



Chapter 2 Global Sourcing and Trade

Book: International Logistics: Global Supply Chain Management by Douglas Long

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Outline

- Global sourcing
- Terms of sale and incoterms
- International political economy
- Why nations trade
- International trade patterns



1. Global Sourcing

- Trends that push companies into the global market
 - International customers
 - International competition
 - Regulations
 - New, expanded markets
 - Economies of scale



1. Global Sourcing

- The ways companies enter the global market
 - Export
 - Contract
 - Joint venture
 - Wholly owned subsidiary



1. Global Sourcing

- Production sharing
 - A company distributes different stages of production to subsidiaries or other companies, often spread far across the globe
 - Concentrate efforts on their core competency
 - Outsource those aspects that others can do better
 - Require high standards of on-time performance and coordination
 - Logistics organization: centralized vs. decentralized



1. Global Sourcing

○ Sourcing

- Also called purchasing or procurement
- Series of activities that results in decisions regarding from whom/where goods, materials, and services should be obtained



1. Global Sourcing

○ Barter

- An alternative to a normal sale, but this has become increasingly rare
- A sign of an economy in severe distress
- Example: Russian farmers, Cold War



1. Global Sourcing

- Strategies of Procurement
 - Volume consolidation
 - Supplier operational integration
 - Value management



1. Global Sourcing

- Tariff engineering
 - A product is made with the intention of lowering tariff rates
 - Changing how the product is designed and/or manufactured, or by picking one supplier over another



1. Global Sourcing

- Challenges of exporting, a survey in Indiana
 - Export documentation
 - Transportation costs
 - High import duties
 - Unable to find foreign reps with know-how to market products
 - Delay in transfer of funds
 - Currency fluctuations
 - Language barriers
 - Difficulty to service products



2. Terms of Sale and Incoterms

○ Selling terms

- The point at which ownership is passed from the seller to the buyer, and the arrangements for carriage and related activities.
- The questions of transfer of ownership
- Who arranges for and pays for shipment
- Who assumes the risk of loss/damage to the cargo at any point along the way



2. Terms of Sale and Incoterms

- Determining factors on the selling terms
 - Risk
 - Location
 - Buyer/seller relations
 - Ability to arrange transport
 - Cargo



2. Terms of Sale and Incoterms

- Shipping terms
 - Those provisions that define
 - the seller's and buyer's responsibilities for making the shipping arrangements,
 - paying transportation charges,
 - procuring insurance on the goods,
 - paying part charges,
 - and bearing the risk that the goods may be lost or damaged in transit



2. Terms of Sale and Incoterms

○ Incoterms

- A well organized set of rules for contract of carriage
- Developed by International Chamber of Commerce (ICC)
- Define and include obligations and duties on the part of the buyer and seller
- Incoterms are for contracts of carriage, not contracts of sale



2. Terms of Sale and Incoterms

- Important issues for ICC
 - Who is a “shipper”?
 - What is meant by “deliver”?
 - At what point is a cargo considered “delivered”?

2. Terms of Sale and Incoterms

Incoterms 2000 Group			
E	F	C	D
出發 Departure	未付主要運費 Main Carriage Unpaid	需付主要運費 Main Carriage Paid	到達 Arrival
EXW Ex Works 工廠交貨	FCA Free Carrier 貨交運送人	CFR Cost and Freight 成本及運費	DAF Delivered at Frontier 邊境交貨
	FAS Free Alongside Ship 裝運港船邊交貨	CIF Cost, Insurance, and Freight 成本、保險費、及運費	DES Delivered Ex Ship 目的港船上交貨
	FOB Free On Board 船上交貨	CPT Carriage paid to 運費付至目的地	DEQ Delivered Ex Quay 目的港碼頭交貨
		CIP Carriage and Insurance Paid to 運費、保險費付至目的地	DDU Delivered Duty Unpaid 未完稅交貨
			DDP Delivered Duty Paid 完稅後交貨



3. International Political Economy

- International law
 - Monist system vs. dualist system
 - Public international law vs. private international law



3. International Political Economy

- Levels of economic integration
 - No trade agreement
 - Free trade agreement
 - Customs union
 - Common market
 - Economic union



4. Why Nations Trade?

- Absolute advantage
- Comparative advantage
- New trade theory



4. Why Nations Trade?

- Competitive advantage of Nations, Michael Porter (1990)
 - Factor endowments
 - Demand conditions
 - Related and supporting industries
 - Firm strategy, structure, and rivalry



5. International Trade Patterns

- Trade trends
 - Rich countries with rich countries
 - Neighboring countries
 - Colonial networks
 - Common cultures



5. International Trade Patterns

- Cross-trade
 - A country acts as a hub for trade between other countries
 - Reasons for cross-trading
 - Logistical efficiency
 - Avoid trade restrictions, example: Chinese textiles to USA transship at Macau



5. International Trade Patterns

- Trade lanes
 - A route for trade, connecting the major cities or industrial area
 - Transporting something between two points along a trade lane is much easier and cheaper
- Trade liberalization in transportation