

**Joseph M. Katz Graduate School of Business
College of Business Administration
University of Pittsburgh
Spring 2013 (2134)**

***BECN 2019 Economics for International Business and
BUSECN 1508 Key International Economic Issues for Managers***

Logistics:

Course Numbers: 23905 for BECN 2019 and 12998 for BUSECN 1508
Time: Tuesday and Thursday, 12:30 to 1:45 PM
Location: 208B Cathedral of Learning

Instructor: Professor Josephine (Jo) E. Olson

Office: 308 Mervis Hall
Phone: 412-648-1715
Email: 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). I 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 and strongly recommended for the MBA Certificate in Global Management. 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, MAcc, CBA, CAS Dual Major or other student who wants greater familiarity with the international economic environment may take this course. 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 the World Bank.

- Analyze current international economic issues as informed citizens. Some examples are:
 - Reasons for frequent 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:
 - How should a firm choose the form of international business it undertakes;
 - 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*, **Seventh** Edition, McGraw Hill, 2011. (Listed as "Hill" in assignments.) A copy of this book is on 2-hour reserve in Hillman Library. If you use the 5th or 6th edition, you should review the 7th 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):

There is a relatively new version of Blackboard. Please let me know if something is not working or seems inappropriate (especially the grade book). 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 regular assignments are found under "Course Modules and Related Assignments." Modules follow the course outline. The assignments related to the term paper are found under "Paper assignments." I will add other items 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, i-Pads, laptops and the like before class starts. Please do not use a laptop or smart phone during class unless you are instructed to do so.**

Academic Calendar:

This course operates on the University of Pittsburgh calendar, which is followed by CBA and GSPIA, but not always by the MBA program. Thus there will be class on January 8. There will also be class on January 31, even though this is a Professional Development Day for MBA students. (I will be glad to go over the materials covered for any students who have to miss class for Professional Development.)

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 slides and quizzes at the bottom of each module 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. When I use power point slides, I will post them after they have presented in class but not before.

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 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	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	24%
Final Exam	24%
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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. You must submit it to me via email (jolson@katz.pitt.edu) **within one week of the event**. 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.

93 and above	A	69 to 72	C
89 to 92	A-	65 to 68	C-
85 to 88	B+	61 to 64	D+
81 to 84	B	57 to 60	D
77 to 80	B-	53 to 56	D-
73 to 76	C+	Below 53	F

Additional information:

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

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.

Course Outline and Approximate Dates²

1. **Globalization (January 8 and 10)**

After you have finished this module you should be able to:

Understand what is meant by the term globalization.

Recognize the main drivers of globalization.

Describe the changing nature of the global economy.

Explain the main arguments in the debate over the impact of globalization.

Understand how the process of globalization is creating opportunities and challenges for business managers.

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 Jan 10.)**

Anthony Rowley, "Globalisation process remains only skin-deep," *The Business Times Singapore*, July 26, 2012. **(Read for Jan 10.)**

Required Assignment:

Case #1: Prepare: "Foreign forces translate Hollywood films" **for January 15 (find case and questions on Bb)**. If you are writing up this case, it should be submitted on Bb under "safe assignment" before class. (See p. 10 of this syllabus on Case Position Papers for more information on how to write up cases.)

2. **National Economic, Political and Legal Differences (January 15 and 17)**

After you have finished this module you should be able to:

Understand how the political, economic and legal systems of countries differ.

Explain how these systems influence a country's ability to achieve economic progress.

Describe 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 January 15 and 17—submit after we finish discussing in class)**

You will sign up for the country in class. The assignment is on Bb and should be submitted through "Assignment" or submit hard copy at end of discussion.

Please bring a hard copy of your answers to class on January 15 and 17 to facilitate class discussion.

²It 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 dates for midterm and final exams are firm.

3. **International Trade Theory (January 22, 24 and 29)**

After you have finished this module you should be able to:

Understand why nations trade with each other.

Summarize the different theories explaining trade flows between nations.

Recognize why many economists believe that unrestricted free trade between national will raise the economic welfare of countries that participate in a free trade system.

Explain the arguments of those who maintain that government can play a proactive role in promoting national competitive advantage in certain industries.

Understand the important implications that international trade theory holds for business practice.

Recognize the effect of the recent financial crisis and resulting recession on international trade.

Required Reading:

Hill, Chapter 5.

Bhagwati, "A New Vocabulary for Trade," *Wall Street Journal*, Aug. 4, 2005

Required Assignment:

Case # 2: Prepare: "Clues in an iPhone Autopsy" on BB. **(Due January 29)**

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

Suggested Readings:

Duhigg & Bradsher, "How the US lost Out on iPhone work," *The New York Times*, January 22, 2012.

Duhigg & Barboza, "In China, the human costs that are built into an iPad," *The New York Times*, January 26, 2012.

4. **The Political Economy of Int'l. Trade (January 31 and February 5 and 7)**

After completing this module you should be able to:

Identify the policy instruments used by governments to influence international trade flows.

Understand why governments sometimes intervene in international trade.

Summarize and explain the arguments against strategic trade policy.

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)

Bown, "Protectionism Exposed," *Wall Street Journal*, Aug. 6, 2009.

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).

5. Multilateral Efforts to Reduce Trade Barriers—GATT and the WTO (Feb 12, 14)

After completing this module you should be able to:

Describe the development of the world trading system and the current trade issues.

Explain the implications for managers of developments in the world trading system.

Required Readings:

Hill, Chapter 6, pages 218 to 232

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

Alvin Foo, "Doha Round deal 'won't happen in 2012'; Economic crisis, shift in geopolitics stalling talks, says WTO spokesman," *The Straits Times* (Singapore), May 16, 2012.

Jemy Gatdula, "Trade Tripper: Disputatious Mr. B," *BusinessWorld*, August 10, 2012.

"Unfinished work; US Congress is failing America's economic interests again," *Financial Times*, August 14, 2012.

Required Assignment:

Case #3. Prepare: "Why did Global Food Prices Rise," Hill, pp. 238-39. **(Due Thursday, Feb 14.)** Submit through Bb "safe assignment" tool before class.

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.)

Midterm Exam

Tuesday, February 19

Paper topic and group members

due Tuesday, February 26

6. Foreign Direct Investment (February 21, 26 and 28)

After you complete this module you should be able to:

Recognize current trends regarding foreign direct investment in the world economy.

Explain the different theories of foreign direct investment.

Understand how political ideology shapes a government's attitudes toward FDI.

Describe the benefits and costs of FDI to home and host countries.

Compare and contrast the different modes that firms use to enter foreign markets.

Identify the factors that influence a firm's choice of entry mode.

Recognize the pros and cons of acquisitions versus greenfield ventures as an entry strategy.

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.)

UNCTAD, "World Investment Report 2012—Key Messages", pp.xi-xii. (Bb)

Required Assignments:

Case #4. Prepare: "General Electric's Joint Ventures," Hill, pages 440-441 **due February 26** (tentative).

Case #5. Prepare: "Spain's Telefonica," Hill pages 272-273. **Due February 28** (tentative)

Suggested Reading:

Miles Johnson, "Madrid measures reply to Argentina on seizure of UPF," *Financial Times*, April 17, 2012.

UNCTAD, *World Investment Report 2012* (See Bb, "Books")

7. Exporting, Importing and Countertrade (March 5 and 7)

After you complete this module you should be able to:

Explain the promises and risks associated with exporting.

Identify the steps managers can take to improve their firm's export performance.

Identify information sources and government programs that exist to help exporters.

Recognize the basic steps involved in export financing.

Describe how countertrade can be used to facilitate exporting.

Required Readings:

Hill Chapter 13

Required Assignment:

Case #6: Prepare: "MD International," Hill, pgs. 464-465. Due **March 7** (tentative)

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)

8. Ethical Issues in International Business (March 19, 21)

After you complete this module you should be able to:

Understand the ethical issues faced by international business.

Recognize an ethical dilemma.

Identify the causes of unethical behavior by managers.

Explain how managers can incorporate ethical considerations into their decision making.

Required Readings:

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

Required Assignment:

Case #7: Prepare: "Used batteries from the U.S. expose Mexicans to Risk," on Bb. Due **March 21** (tentative).

Draft of paper due by Friday, March 22 (Feedback will be given in the order in which the drafts are submitted; the earlier submissions will get feedback faster)

9. Regional Economic Integration (March 26 and 28, April 2)

After you complete this module you should be able to:

Describe the different levels of regional economic integration.

Understand the economic and political arguments for and against regional economic integration.

Explain the history, current scope, and future prospects of the European Union and NAFTA.

Understand the implications for business that are inherent in regional economic integration agreements.

Required Readings:

Hill, Chapter 8.

Additional readings will be placed on Bb.

Required Assignment:

Case #8. Prepare: Hill, "The European Energy Market," Hill, pages 308-309, **due April 2** (tentative)

10. The Foreign Exchange Market (April 4, 9, 11)

After you complete this module you should be able to:

Describe the functions of the foreign exchange market.

Understand what is meant by spot exchange rates.

Recognize the role that forward exchange rates play in insuring against foreign exchange risk.

Understand the different theories explaining how currency exchange rates are determined and their relative merits.

Compare and contrast the differences between translation, transaction, and economic exposure, and explain what managers can do to manage each type of exposure.

Required Readings:

Hill, Chapter 9.

Other readings will be added later.

Required Assignment:

Case #9. Prepare: Hill, "Caterpillar Tractor," Hill, pages 340-341, **due April 11** (tentative).

Final Written Paper

Due no later than Friday, April 12

11. The Balance of Payments and the International Monetary System (April 11, 16, 18)

After you complete this module you should be able to:

Understand the balance of payments and how it relates to exchange rate problems

Describe the historical development of the modern global monetary system

Explain the role played by the World Bank and the IMP in the international monetary system

Compare and contrast the differences between a fixed and a floating exchange rate system

Identify exchange rate regimes that are used in the world today

Explain 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.
Encyclopedia of World Economy—Balance of Payments (Bb)
International Monetary Fund, *De Facto Classification of Exchange Rate Regimes and Monetary Policy Framework*, April 30, 2008, (Bb)

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

Required Assignment:

Case #10. Prepare: "Argentina's Monetary Crisis," Hill, pages 376-37 (due **April 18**)

Discussion Comments on two other papers **due no later than April 21**

Final Examination **Thursday, April 25, 10 to 11:50 AM**

OTHER ASSIGNMENTS FOR THE COURSE**I. Two Case Position Papers**

We will be discussing eleven cases in class over the term. You should be prepared to discuss every case. However, you are asked to write "Case Position Papers" on two of those cases and submit them via the safe 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. 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 safe 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 wish, 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 and group members due by February 26, first draft due no later than March 22, and finished paper due by April 12. 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 April 21.**

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 five 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. You should discuss the topic with me before you submit it. I usually have an idea whether a 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 February 22 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 “Paper Assignments” 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 **six 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 or parenthetic**

references (no endnotes). 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. A well-written draft with proper documentation is due by March 22 and the final paper is due no later than Friday, April 12.

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. These must be done by April 21.