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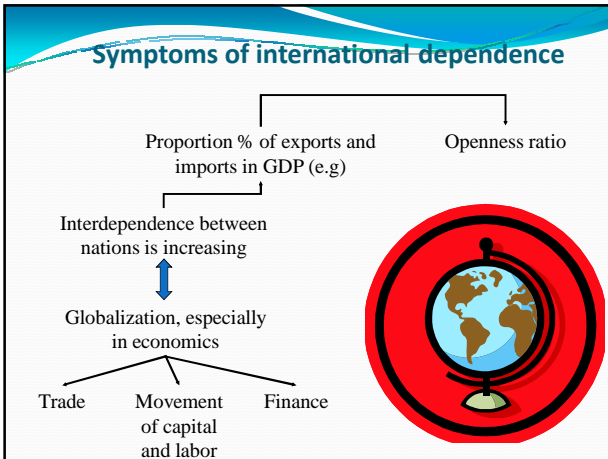
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### Symptoms of international dependence

**Case study 1-1:** The Dell and other PCs sold in the US are all but American

- Dell:
  - Headquarter in Texas
  - Production network over 34 countries
  - Performs final assembly domestically
  - Relies on outside suppliers and contract manufacturers for components.




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### Symptoms of international dependence

**Case study 1-1:** The Dell and other PCs sold in the US are all but American (cont.)

Part/Component	Location	Company
Monitors	Europe, Asia	Phillips, Nokia, Samsung, Sony, Acer
Drivers	Asia, mainly Singapore	Seagate, Maxtor, Western Digital
Printers	Europe	Acer
Box builds	Asia, Europe	Hon Hai/Foxteq
Chassis (khung)	Aisa, Ireland	Hon Hai/Foxteq

Why does the Dell produce most of the component in other parts of the world and thus imported?

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### Case study 1-2: What is an “American” car?

- Simple question is difficult to answer
  - Honda Accord produced in Ohio?
  - Chrysler minivan produced in Canada?
  - Mazda based in Chicago used nearly 40% of imported Japanese parts?
- Answers differ widely
  - Any vehicle assembled in North America: American car (use US made components)
  - Automobiles produced by Japanese – owned plants in the US:
    - American car (provide jobs for Americans)
    - Japanese car: use nearly 40% of imported Japanese cars and they remit profits to Japan.

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### Symptoms of international dependence

#### Case study 1-2: What is an “American” car?

- This question might be not rational at the moment, when countries in the world are interdependent and globalization is growing.
- Boeing production

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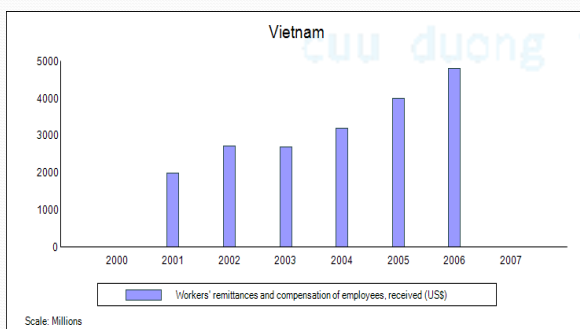
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### Symptoms of international dependence

#### Remittance to Vietnam



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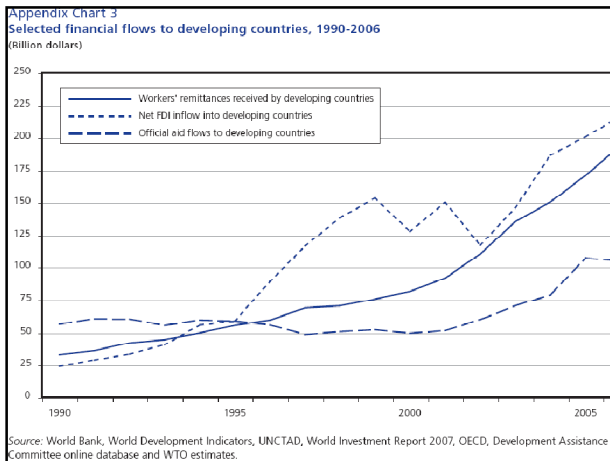
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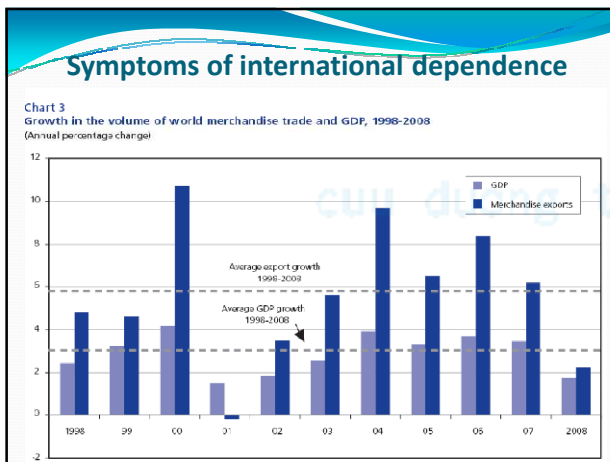
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**Symptoms of international dependence**  
**Openness ratio - Foreign Trade Dependence**

- The ratio of imports and exports of goods and services of a nation to its GDP.

$$\frac{\text{Import} + \text{Export}}{\text{GDP}} \times 100$$


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## Openness ratios in some countries

[http://en.wikipedia.org/wiki/Developing\\_country](http://en.wikipedia.org/wiki/Developing_country)

	1970	1980	1990	1993
<b>Developing countries</b>				
India	3.5	5.0	6.0	8.6
Indonesia	11.5	28.1	24.2	23.2
Korea	9.3	27.5	25.6	24.8
Pakistan	4.0	11.1	14.0	12.9
Thailand	10.0	20.1	26.9	29.5
<b>Advanced countries</b>				
Japan	9.5	12.3	9.8	8.6
Canada	19.8	25.7	22.5	26.6
America	4.2	8.3	7.2	7.4
France	12.5	17.5	17.6	16.5
Germany	18.6	23.8	27.4	19.9
Italy	12.3	17.3	15.6	16.9
United Kingdom	15.7	20.5	19.0	19.3
Singapore				180

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## Exports and imports of some nations



openness ratios

Nations	Imports		Exports		GDP (billion USD)
	Million USD	(% GDP)	million USD	(% GDP)	
The US	2.016.978	14,6	1.163.183	8,4	13.811,200
Germany	1.059.439	32,1	1.326.521	40,2	3.297,233
Japan	620.967	14,2	712.839	16,3	4.376,705
Brazil	126.501	9,6	160.649	12,2	1.314,170
China	955.845	29,1	1.217.939*	37,1	3.280,053
India	216.682	18,5	145.228	12,4	1.170,968
Thailand	141.347	57,5	152.469	62,0	245,818
Hong Kong	370.733	179,35	349.633*	169,15	206,706
Singapore	263.150	163,10	299.271*	185,48	161,347
Vietnam	60.830	85,42	48.387	67,94	71,216

\* Including re-export

Source: WB (2009) [Calculate the openness ratio? - Comments](#)

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## Some comments from the openness ratio

- The economies of all nations are closely related to each other.
  - The small and developing countries are more dependent on the world economy than the large and developed countries???
- ⇒ The study of international economics has never been as important as it is now.
- ⇒ To understand what is going on in the world today
  - ⇒ To become informed consumers, citizens and enterprises

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## Gravity model

- The gravity model postulates that, other things equal, the larger (and the more equal in size) and the closer the two countries are, the larger the volume of trade between them is expected to be.
- The volume of trade in goods increases with the size and proximity of trading partners.
- US: expect that US trade more with its neighbors Mexico and Canada than with similar but more distant nations
- US: expect that US trade more with large nations such as China and Japan than with smaller ones.

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## Gravity model (cont.)

Country	Exports (billion USD)	Imports (billion USD)	Exports plus imports (billion USD)
Canada	212.2	293.3	505.5
Mexico	120.3	172.1	292.4
China	41.8	234.5	276.3
Japan	53.3	138.0	191.3
Germany	33.6	84.6	118.2
United Kingdom	37.6	50.5	88.1
South Korea	27.1	43.8	70.9
Taiwan	21.5	34.8	56.3
France	22.3	33.8	56.1
Italy	11.2	31.0	41.2

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## The Subject Matter of International Economics

- IE deals with the economic independence among nations.
  - Analyzes the flow of goods, services, resources and payments between a nations and the rest of the world
  - Analyzes the policies directed at regulating this flow
  - Analyzes policy's effect on the nation's welfare.
- *International trade theory*
- *International trade policy*
- *The balance of payment, Foreign exchange markets and Open-economy macroeconomics*

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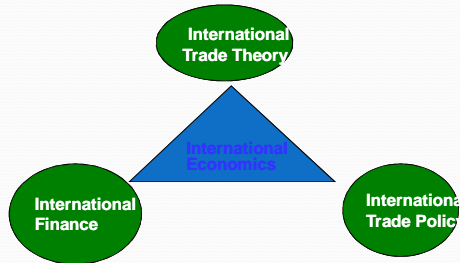
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## The Subject Matter of International Economics (cont.)




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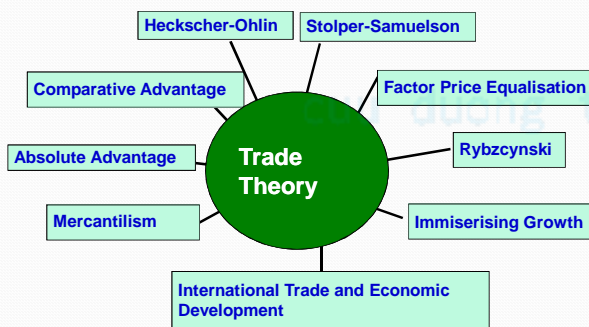
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## International Trade Theory




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## International Trade Policy




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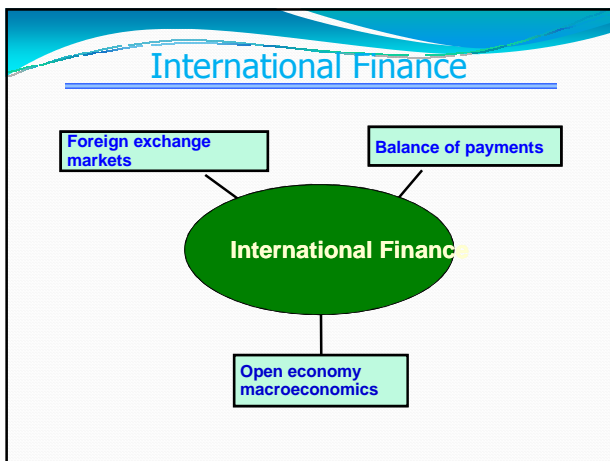
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### Current International Economic Problems

1. Trade protectionism in Industrial countries
2. Deep poverty in many developing countries
3. Excessive fluctuation and large disequilibria in exchange rate  
Financial crisis in emerging market economies
4. High structural unemployment in Europe
5. Increasing competition from China and Job losses in US and other advanced nations
6. Restructuring problems of transition economies

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### Cooperative learning activity

- 3 questions
  - Explain the international economic problem.
  - Give some examples.
  - How to solve the problem?

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## Globalization

- What is globalization?
- What are impacts of globalization on Vietnam's economies?

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## Globalization (cont.)

- **What is globalization?**
  - Increasing international economic connections
  - Increasing role of International Organizations in constraining domestic policies
  - Increasing cultural homogeneity
  - Increased domestic economic growth caused by expanded international connections

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## Globalization (cont.)

- **The Anti-Globalization movement**
  - A loose coalition of groups opposed to globalization
  - Concerns
    - Environmental damage
    - Loss of domestic labor protections
    - Erosion of domestic sovereignty

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### ASSIGNMENT FOR WEEK 1

- Calculate the openness ratio of one of the following countries in the period 2000 - 2010 (<http://www.singstat.gov.sg/statsres/instats/intlinks.html>)
  - Vietnam
  - Singapore
  - United States
  - China
- Submission time: Wednesday (29/06)

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### ASSIGNMENT FOR WEEK 1

- Group 1 and 2: Making presentation about international economics problems (maximum: 25 minutes)
- All member must present
- Other groups: Prepare at least 1 question for Group 1 and 2.
- Whole class: Reading assignments (Week 1 and 2 in Syllabus).

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### Chapter review

- Interdependence
- Gravity model
- International trade theory
- International trade policy
- International finance
- Globalization and Anti globalization

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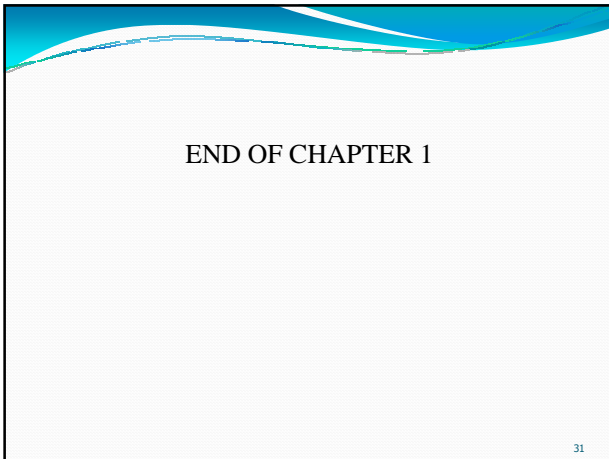
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