2017

ECON 300-01 International Trade and Business Environment

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**WCB Mission Statement**

“We educate students of business, enabling them to improve organizations and society, consistent with the Jesuit tradition.”

**COURSE OVERVIEW:**

In today’s highly competitive global economy, it is important to understand how firms can create new profit opportunities and manage the risk of doing business across different countries. Managing a business abroad is different from managing a business at home due to cultural, political, economic, legal, and currency differences. This course aims to enhance our understanding of how firms succeed in an environment characterized by all these differences. We will discuss why countries trade, what are the benefits and costs of free trade, how multinationals operate, and how the global economy impacts traditional business strategies. By the end of the course, you will have hopefully acquired the necessary knowledge to recognize and analyze issues pertinent to international business.

**UNDERGRADUATE LEARNING GOALS – WILLIAMS COLLEGE OF BUSINESS**

The Williams College of Business has chosen to emphasize the following learning goals in its undergraduate business curriculum. The specific learning objectives supported by required coursework in Economics 300, International Trade and Business Environment, are highlighted.

**Critical Thinking**

*Learning Goal:* WCB graduates will be able to think logically, reason quantitatively, and utilize appropriate analytical techniques and technology when evaluating and making decisions.

*Corresponding Objective:*

(1) WCB students will collect, evaluate and synthesize information to offer solutions and support decision making.

**Ethics and Social Responsibility**

*Learning Goal:* WCB graduates will be able to recognize ethical issues, discern moral implications of decision making, and be prepared, and willing, to serve as responsible and professional members of society.

*Corresponding Objective:*

(1) WCB students will recognize ethical issues and their implications on personal and business decisions.
Effective Written and Oral Communication

Learning Goal: WCB graduates will be able to organize, support and communicate ideas clearly and effectively, employ multiple mediums of communication (e.g., written, oral and visual), and adapt communication to audience, context or purpose.

Corresponding Objective:
(1) WCB students will produce business documents and reports demonstrating their ability to organize and communicate ideas clearly and professionally.

Global Perspective and Cultural Diversity

Learning Goal: WCB graduates will appreciate the historical and cultural contexts of the world in which they live, demonstrate the competencies required for engaging in global business activities, and respect and value diverse peoples and perspectives.

Corresponding Objectives:
(1) WCB students will identify and contrast key attributes of countries’ business environments.
(2) WCB students will evaluate and integrate global economic, political, technological, environmental and societal issues into their decision making.

Understanding and Application of Knowledge Across Business Disciplines

Learning Goal: WCB graduates will be able to evaluate business from an integrative and holistic point of view, leverage the synergies between functional business areas, and demonstrate college-level mastery of their chosen discipline.

Corresponding Objectives:
(1) WCB students will demonstrate the appropriate knowledge of accounting, economics, finance, management, management information systems, marketing, quantitative business analytics, international issues, and the legal and social environment of business.
(2) WCB students will evaluate business problems from an integrative point of view, including diverse business functions, competition and external environment (social, political, economic, and environmental.)

Personal and Professional Development

Learning Goal: WCB graduates will be well-prepared for their future careers and appreciate the importance of continuous professional development and life-long learning.


The required text will be supplemented with readings concerning current issues. Videos, handouts, and in-class presentations are considered course material and you are responsible for their content on exams.

COURSE EVALUATION:
Quizzes/Homework Sets (15%): There will be assignments and short quizzes designed to reinforce and apply topics covered. Homework assignments are due the class period after assigned. If you are unable to attend class you may email the assignment by class time on the due date.

The assignments may be completed by individuals or by a “team” of students working together. Working on a team is strongly encouraged. If you choose to work with a team, the following applies:
1) A team can consist of no more than three students.
2) The team submits a single assignment.
3) All work reflects input from each member of the team, i.e., each question is discussed by all members.
4) Teams may be reorganized throughout the course of the semester.

**There are no make-up assignments or quizzes.** The lowest quiz/homework grade will be dropped prior to computing the average. The quizzes/homework sets comprise 15% of the final grade.

**Examinations (75%):** There will be four exams given during the course. These exams will be a mixture of multiple choice questions, essays, and problems. The exam with the highest score will be weighted 25%; the exam with the lowest score will be weighted 15%; and the remaining two exams will be weighted 20% each. There will be **no make-up of the exams unless approval is given prior to the examination.**

**Class Participation (5%):** Being prepared (including reading required material and completing and bringing to class all discussion/study guides and pre-assignments), responding to questions posed, contributing in class, and discussing or presenting pertinent current events, will enhance your grade. Not being prepared, excessive absences and being discourteous (arriving late, leaving during class discussion, using cell phones, texting, and talking while others are speaking, etc.) will reduce your grade.

This class has a no laptop/tablet policy **with the exception of Fridays** when there frequently will be group work requiring the use of these devices for data retrieval and access to international economics and business readings and information by the group.

**ATTENDANCE:** Students are responsible for all material covered in class lectures as well as knowing any announced changes from the course outline. Please see above policy on make-up exams.

**ACADEMIC HONESTY:**
[http://catalog.xavier.edu/content.php?catoid=17&navoid=832#Academic_Honesty](http://catalog.xavier.edu/content.php?catoid=17&navoid=832#Academic_Honesty)

**GRADES:** Will be assigned as follows:

<table>
<thead>
<tr>
<th>Average</th>
<th>Grade</th>
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<tbody>
<tr>
<td>100-94</td>
<td>A</td>
</tr>
<tr>
<td>93-90</td>
<td>A-</td>
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<tr>
<td>89-87</td>
<td>B+</td>
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<tr>
<td>86-84</td>
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<td>83-80</td>
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<td>76-74</td>
<td>C</td>
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<td>73-70</td>
<td>C-</td>
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<tr>
<td>69-60</td>
<td>D</td>
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<tr>
<td>59 or below</td>
<td>F</td>
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# COURSE OUTLINE  
(Dates are approximate)

<table>
<thead>
<tr>
<th>Dates</th>
<th>Required Reading</th>
<th>Learning Objectives</th>
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| January 9, 11 & 13 | Hill & Hult – Chapter 1  
*Globalization* | • Explain what is meant by the term globalization.  
• Identify the main drivers of globalization.  
• Describe the changing nature of the global economy.  
• Summarize the major arguments in the debate over the impact of globalization. |
| January 16    | Martin Luther King, Jr. Day                                                      |                                                                                      |
| January 18 & 20 | Hill & Hult – Chapter 13  
*The Strategy of International Business* | • Explain the concept of strategy.  
• Outline how firms can profit from expanding globally.  
• Describe how pressures for cost reductions and pressures for local responsiveness influence strategic choice.  
• Identify different strategies for competing globally and their pros and cons. |
| January 23, 25 & 27 | Hill & Hult – Chapter 2  
*National Differences in Political, Economic, and Legal Systems* | • Describe how the political systems of countries differ.  
• Contrast the economic systems of countries.  
• Describe how the legal systems of countries differ. |
| January 30    | Hill & Hult – Chapter 3  
*National Differences in Economic Development* | • Explain what determines the level of economic development of a nation.  
• Summarize the macro-political and economic changes taking place worldwide.  
• Describe how transition economies are moving towards market-based systems. |
| Wednesday, February 1 | Exam I  
Chapters 1 – 3 & 13 |                                                                                      |
| February 3    | Hill & Hult – Chapter 4  
*Differences in Culture* | • Explain what is meant by the culture of a society.  
• Identify the forces that lead to differences in social culture. |
| February 6, 8 & 10 | Hill & Hult – Chapter 4 continued  
Hill & Hult – Chapter 5  
*Ethics, Corporate Social Responsibility, and Sustainability* | • Identify the business and economic implications of differences in culture.  
• Demonstrate how differences in social culture influence values in the work place.  
• Give examples of ethical issues faced by international businesses. |
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<thead>
<tr>
<th>Date</th>
<th>Text</th>
<th>Notes</th>
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<tbody>
<tr>
<td>February 13, 15 &amp; 17</td>
<td>Discuss the causes of unethical behavior by managers. Summarize the different philosophical approaches to ethics.</td>
<td>Hill &amp; Hult – Chapter 6 International Trade Theory</td>
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<tr>
<td>February 20, 22 &amp; 24</td>
<td>Articulate the reasons why nations trade with each other. Outline the different theories explaining trade flows between nations: Mercantilism Absolute advantage Comparative Advantage – including extensions of the Ricardian model Heckscher-Ohlin Theory Product Life-Cycle Theory New Trade Theory National Competitive Advantage – Porter’s Diamond Explain why many economists believe that unrestricted free trade between nations will raise the economic welfare of countries that participate in a free trade system. Summarize the arguments of those who maintain that government can play a proactive role in promoting national competitive advantage in certain industries.</td>
<td>Hill &amp; Hult – Chapter 6 Continued Hill &amp; Hult – Chapter 16 Exporting, Importing, and Countertrade</td>
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<td>February 27</td>
<td>Explain the promises and risks associated with exporting. Identify the information sources and government programs that exist to help exporters. Outline the basic steps involved in export financing.</td>
<td>Hill &amp; Hult – Chapter 6 &amp; 16 continued Review for second exam</td>
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<td>Wednesday, March 1</td>
<td>Examine the political and economic arguments for government intervention in international trade.</td>
<td>Exam II Chapters 4 – 6 &amp; 16</td>
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<td>March 3</td>
<td>Describe and analyze the impacts of policy instruments used by governments to influence international trade flows: tariffs, subsidies, import quotas, and voluntary export restraints. Outline other policies used to influence international trade.</td>
<td>Hill &amp; Hult – Chapter 7 Government Policy and International Trade</td>
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<td>March 6 – 10</td>
<td>Spring Break</td>
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<tr>
<td>March 13, 15 &amp; 17</td>
<td>Summarize the political and economic arguments for government intervention in international trade.</td>
<td>Hill &amp; Hult – Chapter 7, continued</td>
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<tr>
<td>Date</td>
<td>Reading/Notes</td>
<td>Points</td>
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| March 20, 22 & 24 | Hill & Hult – Chapter 8 Foreign Direct Investment | • Articulate the arguments against strategic trade policy.  
• Describe the development of the world trading system, including the role of GATT and WTO, and outline current trade issues.  

March 27 & 29 | Hill & Hult – Chapter 8 continued  
Hill & Hult – Chapter 15 Entry Strategy and Strategic Alliances  
Review for third exam | • Describe current trends regarding FDI in the world economy.  
• Explain the different theories of foreign direct investment.  
• Describe how political ideology shapes a government’s attitudes towards FDI.  
• Summarize the benefits and costs of FDI to home and host countries.  
• Outline the range of policy instruments that governments use to influence FDI.  

Friday, March 31 | Exam III | • Explain the three basic decisions that firms contemplating foreign expansion must make: which markets to enter, when to enter those markets, and on what scale.  
• Outline the advantages and disadvantages of the different modes that firms use to enter foreign markets.  

April 3, 5 & 7 | Hill & Hult – Chapter 10 The Foreign Exchange Market | • Describe the functions of the foreign exchange market.  
• Define what is meant by spot exchange rates, forward exchange rates, and currency swaps.  
• Describe the role that forward exchange rates play in insuring against foreign exchange risk.  
• Outline the different theories explaining how currency exchange rates are determined and evaluate their relative merits.  
• Identify the merits of different approaches towards exchange rate forecasting.  
• Describe the differences between transaction, translation, and economic exposure, and outline what managers can do to manage each type of exposure.  

April 10 & 12 | Hill & Hult – Chapter 10, continued  
Hill & Hult – Chapter 11 The International Monetary System | • Outline the historical development of the modern global monetary system.  
• Describe the role played by the World Bank and the IMF in the international monetary system.  
• Differentiate between a fixed and a
- Summarize the exchange rate systems used in the world today and explain why countries adopt different exchange rate regimes.
- Discuss the debate surrounding the role of the IMF in the management of financial crises.

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<thead>
<tr>
<th>April 13 – 17</th>
<th>Easter Holiday</th>
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<tbody>
<tr>
<td>April 19 &amp; 21</td>
<td>Hill &amp; Hult – Chapter 11, continued (The Global Capital Market)</td>
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<td>Articulate the benefits of the globalization of capital markets.</td>
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<td>Analyze why the global capital market has grown so rapidly over recent decades.</td>
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<td>Articulate the risks associated with the globalization of capital markets.</td>
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<td>Describe how foreign exchange risk impacts upon the cost of capital.</td>
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| April 24, 26 & 28 | Hill & Hult – Chapter 9 (Regional Economic Integration) Review for fourth exam |
|                   | Identify the different levels of regional economic integration. |
|                   | Summarize the economic and political arguments for regional economic integration. |
|                   | Summarize the economic and political arguments against regional economic integration. |
|                   | Outline the history, current scope, and future prospects of the world’s most important regional economic agreements. |

| Monday, May 1 12:00 – 1:50 PM | Exam III – Chapters 8 – 12, 15, and 17. |