International Business (EMBA)
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COURSE DESCRIPTION

The global economy is no longer driven solely by the United States. Technological innovations have dramatically lowered the cost of doing business globally. Economic policies have steadily liberalized economies over the past two decades enabling firms to expand beyond their home market to seek global market opportunities, to achieve economies of scale and to leverage cost advantages. The Earth’s economic center of gravity is shifting towards Asia.

Yet despite the opportunities from globalization, most companies do not expand internationally. Of the small set of companies that do, most conduct business in markets that are very similar to their domestic market. Doubling the distance of a foreign market from the home market reduces trade by half. Even today, U.S. exports to Colombia are twice that of Indonesia, a fast growing country with a population five times that of Colombia. In short, many companies are ill-positioned to take advantage of global opportunities.

What are the costs of foreign expansion, and how can companies successfully leverage these costs to expand their presence abroad? How can companies avoid the common mistakes when venturing abroad? How should companies set pricing strategies to manage volatile swings in exchange rate movements? How should companies deal with corruption and weak enforcement of intellectual property? Managers that understand these challenges will be better positioned to take advantage of global opportunities and avoid ex post regret from failed ventures.

Many of the cases and examples in this class are drawn from emerging markets. These countries are growing very rapidly, and they also have substantially different business environments from Western countries. In addition to analyzing how companies deal with particular frictions in these economies, we will also take a more holistic perspective to understand why business practices in these markets look very different from the West.
REQUIRED COURSE MATERIAL

The course will also draw from lecture notes, case studies, academic articles and newspaper reports. Readings will be made available on Canvas.

REQUIRED PREREQUISITES AND CONNECTION TO THE CORE

The decisions required for doing business across borders utilizes, builds and extends concepts from many of your core courses. For example, to understand which markets to enter, you will need a firm grasp of regression analysis from Managerial Statistics. Once you decide to enter a country, you face a tradeoff on the mode of entry: exports, joint ventures or greenfield FDI. Evaluating these tradeoffs builds on the analysis of tradeoffs, diversification and scope discussed in Strategy Formulation. If the country has weak intellectual property enforcement, you will need to consider the hold-up problem discussed in Managerial Economics. (You might also pause to question why intellectual property is so weak to begin with and in doing so, will recognize connections to economic growth concepts from GEE I). Finally, you have to manage this tricky exchange rate that you were introduced to in GEE I.

<table>
<thead>
<tr>
<th>Core Course</th>
<th>Connection with Core</th>
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<tr>
<td>Strategy Formulation</td>
<td>1. Trade-offs, value-added, efficiencies</td>
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<td>2. Diversification and scope</td>
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<td>Managerial Economics</td>
<td>1. Strategic interaction among firms and Nash equilibrium</td>
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<td>2. Hold-up</td>
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<td>3. Market competition</td>
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<td>4. Pricing strategies</td>
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<td>Managerial Statistics</td>
<td>1. Linear regression</td>
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<td>2. Casual analysis</td>
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<td>Global Economic Environment I</td>
<td>1. Exchange rates</td>
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<td>2. Global imbalances</td>
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<td>3. Economic development</td>
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Students will be expected to have mastered these concepts and be able to apply them in the course.

METHOD OF EVALUATION

Your performance will be evaluated by participation, assignments and a final project. Final grades will be assigned according to these dimensions:

1. Class participation (40%)
2. Assignments (20%)
3. Final Project/Presentation (40%)

For the final project, you will analyze a company’s initial entry into a foreign market. You are strongly encouraged to talk directly with the company in order to understand the full set of factors that were considered prior to the entry (analyzing failed international expansion efforts are equally and potentially
more illuminating). This is a group project with a maximum of two (or three, if we have a larger class. The aim is to have about 15 groups) members per group. More details will be provided in class.

CLASSROOM NORMS AND EXPECTATIONS

Attendance is mandatory. If you are unable to attend a class, you must send me an email 24 hours in advance with the reason. I will assign a short set of questions for each case/reading. It is expected that you will have done the reading and given thought to the questions. I will also “cold-call” students in order to facilitate class discussion, so this requires that you will have done the mandatory reading and given thought to the assigned questions. Laptops, smart phones and tables are NOT permitted in class. This will be strictly enforced.

Honor Code

This course will strictly adhere to the academic conduct guidelines discussed in detail at [http://www0.gsb.columbia.edu/honor/resources.html](http://www0.gsb.columbia.edu/honor/resources.html).

Columbia Business School’s Honor Code:

As a lifelong member of the Columbia Business School community, I adhere to the principles of truth, integrity, and respect. I will not lie, cheat, steal, or tolerate those who do.
Schedule

Class 1: Introduction and The Flat World

Readings:
• *It’s a Flat World After All (NYT 2005.04.03)

Discussion Questions
1. When do you think a globalized world began to emerge?
2. What are the main forces of globalization? Can you provide specific examples?
3. Do you agree/disagree with Tom Friedman’s characterization that the world is flat?
   a. If you agree, why and can you provide further evidence in support of your arguments?
   b. If you disagree, why and can you provide further evidence in support of your arguments? Do you have an alternative metaphor?

Class 2: The Competitive Advantages of Nations

Readings:
• *Competitive Advantage of Nations (HBS 90211)
• *Competitiveness: A Dangerous Obsession
• Does Third World Growth Hurt First World Prosperity?

Discussion Questions
1. According to Porter, what are the deficiencies of classical theory?
2. How does Porter’s concept of competitive advantage differ from our definition of comparative advantage?
3. According to Porter, what are the determinants of competitive advantage?
4. According to Porter, how do competition and factor scarcity promote competitiveness? What (stated or unstated) assumptions justify his position? What examples does he offer? Can you think of counter-examples?
5. How relevant is Porter’s theory for high-income countries? For middle-income countries? For low-income countries? (For a list of countries by income bracket, look at the World Bank’s list)
6. Paul Krugman, a Nobel Prize winner for his work on international economics, has said “...competitiveness is a meaningless word when applied to national economies. And the obsession with competitiveness is both wrong and dangerous.” What do you make of his statement? Do you agree or disagree?

Class 3: The Rise of Emerging Markets

*Missing Trade Assignment in Class

Readings:
• *Trade Liberalizations: Evidence from India (Columbia CaseWorks 090315)

Discussion Questions
1. Pick a country of your choice (besides China and India, since we will talk about them in more detail) that has experienced a liberalization of trade and foreign direct investment in the past few decades. How has openness affected the overall growth of the country? What industries have benefited and why? What industries have not benefited and why?
2. What is your overall assessment of the gains from openness for the country you chose? List all the benefits reform. Where there any unanticipated/surprising consequences of the reform?

Class 4: Understanding the Rise of China

Part I: The Rise of China

Readings
- *China 2030* (Read Introduction, Chapter 1,3)

Discussion Questions
1. What are the key constraints facing the Chinese economy today?
2. What does China’s approach to reforms tell you about future reforms?
3. China’s exports have been nothing short of remarkable over the past decade. Should firms in developed countries be worried about this growth?

Part II: Globalization and Inequality

Readings:
- *The Polarization of Job Opportunities in the US Labor Market* (pages 1-7, David Autor)
- *The World Top Incomes Database*

Discussion Questions
1. Read the introduction (pages 1-7) of The Polarization of Job Opportunities in the US Labor Market (by David Autor). What is the trend in inequality in the US over the past thirty years?
2. Examine the inequality patterns of a country of your choice on this website. What are the causes of these inequality patterns? Does this cause differ from your explanation of the primary cause of inequality in the U.S.?
3. From the narrow perspective of running a business, why should managers care about inequality trends and their source?

Class 5: Entering Foreign Markets

*Facebook Assignment Due*

Part I: Grolsch Case

Readings
- *Grolsch: Growing Globally* (HBS PG0001)

Discussion Questions:
1. What would Grolsch claim as its competitive advantages vis-à-vis its competitors?
2. When did they begin going global? Why did Grolsch expand internationally?
3. What market characteristics does Grolsch analyze when it enters foreign markets? What do you make of their framework to evaluate market entry?
4. Evaluate Grolsch's performance in international markets

Part II: Lincoln Electric

Readings
- *Lincoln Electric* (HBS 9-707-445)

Discussion Questions:
1. Put yourself in CEO Stropki’s shoes. Should Lincoln Electric expand into India?
2. In which countries is Lincoln Electric likely to be most/least successful? Why? How would this guide your choice about where the company should place its production facilities?

3. When Lincoln Electric goes to abroad, what factors should determine how much it adapts its core incentive pay-for-performance management practices to local labor market norms? Should the company follow the adage, “when in Rome, do as the Romans do” or should they replicate their system that drove success in the home plant in Cleveland, Ohio?

Part III: Discussion of “Facebook Entering India” Assignment
Readings
1. *India, A New Facebook Testing Ground* (WSJ 2012.10.20)
2. The Use of Experimental Designs in the Evaluation of Trade-Facilitation Programmes: An Example from Egypt” (David Atkin and Amit Khandelwal, Chapter 4 of the book)

Class 6: Financing Trade, Foreign Direct Investment

Part I: Financing Trade
Readings
• Belco Foods (9211033)
Discuss Questions:
1. What are the instruments for financing trade, how do they work and what are the tradeoffs?

Part II: Horizontal FDI
Readings
• *Haier’s U.S. Refrigerator Strategy* (HBS 711-473)
Discussion Questions:
1. Whirlpool’s 1987 annual report stated: "Consumers in major industrialized countries are living increasingly similar lifestyles and have increasingly similar expectations of what consumer products must do for them."
   Based on discussion of the refrigerator market in the case, do you agree or disagree with this statement? That is, do preferences across borders for refrigerator products vary substantially? If so, what are the main differences a company like Haier must consider?
2. How does Haier adapt from selling within its home market to selling in the US market? What alternative strategies could it have tried? Evaluate the company’s strategy.

Class 7: Managing Intellectual Property In Emerging Markets

Part I: The Hold-Up Problem
Readings:
• *A Local Firm’s Baffling Trip Through China’s Arbitration System* (LATimes, 2003.12.26)
• Volkswagen Probes Chinese Partner (WSJ 2012.07.27)
• Djankov, La Porta, Lopez-de-Silanes, and Shleifer, “Courts”, *Quarterly Journal of Economics*, February 2002
Part II: Hollywood in India

Readings:

Discussion Questions:
1. How can we identify plagiarism in a movie? How about in software, images and books?
2. How can a movie studio prevent plagiarism?
3. What strategies should Fox Star adopt to compact potential piracy of My Name is Khan? Explicitly (ie, provide numbers) evaluate the costs and benefits of each strategy you suggest.

Part III: Danone-Wahaha Joint Venture

Readings:
- *Danone V Wahaha (A): Who is Having the Last Laugh? (HKU-766)

Discussion Questions
1. Identify the factors that contributed to Danone’s decision to form JVs with Wahaha
2. How are control rights divided between Danone and Wahaha in their JVs in China? How are revenues shared between the two parties? How many of these have led to their dispute?
3. What has gone wrong in terms of contractual enforcement between Danone and Wahaha? How could Wahaha’s alleged breach of its JB contract with Danone have been avoided?
4. Is formal legal procedure the best option for Danone? How about Wahaha? What alternatives do the two companies have?

Class 8: Corruption

Readings
- *Corruption at Siemans (HBS 108033)
- *The Road to Hell is Unpaved (Economist 2002.12.19)

Discussion Questions:
1. What is corruption? What is the root cause(s) of corruption around the globe? Can anything be done to change a country’s level of corruption?
2. How did Siemens find itself in this situation?
3. What problems does the corruption investigation pose for Siemens? What actions need to be taken to address these problems?

Class 9: Special Economic Zones and Managing Trade Barriers

Part I: Singapore’s Trade in Services

Readings
- *Singapore’s Trade in Services (HBS 9796135)
- *Who wants to Buy Honduras? (NYTimes 2012.05.08)

Discussion Questions:
1. What performance metrics in the Singapore case tell us how well the country has done over the past 40 years?
2. Do you think Singapore’s growth up to 1990s reflects Porter’s or comparative advantage forces?
3. Why is Singapore’s economy running out of steam in 1990s? What are the big threats to the economy? What is their growth strategy? How viable is this strategy for the long run?
4. Earlier this year, Honduras passed legislation to set up a “Privatized City” based on the Charter City ideas advanced by Paul Romer. You can read more about it here. Leaving aside the current
debate about the legal nature of these cities, do you think this government policy would attract foreign businesses to Honduras?

Part II: Managing Trade Barriers

Readings

- *VW de Mexico (HBS 9794104)
- *Stalemate at the WTO: TRIPS, Agricultural Subsidies and the Doha Round (9-711-043)
- Argentine Protectionism Sees Cars Swapped for Rice, Olives, Wine (Businessweek, 2012.11.08)
- Trade Tensions Mount (by Simon Evenett, Executive Summary Only)

Discussion Questions:

1. How does VW serve the US and Mexican market in the 1950s, 1960s and 1970s?
2. Why does VW consolidate their North American operations in 1987? What are the benefits of consolidation? What are the costs of consolidation?

Class 10: Exchange Rates, and Currency Pass-Through

Part I: Exchange Rates and Imbalances

Readings:

- *The $1.4 Trillion Question (Atlantic Monthly Jan/Feb 2008)
- The iEconomy (NYTimes 2012.01.21)

Discussion Questions

1. What is the difference between a real and nominal exchange rate? Why does the distinction matter?
2. Describe how China pegs its exchange rate. Who benefit and who loses from a sudden revaluation of China’s currency?

Part II: Currency Pass-through

Readings

- *Japanese Automakers Face Endaka (HBS 5798050)

Discussion Questions:

1. What caused the appreciation of the dollar prior the Plaza Accord and why did the US want to push down the value of the currency?
2. Had Japanese firms anticipated the Yen appreciation, what financial hedging strategies could they have executed?
3. How do the Japanese automakers deal with the appreciation of the Yen?
4. Suppose you are selling an imported product in a market and the exchange rate appreciates 10%. What factors determine how much of this exchange rate you pass through to your customers?

Class 11: The Organization of Production Around the World, Labor Standards

Part I: Cross-country differences in the organization of production

Readings

- *Why Focused Strategies May be Wrong for Emerging Markets (HBR 97404)
Discussion Questions:
1. Why are firms in emerging markets so poorly run relative to firms in developed countries?
2. Why are firms in emerging markets more hierarchical than firms in the U.S.?
3. Why do we often observe business conglomerates forming in these countries?

**Part II: Labor Standards**

Readings
- *Hitting the Wall: Nike and International Labor Practices* (HBS 700047)
- *In China, Human Costs Are Built Into an Ipad* (NYTimes, 2012.01.25)
- *Mr. Daisey and the Apple Factory* (This American Life, 2012.01.06)

Discussion Questions:
1. Should Nike be held accountable for poor labor conditions in the factories it subcontracts from?
2. Evaluate Nike’s response to Jeff Ballinger’s claims.

**Class 12: Wrap Up and Presentations**