

**General Information.**

Instructor: Elaine Chyi

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Office Hours. Weds. 3-5 pm or by appointment.

(Email is the best way to reach me.)

Classroom: TSMC #205

Course Home Page: eLearn 數位學習平台

**Course objective and design.** The globalization of independent economic systems has created problems as well as opportunities in new and unexpected ways during the last four decades. In this course, an analytical framework is provided for students to understand decisions of multinational firms, major participants of the globalizing world. This course is designed to allow students to know the impacts and challenges so that students can be prepared. The course is primarily lecture style in around 70 to 80 percent of the semester. There will be some class activities, such as coursework or case discussion, held. There will be a final group project with presentation in class. We will spend the last part of the semester for students' presentations.

**Grading.** The final grade will be determined by classwork and homework (30%) and a final report and presentation of projects (70%).

**Course Material.**

- Head, Keith, Elements of Multinational Strategy, Berlin, Springer.
- Related Articles from various books, issues of the Economists, NYT and economic journals.

**Course Outline**

**1. Introduction**

Learning goals: Understand how does the world change; and the forces behind globalization; introducing the course outline

**2. Gains from Trade Revisited**

Nations do not trade; it is firms that trade. It is important to understand the firm-level facts on sources of comparative advantage and trade pattern.

2.1 Sources of comparative advantage and trade pattern at firm level

2.2 Sources of comparative advantage from plant-level scale economies.

2.3 Factor Advantages and International Product Life Cycles

2.4 Trade Costs

Reading: Head, Chapter 2, 3, 4

Classwork #1, #2, #3

Homework: "Globalization: It's Not Just Wages," by Louis Uchitelle, NYT, June 17, 2005,

<http://www.nytimes.com/2005/06/17/business/worldbusiness/17whirlpool.html>

### **3. Multinationals and Global Strategy**

Forms of MNEs: FDI and outsourcing.

3.1 Multinational Formation

3.2 Horizontal FDI

3.3 Vertical FDI

3.4 LICENSING

3.5 OUTSOURCING

Reading: Head, Chapter 7, 8 and 9

Classwork #4: Some cases of firms' global strategies

- Handouts: A Summary of FDI; The production locations of Mercedes-Benz Cars

### **4. Special Issue\***

4.1 Effects of globalization on employment and productivity

Open trade and FDI create a selection process whereby most productive firms substitute the least productive ones within sectors. This is good for productivity, GDP and wages.

Reading:

Feenstra, Robert C., 2007. "Globalization and Its Impact on Labor," Global Economy Lecture, Vienna Institute for International Economic Studies.

(<http://www.econ.ucdavis.edu/faculty/fzfeens/pdf/globalization.pdf>)

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