Spring 2011(Course #3819)

Busad-175: Import/Export — Pacific Basin

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Busad-175 is a 3-units introductory course teaching the real-world process of establishing an import/export business. The student is guided in preparing a business plan for an import/export activity. Each country in the Pacific Rim is discussed in terms of their current business conditions and import/export opportunities. Asia, our largest trading area, is the most successful, fastest growing economic area in the world. The special business cultures and techniques contributing to its success and the success of its firms are presented. A major part of the course is a discussion of the business aspect of the cultural views and practices necessary to do business in these countries. Note: Students are expected to have a strong background in business and an interest in participating in the global economy. It is recommended that those students without practical business experience first complete BUSAD 101 and 170. Transfer Credit: CSU.

Textbook: Belay Seyoum: Export-Import Theory, Practices and Procedures (Routledge, 2009: ISBN 13:978-0-7890-3420-5)

Instructional Methods:	Lectures, class and group discussions and video-presentations
Evaluation Methods: These tests and exam comprise True/False propositions, short notes and essays.	Class tests (best 2 of 3) = 50%; Comprehensive Final Examination = 25%; Case Study = 15% (7½% Presentation, 7½% Report); Presence and Participation in the class (including any Pop-Quizzes) = 10%

Schedule for Lectures, Tests and Final Examination (6^{55} – 10^{05} PM, CR-137)

	Preview of the course	*Chapters here refer to those in the Belay Seyoum Textbook*	
April 18, 20, 25 and 27	Chapter 1: Appendix F: Appendix G: Chapter 2: Chapter 3: Chapter 4: Chapter 5: Chapter 6: Chapter 15:	Growth and direction of international trade Sample export business plan Sample import business plan International and regional agreements affecting trade Setting up the business Planning and preparation for export Export channels of distribution International logistics, risk and insurance Regulations and policies affecting exports	May 2 (7^{30}-8^{30} pm) **Class-Test 1**
May 2 (8^{45}-10^{05} PM), 4 and 9	Chapter 7: Chapter 8: Chapter 9: Chapter 10: Chapter 11: Chapter 12: Chapter 13: Chapter 14:	Pricing in international trade Export sales contracts Trade documents and transportation Exchange rates and international trade Methods of payment Countertrade Capital requirements and private sources of financing Government export financing programs	May 11 (7^{30}-8^{30} pm) **Class-Test 2**
May 11 (8^{45}-10^{05} PM), 16, 18 and 23	Chapter 16: Chapter 17: Chapter 18: Chapter 19: Chapter 20: Case-Study:	Import regulations, trade intermediaries and services Selecting import products and suppliers The entry process for imports Import relief to domestic industry Intellectual property rights Individual and/or Group Presentations* (starting May 11)	May 25 (7^{30}-8^{30} pm) **Class-Test 3**
May 25 (8^{45}-10^{05} PM)	Overall Review of the Course and the remaining Presentations*		June 6 **Final Exam.**

*The written report and the presentation detail the import/export business plan in the format discussed in the book and the class.

The Class and Grading Policies:

- DEADLINES: April 28 for ADD/DROP "WITHOUT W", May 28 to DROP with "AUTOMATIC "W" (dropping after this means an automatic 'F') (DROPPING OUT OF THE COURSE, WITH OR WITHOUT A "W", IS THE STUDENT'S RESPONSIBILITY).
- This is a COLLEGE TRANSFER COURSE. Therefore, the class will rely heavily on discussions and analyses of the current issues, events and/or topics of interest to international business. YOUR SUCCESS WILL DEPEND ON THE NOTES YOU TAKE IN THE CLASS, YOUR READINGS BEFORE AND AFTER THE CLASS, AND ON YOUR PARTICIPATION IN DISCUSSIONS.
- **Note that (a) there will be no homework or assignments, (b) an attendance below 70% will invite an F, and (c) any suspicion of "cheating" and/or any other kind of disruptive and/or anti-social behavior will invite negative points and/or the letter grade F for the entire course.**
- For final grading (A ≥ 90% > B ≥ 80% > C ≥ 70% > F), best 2 of the 3 Class-Tests will account for 50% of the overall grade, the comprehensive final exam for 25%, "Case Study" for 15%, and presence and participation (including any pop-quizzes) in the class for the remaining 10%.
- **The Class-Tests will be based on multiple-choice, short notes and essay-type questions.**
- **Any "Extra Credit" work — an ORIGINAL essay or term paper or research paper, project or report — will be graded on a -5 to +5 scale. Such a grading will be done only in marginal cases and therefore at the time of the Final grading. In addition, I will consider adding up to 2½% extra-credit points for those who generate in-class professional discussions on current issues relevant to the course.**

Why do we need to study international trade?

Trade aids economic growth

- This has generally been an economically established dogma. For instance, take the consumption equation for computing GDP, i.e.,

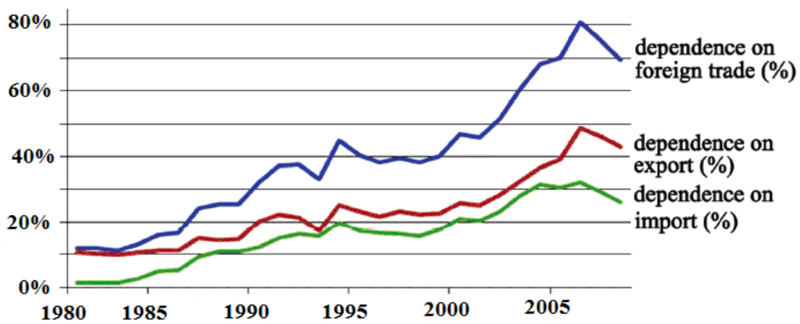
  $$GDP = C + G + I + (Ex\text{-}Im)$$

  where C = public consumption, G = government expenditure, I = investment, Ex = export and Im = import. Thus, GDP rises if Ex > Im so that (Ex-Im) > 0.

Here are two answers to this question at
http://answers.yahoo.com/question/index?qid=20080817013145AAxRpbj

- We are in a global economy! Cheap shipment of goods and communications technologies have made the world smaller and very interconnected. Everything is made in China, currency is traded internationally and is a MASSIVE market... I could list the reasons for days, but if you're studying business or economics, it's very important.
- If you are an art major, I'm not sure why you should, but if you are engaged in business, almost every business in the world today is engaged in some form of international trade, so it is important to understand.

- A recent empirical study[*] found this dependence of GDP on trade to be strikingly significant, as is brought out very clearly in this graph. Particularly interesting here is the finding that imports too help raise the GDP, though to a lesser extent than exports. Otherwise, looking at the consumption equation for GDP, imports adversely affect the GDP.



The trend of dependence of GDP on foreign trade in East China

International economics is different[†]:

- No one is in charge of the whole world economy in the sense that national governments control their national economies.
- Each country thus has its own currency and currency values fluctuate.
- Each country has its own fiscal policy which causes the movement of capital.
- The factors of production are mobile across countries.

Importance of International trade[‡]:

- International trade is the backbone of our modern, commercial world, as producers in various nations try to profit from an expanded market, rather than be limited to selling within their own borders. There are many reasons that trade across national borders occurs, including lower production costs in one region versus another, specialized industries, lack or surplus of natural resources and consumer tastes.
- There is currently a great deal of concern over jobs being taken away from the United States, member countries of the European Union and other “developed” nations as countries such as China, Korea, India, Indonesia and others produce goods and services at much lower costs. Both the United States and the European Union have imposed severe restrictions on imports from Asian nations to try to stem this tide. Clearly, a company that can pay its workers the equivalent of dollars a day, as compared to dollars an hour, has a distinct selling advantage. Nevertheless, American and European consumers are only too happy to lower their costs of living by taking advantage of cheaper, imported goods.
- Even though many consumers prefer to buy less expensive goods, some international trade is fostered by a specialized industry that has developed due to national talent and/or tradition. Swiss watches, for example, will never be price-competitive with mass produced watches from Asia. Regardless, there is a strong market among certain consumer groups for the quality, endurance and even “snob appeal” that owning a Rolex, Patek-Philippe or Audemars Piguet offers. German cutlery, English bone China, Scottish wool, fine French silks such as Hermes and other such products always find their way onto the international trade scene because consumers in many parts of the world are willing to foster the importation of these goods to satisfy their concept that certain countries are the best at making certain goods.

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[*] “Research on the Relationship between Foreign Trade and the GDP Growth of East China—Empirical Analysis Based on Causality” by Yuhong Li, Zhongwen Chen & Changjian San (*Modern Economy*, 2010, 1, 118-124) www.scirp.org/journal/PaperDownload.aspx?paperID=2511

[†] http://www.docstoc.com/docs/18107979/Why-study-international-trade-and-finance

[‡] http://www.moneyinstructor.com/doc/internationaltrade.asp