

Course Outline

Course Code	RSM 480 H1 S
Course Name	Business in the Global Economy
Term, Year	Winter, 2024
Course Meets	Tuesdays 3-5 p.m.
Web page URL	https://q.utoronto.ca

Instructor Details

Name	Email	Office Hours
Daniel Trefler	dtrefler@rotman.utoronto.ca	After every class

Course Mission: This course will introduce overarching economic frameworks and apply them to pragmatic examples of business and legal issues that feature in today's news. Ever wonder about big international questions like why is China so successful? Do we need a Canadian industrial policy? Did Trump make America great again? Was USMCA a good deal for Canada? Will COVID-19 bring back supply chains from East Asia? Will sanctions against Russia or China work? What is driving inflation? Moreover, do you wonder what your business should be addressing as it enters China or rushes to protect itself from foreign competitors? This class will provide empirical context and economic tools to help students answer these questions for themselves.

Course Scope: The course kicks off with an in-depth look at doing business in China. We then develop a rich framework for thinking about how innovation builds core competencies that enhance a business's international competitiveness. We also examine global value chains, which determine a business's choice of where to develop products and explains "clusters" of industry-specific capabilities. With this framework in place, we draw out key business implications. We also use the framework to address the broader questions raised above in the "Course Mission". At least one lecture will be devoted to international trade law and how it can be used by your business. We conclude with a simple model to understand how hedging in international financial markets affects exchange rates and inflation.

Class discussion is central. Also, there is a group project in which you will pick a company that is faltering in the face of Chinese competition and you will develop a strategic plan forward.

Course Prerequisites

RSM333H1

Course Materials

Required Readings

The course will be based on a course package largely designed by the instructor. Students are not required to independently purchase any materials.

Evaluation and Grades

Grades are a measure of the knowledge and skills developed by a student within individual courses. Each student will receive a grade on the basis of how well they have command of the course materials, skills and learning objectives of the course.

Item	Weight	Due Date /Time	Delivery	Original
Test 1	15%	Tuesday, February 5, start of class. (tentative date)	In class	<input type="checkbox"/>
Test 2	15%	Tuesday, February 27, start of class. (tentative date)	In class	<input type="checkbox"/>
Final Exam	40%	During exam period	In person	<input type="checkbox"/>
Group Report	30%	Tuesday, March 19, start of class. This may be 'chunked' into smaller components, in which case, some of the small components will be due earlier.	In class and Quercus	<input checked="" type="checkbox"/>

Course Format and Expectations

The final course grade reflects your level of demonstrated achievement of the [Course Learning Outcomes](#) listed above. Deliverables provide feedback on your progress towards the course grade. For each assignment you will receive a raw score that will be mapped to the A+ to F scale based on the difficulty of the assignment. Note: Deliverables that are to be submitted in class are due at the beginning of class unless otherwise noted.

Group Assignment

The group assignment is in part intended to help you develop your communication skills. How well you communicate your ideas, in writing or orally, will be considered in the evaluation of the assignment. In your written assignments, you should aim for clarity, strong organization, concision, professionalism, and correct grammar. Your presentations should reflect strong planning and organization, clarity of speech, and an engaging demeanour. Sources, whether in written or presentation assignments, should always be correctly attributed. Support is available through the RC Centre for Professional Skills (CPS) for students who would like help or feedback on their writing or speaking (presentations). CPS offers both individual and group appointments with trained writing instructors and presentation coaches who are familiar with the RC program and common types of business assignments. You can also access your college Writing Centres for help with written assignments. You can book an appointment with a writing or presentation coach through the RC Centre for Professional Skills Writing Centre. For more information about writing centres, student supports, and study resources, see the [Writing and Presentation Coaching academic support page](#).

The group assignment is also in part intended to teach students how to work in teams. Learning to work together in teams is a crucial transferrable skill you will use not

only in your coursework, but also in your future careers. Support is available if you encounter common teamwork challenges such as:

- Team members feeling left out of the team.
- Team members not responding in a timely manner to communication.
- Division or quality of work among team members being unequal or unfair.

Consult the [Centre for Professional Skills Teamwork Resources page](#) for tips, strategies, and best practices. You can also [book an appointment with a teamwork mentor](#) through the RC Centre for Professional Skills Writing Centre. Teamwork mentors can help you resolve or mitigate conflict, strategize on planning, or improve team communication. If you are a student registered with Accessibility Services, and extensions are one of your academic accommodations, consult with your Accessibility Advisor about the teamwork in this course.

Missed Tests and Assignments (including Test 1 and Test 2)

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may request special consideration **within 2 business days** of the missed midterm/test/assignment due date.

In such cases, students must:

1. Complete the Request for Special Consideration form: <https://uoft.me/RSMConsideration>
2. Provide documentation to support the request, eg. Absence Declaration from [ACORN](#), medical note etc.

Please note: As of September 2023, students may use the Absence Declaration on ACORN ***one time per term*** to report an absence and request consideration. **Any subsequent absence will require a [Verification of Illness form](#) or other similar relevant documentation.**

Students who do not submit their requests and documentation within 2 days may receive a grade of 0 (zero) on the missed course deliverable.

If one of the two tests is missed and proper documentation was submitted, then the weight of the remaining test will be increased in proportion so that the total weight of the tests written is 30%. If both tests are missed and proper documentation is submitted, then the final exam will be worth 70%. For situations in which students proper documentation is not submitted and approved, the test will count as 0.

All assignments are due on the date and at the time specified in Quercus. As the submission will be presented in class, late submissions will receive a 0.

Statement on Equity, Diversity and Inclusion

The University of Toronto is committed to equity, human rights and respect for diversity. All members of the learning environment in this course should strive to create an atmosphere of mutual respect where all members of our community can express themselves, engage with each other, and respect one another's differences. U of T does not condone discrimination or harassment against any persons or communities.

Commitment to Accessibility

The University is committed to inclusivity and accessibility, and strives to provide support for, and facilitate the accommodation of, individuals with disabilities so that all may share the same level of access to opportunities and activities offered at the University.

If you require accommodations for a temporary or ongoing disability or health concern, or have any accessibility concerns about the course, the classroom or course materials, please [email Accessibility Services](#) or visit the [Accessibility Services website](#) for more information as soon as possible. Obtaining your accommodation letter may take up to several weeks, so get in touch with them as soon as possible. If you have general questions or concerns about the accessibility of this course, you are encouraged to reach out to your instructor, course coordinator, or Accessibility Services.

Original

Normally, students will be required to submit their course essays to the University's plagiarism detection tool for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the tool's reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of this tool are described on the [University's Plagiarism Detection Tool FAQ](#) page from Centre for Teaching Support & Innovation.

Generative AI / ChatGPT

Students are encouraged to make use of technology, including generative artificial intelligence tools, to contribute to their understanding of course materials. The instructor will provide guidance on how to improve student abilities with ChatGPT. In the group assignment submission, students will be required to explain how ChatGPT was used, including prompts.

Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarship at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the U of T degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

[The University of Toronto's Code of Behaviour on Academic Matters](#) outlines the behaviours that constitute academic misconduct, the process for addressing academic offences and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams

- Using or possessing any unauthorized aid, including a cell phone.

- Looking at someone else's answers.
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to) medical notes.

All suspected cases of academic dishonesty will be investigated by the procedures outlined in the [Code of Behaviour on Academic Matters](#). If you have any questions about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other U of T or RC resources such as the RC Centre for Professional Skills, the College Writing Centres or the Academic Success Centre.

Email

At times, the course instructor may decide to communicate important course information by email. As such, all U of T students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up and properly entered on ACORN. For more information visit the [Information Commons Help Desk](#).

Forwarding your utoronto.ca email to a Gmail or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Gmail accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

Recording Lectures

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission and may not do so unless permission is granted. Students who have been previously granted permission to record lectures as an accommodation for a disability are excepted. This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

If permission for recording is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in any way. It is forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.

Weekly Schedule

Topic 1
Topic Introduction to the course: <ol style="list-style-type: none"> 1. Course overview. 2. Understanding China
Readings See Quercus before each class.
Class Discussion How does one negotiate with China? What are the salient issues? This will help benchmark your current understanding against what you will learn in the coming weeks.
Topic 2
Topic: Free Trade is Beautiful: Ricardo's Vision <ol style="list-style-type: none"> 1. The single-most important concept in international trade is the theory of comparative advantage. We study it in the specific context of the Ricardian model, where trade is determined by cross-country differences in technology. 2. The theory of comparative advantage leads to another of the key concepts in international trade, the gains from trade.
Class Discussion Questions <ol style="list-style-type: none"> 1. There was once a strong case for Free Trade. Is that case now so weakened that it can be ignored as has been done by President Xi, President Turmp and his successor President Biden? Class discussion will be used to develop an organizing framework for this tough question.
Topic 3
Topic: Are my wages set in Beijing? Endowments, Trade and Inequality Many societies, including Canada, have experienced substantial increases in inequality. Trade, technology, and politics have each been blamed by pundits. What is the evidence? We first explore the many dimensions of inequality and insist that any explanation of inequality had better be able to explain all these dimensions. We then develop of famous theory of international trade – which focusses on countries' supplies of skilled and unskilled labour – that potentially explains how trade has caused inequality. Using this theory, we apportion the blame for inequality only in part to trade.
Classroom Discussion Question Is rising inequality explained by international trade? Are there better explanations? Spoiler alert: There are better explanations.
Topic 4
Test 1, at start of class.
Topic: Application of comparative advantage theory to Artificial Intelligence We will tour the international dimensions of AI.
Classroom Discussion Question

Do our theories of comparative advantage explain which countries have leadership in AI commercialization?

Topic 5

Topic: Firms, Trade, Toughness of Competition and Innovation

We start with some basic observations about firm strategy and the search for a unique market position. We then explore how firms' product differentiation strategies impact firms' decisions to export and, innovate. Depending on the decisions made, a firm can either grow its international operations or shrink defensively into its domestic market. We examine these ideas in the context of NAFTA/CUSMA.

Class discussion

Case study of how foreign competition has shaken up the US auto industry. In advance of the class be sure to read the case and answer the questions raised.

Topic 6

Test 2, at start of class.

Topic: Trade Law

Trade law is a powerful tool for companies and countries. We examine Canada's two main trade agreements, CUSMA and the WTO, with special reference to intellectual property rights protections and China's rise. (Trefler is fresh off of strategic meetings with officials from the WTO and high-level meetings in Jakarta, Trefler is looking for new ideas from his students.)

Class discussion

How should Canada manage its trade relationship with China? (Officials in Ottawa will be listening!)

Topic 7

Topic: The Geography of Global Supply Chains ("Clusters")

What do global supply chains (or more precisely, global value chains (GVCs)) look like? What determines which parts of the chain locate in which countries? This question is answered by what economists call the theory of economic geography and what policy-makers call 'cluster theory.' An understanding of these theories goes a long way to answering the key question of whether we can reshore manufacturing from China back to North America?

Another set of questions is about whether your firm should manage its supply chain via arm's length suppliers (contract manufacturers) or via vertical integration (FDI). We discuss the pros and cons of each.

Classroom Discussion Question

Did Trump's MAGA trade policies work?

Topic 8

Topic: Industrial Policy

Do countries need an industrial policy or is it better to build a robust free market? Different countries have adopted radically different approaches to industrial policy. We examine the many arguments for and against industrial policy and the many specific policies that have been adopted by countries as diverse as China, Germany, Taiwan, and the United States. We then apply the lessons learned to policies for promoting AI.

Classroom Discussion Questions

1. What is the best industrial strategy for Canada? How do you see this from the perspective of your firm?

Topic 9
Topic: Property Rights Protections as a Source of Growth and Comparative Advantage Why are some countries so successful? Why do other countries fail? We lay out and assess the main factors determining long-term growth. We use these factors to help firms understand their foreign business environments. This helps answer questions about which foreign markets to enter and which parts of their intellectual property are most difficult to shield from prying foreign eyes.
Topic 10
Topic: Exchange Rates and Macroeconomic Policy Exchange rates are difficult to predict. Relatedly, so are interest rates and inflation. Over the longer run exchange rates are determined by fundamentals (the supply and demand for a country's currency), yet over shorter periods they behave unpredictably. We review the theory of exchange rates, interest rates and inflation and discuss how exchange rate management by the Bank of Canada has pervasive effects on how the international macroeconomy evolves. At the heart of our analysis is a simple model of hedging in international financial markets.
Classroom Discussion Questions <ol style="list-style-type: none"> 1. Should Canada peg to the US dollar? 2. Will Trump's policies eliminate the US trade deficit? 3. Was and is China a currency manipulator? 4. Are non-resilient supply chains the cause of inflation?
Topic 11
Topic: Artificial Intelligence: How Algorithms and Cross-Border Data Flows Influence Trade
Final Exam during exam period: TBA

Please note that the last day you can drop this course without academic penalty is March 11, 2024.



Other Useful Links

- [Become a volunteer note taker](#)
- [Accessibility Services Note Taking Support](#)
- [Credit / No-Credit in RSM courses](#)
- [Rotman Commerce Academic Support](#)

URL links for print

- ACORN: <http://www.acorn.utoronto.ca/>
- Email Accessibility Services: accessibility.services@utoronto.ca
- Accessibility Services website: <http://studentlife.utoronto.ca/as>
- University's Plagiarism Detection Tool FAQ: <https://uoft.me/pdt-faq>
- The University of Toronto's Code of Behaviour on Academic Matters: <http://www.governingcouncil.utoronto.ca/policies/behaveac.htm>
- Information Commons Help Desk: <http://help.ic.utoronto.ca/category/3/utmail.html>
- Become a volunteer note taker: <https://studentlife.utoronto.ca/program/volunteer-note-taking/>
- Accessibility Services Note Taking Support: <https://studentlife.utoronto.ca/service/note-taking-support/>
- Credit / No-Credit in RSM courses: <https://rotmancommerce.utoronto.ca/current-students/degree-requirements/credit-no-credit-option/>
- Rotman Commerce Academic Support: <https://rotmancommerce.utoronto.ca/current-students/academic-support/>
- Book an appointment with a writing or presentation coach: <http://uoft.me/writingcentres>
- Writing and Presentation Coaching academic support page: <https://rotmancommerce.utoronto.ca/current-students/academic-support/writing-and-presentation-coaching/>
- Centre for Professional Skills Teamwork Resources page: <https://rotmancommerce.utoronto.ca/teamwork-resources>
- Book an appointment with a Teamwork Mentor: <http://uoft.me/writingcentres>