C45.0011 Global Business Environment

Fall 2002
http://courses.stern.nyu.edu/

Professor V. Srivatsan
KMEC 7-77
M,W: 1:00-2:00pm
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COURSE GOALS
The objective of this course is to provide future decision-makers with a systematic understanding of critical aspects of the international business environment. We examine the forces driving toward globalization—the integration of national business activities into globally competitive markets. We also examine forces that maintain differences between countries and regions.

COURSE STRUCTURE
The course is divided into three modules.
The first module looks at the economics of international trade in goods and services. International trade is a key driver of global integration. We examine the role of comparative advantage as a determinant of the location of production. We also examine the reasons for and effects of government policies that create impediments to international trade.
The second part of the course surveys the role of money and finance in global economic activity. We examine the role of exchange rates as key prices in global finance. We show how the foreign exchange market can be used by hedgers and by speculators, and we develop some key principles of international financial investment. We also examine the role of government policies toward the foreign exchange market, including the choice between fixed and floating exchange rates, and the use of exchange controls to create impediments to currency exchanges.
The final part of the course examines foreign direct investment and several important challenges to global business operations. We examine the reasons for the rising importance of multinational corporations. We also examine two important environmental influences that can affect the performance of global corporations—differences across cultures and differences in national systems of politics and laws.

The course provides a survey of these big-picture global issues. It also serves as the base for the International Studies Project course. In addition, C45.0011 is a prerequisite for several IB elective courses, including International Business Management, International Financial Management, and International Marketing Management.
The prerequisites for the course are A31.0001 Principles of Macroeconomics and A31.0002 Principles of Microeconomics, or the equivalent.
COURSE MATERIALS
Required textbooks:

TEACHING PHILOSOPHY
The most important personality characteristic that you will need as a Knowledge worker in the New Economy is the ability to learn new skills and techniques over the course of your career. I have designed the course delivery so as to help you to learn how to learn by yourself. Instead of teaching you international economics, I’ll guide you to learn it by yourself.
In order for this process to succeed, it is **ABSOLUTELY ESSENTIAL** that you read the assigned reading for the day before coming to class. If you are shooting for the top grade, I strongly recommend that you go through some of the end-of-chapter problems, especially those for which there are answers at the back of the book.
Class discussions will focus on some additional problems, real world examples and additional related issues. We will not be going over the concepts again in class, unless they are particularly subtle or difficult. **IF YOU HAVEN’T READ THE MATERIAL PRIOR TO CLASS, YOU WILL FIND THE CLASS DISCUSSIONS INCOMPREHENSIBLE.** We’ll end each session with some additional problems and issues, which you’ll discuss in groups. The answers to these will be posted at the course website over the weekend.
It is also highly recommended that you keep up with current developments in the international business environment, both for class purposes and for your own benefit. You can do this by reading the relevant articles in a good newspaper (e.g., *Financial Times*, *Wall Street Journal*, *New York Times*) or weekly magazine (e.g., *the Economist*). You are encouraged to bring up current events for discussion in class.

GRADING
The course grade will be based on the following items:
- First Quiz 30%
- Second Quiz 30%
- Third Quiz 25%
- Country Report 9%
- Contributions to Online discussion (quality more than quantity) 6%

The coverage and dates for the quizzes are:
- First Quiz: Covers Part One, **October 3**
- Second Quiz: Covers Part Two, **November 8**.
- Final Exam: Covers Part Three, **December 18**

But **non-technical** knowledge of Parts I & II will be assumed.

Country Analysis (completed in groups of 3-4 students):
Specific instructions will be distributed in class.
TOPICAL ORGANIZATION

Class 1
Sep 5  Introduction
Required Reading: Ch 1 from WWH

PART ONE: INTERNATIONAL TRADE IN GOODS AND SERVICES

Class 2
Sep 10  The Rationale for Trade
Required Reading: Ch 3 from PL. pp 31-60

Class 3
Sep 12  The Effects of Trade
Required Reading: Ch 4 from PL. pp 61-80

Class 4
Sep 17  Newer Theories of Trade
Required Reading: Ch 6 from PL. pp 99-117

Class 5
Sep 19  Trade Policy: Tariffs
Required Reading: Ch 7 from PL. pp 121-138.

Class 6
Sep 24  Trade Policy: Non-Tariff Barriers
Required Reading: Ch 8 from PL. pp 139-162.

Class 7
Sep 26  Analysis of Governmental Trade Policy
Required Reading: Ch 9 from PL. pp 163-182 & pp 183-196 from Ch.10

Class 8
Oct 1  Regional Trade
Required Reading: Ch 11 from PL. pp 213-234.

Class 9
Oct 3  FIRST QUIZ
PART TWO: FOREIGN EXCHANGE & INTERNATIONAL FINANCIAL MARKETS

Class 10
Oct 8       Foreign Exchange & the Forward Markets
Required Reading: Ch 16 from PL. pp 343-360.

Class 11
Oct 10      Foreign Exchange & the Forward Markets
Required Reading: Ch 16 from PL. pp 343-360.

Class 12
Oct 15      National Balance of Payments
Required Reading: Ch 15 from PL. pp 323-342.

Class 13
Oct 17      The Determination of Exchange Rates
Required Reading: Ch 18 from PL. pp 389-406.

Class 14
Oct 22      The Determination of Exchange Rates (Cont'd)
Required Reading: Pugel, T. "Macro Linkages: Key Rates for Financial & Business Decision-Making." Class Handout

Class 15
Oct 24      The Determination of Exchange Rates (Cont'd)
Required Reading: Ch 18 from PL. pp 389-406.
          Pugel, T. "Macro Linkages: Key Rates for Financial & Business Decision-Making." Class Handout

Class 16
Oct 29      The Determination of Exchange Rates (Cont'd)
Required Reading: Ch 20 from PL. pp 423-460.

Class 17
Oct 31      Governmental Policy in the Forex Market
Required Reading: Ch 20 from PL. pp 423-460.
          Ch 24 from PL. pp 549-575.

Class 18
Nov 5       Exchange Rate Policy
Required Reading: Ch 24 from PL. pp 549-575.

Class 19
Nov 7       SECOND QUIZ
PART THREE: FOREIGN DIRECT INVESTMENT, CULTURE, POLITICS, AND LAW

Class 20
Nov 12  FDI and multinational corporations (Cont'd)
Required reading: Ch 7 from WWH.

Class 21
Nov 14  FDI and multinational corporations (Cont'd)
Required reading: Ch 7 from WWH.

Class 22
Nov 19  Cultural Environment of International Business
Required reading: Ch 2 from WWH.

Class 23
Nov 21  Cultural Environment of International Business
Required reading: Ch 2 from WWH.
Video

Class 24
Nov 26  Going International
Required reading: Ch 11 from WWH.
NO CLASS MEETING
TIME OFF FOR GROUP PAPER PREPARATION

Class 25
Dec 3   Politico-Legal Environment of International Business
Required reading: Ch 3 from WWH.

Class 26
Dec 5   Ethical Issues in International Business (Cont’d)
Required reading: Ch 3 from WWH.

Class 27
Dec 10  The Natural Environment of International Business
Lecture and Video

DUE: GROUP ASSIGNMENT

Class 28
Dec 11  Final Review