Joseph M. Katz Graduate School of Business

College of Business Administration

**University of Pittsburgh**

**Fall 2010 (2111)**

BECN 2019 Economics for International Business and

BUSECN 1508 Key International Economic Issues for Managers

Logistics:

Course Numbers: 20854 for BECN 2019 and 17404 for BUSECN 1508

Time: Monday and Wednesday, 12:30 to 1:45 PM

Location: 104 Mervis Hall

###### Instructor: Professor Josephine E. Olson

Office: 308 Mervis Hall

Phone: 412-648-1715

Email: [jolson@katz.pitt.edu](mailto:jolson@katz.pitt.edu)

**Office hours**: by appointment including evenings and weekends if requested (special hours may be offered and posted on Blackboard before exams and other major assignments).

I usually make my own appointments.

**Access to instructor:**

I try to be as accessible as possible. If I am in my office, I check my email regularly and usually answer immediately. If you call and I am not in the office, you can leave a message on my voice mail and I will call you back. Be sure to leave your name, a phone number where I can reach you, and the best time to call. Sometimes questions can be answered over email or over the phone. If you want to see me, it is best to make an appointment as otherwise I cannot guarantee I will be in the office or able to see you at the moment you drop by.

**Course Rationale:**

BECN 2019 is a required course for the Master in International Business (MIB) degree. BUSECN 1508 is a course that is required for CBA students who are participating in the Global Management Major (GMM) or the Certificate Program in International Business (CPIB). Its purpose is to give students an understanding of the international economic environment in which business operates. In addition to MIB, GMM and CPIB students, any MBA, CBA or CAS Dual Major or other student who wants greater familiarity with the international economic environment may take this course (subject to availability). This course may also be accepted for some of the regional certificate programs, such as Latin America, Asian Studies, and Global Studies. This course is similar to the international trade course (ECON 500) offered in the Economics Department, but there is less emphasis on complex graphs and mathematical development of theory and more emphasis on foreign direct investment and multinational enterprises. The two courses should be considered complements rather than substitutes. This course takes business and country perspectives rather than a purely country perspective.

**Course Objectives:**

Following completion of this course, you should be able to:

* Explain theories, policies and institutions of the international economic environment within which business operates. These include:
  + Theories of trade, foreign direct investment, exchange rate determination;
  + Policies such as government regulation of trade and foreign direct investment, exchange rate regimes, and policies toward regional and global organizations;
  + Institutions such as the European Union, the North American Free Trade Agreement (NAFTA), the World Trade Organization, the International Monetary Fund, and G20.
* Analyze current international economic issues as informed citizens. Some examples are:
  + Reasons for recent demonstrations against globalization;
  + Impact of China’s growth on trade;
  + The likely effects of fluctuations of the dollar;
  + A specific trade issue you researched yourself.
* Describe the decisions that are required in managing in an international business environment. These include:
  + Should a firm export or produce in a foreign market;
  + How does a firm deal with government regulation of trade;
  + What form of international investment is most appropriate;
  + How does a firm manage foreign exchange rate fluctuations?

**Required Readings:**

Please purchase the textbook: Charles W. L Hill, *Global Business Today,* **Sixth** Edition, McGraw Hill, 2009. (Listed as “Hill” in assignments.) A copy of this book is on 2-hour reserve in Hillman and on 2-hour reserve in the Business Library. If you use the 5th edition, you should review the 6th edition in the library for cases and new material.

Other readings will be placed on Blackboard or possibly distributed in class. Because of the emphasis on current events, some required articles are not listed on the syllabus but will be added later or distributed in class. You are encouraged to follow news related to international business. I recommend the *Financial Times,* the *New York Times* or the *Wall Street Journal.* (You can get an inexpensive subscription to the *Wall Street Journal* by going to WSJstudent.com.)

**Blackboard (Bb):**

In the past I used Blackboard mainly to post readings and make announcements. This year I am trying to use some additional tools such as the assignment tool and discussion board. Since I am “technologically challenged,” there may be problems (especially with the grade book). Please let me know if something is not working or seems inappropriate. Please check “Announcements” regularly for updates and reminders on assignments and the like. This is especially important if you miss a class. Most of the important information is found under “Course Materials.” Folders follow the course outline. If you lose the syllabus, you can download a copy from the “Syllabus” link. “External Links” contains many websites that could be useful in your research. Study aides from the Publisher are found under “Publisher’s Materials.” I will add other items and new headings to Blackboard as the term goes along. It is not yet complete for the latter part of the course.

###### Classroom Expectations:

Regular attendance is required. Class participation will be a part of your final grade and you cannot participate if you do not attend. Please be prepared. You should have read the assignments before class and prepared any cases or other material required for that day. Although you only have to write up two cases, you are expected to have read all the assigned cases and to be prepared to discuss them. (However, if on occasion you are not prepared, please still attend class so that you do not get further behind.)

Please arrive on time and stay until I have indicated the class is over. However, if I run over the scheduled end of the class, please tell me. If you absolutely must leave class before its scheduled ending, please inform me in advance. **Please mute your cell phones, and turn off**

**I-pods, laptops and the like before class starts. Please do not use a laptop or smart phone during class.**

**Academic Calendar:** This course operates on the University of Pittsburgh calendar, which is followed by CBA, but not always by the MBA program. For example, there will not be a Labor Day makeup class on Friday, September 10. There will be classes during the October 11 Career Services week for master’s students. Classes will meet on Tuesday, October 12 (a makeup for Monday, October 11) and Wednesday, October 13. I will work with any master’s students who have to miss these classes.

**Academic Integrity:**

Any violation of the Guidelines for Academic Integrity will lead to serious consequences. This includes writing of cases and papers as well as exams. Please make sure you are familiar with these Guidelines which I have posted under the “Syllabus” Section of Blackboard.

**Guidelines for Studying:**

The textbook and class activities are complements rather than substitutes. It is important to do the reading and to attend and participate in class. Please read the assignments before the class in which they will be discussed. Approximate dates for the reading assignments are given on the syllabus, but I will give you specific dates as we go along. The McGraw Hill study aides under “Publisher’s Materials” of Blackboard may be of some use in studying. Taking notes on the readings is old fashioned compared to highlighting, but probably a more effective learning tool. Take notes in class and review them afterwards to fill in gaps and make certain they make sense.

**Students with Disabilities:**

If you have a disability for which you are or may be requesting an accommodation on exams or other assignments, you are encouraged to contact me and the Office of Disability Resources and Services, 140 William Pitt Union, 412-648-7890/412-383-7355 (TTY) as early as possible in the term. DRS will verify your disability and determine reasonable accommodations for this course.

**Student Photos:**

Because there is no CBA student picture book and because I have a hard time learning names, I will be taking individual photos during one of the first classes. These are just for my personal use in helping to learn who you are. I will also be asking you to use name tents for at least the first part of the course until I learn your name.

**Assessment of Performance:**

Class Participation[[1]](#footnote-1) 10%

Country homework 4%

Case Position Papers 8% (two at 4% each)

Trade conflict paper

Submission of annotated bibliography 2%

Submission of draft 2%

Written paper 22%

Discussion of two papers 4%

Midterm Exam 20%

Final Exam 28%

Total 100%

**Extra Credit:**

Occasionally there will be a lecture that you can attend for extra credit (one point, maximum of two points over term). If you attend a lecture and want extra credit, you must write up a short report describing the lecture and what you learned from it. There may also be other activities for which you can earn extra credit. Check announcements.

**Curve:**

I develop the final curve at the end of the course after I have computed a final numerical grade. However, the following is a reasonable approximation of what my final curve looks like. My exams are usually fairly challenging and this is reflected in the curve.

92 and above A 68 to 71 C

88 to 91 A- 64 to 67 C-

84 to 87 B+ 60 to 63 D+

80 to 83 B 56 to 59 D

76 to 79 B- 52 to 55 D-

72 to 75 C+ Below 52 F

**Additional information:**

Details on other assignments (cases and research paper) appear after the course outline.

***Course Outline and Approximate Dates[[2]](#footnote-2)***

**I. Intro to International Business (August 30, September 1, 8 and 13)**

**A. Globalization**

What is meant by “globalization” and what are its causes?

How are changing international trade patterns, foreign direct investment flows, differences in growth rates, and the rise of new multinational companies affecting the nature of the world economy?

What is the impact of globalization on job security, income levels, labor and environmental policies, and national sovereignty?

What are the opportunities and challenges to business managers resulting from globalization?

How is the economic crisis affecting globalization?

**Required Readings:**

Hill, Chapter 1.

Alexander Stille, “Globalization Now, A Sequel of Sorts,” *New York Times*, August 11, 2001, p. B7. On Bb under “Course Materials”. **Read for Sept. 1.**

Jeffrey E. Garten, “Essay: The Dangers of Turning Inward,” *The Wall Street Journal,* February 28, 2009, pg. W.1 (Bb) **Read for September 1.**

**Required Assignment:**

Case #1: **Prepare**: “Foreign forces translate Hollywood films” **for September 8 (find case and questions on Bb)**. If you are writing up this case, it should be submitted on Bb under case assignment before class. (See p. 10 of this syllabus on Case Position Papers for more information on how to do cases.)

**B. National Economic, Political and Legal Differences**

How do the political, economic and legal systems of countries differ?

How do these systems influence a country’s ability to achieve economic progress?

How do these systems influence the benefits, costs and risks of doing business in that country?

**Required Reading:**

Hill, Chapter 2. (Chapter 3 is optional.)

**Required Assignments:**

Country Assignment. (**Due September 8**)

You will sign up for the country in class. The assignment is on Bb and should be submitted through “Bb assignment.”

**II. Cross Border Trade and Investment**

1. **International Trade Theory (September 15, 20, 22 )**

Why do nations trade with each other?

What theories explain trade patterns?

What are the gains and losses from trade?

What are the implications of trade theory for business practice?

What has happened to trade during the global economic crisis?

**Required Reading:**

Hill, Chapter 5.

Jagdish Bhagwati, “A new vocabulary for trade,” *Wall Street Journal*, Aug. 4, 2005, pg. A.12. (Bb)

Robert Samuelson, “The end of free trade,” *The Washington Post.* Dec. 26, 2007, pg. A. 21. (Bb)

**Required Assignment:**

Case # 2: Prepare: “Clues in an iPhone Autopsy” on BB. (**Due September 22)**

(If this is a case you plan to submit, submit it before class using the Bb assignment mode.)

1. **The Political Economy of Int’l. Trade (September 27, 29 and October 4)**

What are the various policy instruments that governments use to restrict imports and promote exports?

Why do governments intervene in international trade to restrict imports and promote exports?

**Required Readings:**

Hill, Chapter 6 to end of page 217

USITC, “Trade Remedy Investigations: Antidumping and Countervailing Duty Investigations,” <http://www.usitc.gov/trade_remedy/731_ad_701_cvd/index.htm>

(Can be accessed through Bb)

USITC, “Global and Special Safeguard Investigations,” <http://www.usitc.gov/trade_remedy/safeguards/index.htm> (Can be accessed through Bb)

Chad P. Bown, “Protectionism Exposed,” *Wall Street Journal,* Aug. 6, 2009, pg. A.13. (Bb, “Assignments.”)

**Required Assignment:**

Case #3. Prepare: “Agricultural Subsidies,” Hill, pp. 234-5. (**Due Monday, October 4.)** If you are submitting a written version, please submit through Bb assignment tool.

**Suggested Reading:**

N. Gregory Mankiw and Phil L. Swagel, "Antidumping: The Third Rail of Trade Policy," Foreign Affairs, July/August 2005, Vol. 84, Issues 4, pp. 107-119. (Can be accessed from Bb).

***Midterm Examination, Wednesday, October 6***

1. **Multilateral Efforts to Reduce Trade Barriers—GATT and the WTO (October 12, 13)**

Describe the evolution, purpose, current status and future prospects of the global trading system as embodied in the GATT and the WTO?

Will the Doha Round ever be settled?

**Required Readings:**

Hill, Chapter 6, pages 218 to 232

World Trade Organization, *The WTO in Brief* ( Bb)

David Wessel, “Free-Trade Winds May Be Picking Up Again,” *Wall Street Journal,* July 1, 2010, pg. A.2. (Bb)

**Suggested Reading:**

World Trade Organization, “What is the WTO?”(Can be accessed from Bb.) <http://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm> (you might want to skim this for more details on the WTO and for other issues. In general it would be a good idea to look at the WTO’s website.)

***Paper topic, group and annotated bibliography No later than October 18***

1. **Foreign Direct Investment (October 13, 18, 20, 25)**

What accounts for the rising tide of foreign direct investment in the world economy?

Why are certain locations favored as the target of FDI?

What affects government attitudes towards FDI?

What are the advantages and disadvantages of the different modes that firms use to enter foreign markets?

**Required Readings:**

Hill, Chapters 7 and 12 (Chapter 11 is optional)

Guillen and Esteban Garcia-Canal, "The American Model of the Multinational Firm and the 'New' Multinational From Emerging Economies," Academy of Management Perspectives, May 2009, pp. 23 -35. (Can be accessed from Bb)  (This is a nice, easy to read article on FDI, and the growing importance of MNCs from emerging markets.)

William J. Holstein, “Haves and have-nots of globalization,” *New York Times,* July 8, 2007, pg. BU.4 (Bb)

UNCTAD, “World Investment Report 2010—Key Messages”, pp. viii-xii. (Bb)

**Required Assignments:**

Case #4. Prepare: “Foreign Direct Investment by Cemex,” Hill, p. 248 and newspaper update on Cemex on Bb (Anthony Harrup, “Corporate News: Cemex gains bank accord on debt restructuring,” *Wall Street Journal*, August 12, 2009, pg. B.4.) **Due October 20.** If you are submitting a write-up, submit through Blackboard Assignment.

Case #5. Prepare: “JCB in India,” Hill, pages. 434-435 (**Due October 25 via Bb**)

**Suggested Reading:**

UNCTAD, *World Investment Report 2020* (See Bb, “Books”)

1. **Exporting, Importing and Countertrade (October 25, 27)**

What are the promises and risk associated with exporting?

What can managers do to improve their firm’s export performance?

What are information sources and government programs that exist to help exporters?

What are the basic steps involved in export financing?

**Required Readings:**

Hill Chapter 13

**Required Assignment:**

Case #6: Prepare: “Megahertz Communications,” Hill, pgs. 458-459.

**Suggested Readings:**

*PA Global Compass,* Spring 2009 (Bb). This issue is devoted to exporting.

U.S. Department of Commerce, International Trade Administration, *Trade Finance Guide,* 2008. (Bb or get hard copy from Dr. Olson)

1. **Ethical Issues in International Business (November 1, 3)**

What are some of the ethical issues related to International Business and FDI in particular?

As a manager, how will you try to deal with these issues?

**Required Readings:**

Hill, Chapter 4 (pages 141-7 are optional)

**Required Assignment:**

Case #7: Google in China. Prepare by reading the case on pages 156 and 157 of Hill and David Barboza and Miguel Helft, “A compromise allows both China and Google to claim a victory,” *The New York Times,* July 10, 2010 on Bb. **Due October 25.** If you are submitting a written case, do so through the assignment tool on Bb.

***Draft of Paper \_\_\_\_ Due between November 1 and 8***

1. **Regional Economic Integration (November 3, 8, 10)**

What are the various forms of economic integration between nations?

What are the economic and political arguments for and against economic integration?

What are the similarities and differences between the EU and NAFTA?

What are the implications for business of regional trade agreements?

**Required Readings:**

Hill, Chapter 8.

Additional readings will be placed on Bb.

**Required Assignment:**

Case #8. Prepare: “EU Single Sky” found on Bb (Due **November 10**)

**Suggested readings:** See additional materials on Bb.

**III. The International Financial System**

***Final Written Paper Due no later than November 22***

1. **The Foreign Exchange Market (November 15, 17, 22, 29)**

What are the forms and functions of the foreign exchange market?

How volatile are foreign exchange rates?

What is the role of the foreign exchange market in insuring against foreign exchange risk?

**Required Readings:**

Hill, Chapter 9.

Other readings will be added later.

**Required Assignment:**

Case #9. Prepare: A case on foreign exchange exposure. TBA.

1. **The Balance of Payments and the International Monetary System (Dec. 1, 6, 8)**

What are the components of the balance of payments and what can be learned from a country’s balance of payments?

What is the role of global monetary system in determining exchange rates?

What is the difference between a fixed and floating exchange rate system and what are the arguments for and against them?

What are the roles of the International Monetary Fund (IMF) and the World Bank?

What are the implications of the global monetary system for currency management and business strategy?

**Required Readings:**

Hill, Appendix A to Chapter Five (pp. 195 to 199) and Chapter 10.

International Monetary Fund, *De Facto Classification of Exchange Rate Regimes and Monetary Policy Framework,* April 30, 2008, (Bb, “Assignments,”)

Other readings/handouts on the balance of payments will be assigned later.

**Required Assignment:**

Case #10. Prepare: “China’s Managed Float,” Hill, p. 371 (due **Dec. 8**)

***Discussion Comments on two other papers due no later than December 8***

***Final Examination Week of December 13***

***OTHER ASSIGNMENTS FOR THE COURSE***

1. **Two Case Position Papers**

We will be discussing nine or ten cases in class over the term. You are asked to write “Case Position Papers” on two of those cases and submit them via the assignment tool on Bb before the class discussion. These papers should be two to three double-spaced pages that focus on your understanding of key issues in the case, your suggested responses and the rationale for your responses.

Your position paper should not be a simple summary of the case. The cases include questions following each of them, which provide an indication of what your position paper might address. However, **write your paper as an organized essay, not as responses to the questions.** Start with an introduction to the case, which can include a very brief summary. In the remainder of your essay, **the questions should merely serve as a guide the writing of an organized essay.** Try to relate the case to the principles learned in class and show how the case illustrates them.

**If you are writing up a case for submission to class for a grade, it must be your own individual work.** You should not discuss it with classmates. You are not expected to use other materials, but if you do, please cite them properly. Please submit each position paper via the assignment tool on Bb before the class in which the case will be discussed. (If you have problems with Bb, email it to me.)

If you have decided not to write up a particular case, you should still read it and be prepared to discuss it in class. If you prefer, you can write more than two case position papers over the term and I will count the best two. **Your grade will be based on the quality of writing (spelling, grammar, lack of typos) as well as on the quality of the analysis.**

*Don’t wait until the very end to do your two case analyses. We may never get to case #10.*

II. Report on a Trade Conflict—approved topic with annotated bibliography due by October 18, first draft due no later than November 8, finished paper due by November 22. This assignment may be done alone or in groups of no more than three. You will also be asked to read and discuss (on Bb) two other papers. This must be done by December 8.

You are asked to pick a recent (still going on or only recently settled) trade or FDI dispute between two countries or groups of countries. You should present the points of view of both countries and then discuss how the problem might be resolved or why it is not likely to be resolved.

Your topic should be broad enough so that you can find information on it, but narrow enough so that you can say something meaningful regarding the topic in no more than four to seven double spaced pages. Trade conflicts generally make interesting topics, but I am willing to consider other topics that related to trade and FDI. In order to make certain that the topic is “doable.”

In writing an interesting report, it is useful to set up a question or series of questions that your report is designed to answer. It is also important to think of your target audience since that will determine the level of sophistication at which you can write, and what can be assumed and what you must explain. In this case, you should assume the audience is both your classmates and your instructor.

By October 18 you must submit a brief summary of your topic, a list of the members of your group and an annotated bibliography for at least 10 sources. An annotated bibliography includes the complete citation for the article plus two to four sentences that describe the information in the article. You may use APA, MLA or Chicago style of citations, but you must be consistent. Under “course materials: miscellaneous course materials” on Blackboard, I have placed several links describing how to write an annotated bibliography and information on the different types of citation methods.

Be sure to use a variety of sources for your paper and to read them critically. Some sources are more objective than others. For example, you would not expect an article in *Business America* to be critical of the United States since it is the mouthpiece of the U.S. Department of Commerce. Reading a variety of different sources will give you different points of view and can verify or contradict information in other articles. Try to use sources from more than one country. If you only read English, you should at least look for articles in the *Financial Times* and the *Economist* (UK) and English language foreign newspapers or translations of foreign newspapers. Internet sources can be excellent but pay attention to their biases. Anybody can have a website on any topic. The *International Trade Reporter* from the Law School is a good place to hunt for topics. Use the Library’s excellent databases, not just Google. I don’t want to see reliance on *Wikipedia* as an important source in your paper.See External Links on Blackboard for many useful sources of information. If you find a source that you think is useful, please let me know and I will post it on Blackboard for use of the entire class.

Format of Written Report

The report should be double-spaced with a font size of 12 and one-inch margins. It should be between five and seven pages not counting additional pages that may include graphs, tables, bibliographies and the like. The paper should have a title page (not part of page limit) and pages should be numbered. Your paper must be properly referenced. This means both a bibliography and footnotes. If you do not know how to reference a paper, I would be glad to work with you. Improperly documented papers will be sent back as unacceptable.

The paper will be judged not only for the quality of the analysis but for the quality of writing. It is important that your report be well organized, focused on the topic (not rambling), and clearly written. Use headings where helpful. Make certain that you start the paper with an introduction stating the subject of the report. Proofread and take advantage of software such as “spell check.”

A grading rubric for the paper will be posted on Bb.

Discussion of other papers

Given the size of the class, it is not possible for students to present their findings. However, I would like everyone to read two other papers and discuss them on BB.

1. Part of class participation will be attendance but the major part will be thoughtful discussion, questions and answers. Clearly if you are prepared for class, your participation grade will be better. [↑](#footnote-ref-1)
2. It is hard to be exact on dates because current events to some extent affect the time we spent on a particular topic. Therefore, please check Blackboard Announcements for updates. The date for midterm is firm. [↑](#footnote-ref-2)