



INSTITUTO TECNOLÓGICO AUTÓNOMO DE MÉXICO
GLOBAL ENVIRONMENT OF BUSINESS
PROF. RUBINA VERMA
SPRING 2012

Lecture: Monday and Wednesday, RH SA2, 7:00-8:30 p.m.

Office Hours: Tuesday 3:00 pm - 5:00 pm or by appointment

Office Location: ITAM, Santa Teresa (near Room 402)

Email: rubina.verma@itam.mx

Professor's Website: <http://allman.rhon.itam.mx/~rubina.verma/index.html>

OBJECTIVES AND THEMES

This course will cover some of the popular themes in the field of international trade and business. It will broadly be divided into three parts.

The first part will cover topics on international trade in goods, services and capital. Here, we will concentrate on the simple concepts and theories which have dominated the field of trade literature. We will study these so as to understand the benefits and costs that free trade and trade agreements may bring to liberalizing countries. We will examine the main policies toward trade and their consequences. In particular, the tariff and non tariff barriers which have been and still are popular instruments of trade policy in all countries, whether developing or developed. In this context we will analyze and criticize the role of the World Trade Organization which is an independent body responsible for monitoring free and fair trade between its member countries. We will also look at the subject of Foreign Direct Investment (FDI) and how important it has become in driving growth in countries. In addition, we will also look at other forms of market entry such as mergers and acquisitions, licensing, franchising etc. Lastly, we will look at the theory of balance of payments (BOP) and consider some practical examples of how to record transactions between countries. A good grip of BOP concepts like current account and capital accounts deficits and the role of international foreign exchange reserves will help us understand the rest of the course better.

The second part of the course will integrate international trade with the analysis of exchange rate (currency) determination. We will study the different kind of exchange rate regimes and the benefits and costs of these regimes. After gaining an understanding of the exchange rate systems, we will examine the dynamics of speculative attacks on currencies and what governments can do to prevent these attacks. The consequences of currency crises for the real economy in general and for international trade in particular will be looked at. Emphasis will be laid on episodes of crisis that have occurred in many parts of the world, particularly Latin America. We will also look at the current Euro debt crisis.

The third part of the course will be devoted to studying the popular emerging market economies in Asia and Latin America. Special attention will be devoted to Japan, China and India in Asia and Mexico and Chile in Latin America. Japan is one of the richest countries in the world but has been facing difficulties in sustaining high growth. China is becoming one of the largest national markets with an increasing share of world trade. India is a rapidly growing developing economy which displays a growth pattern driven by the service sector, rather than the manufacturing sector. In this part of the course, we also examine the trade imbalances between the United States and Asian countries that many see as one of the main causes of the recent and potential future decline of the US dollar.

EVALUATION

Class Attendance	10 %
Case Discussions	30%
Midterm Exam	25%
Final Exam*	35%

Class attendance must be at least 80%; failure to meet this requirement entails that the student should drop the course. If not, she/he will receive a N/A as the final course grade. To pass this course, the student **must pass the final exam** with a grade of 6 or higher. She/he should also be present for both the exams and should follow the guidelines indicated in the Reglamento de Alumnos de Estudios Profesionales. If the student cannot take the midterm exam, then she/he must talk to the professor **before** the exam, and/or present a formal certificate of absence. If approved by the professor, the student must accept the final exam grade with a weight of 25%.

Cases will be assigned by the professor to a particular group of students who will make a presentation in class. However, **ALL** students must read the case before coming to the class. The focus will be on discussing these cases and analyzing the main concepts, its conclusion and criticisms for which student participation will be graded.

READINGS

- 1) Power point slides: uploaded by the instructor before class.
- 2) Hill, Charles W., *International Business: Competing in the Global Marketplace*, 8a. Edition New York: Irwin McGraw Hill.
- 3) Relevant Newspaper/ Magazine Articles (will be made available by the professor)

LIST OF HARVARD AND OTHER CASES/HBR AND OTHER ARTICLES

1. New Theories of International Trade #9-390-001
2. Distance Still Matters- The Hard Reality of Global Expansion- HBR Reprint R0108K
3. Trade or Not to Trade: NAFTA and the Prospects for Free Trade in the Americas-# 9-705-034
4. Regarding NAFTA-# 9-797-013
5. Zara: Fast Fashion-# 9-703-497
6. Globalization of Cemex-# 9-701-017
7. Making China Beautiful: Shiseido and the China Market-# 9-805-003
8. How Local Companies keep MNCs at Bay-HBR Reprint R0803F
9. Exchange Rates: Definitions and the Real Exchange Rate-# UV0976 (Darden School Case)
10. Mexico: The Tequila Crises-# 9-702-093
11. Crisis in Japan-# 902M24 (Richard Ivey School Case)
12. European Debt Crisis-# 9-711-049
13. Financial Crises and Firm Performance-HKU299 (Asia Case Research Centre)
14. Country Analysis: A Framework to Identify and Evaluate the National Business Environment-# 9-797-092
15. India on the Move-# 9-703-050
16. Walmart and Bharti: Transforming Retail in India-HKU845 (Asia Case Research Centre)
17. China and the WTO: What Price Membership? # 9-707-032
18. Mexico: Crisis and Competitiveness # 9-710-058
19. Chile: The Conundrum of Inequality # 9-907-411
20. Doing Business Reports-The World Bank

TOPICS

International Trade theory: Lectures 1 and 2

Trade Policy: Lectures 3, 4 and 5

Foreign Market Entry: Lectures 6, 7 and 8

National Accounts and Balance of Payments: Lecture 9
Exchange rates and Crises: Lectures 10, 11 and 12
Asian Economies: Japan, China and India: Lectures 13 and 14
Latin American economies: Mexico and Chile: Lecture 15

Cases:

Exchange Rates: Definitions and the Real Exchange rate

Crisis in Japan

All additional handouts and articles distributed in the class (after the midterm)