**U.S. and International Trade**

* World Interdependence
1. “Approximately 1/3 of world-wide production is sold outside of the “home” country.”
	1. U.S. exports music, movies, software, and IT services among many other things
* **International Trade is Changing**
	1. Raw materials once were an abundant commodity; today makes up less than 1/3 of world’s exports
1. Manufactured good/services are most popular
2. Services (communications, travel, education, and financial) are the most popular exchanges between countries
3. Data is transferred via phone, fiber optics, or satellite on a daily basis
4. New software services such as cloud computing and SaaS are creating new hybrid business models
	* SaaS is dramatically changing the face of international software marketing due to this fact

**Businesses are Going Global**

* Markets are changing.
1. Foreign markets are enticing to domestic businesses who experience dropping sales and profit
2. Foreign markets are another way to expand competition and increase worldwide

demand for products

* 1. Increasing worldwide demand for products and software
		+ SaaS is replacing standard licensing due to availability of mobile devices and low cost apps
		+ World leader in software development is located in U.S. and obtains 84% of its revenue from SaaS
* Benefits of international marketing
	1. Government support is available
1. Companies are attracted to developing software in the US due to strong enforcement of copyright laws
2. Software and IT Services Industry increased annual revenue by an average of 6% in 2011 with a projected growth of almost 17% over the next two years
	* U.S. accounts for more than 55% of global IT research

**Importance of International Trade**

* U.S. economy: over 250,000 businesses export products
* Accounts for over 11% of GNP
* 95% of U.S. exporting businesses are small to medium sized
* As of 2011 eight of the top 100 SaaS vendors are based in the U.S.
* Manufacturers export over $500 billion of products
* Wholesalers export over $100 billion worth of products
* U.S. is second largest exporter
* U.S. is home to nine of the world’s largest software companies
* Germany is #1 exporter
* U.S. is #1 importer of products
* Germany is #2 importer
* U.S. had 1st trade deficit of the 20th Century in 1971 (imports exceeded exports by over $1 billion that year)