



School of Business and Public Management

DEPARTMENT OF INTERNATIONAL BUSINESS

COURSE NUMBER: IBUS 260 Section 10 **Fall 2005**

COURSE TITLE: **The New Global Competitive Framework**

**CATALOGUE COURSE
DESCRIPTION:**

Discussion of the global competitive framework and of how nations develop and sustain competitive advantages. Emphasis on the changing nature of the U.S. economy, the European Union (EU) integration and enlargement plan, the economic transformation of the Central and Eastern European nations, and on the internationalization, restructuring, and recovery of the Japanese economy.

PREREQUISITES: MBAD 240 (for all MBAs full-time and part-time). You can take it concurrently. MBA students, if you have not taken MBAD 240 you must come and see the professor. Not required for ESIA or other degree students.

PROFESSOR:

S.S. Rehman, Ph.D.

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and Associate Professor of International Finance and

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CLASS T.A. **Sam Nasypbek:** E-MAIL: samagan@gwu.edu

OFFICE HOURS: Mondays: 12:00am - 2:00pm & 3:45pm - 4:45pm
Wednesdays: 6:00pm - 7:00pm and
any other time by appointment only.

REQUIRED READINGS:

- 1) Michael, E. Porter, **The Competitive Advantage of Nations**, (New York: The Free Press, Second Edition, 1998).
- 2) **BOOK #2:** Since I am not assigning a second book this particular year, I will be handing out a selected reading pack to you.
- 3) **Economist Selected Articles:** You will have to sign up for the Economist on-line (special academic offer for US\$30/- for Fall semester (4 months): <http://economist.com/academic/>) to obtain the articles listed below.
- 4) Krugman, Paul, “**Competitiveness: A Dangerous Obsession**”, Foreign Affairs, March/April 1994.
- 5) And other specific readings will handed out by the professor.

REQUIRED ECONOMIST PERIODICAL READINGS:

- “Survey: America”, The Economist, 16 July, 2005.
- “Survey: EU’s Eastern Borders”, The Economist, 25 June, 2005.
- “Survey: International Banking”, The Economist, 21 May, 2005.
- “Survey: Oil”, The Economist, Apr 30, 2005.
- “Survey: India and China”, The Economist, Mar 25, 2005.
- “Survey: Turkey”, The Economist, Mar 17, 2005.
- “Survey: Corporate Social Responsibility”, The Economist, Jan 25, 2005.
- “Survey: Private Equity”, The Economist, Nov 27, 2004.
- “Survey: Outsourcing”, The Economist, Nov 13, 2004.
- “Survey: World Economy”, The Economist, Sep 30, 2004.
- “Survey: European Union”, The Economist, Sep 24, 2004.
- “Survey: Sub-Saharan Africa: First Get The Basics Right”, The Economist, Jan. 15, 2004.
- “Survey: Capitalism and Democracy”, The Economist, June 26, 2003.
- “Survey: Property”, The Economist, May 31, 2003.
- “Survey: Global Finance”, The Economist, May 1, 2003.
- “Survey: Asian Finance”, The Economist, February 6, 2003.
- “Survey: Migration”, The Economist, November 2, 2002.
- “Survey: The Global Environment”, The Economist, July 6, 2002.
- “Survey: America’s World Role”, The Economist, June 29, 2002.
- “Survey: Japan”, The Economist, April 20, 2002.
- “Survey: Management”, The Economist, March 9, 2002.
- “Survey: The Real-Time Economy”, The Economist, February 2, 2002.
- “Survey: The Universe”, The Economist, January 5, 2002.
- “Survey: Technology and Development”, The Economist, November 10, 2001.
- “Survey: The Near Future”, The Economist, November 3, 2001.
- “Survey: Globalization”, The Economist, September 29, 2001.
- “Survey: The New Rich”, The Economist, June 16, 2001.
- “Survey: The New Economy”, The Economist, September 23, 2000.
- “Survey: Globalization and Tax”, The Economist, January 29, 2000.
- “Survey: The 20th Century”, The Economist, September 11, 1999.
- “Survey: A Survey of Pay”, The Economist, May 8, 1999.

REQUIRED

NEWSPAPER:

The Financial Times (available through student subscription and at the Gelman Library). Professor is making the assumptions that all students are reading some U.S. newspaper (i.e.e WSJ). Additional readings and handouts will be distributed in class.

**STRONGLY
RECOMMENDED**

READINGS: Edmunds, John C., **Brave New Wealthy World: Winning The Struggle For World Prosperity**, Prentice Hall, 2003. Friedman, Thomas L., **The World Is Flat : A Brief History Of The 21st Century**, Farrar, Straus, & Giroux, 2005. Lunders, David S., **The Wealth And Poverty Of Nations – Why Some Are So Rich And Some So Poor**, W.W. Norton & Co., NY, 1999. Easterly, William, **The Elusive Quest for Growth – Economist’s Adventures and Misadventures in the Tropics**, The MIT Press, 2001. Friedman, Thomas L. **The Lexus and the Olive Tree**. New York: Bantam, Doubleday Dell. 2000. Stiglitz, Joseph E. **Globalization and Its Discontents**. New York: W.W.Norton. 2002. Herbert Stein and Murray Foss, **An Illustrated Guide to the American Economy: A Hundred Key Issues**. Washington D.C.: The American Enterprise Institute, 1992. Mordechai E. Kreinin, International Economics, **A Policy Approach**, Eighth Edition, The Dryden Press, (1998). Robert Gilpin, **The Challenge of Global Capitalism**, Princeton N.Y.: Princeton University Press, 2000. Paul Krugman, **Pop Internationalism**, Cambridge, MA.: The MIT Press, 1996. Dan Rodrik, **Has Globalization Gone Too Far** (Institute of International Economics, 1997). Frankel, E. Jeffrey, **Regional Trading Blocs in the World Economic System** (Institute of International Economics, 1997). Graham M. Edward and Richardson J. David (Editors), **Global Competition Policy** (Institute of International Economics, 1997). M. Dertouzos, R.K. Lester and R.M. Solow, **Made in America: Regaining the Competitive Edge** (Cambridge, MA.: The MIT Press, 1989). J. P. Womack et al; **The Machine That Changed The World** (New York, McMillan, 1990). Paul Krugman, **Peddling Prosperity** (New York: W.W. Norton, 1994). Paul Krugman, **The Return of Depression Economics**, New York: W.W. Norton, Co., 1999. Lester C. Thurow **The Future of Capitalism**, New York, William Morrow and Co., 1996. K. Dyson, Ian Barnes and Pamela M. Barnes, **The Enlarged European Union**, New York: Longman Publishing, 1995. Scheherazade S. Rehman, **The Path to European Economic and Monetary Union**, Kluwer Academic Publisher, 1997. World Bank, **World Development Report: From Plan to Market** (Oxford University Press 1996). Ch. Higashi and G.P. Lauter, **The Internationalization of the Japanese Economy** (Norwell, MA: Kluwer Academic Publishers, 1990; R.C. Hsu, **The MIT Encyclopedia of The Japanese Economy** (Cambridge Mass., L MIT Press, 1994). The World Bank, **The East Asian Miracle**, New York: Oxford University Press, 1993), Christopher Patten, **East and West** (New York: Times Books/Random House, 1998). Nicholas R. Lardy, **China in the World Economy** (Washington, D.C.; Institute for International Economics, 1994). Rehman, Scheherazade S. **Financial Crisis Management in Regional Blocs** (ed), Boston: Kluwer Academic Publishers, 1998.

COURSE

OBJECTIVES:

- (1) To develop an understanding of the evolving competitive structure of the global economy and of how nations create sustained international competitive advantages in various industries.
- (2) To obtain the skills necessary to analyze the various economic and business developments in the integrating European Union, the transforming formerly Centrally Planned Economies, Japan and the Pacific Basin nations, including the People's Republic of China, with reference to the U.S. economy.

- (3) To develop the skills to analyze the economic and business structures and competitive practices of industries and firms in the above regions and to understand how the same can affect the global competitive position of American industries and firms.

METHOD OF INSTRUCTION:

Lectures, discussions and readings.

ASSIGNMENTS:

Readings and two short analytical papers on selected topics.

METHOD OF EVALUATION:

Grades on the two short analytical papers (70%) and a final examination (30%).
*******IMPORTANT: LATE PAPERS WILL BE DOWN-GRADED HALF-A-GRADE EACH DAY THEY ARE LATE {no exceptions}. All assignments have to be completed and handed-in to receive a final grade.**

FINAL EXAM:

Will be announced in class. Exam will be held during official GWU exam week on the first class date possible. Please **DO NOT** book airline tickets for Christmas without finding out the exam date first as they are no exam make-ups.

TOPICS

1. STRUCTURE OF THE GLOBAL ECONOMY. BASIC DATA.
2. POST-WW II EVOLUTIONARY STAGES OF THE GLOBAL ECONOMY.
3. CURRENT ISSUES INFLUENCING THE CONTINUED EVOLUTION OF THE GLOBAL ECONOMY.
4. COMPETITIVENESS; CONCEPTS AND ISSUES. SYSTEMIC FEATURES; CORPORATE GOVERNANCE.
5. PORTER AND THE COMPETITIVE DIAMOND. FACTOR INPUTS. INTERNATIONAL COMPARISONS.
6. MEASURES OF THE INTERNATIONAL COMPETITIVENESS OF INDUSTRIES AND OF THE EXTERNAL ECONOMIC POSITION OF NATIONS. SPECIAL MEASURES.
7. THE EUROPEAN UNION. EVOLUTION, INSTITUTIONAL STRUCTURE, DECISION-MAKING, POLICY ISSUES, THE SINGLE MARKET, EMU, ENLARGEMENT.
8. THE TRANSFORMATION OF FORMERLY CENTRALLY PLANNED ECONOMIES.
9. JAPAN, CURRENT ISSUES AND PROBLEMS. ECONOMIC AND TRADE RELATIONS WITH THE US.
10. THE PACIFIC BASIN (APEC) AND THE PEOPLE'S REPUBLIC OF CHINA.
11. FUTURE GLOBAL COMPETITIVENESS ISSUES.

COURSE OUTLINE

I

THE STRUCTURE OF THE GLOBAL ECONOMY & DEVELOPMENTS

Global economic and trade statistics. Measurement issues. The emergence of the NICS, neo-protectionism, the "Uruguay Round Agreement (WTO) and its implications. The indebtedness of developing nations, the emergence of new technologies, regional economic integration and the changing structure of economies. The globalization of business and strategic alliances.

The meaning of international competitiveness. Developing and maintaining the international competitiveness of industries. Measures of industry competitiveness and of the external economic position of an economy. Characteristics of a globally strong and influential economy. Systemic differences. Index of Economic Freedom. Poverty and sustainable development.

II

THE EUROPEAN UNION

Its evolution, institutional structure and decision-making processes. Common economic policies. The "Single Market", objectives achievements and continuing problems. The Maastricht Treaty and the Economic & Monetary Union (the euro and the ECB). The admission of new members.

III

THE ECONOMIC TRANSFORMATION OF THE FORMERLY CENTRALLY PLANNED ECONOMIES

The nature of the transformation process in general and of the transformation of the Central and East European nations in particular. Problems of macro-economic stabilization. Systemic changes i.e., privatization, the establishment of functioning product-service, capital and labor markets. The problems of the financial sector. Costs and achievements of the process. The role of foreign direct investment, economic relations with the rest of the world. Outlook.

IV

JAPAN AND THE PACIFIC BASIN NATIONS

The evolution of the Japanese economy; a growth strategies, institutions and international economic and trade relations. Changes during the mid-1980s i.e. attempts to shift from export- to domestic demand-led growth. Policies and the impact on the economy. The "Bubble Economy" and its aftermath. Changes Read: S.S. Rehman, "Japan in the 1990s: An Economy in Transition". American Asian Review (Fall 1994; available on reserve in the Gelman Library). Economic and trade relations with the U.S. and Pacific Basin nations.

THE FUTURE

WTO negotiation topics. Regional/country issues.

SUGGESTED READING ASSIGNMENTS

Michael, E. Porter, **The Competitive Advantage of Nations**,
(New York: The Free Press, Second Edition, 1998).

Weeks:

1. PORTER CHs 1-2
 2. PORTER CHs 3-4
 3. PORTER CHs 6-10
 4. continued.....
 5. PORTER CHs 11-12
 6. PORTER CH.9
 7. PORTER CH.8 (exclude the section on Italy if you want).
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REQUIRED ECONOMIST PERIODICAL READINGS:

Start reading from the top and work your way down. You should be finished by mid-November.

SELECTED SOURCES

Comparative International Economic Data

International Monetary Fund and World Bank Data: these statistics are comprised of several international data bases. Specifically, they are:

- *International Financial Statistics:* data on International Monetary Fund (IMF) member countries, exchange rates, international reserves, national accounts and prices.
- *Direction of Trade Statistics:* IMF member countries= total bilateral exports, imports, trade balance and trade turnover reported with each of their trading partners.
- *Balance of Payments Statistics:* Balance of payments for IMF member countries.
- *Government Financial Statistics:* IMF statistics on government deficits, tax revenues, educational expenditures, etc.
- *World Debt Statistics:* World Bank data on public debt by type of debt and type of creditor.