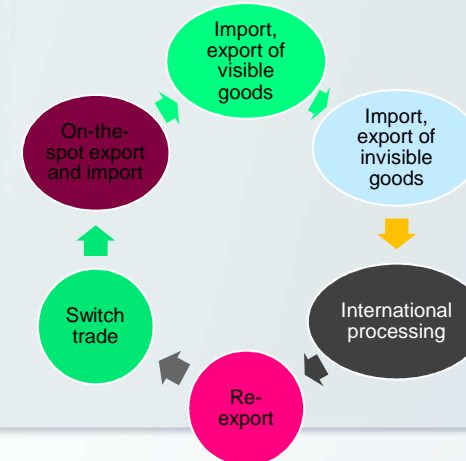


What is international trade? (cont.)

- Main differences
 - Subjects: different nations
 - Objects => across nations => government controls and trade barriers
 - Use of different moneys => BOP and exchange rate

What are international trade activities?



What are international trade activities?

- Exports and imports of visible goods
- Exports and imports of invisible goods
- International processing
 - Concept and example
 - Processing for foreign companies
 - Hiring foreign companies to process
 - Import leather for shoe production from a Taiwanese company and embroider from a Korean company. Then the Vietnamese company makes finished shoes and export them to the Taiwanese company =? International processing???

What are international trade activities? (cont.)

- Re-export: To export again what has been imported but is not processed domestically => diversified
 - (?) IBM exports 100 computers to its branch in Vietnam to attend an exhibition. Then all the computers are exported back to IBM.
 - (?) A branch of a Chinese shoe companies in Vietnam imports 100 pairs of shoes, and then export back to its headquarter 100 processed pairs of shoes
 - (?) Thái Bình Dương Company of Việt Nam export 1000 TV imported from Japan to Lao.
 - (?) Damaged goods, export back to source country.
- Objectives: profit or non-profit

What are international trade activities? (cont.)

- Vietnam: Goods temporarily imported for re-export - Decree 12/2006/QĐ-CP or Decision 1311-1998-QĐ BTM; Decision 0123/1999/QĐ-BTM; Decision 1064/TM-PC, Circular 194/2010/TT-BTC
 - http://www.dncustoms.gov.vn/Phong_GSQL/hang_tntx.htm
 - Buy goods from one country to sell to another, conduct custom procedures on importation into Vietnam and custom procedures on exportation from Vietnam without processing goods domestically



What are international trade activities? (cont.)

- Vietnam: Temporarily import for re-export
 - The followings are not considered as temporarily import for re-export and regulated by particular policies
 - Goods temporarily imported for attending trade fair, exhibition, or machinery fix according to a contract and then goods are re-exported.
 - Goods temporarily imported for domestic use and then exported after a period of time

What are international trade activities? (cont.)

- Vietnam: Goods temporarily imported for re-export - Decree 12/2006/QĐ-CP or Decision 1311-1998-QĐ BTM; Decision 0123/1999/QĐ-BTM; Decision 1064/TM-PC, Circular 194/2010/TT-BTC.
 - Article 12, Chapter III of Decree 12/2006/NĐ-CP dated 23/01/2006 " Goods temporarily imported for re-export shall be subject to customs procedures on importation into Vietnam and shall be subject to customs supervision for the entire period until their re-exportation from Vietnam".
- Goods which are temporarily imported into Vietnam for re-export shall **only be permitted to be circulated in Vietnam for 120 days** => can be extended => the duration of any one extension shall not exceed 30 days and there shall be no more than two extensions permitted.

What are international trade activities? (cont.)

- Switch Trade
 - Goods are transported from one country to another via a third country.
 - E.g: Canada exports lumber to Mexico
 - Buying and selling activities
 - Other services: transportation, warehouse, bonded warehouse

What are international trade activities? (cont.)

- Switch Trade (Decree 12/2006/ND-CP, Decision 1064/TM-PC, Circular 194/2010/TT-BTC)
 - Switch-trade is to buy goods from a country (export country) to sell to another country (import country) without doing the import procedures into Vietnam and export procedures out of Vietnam.
 - Compare with re-export?
- Switch trade can be undertaken in 3 forms
 - Goods are transported directly from export country to import country without passing the border gates of Vietnam.
 - Goods are transported from export country to import country via the border gates of Vietnam
 - Goods are transported to Vietnam where first temporarily stored in "bonded warehouse" and then transported to import country

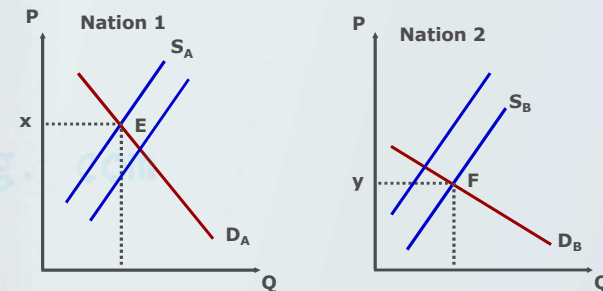
What are international trade activities? (cont.)

- On-the-spot exports (imports)
 - Sell goods and services for foreigners in domestic market
 - Goods exported or imported on the spot are goods which are produced in Vietnam, sold to foreigner traders; however, the goods are not exported out of Vietnam territory but delivered to other domestic enterprises as assigned by foreign traders.
 - Export enterprise on the spot is enterprise assigned by foreign traders to deliver goods. Import enterprise on the spot is enterprise that receives goods from on-the-spot export enterprises as assigned by foreign traders.
 - Advantages of on-the-spot export is to save costs: transportation, packing, insurance...

Why do nations trade?

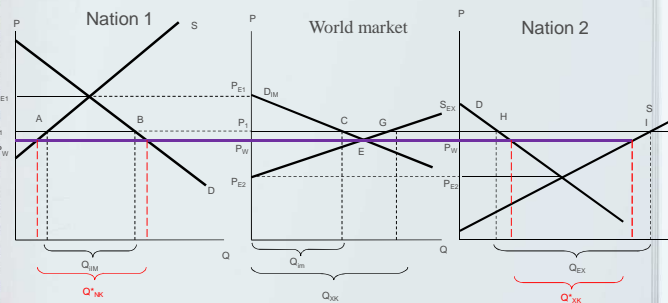
Why do nations trade?

International trade in case of small trading



Profit $(x-y) \Rightarrow$ Making profit based on prices differences

Why do nations trade? (cont.)



International trade in case of large trading
Excess demand of the world – Excess supply of the world
World price is P_w and quantity traded is $Q'_{im} = Q'_{ex}$

Why do nations trade? (cont.)

- Profit: price differences
- Diversified consumption tastes
 - The US: consumes Japanese automobiles
 - Vietnam: imports rice from Thailand and Japan
- Differences in resource endowment
 - Natural resources
 - Human resources
 - Technology
- Reach economics of scales

Chapter review

- Concept of international trade
- Differences between international and domestic trade.
- Import and export of visible goods
- Import and export of invisible goods
- International processing
- Temporarily import for re-export
- Switch trade
- On-the-spot export/import
- Reasons for trading

END OF CHAPTER 1