



INSTITUTO TECNOLÓGICO AUTÓNOMO DE MÉXICO
INTERNATIONAL TRADE
PROF. RUBINA VERMA
AUTUMN 2012

Lecture Location: Santa Teresa, Room

Lecture Hours: Thursdays 7:00-10:00 p.m.

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

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

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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 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. International trade in capital will concentrate on the theme of Foreign Direct Investment (FDI) and how important it has become in driving growth in countries. 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 discuss the European crisis that has recently affected the world and consequences of a potential breakdown on the Euro.

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,

India, Mexico and Chile. 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. We will also study recent trends in the Mexican and Chilean economy and compare the different economic performance of the two countries.

EVALUATION

Class Attendance and Participation	10 %
Case Discussions	40%
Final Exam	50%

Cases will be assigned by the professor and students must read the case before coming to the class. The focus will be on discussing these cases and analyzing the basic problems/ main results for which participation is very important. From time to time, the instructor can also assign other material, in place of cases, which students must read beforehand. A significant proportion of class time will be dedicated to student participation and discussion.

READINGS

- 1) Power point slides: uploaded by the instructor before class.
- 2) Hill, Charles W., *International Business: Competing in the Global Marketplace*, 7th or 8th edition New York: Irwin McGraw Hill.
- 3) Harvard Cases
- 4) Relevant Newspaper/ Magazine Articles (will be made available by the professor)

ABOUT THE PROFESSOR

Rubina holds a Doctorate in Economics from the University of Southern California, Los Angeles. Her areas of interest are international trade, growth and economic development. She graduated in 2008 and has been working in the business department at ITAM since August 2008. She has taught Business Forecasting, International Business and International trade. Her recent work and publications can be seen on her website <http://allman.rhon.itam.mx/~rubina.verma/index.html>

DETAILED SCHEDULE AND DESCRIPTION OF LECTURES

Lecture 1: International Trade: Theory and Concepts.

Main Readings: Instructor's Slides.

Chapter 5: International Business by Charles Hill.

Case to be discussed:

- a. Distance Still Matters- The Hard Reality of Global Expansion- HBR Reprint R0108K

Lecture 2: Political Economy of International Trade: Different Trade Policies; The Role of the WTO; Free Trade Agreements such as NAFTA.

Main Readings: Instructor's Slides.

Chapters 6, 8: International Business by Charles Hill.

Case to be discussed:

- a. To Trade or Not to Trade: NAFTA and the Prospects for Free Trade in the Americas.

Lecture 3: Foreign Direct Investment and Different Forms of Entry in Foreign Markets.

Main Readings: Instructor's Slides.

Chapters 7, 14: International Business by Charles Hill.

Cases to be discussed:

- a. Zara: Fast Fashion.
- b. Globalization of Cemex.

Lecture 4: Balance of Payments.

Main Readings: Instructor's Slides; External Reference.

Additional material will be distributed in class.

Lecture 5: Exchange Rates and Financial Crises.

Main Readings: Instructor's Slides.

Chapters 9, 10: International Business by Charles Hill.

Case to be discussed:

- a. Exchange Rates: Definitions and the Real Exchange Rate.

Lecture 6: Exchange Rates and Crises.

Main Readings: Instructor's Slides.

Chapters 9, 10: International Business by Charles Hill.

Case to be discussed:

- a. Mexico: The Tequila Crises.

Lecture 7: Discussion on Asian Economies: Japan

Main Readings: Instructor's Slides.

Case to be discussed:

- a. Crisis in Japan.

Lecture 8: Discussion on Asian Economies: China and India.

Main Readings: Instructor's Slides.

Cases to be discussed:

- a. Walmart and Bharti: Transforming Retail in India.

- b. Making China Beautiful: Shiseido and the China Market.

Lecture 9: Discussion on Latin American Economies: Mexico and Chile.

Main Readings: Instructor's Slides.

Case to be discussed:

- a. Mexico: Crisis and Competitiveness.

Lecture 10: FINAL EXAM