

METHODICAL GUIDELINES FOR PREPARATION TO PRACTICALS BY STUDENTS ON THE SUBJECT "INTERNATIONAL ECONOMIC RELATIONS"

CONTENTS AND TASKS OF THE COURSE.

The educational subject is the theoretical basis of knowledge and skills complex, providing increasing the tangible and intangible assets, helping make informed management decisions based on international business experience, ensuring development of organizations (enterprises) in market conditions.

The target of teaching the subject is to form the system of special knowledge in the issues and prospects of development of International Economic Relations (IER) by future managers for basic and special education and practical activity in the specialty.

Tasks of studying the educational subject are:

- understanding the essence of international economic relations, their evolution, factors and levels of development;
- learning the categorical apparatus used for the analysis of processes and phenomena of the modern world economic development;
- forming, deepening and systematizing the knowledge on IER forms, peculiarities of integration processes development and international economic organizations activity;
- forming the ability to analyze creatively the state and trends of international economic relations system, identify the problems and prospects of their development.

The subject "International Economic Relations" is based on the knowledge of such subjects as "Fundamentals of Economic Theory", "Macroeconomics" and is the ground for studying "Human Foreign Economic Activity of the Enterprise", "International Economic Integration" and others.

MODULE # 1 "THEORETICAL PRINCIPLES AND FORMS OF INTERNATIONAL ECONOMIC RELATIONS DEVELOPMENT"

1.1. THEORETICAL AND METHODOLOGICAL FOUNDATIONS OF INTERNATIONAL ECONOMIC RELATIONS

Purpose of the class - definition of the economic essence, genesis and peculiarities of the development of international economic relations; the formation of methodical foundations and tools for studying international economic relations.

Discussion questions:

1. The essence of international economic relations, conditions and basic principles.
2. The structure and forms of IER.
3. Economic actors of IER.
4. Environment of IER, its structure and characteristics.

Case study “Analysis of the IER environment”

Analyse the impact of international environment factors on the activities of the specific enterprise (free choice of the student) performing foreign economic activity and evaluate them on a scale by F. Hedouri (Table 1.1 and Fig. 1.3 respectively). Also perform SNW-analysis of the selected enterprise.

Finally, make a conclusion on possible strategic and tactic actions towards the development of the enterprise in international competitive environment.

Table 1.1

Assessing the impact of external factors on the activities of the enterprise

| № | International environment factors | k, the importance of the influence of external factors (from -5 to +5) not important → very important | Y, values of the influence of external factors on the activities of the enterprise (from -50 to +50) very negative influence → very positive influence | $B = k*Y$, an indicator of the impact of external factors on the activities of the enterprise |
|----|-----------------------------------|--|---|---|
| 1. | Economic | | | |
| 2. | Political | | | |
| 3. | Technological | | | |
| 4. | Competitive | | | |
| 5. | International | | | |
| 6. | Social | | | |

The scale for assessment of opportunities and threats in enterprise’s international environment by F. Hedouri is represented in Fig. 1.4.

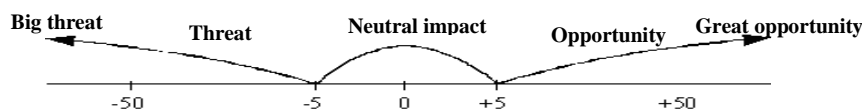


Fig. 1.3. The scale for assessment of opportunities and threats in international environment by F. Hedouri

The example of the external environment analysis of Ukrainian pharmaceutical corporation “Arterium” is given in Table 1.2.

Table 1.2

Assessing the impact of external factors on the activities of the “Arterium” Corporation

| № | Factors of the external impact | k | Y | $B = k*Y$ |
|----|--|----|-----|-----------|
| 1 | The level of STP | +5 | +5 | +25 |
| 2 | The impact of inflation | +4 | -20 | -80 |
| 3 | The stability of the national currency | +4 | -15 | -60 |
| 4 | The legislation of the country market | +2 | -10 | -20 |
| 5 | Attitude of different population groups to the corporation | +1 | +4 | +4 |
| 6 | Ability of market penetration | +2 | -15 | -30 |
| 7 | The distribution of segments | +2 | +10 | +20 |
| 8 | Prospects of market development | +5 | +20 | +100 |
| 9 | Income of consumers | +4 | -20 | -80 |
| 10 | Educational level | +2 | -10 | -20 |
| 11 | State regulation of the pharmaceutical market | +3 | -10 | -30 |
| 12 | The volume of financing the health care system | +1 | +20 | +20 |
| 13 | Changes in the population quantity | +3 | -10 | -30 |

Assessed opportunities and threats of the “Arterium” Corporation in the international environment using the scale by F. Hedouri are shown in Fig. 1.4.

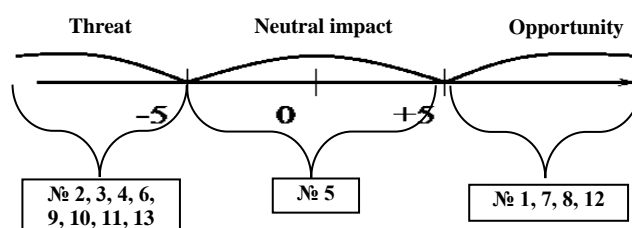


Fig. 1.4. Opportunities and threats of the “Arterium” Corporation in the international environment

SNW-analysis of the internal environment on the example of “Arterium” Corporation is represented in Table 1.3.

Table 1.3

SNW-analysis of the internal environment of the “Arterium” Corporation

| Scope | Factors of internal environment of the corporation | Qualitative assessment of factors | | |
|------------------------------------|--|-----------------------------------|----------------------|-------------------|
| | | S (strengths) | N (neutral sides) | W (weaknesses) |
| Personnel | Competence of human resources | x | | |
| | HR policy | | x | |
| | Motivation of work performance | x | | |
| | Employee turnover | | x | |
| | Leadership style | | | x |
| Marketing and logistics | Pricing policy | | | x |
| | Market share | | x | |
| | The life cycle of products | x | | |
| | Image and reputation | x | | |
| | Channels of distribution | x | | |
| | The range of goods | x | | |
| | General organization | | x | |
| | The level of logistical support | | x | |
| | Distribution policy | x | | |
| | Trading policy | | x | |
| Organization of general management | The organizational structure | | x | |
| | Information and communication system of the enterprise | | x | |
| | The organizational culture and corporate ethics of the corporation | x | | |
| | Social responsibility | x | | |
| | Business planning system | | x | |
| Production and innovation | Cost of raw materials | | | x |
| | Relations with suppliers | | x | |
| | Location of production facilities | x | | |
| | Production process monitoring | | x | |
| | The quality of products | x | | |
| | Production potential | x | | |
| | Equipment state | | x | |
| | Research and developments | x | | |
| | Innovations | x | | |
| Patents | x | | | |
| Finances | Financial stability of the corporation | | | x |
| | Control and accounting of costs | | x | |
| | Paying taxes | x | | |
| | The cost of capital | | | x |
| | The level of debt | | | x |
| | Financial dependence | | | x |
| | Profitability | | x | |

1.2. THE WORLD ECONOMY AND FEATURES OF ITS DEVELOPMENT

The purpose of the class is to form an understanding of the peculiarities of the modern world economy development, the place of the country in the system of international labour division, its evolution, the peculiarities of the development of international production cooperation and specialization.

Discussion questions:

1. Determine the essence of international labour division and comment on its development reasons.
2. Analyse factors influencing the participation of countries in the ILD.
3. Determine and study main indicators of ILD development.
4. Describe the types of international specialization and production cooperation. Give examples of using specific types of international specialization and production cooperation. Explain main benefits and risks of such activities.
5. Analyse key ideas of modern theories of the ILD development.
6. Give examples of key areas of specialization of specific national economies.

Case study “Features of Ukraine's participation in ILD”

Peculiarities of the participation of any country in the international labour division are determined by the combination of various natural-geographical, socio-economic and technological factors.

In Table 2.1 the commodity structure of Ukrainian exports in 2017 is shown.

Table 2.1

Commodity structure of Ukrainian exports, 2017¹

| Commodity code and title by Ukrainian Classification of Commodities in Foreign Trade | Exports | | |
|---|------------|--------------|-----------------------|
| | thsd. USD | in % to 2016 | % of the total volume |
| Total | 43264736,0 | 119,0 | 100,0 |
| of which | | | |
| 02 meat and meat preparations | 531240,1 | 137,0 | |
| 04 milk and milk products; eggs; honey | 494207,3 | 149,5 | |
| 07 vegetables | 235369,3 | 154,2 | |
| 08 eatable fruits and nuts | 195287,3 | 131,8 | |
| 10 cereals | 6501134,3 | 107,0 | |
| 11 flour-grinding products | 181891,4 | 131,2 | |
| 12 oil seeds and fruits | 2060121,4 | 134,2 | |
| 15 animal or plant fats and oils | 4605666,2 | 116,2 | |
| 17 sugar and sugar confectionery | 417349,4 | 118,6 | |
| 18 cocoa and cocoa preparations | 183736,2 | 113,3 | |
| 19 preparations of grains | 296408,3 | 139,5 | |
| 20 products of vegetables processing | 176497,5 | 125,8 | |
| 22 alcoholic and non-alcoholic beverages, vinegar | 209235,6 | 127,7 | |
| 23 remains and wastes of food industry | 1051170,0 | 106,9 | |
| 24 tobacco and industrial substitutes of tobacco | 355728,8 | 110,5 | |
| 25 salt, sulphur, soil and stones | 421766,4 | 128,7 | |
| 26 ores, slags, ashes | 2735727,6 | 140,0 | |
| 27 mineral fuel, petroleum and petroleum distillation products | 790227,9 | 177,0 | |
| 28 inorganic chemicals | 780569,9 | 123,7 | |
| 30 pharmaceutical products | 192111,3 | 104,3 | |
| 39 plastics and polymeric materials | 465973,1 | 139,5 | |
| 44 wood and articles of wood | 1204308,0 | 106,5 | |
| 48 paper, paperboard | 450888,6 | 95,6 | |
| 62 textile clothes and textile articles of clothes | 378721,2 | 106,7 | |
| 64 footwear | 171325,5 | 110,9 | |
| 72 ferrous metals | 8666248,4 | 119,6 | 20,03 |
| 73 preparations from ferrous metals | 896540,2 | 130,0 | |
| 84 nuclear reactors, boilers, machines | 1728053,5 | 110,7 | |
| 85 electric machines | 2548778,6 | 122,7 | |
| 86 rail locomotives | 219663,6 | 92,4 | |
| 89 vessels | 244506,0 | 229,7 | |
| 94 furniture | 542309,2 | 136,3 | |

¹ Excluding the temporarily occupied territories of the Autonomous Republic of Crimea, the city of Sevastopol and a part of temporarily occupied territories in the Donetsk and Luhansk regions.

Tasks:

1) Calculate the share of the total volume for each commodity exported by Ukraine, fill in calculated data in column “% of the total volume” in Table 2.2. Rank them from the largest share to the smallest one. For example, the group “72 ferrous metals” ranks first with 20.03% share.

2) By variants №1-30: identify the factors that mainly affect the formation of particular areas of national economy’s specialization according to the rank: variant №1 corresponds to the first rank by share, variant №30 corresponds to the 30th rank by share.

Test tasks

1.3. INTERNATIONAL TRADE IN THE SYSTEM OF INTERNATIONAL ECONOMIC RELATIONS

Purpose of the class – the definition of the procedure and features of international trade in goods, services and intellectual property.

Discussion questions:

1. Give definitions of foreign and international trade. Comment on basic prerequisites of their emergence and development.
2. Determine the role of foreign trade in national economy development.
3. Identify and describe main indicators of international trade.
4. Study main types and methods of international trade. Analyse features of international trade in services.
5. Explore the specifics of the functioning of specific international commodity exchanges, international auctions, international tenders, international exhibitions and fairs.
6. Describe the factors of the international trade growth.

Case study “Ukraine's foreign trade with EU countries”

Foreign trade is extremely important in the national economy development. In Fig. 3.1 dynamics of Ukrainian GDP in 2008-2017 is represented.

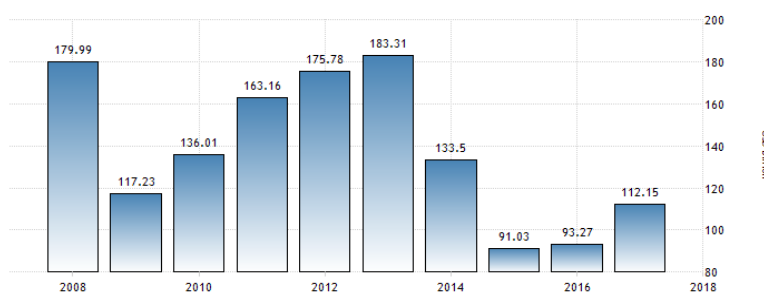


Fig. 3.1. Dynamics of Ukrainian GDP in 2008-2017

Table 3.1 shows basic indicators on Ukrainian GDP by main contributing industries.

Table 3.1

Ukrainian GDP: basic indicators

| Ukraine GDP | 2017 | 2016 | Highest | Lowest | Unit |
|--------------------------------|-----------|-----------|-----------|-----------|-------------|
| GDP Growth Rate | 1.00 | 0.90 | 3.90 | -4.70 | percent |
| GDP Annual Growth Rate | 3.80 | 3.10 | 14.30 | -19.60 | percent |
| GDP | 112.15 | 93.27 | 183.31 | 31.26 | USD Billion |
| GDP per capita | 2,991.63 | 2,905.86 | 4,243.77 | 1,686.94 | USD |
| GDP from agriculture | 12,591.00 | 7,314.00 | 55,379.00 | 6,803.00 | UAH Million |
| GDP from construction | 7,308.00 | 3,831.00 | 11,152.00 | 2,757.00 | UAH Million |
| GDP from manufacturing | 28,619.00 | 25,362.00 | 41,074.00 | 22,049.00 | UAH Million |
| GDP from mining | 11,441.00 | 11,114.00 | 17,972.00 | 10,881.00 | UAH Million |
| GDP from public administration | 13,292.00 | 13,077.00 | 14,730.00 | 11,925.00 | UAH Million |
| GDP from services | 37,291.00 | 31,628.00 | 43,980.00 | 27,971.00 | UAH Million |
| GDP from transport | 21,757.00 | 18,654.00 | 24,464.00 | 16,741.00 | UAH Million |
| GDP from utilities | 774.00 | 650.00 | 2,063.00 | 650.00 | UAH Million |

Table 3.2 and Table 3.3 show data on trading partners of Ukraine, main of which is the EU-28 and data on the dynamics of imports and exports between the EU and Ukraine during 2014-2017 respectively.

Table 3.2

Total goods: top trading partners of Ukraine in 2017

| Imports | | | Exports | | | Total trade | | |
|---------------|-------------|---------|-----------------|-------------|---------|---------------|-------------|---------|
| Partner | Value Mio € | % World | Partner | Value Mio € | % World | Partner | Value Mio € | % World |
| World | 42,672 | 100.0 | World | 37,392 | 100.0 | World | 80,064 | 100.0 |
| 1 EU 28 | 18,149 | 42.5 | 1 EU 28 | 15,126 | 40.5 | 1 EU 28 | 33,276 | 41.6 |
| 2 Russia | 6,203 | 14.5 | 2 Russia | 3,440 | 9.2 | 2 Russia | 9,643 | 12.0 |
| 3 China | 4,839 | 11.3 | 3 Turkey | 2,098 | 5.6 | 3 China | 6,563 | 8.2 |
| 4 Belarus | 2,845 | 6.7 | 4 India | 2,050 | 5.5 | 4 Belarus | 3,823 | 4.8 |
| 5 USA | 2,156 | 5.1 | 5 China | 1,724 | 4.6 | 5 Turkey | 3,163 | 4.0 |
| 6 Switzerland | 1,293 | 3.0 | 6 Egypt | 1,432 | 3.8 | 6 USA | 2,856 | 3.6 |
| 7 Turkey | 1,065 | 2.5 | 7 Belarus | 978 | 2.6 | 7 India | 2,521 | 3.1 |
| 8 Japan | 580 | 1.4 | 8 USA | 700 | 1.9 | 8 Switzerland | 1,467 | 1.9 |
| 9 India | 471 | 1.1 | 9 Moldova | 615 | 1.6 | 9 Egypt | 1,487 | 1.9 |
| 10 Azerbaijan | 365 | 0.9 | 10 Saudi Arabia | 568 | 1.5 | 10 Japan | 752 | 0.9 |
| 1 EU 28 | 18,149 | 42.5 | 1 EU 28 | 15,126 | 40.5 | 1 EU 28 | 33,276 | 41.6 |

World trade: excluding intra-region trade
 Top partners: excluding region member states
 % Growth: relative variation between current and previous period

Source: IMF

Table 3.3

Ukraine – the EU: trade flows by SITC product grouping in 2014-2017

| SITC Rev. 3 Product Groups | Imports Value Mio € | | | | Exports Value Mio € | | | |
|---|------------------------|--------|--------|--------|------------------------|--------|--------|--------|
| | 2014 | 2015 | 2016 | 2017 | 2014 | 2015 | 2016 | 2017 |
| Total | 13,734 | 12,844 | 13,159 | 16,740 | 16,992 | 14,034 | 16,576 | 20,215 |
| Primary products | 6,809 | 6,334 | 6,372 | 8,583 | 3,967 | 3,026 | 2,983 | 3,871 |
| - Agricultural products (Food (Incl. Fish) & Raw Materials) | 4,359 | 4,517 | 4,586 | 5,930 | 1,915 | 1,515 | 1,760 | 2,082 |
| -- Food | 3,825 | 3,941 | 4,025 | 5,393 | 1,640 | 1,271 | 1,482 | 1,753 |
| --- of which Fish | 7 | 10 | 11 | 21 | 68 | 52 | 79 | 93 |
| -- Raw materials | 535 | 576 | 561 | 537 | 275 | 245 | 278 | 330 |
| - Fuels and mining products | 2,449 | 1,817 | 1,786 | 2,653 | 2,052 | 1,510 | 1,223 | 1,788 |
| -- Ores and other minerals | 1,374 | 1,187 | 1,179 | 1,684 | 53 | 68 | 50 | 75 |
| --- Fuels | 1,005 | 519 | 545 | 870 | 1,870 | 1,304 | 1,036 | 1,551 |
| --- of which Petroleum and petroleum products | 265 | 45 | 46 | 58 | 1,549 | 1,026 | 748 | 751 |
| -- Non ferrous metals | 71 | 111 | 62 | 99 | 129 | 138 | 137 | 163 |
| Manufactures | 6,374 | 5,967 | 6,318 | 7,542 | 12,744 | 10,666 | 13,317 | 15,949 |
| - Iron and steel | 3,161 | 2,696 | 2,696 | 3,222 | 288 | 242 | 265 | 299 |
| - Chemicals | 551 | 507 | 396 | 467 | 3,675 | 3,101 | 3,452 | 4,000 |
| --- of which Pharmaceuticals | 20 | 18 | 18 | 20 | 1,402 | 954 | 1,104 | 1,234 |
| - Other semi-manufactures | 561 | 633 | 797 | 958 | 1,746 | 1,358 | 1,581 | 1,766 |
| - Machinery and transport equipment | 1,419 | 1,429 | 1,586 | 1,985 | 4,928 | 4,245 | 6,027 | 7,567 |
| --- Office and telecommunication equipment | 225 | 198 | 223 | 253 | 705 | 554 | 601 | 804 |
| --- Electronic data processing and office equipment | 45 | 31 | 30 | 28 | 260 | 182 | 225 | 302 |
| --- Telecommunications equipment | 177 | 164 | 190 | 222 | 315 | 285 | 266 | 358 |
| --- Integrated circuits and electronic components | 2 | 3 | 3 | 4 | 130 | 88 | 110 | 144 |
| -- Transport equipment | 109 | 109 | 86 | 110 | 1,040 | 980 | 1,599 | 2,080 |
| --- of which Automotive products | 14 | 15 | 14 | 23 | 837 | 742 | 1,228 | 1,728 |
| -- Other machinery | 1,085 | 1,123 | 1,278 | 1,622 | 3,179 | 2,705 | 3,826 | 4,662 |
| --- Power generating machinery | 33 | 31 | 46 | 66 | 151 | 123 | 282 | 300 |
| --- Non electrical machinery | 222 | 219 | 213 | 256 | 1,863 | 1,488 | 2,252 | 2,815 |
| --- Electrical machinery | 831 | 873 | 1,019 | 1,300 | 1,165 | 1,095 | 1,292 | 1,567 |
| - Textiles | 54 | 61 | 77 | 91 | 436 | 429 | 482 | 552 |
| - Clothing | 310 | 288 | 321 | 349 | 445 | 329 | 363 | 421 |
| - Other manufactures | 318 | 353 | 444 | 570 | 1,225 | 962 | 1,147 | 1,345 |
| --- of which Scientific and controlling instruments | 24 | 24 | 15 | 31 | 220 | 198 | 256 | 322 |
| Other products | 35 | 36 | 61 | 48 | 91 | 92 | 185 | 267 |
| Other | 515 | 507 | 409 | 468 | 191 | 250 | 91 | 128 |

Source: Eurostat

Tasks:

- 1) Conduct a comparative analysis of dynamics of trade flows between the EU and Ukraine by SITC product grouping in 2014-2017. Identify key changes in the structure of exports and imports.
- 2) Justify the interdependence of GDP growth rates and foreign trade turnover of the country.
- 3) Describe the state of foreign trade relations of Ukraine with the EU countries.

Test tasks**1.4. INTERNATIONAL TRADE**

The purpose of the class is to study the evolution of economic thought regarding the peculiarities of the development of the specialization of countries and international trade.

Discussion questions:

1. Formulate the basic ideas of the international trade concepts. Observe the changing views on the factors that shape the features of IER subjects' participation in international trade.
2. Identify what ideas of classical and neoclassical theories of international trade are relevant to the current conditions of the world economy development.

Case study “Competitive advantages by M. Porter”

Competitiveness of the national economy is the basis of the level and quality of life in any country. American economist Michael Porter put forward the concept of “international competitiveness of nations”, according to which the competitiveness of a country's economy is determined by the competitiveness of national companies.

Table 4.1 provides basic information about well-known companies from different countries of the world. According to the variant, explore the company's activities for four factors of competitiveness of M. Porter, collecting additional supporting information.

Table 4.1

Information about companies

| Variant | Company | Country | Specialization of the company |
|---------|--------------------------------|-----------------|--|
| 1. | Boeing | US | aircraft manufacturing |
| 2. | Procter & Gamble | US | consumer goods |
| 3. | Toyota Motor Corporation | Japan | automotive industry |
| 4. | IBM | US | cloud computing, cognitive computing |
| 5. | Hewlett Packard | US | printing equipment, PCs, specialized equipment |
| 6. | The Coca-Cola Company | US | food industry |
| 7. | Nestle | Switzerland | food industry |
| 8. | Samsung | South Korea | home and office electronics |
| 9. | Ukraine International Airlines | Ukraine | air transportations |
| 10. | Royal Dutch Shell | UK, Netherlands | oil refining products |
| 11. | Xerox | US | copiers, electronic equipment |
| 12. | Facebook | US | social networking service |
| | Volkswagen | Germany | automotive industry |
| 13. | General Electric | US | electrotechnical and radio equipment |
| 14. | Siemens | Germany | electrical engineering, electronics, energy, engineering, medicine, communication and lighting |
| 15. | Amazon | US | online shopping |
| 16. | Lufthansa | Germany | air transportation |
| 17. | Unilever | UK, Netherlands | food products, cosmetic products |
| 18. | Apple | US | consumer electronics, computer software and online services |
| 19. | Marks & Spencer | UK | selling of clothing, home products and luxury food products |
| 20. | Johnson and Johnson | US | cosmetic and sanitary products medical equipment |
| 21. | Microsoft Corporation | US | computer software, consumer electronics, PCs and related services |
| 22. | Philips | UK, Netherlands | electrotechnical equipment |
| 23. | Exxon Mobil | US | energy: oil and gas |

| | | | |
|-----|---------------|---------|---|
| 24. | Google | US | information technology and internet service providing |
| 25. | Mars | US | food industry |
| 26. | FedEx Express | US | cargo air transportation |
| 27. | Antonov | Ukraine | aircraft manufacturing |
| 28. | McDonald's | US | fast food |
| 29. | Roshen | Ukraine | confectionery |

On the basis of the analysis, draw conclusions about the competitiveness of the company and the national economy of the countries in which these firms operate.

1.5. INTERNATIONAL TRADE REGULATION

The purpose of the class is to provide insight into different ways of regulating international trade and expediency of their application by the state governments.

Discussion questions:

1. Determine the role of international trade regulation in the operation of IER system.
2. Analyse types and levels of state regulation of international trade.
3. Give your arguments about the strengths and weaknesses of government policies of protectionism and free trade. Explain which of these policies is best for the development of the national economy of the country.
4. Study different tools of tariff and non-tariff regulation. Determine the conditions and the need for their use.
5. Identify the principles and peculiarities of the WTO activity.
6. Study the relationships between Ukraine and the WTO. Identify changes in Ukraine's tariff and non-tariff policies after entering the WTO.

Case study "Tariff and non-tariff tools in international trade"

Identify the main needs and implications of regulatory instruments in accordance with the following examples of tariff and non-tariff tools of international trade regulation.

Give your opinion on whether there is a need to use tariff and non-tariff instruments for regulating international trade in their combination. Justify your point.

Tariffs. Until recently, Mexico imposed a 150% tariff on Brazilian chicken. The United States has an 11% import tariff on imports of bicycles from the UK.

Table 5.1

European Union tariffs by selected product, %

| Product group | EU Final bound import tariff (%) |
|---------------------------|----------------------------------|
| Dairy products | 54% |
| Fruit, vegetables, plants | 10% |
| Sugars and confectionery | 30% |
| Beverages & tobacco | 21% |
| Minerals & metals | 2% |
| Petroleum | 2% |
| Clothing | 11% |

For many products the EU levies extra import tariffs when the world price of a product falls below the EU **market intervention price** paid to EU producers. A good example of this would be import duties on a number of different cereals.

In many cases, the EU allows a **quota of tariff-free goods** to come into Europe each year before an import tariff is applied. Changes in these quotas are important trade decisions.

Quotas. Until 2014, South Korea maintained strict quotas on imported rice. It has now replaced an annual import quota with import tariffs designed to protect South Korean rice farmers.

Export subsidies. In Common Agricultural Policy in the EU and for the support of US cotton farmers subsidies are used. In 2012, the US government imposed tariffs of up to 4.7 per cent on Chinese manufacturers of solar panel cells, judging that they benefited from unfair export subsidies after a review that split the US solar industry.

Phytosanitary control:

- Philippine mangoes and bananas have to meet strict phytosanitary requirements from the US and Australia.

- McDonalds France in 1998, ran a print ad campaign featuring overweight cowboys complaining about the fact that McDonald's France refuses to buy American beef but uses only French, to guarantee maximum hygienic conditions. So, European efforts were targeted on blocking the import of hormone-laced American beef.

1.6. INTERNATIONAL CAPITAL FLOWS. INTERNATIONAL INVESTMENT ACTIVITY. FREE ECONOMIC ZONES

The purpose of the class is to provide an idea of the causes and consequences of the capital export from the country, the features of investing as one of the main forms of international capital movements, the formation of ideas about the nature and types of investments, the investment climate of the country, the role of foreign investment in the national economy, factors of creation, features of the investment climate and the place of free economic zones in world economic relations.

Discussion questions:

1. Define the essence and causes of the international capital movement.
2. Comment on basic regularities and features of capital export in modern conditions.
3. Study main forms of the international capital movement.
4. Analyse peculiarities of FDI and portfolio investments.
5. Describe the current trends of the international capital movement.
6. Analyse basic benefits and risks of importing and exporting capital for the national economy.
7. Determine factors influence the scale, structure and dynamics of international investment activity in Ukraine.
8. Give the definition of free economic zones.
9. Study main goals of creating FEZs and their socio-economic role.
10. Give the classification of FEZs and describe their varieties.

Case study “Factors of country’s attractiveness for foreign investors”

One of the main criteria for an open economy is the favourable investment climate in the country. The primary indicators of the openness of the national economy are the share of exports and imports in the gross domestic product of the country (export and import quotas respectively), as well as a complex indicator – foreign trade quota:

$$EQ = E/GDP * 100\% \quad (6.1)$$

$$IQ = I/GDP * 100\% \quad (6.2)$$

$$FTQ = FTT/GDP * 100\%, \quad (6.3)$$

where EQ – export quota, IQ – import quota, FTQ – foreign trade quota, E – volumes of exports in value terms, I – volumes of imports in value terms, FTT – volumes of foreign trade turnover in value terms.

Using data represented in Table 6.1, calculate the export, import and foreign trade quotas of different countries (transition economies and developing countries) at certain periods according to the variant. Based on these indicators, make a conclusion on the degree of openness of the country’s economy. Indicate other factors determining the level of attractiveness of the country’s economy for foreign investors.

Additional information. The value of the export quota indicates the country's place on the world market as a seller. If $EQ > 10\%$, then the country's economy is considered as open.

Table 6.1

GDP and foreign trade indicators of countries

| Variant | GDP of the country, \$ mln. | Exports, \$ mln. | Imports, \$ mln. | Foreign trade turnover, \$ mln. |
|---------|--------------------------------|---------------------|---------------------|---------------------------------------|
| 1. | 12,223.8 | 997.2 | 1,015.1 | 2,012.3 |
| 2. | 54,869.6 | 5,436.3 | 5,412.9 | 10,849.2 |
| 3. | 48,048.7 | 4,125.7 | 4,098.5 | 8,224.2 |
| 4. | 5,169.4 | 489.2 | 491.8 | 981.0 |
| 5. | 10,565.2 | 754.6 | 748.3 | 1,502.9 |
| 6. | 6,673.1 | 479.0 | 482.4 | 961.4 |
| 7. | 165,227.1 | 19,925.2 | 19,912.8 | 39,838.0 |
| 8. | 35,896.6 | 2,157.3 | 2,128.4 | 4,285.7 |
| 9. | 21,400.0 | 3,845.4 | 3,789.4 | 7,634.8 |
| 10. | 20,526.3 | 3,732.1 | 3,653.9 | 7,386.0 |
| 11. | 31,000.1 | 5,636.4 | 6,125.2 | 11,761.6 |
| 12. | 194,647.1 | 24,330.8 | 23,879.3 | 48,210.1 |
| 13. | 12,000.3 | 2,182.3 | 2,196.4 | 4,378.7 |
| 14. | 1,187.5 | 215.9 | 197.5 | 413.4 |
| 15. | 12,525.2 | 1,043.8 | 1,057.2 | 2,101.0 |
| 16. | 51,381.4 | 5,087.3 | 5,072.9 | 10,160.2 |
| 17. | 45,805.6 | 3,948.8 | 3,893.1 | 7,841.9 |
| 18. | 5,160.3 | 491.4 | 494.6 | 986.0 |
| 19. | 11,147.1 | 796.2 | 791.0 | 1,587.2 |
| 20. | 7,157.9 | 511.3 | 507.9 | 1,019.2 |
| 21. | 166,803.7 | 20,341.9 | 20,329.8 | 40,671.7 |
| 22. | 36,607.2 | 2,691.7 | 2,660.1 | 5,351.8 |
| 23. | 19,428.6 | 3,532.4 | 3,491.3 | 7,023.7 |
| 24. | 20,263.2 | 3,684.2 | 3,609.7 | 7,293.9 |
| 25. | 31,315.8 | 5,693.8 | 6,045.4 | 11,739.2 |
| 26. | 271,400.0 | 33,925.7 | 33,561.8 | 67,487.5 |
| 27. | 12,888.9 | 2,343.6 | 2,360.5 | 4,704.1 |
| 28. | 12,900.5 | 2,303.8 | 2,331.9 | 2,331.9 |
| 29. | 10,162.5 | 832.9 | 811.7 | 1,644.6 |
| 30. | 58,134.1 | 5,699.4 | 5,678.1 | 11,377.5 |

Import quota characterizes the dependence of the country on world markets, it can be regarded as a reciprocal characteristic of the national economic potential.

According to existing estimates, the foreign trade turnover begins to provide a stimulating or inhibitory effect on the national economy from the moment when it reaches the level of about 25-27% of GDP.

Test tasks

1.7. TRANSNATIONAL CORPORATIONS IN WORLD ECONOMIC RELATIONS

The purpose of the class is to identify factors of origin, features, peculiarities of development and the role of transnational corporations in global economic relations.

Discussion questions:

1. Identify the reasons of creation and characteristics of international corporations. Describe main stages of the evolution of TNCs.
2. Analyse the varieties of international corporations, name their differences.
3. Identify main competitive advantages of TNCs in the global market.
4. Compare different modes of entering foreign markets by TNCs.
5. Study peculiarities of the development of TNCs at the present stage.
6. Explore the importance of brand value in shaping the competitive position of TNCs.

7. Comment on positive and negative aspects of TNCs' activity in the environment of the host countries.

Case study “Transnational business development”

At present, transnational corporations are extremely influential forces on the world market, so it is advisable to explore the specifics of their activities.

Select a specific international corporation and explore various aspects of its activities: specialization, mission, strategic goals, forms of business organization abroad, competitive advantages, financial performance indicators, etc. Key information can be presented in the table form (the example is represented as Table 7.1) and in the form of presentation.

Table 7.1

Features of “Apple Inc.” business

| Aspects of activity | Description |
|----------------------------------|--|
| Founded | April 1, 1976 |
| Location | California, the US (head office) |
| Specialization | computer hardware; computer software; consumer electronics; digital distribution; semiconductors; fabless silicon design; corporate venture capital. |
| Mission | Apple designs Macs, the best personal computers in the world, along with OS X, iLife, iWork and professional software. Apple leads the digital music revolution with its iPods and iTunes online store. Apple has reinvented the mobile phone with its revolutionary iPhone and App store, and is defining the future of mobile media and computing devices with iPad. |
| Strategic goals | to expand activity through intensive strategies for growth to ensure broad market reach. |
| Forms of foreign business | Subsidiaries: Shazam, Texture, FileMaker Inc., Anobit, Braeburn Capital, Beats Electronics, Beddit, Apple Energy LLC, Apple Sales International, Apple Worldwide Video, Apple Services. |
| Competitive advantages | brand, Apple fans, ability to simplicity, a good design heritage, capital, vertical integration, lock-in with products () |
| Financial performance indicators | Number of locations in 2018 – 500 retail stores. Revenue = \$229.234 billion (2017) Operating income = \$61.344 billion (2017) Net income = \$48.351 billion (2017) Total assets = \$375.319 billion (2017) Total equity = \$134.047 billion (2017) Number of employees = 123,000 (2017). |

1.8. INTERNATIONAL TECHNOLOGY TRANSFER

The purpose of the class is to study the main forms of technology transfer, the peculiarities of the legal regulation of the technology market and the degree of participation of countries in international scientific and technical exchange.

Discussion questions:

1. Give the definition of international technology exchange.
2. Analyse channels and stages of international technology transfer.
3. Study key trends in the international technology market development.
4. Characterise main forms of international technology exchange.
5. Determine according to what legal acts the international regulation of the technology market is implemented.

Case study “Successful franchising”

Franchising has helped many companies conquer the market and become world-famous. The Coca-Cola franchise began with the fact that start-up entrepreneurs sold a franchise license to other entrepreneurs who were given the opportunity to bottle their own products.

The main area of activity of “The Coca-Cola Company” is the United States, in 2015 it accounted for US \$20 billion of US\$44 billion in revenue. In other countries, Coca-Cola is mainly represented by regional bottling companies acting as franchisees and buying concentrates from “The Coca-Cola Company”. Sales of concentrates and syrups under the Coca-Cola brand (and its variations) accounted for approximately 37% of the total revenue.

Franchising scheme of “The Coca-Cola Company” is shown in Fig. 8.1.

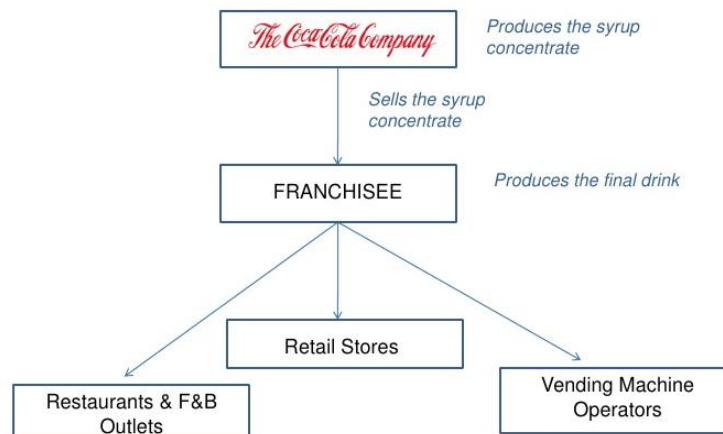


Fig. 8.1. Franchising scheme of “The Coca-Cola Company”

Tasks:

- 1) Analyse the features of “The Coca-Cola Company” franchising reflected in Fig. 8.1.
- 2) Identify and characterize the type of franchising used by the company.
- 3) Find out why even global corporations use contractual forms of entering foreign markets instead of active investment.
- 4) Study other examples of successful franchising.

1.9. INTERNATIONAL LABOUR MIGRATION

The purpose of the class is to identify the factors influencing the international migration of the labor force, its main directions, centers of gravity, the impact of labor migration on the economy of the country.

Discussion questions:

1. Determine the essence, reasons, types and main features of international labour migration.
2. Characterize directions of international labour migration. Explain their main preconditions.
3. Name the regions and countries that are the main centres of labour migration.
4. Define benefits and shortcomings for national economies of countries being exporters and importers of labour force.
5. Explore the problems of brain drain and disadvantages for the national economy development associated with it.
6. Study basic administrative-legal and economic tools of state regulation of international migration processes.
7. Analyse role of the International Labour Organization and the International Organization for Migration in international migration regulation and the world economy development.

Case study “Regulated migration flows”

Recently, due to the formation of a “united Europe” in the EU countries, the question about the possible consequences of this process on the labour market arose. The prospect of termination of employment of immigrants from “third world” countries is actively discussed. First of all, the governments of France, Germany and Great Britain, in which displaced persons from underdeveloped regions make up an absolute majority among immigrants, insist on the introduction of the most stringent restrictions.

State regulation of migration processes gives positive results, but has weaknesses. The control of foreigners’ entry level by all governments of immigration countries, of course, contributes to the dosage of their inflow depending on the production needs and the situation on the labour market. In this way, an outbreak of social tension, which could have arisen in the mass inflow of foreigners in conditions of their own mass unemployment, is being warned. Even taking into account the existence of two labour markets, for immigrants and for their employees, it would be difficult to avoid confrontation between them. The regulation provides organized and, to a certain extent, systematic hiring, distribution and use of the imported labour force.

At the same time, all laws and regulations of foreign consumer countries do not grant equal rights to immigrants in the economic, political and social areas, as required by the Universal Declaration of Human Rights and the decision of the ILO on Migrants. In the decisions of governments, national interests prevail over international norms and international principles of equality and freedom.

Tasks:

1. Identify the most effective measures to restrict migratory flows used by developed countries and integrational unions of countries.
2. Study features of the common EU immigration policy. Identify the prerequisites for joint regulation of migration processes by the EU countries.
3. Investigate the problems in the EU countries caused by the increase in flows of illegal migrants and refugees from underdeveloped countries.
4. Analyse main measures for labour migration regulation used in Ukraine. Characterise main problems connected with transit migratory flows through the territory of Ukraine.

MODULE # 2 "MONETARY-FINANCIAL AND INSTITUTIONAL FOUNDATIONS OF INTERNATIONAL ECONOMIC RELATIONS DEVELOPMENT IN THE CONTEXT OF GLOBALIZATION AND INTERNATIONAL ECONOMIC INTEGRATION"

2.1. INTERNATIONAL MONETARY RELATIONS

The purpose of the class is to study the nature of the exchange rate, its varieties, and the particularities of the international monetary system and international exchange markets.

Discussion questions:

1. Give the definition of “currency”, “exchange market”, “international monetary system” and “national currency system”.
2. Study the essence and peculiarities of modern international monetary relations.
3. Analyse the most important features of stages of international monetary system development. Explain the need to switch to new monetary systems.
4. Discover the features of international collective currency units.
5. Study purposes and basic stages of the European Monetary System’s creation.

6. Determine and characterise features of international exchange markets' functioning.
7. Characterise main segments of interbank foreign exchange markets.
8. Analyse major securities and derivative financial instruments operating on the international securities market.
9. Explore peculiarities of Ukrainian national monetary system development, determine main directions of ensuring its stability as the basis for the national economy development.

Test tasks

2.2. INTERNATIONAL CREDITS

The purpose of the class is to understand the peculiarities of international settlements and international credits.

Discussion questions:

1. Define the role and place of international credits in IER.
2. Determine and describe functions and principles of international crediting.
3. Give the definition of the international market of loan capital. Describe its main segments.
4. Analyse different types of international credits by terms, by creditors, by the intended purpose, by common sources, by the loan form, by the type of provision, by the credit currency and by the form of credit provision.
5. Study features and practical cases of use of international factoring, forfaiting and leasing in performing foreign economic activity.
6. Characterise the role of international monetary and financial organizations in the processes of international lending.
7. Analyse key directions and purposes of activity of the International Monetary Fund.
8. Determine peculiarities of functions performed by institutions representing the World Bank Group.

Case study “Cooperation between Ukraine and the World Bank”

The World Bank is an important source of financial and technical assistance to developing countries all over the world.

The World Bank provides Ukraine with an active support in the transition to a market economy since the country joined the institution in 1992. The bank helped to modernize the budget system of Ukraine by creating a state treasury, eliminating barter payments and improving the overall financial and payment discipline. The Bank also played an important role in initiating the reform of the banking and financial sectors, improving the system of social assistance, facilitating Ukraine's accession to the WTO and improving the business environment.

Over the years of cooperation, the World Bank has approved for Ukraine 50 loans totalling \$ 10.1 billion of which \$7.4 billion were received.

At present, 12 projects are under implementation, aimed at modernizing the infrastructure, in particular projects for the rehabilitation of hydroelectric power stations, electricity transmission, urban infrastructure development, road improvements and traffic safety, energy efficiency improvement, urban infrastructure development, modernization of the system of social support of the population of Ukraine, health care improvement.

Tasks:

1. Determine main contributions of projects supported by the World Bank in Ukraine.
2. Outline changes in directions of cooperation between Ukraine and the World Bank Group.
3. Analyse features of cooperation between Ukraine and other international monetary, financial and credit organizations, in particular the International Monetary Fund and the European Bank for Reconstruction and Development. Determine basic benefits and shortcomings of international lending for Ukraine.
4. Collect and analyse additional information on terms of crediting by international organizations.
5. Study the problem of Ukrainian external debt and outline its possible solutions.

2.3. INTERNATIONAL MARKET PRICING

The purpose of the class is to investigate the peculiarities of pricing in the international market, to determine the specifics of the influence of various factors when choosing a pricing strategy for an enterprise engaged in foreign economic activity.

Discussion questions:

1. Study the essence and types of prices in international trade.
2. Analyse factors influencing pricing in the international market.
3. Characterise features of the choice of the company's pricing strategy in foreign markets. Determine feasibility of using one-price policy and flexible-price policy by the enterprise performing foreign economic activity.
4. Describe differences, advantages and disadvantages of cost-based pricing market-based pricing.

Case study "Pricing of luxury brands in China compare to Europe"

The basic reason for such a large number of Chinese consumers choose to purchase luxury goods overseas is the greatly difference between the price in China and Europe. There are two major reasons why the luxury companies establish a higher price in China. Primarily, the high tax in China leads to the higher price on luxury goods (Table 9.1).

Table 9.1

Chinese luxury good taxation, %

| Product | Tariff | Value-added tax | Consumption tax | Total |
|-----------|--------|-----------------|-----------------|---------|
| Jewellery | 0-35 | 17 | 10 | 27-62 |
| Watches | 11-23 | 17 | 20 | 48-60 |
| Clothes | 14-20 | 17 | N/A | 31-37 |
| Handbags | 10-20 | 17 | N/A | 27-37 |
| Cosmetics | 6.5-15 | 17 | 30 | 53.5-62 |

Another reason for the high retail price is the majority luxury and affordable luxury brands charged a high premium to not only achieve a high profit but also maintain a luxury brand image for Chinese market. With the relatively low rent cost, cheaper labour cost and higher premium, luxury brands achieve a great profit to make up its loss in either European or the US market.

Fig. 9.2 stated the percentage of luxury brand's price premium on Chinese vs. US site.



Fig. 9.2. Percentage of Brands showing price on China site at given price premium level

Almost 1/3 of the pure luxury brands charged at most 16% to 25% higher price in China compared to their US price. Famous accessible luxury brands especially Michael Kors and Calvin Klein charged at least 36% and at most 50% more premium on some specific item in Chinese market compared to US sites. To attract Chinese consumers to shop in local boutiques other than wait for overseas trip, it is essential for luxury brand companies to rebuild their pricing strategies.

Tasks:

1. Determine and characterise the pricing method used in pricing of luxury brands in China.
2. Study appropriate ways to attract consumers with luxury-brand products in Chinese market.
3. Study main features of luxury-brand pricing in foreign markets.



Case study “Adapted pricing strategies of IKEA to expand in China”

IKEA is known globally for its low prices and innovatively designed furniture. However, in China, it faced peculiar problems. Its low-price strategy created confusion among Chinese consumers while local competitors copied its designs.

In 1998, Swedish furniture giant IKEA started its retail operations in China. To meet local laws, it formed a joint venture. The venture served as a good platform to test the market, understand local needs, and adapt its strategies accordingly. It understood early on that Chinese apartments were small and customers required functional and modular solutions. The store layouts reflected the typical sizes of apartments and also included a balcony.

IKEA had faced similar problems previously when it entered the US. The company initially tried to replicate its existing business model and products in the US. But it had to customize its products based on local needs. American customers demanded bigger beds and bigger closets. IKEA had to make a number of changes to its marketing strategy in the US. The challenges it faced in China were sufficiently bigger than the ones in the US.

As the company opened more stores from Beijing to Shanghai, the company’s revenue grew rapidly. In 2004, for instance, its China revenue jumped 40% from the year before. But there was a problem – its local stores were not profitable.

IKEA built a number of factories in China and increased local sourcing of materials. While globally 30% of IKEA’s range comes from China, about 65% of the volume sales in the country come from local sourcing. These local factories resolved the problem of high import taxes in China. The company also started performing local quality inspections closer to manufacturing to save on repair costs.

Since 2000, IKEA has cut its prices by more than 60% since one of the main problems for IKEA was that its prices, considered low in Europe and North America, were higher than the average in China.

The company realized this and started targeting the young middle-class population. This category of customers has relatively higher incomes, is better educated and is more aware of western styles.

This was an essential change in strategy, as IKEA was targeting the mass market in other parts of the world.

IKEA also had to change its marketing strategy. In most markets, the company uses its product catalogue as a major marketing tool. In China the catalogue provided opportunities for competitors to copy the company's products and sell them at lower prices. IKEA decided to use Chinese social media and micro-blogging website Weibo to target the urban youth.

IKEA also adapted its store location strategy. In Europe and the US, where most customers use personal vehicles, IKEA stores are usually located in the suburbs. In China the company set up its outlets on the outskirts of cities which are connected by rail and metro networks since most customers use public transportation.

Since 1999, IKEA has been working on becoming more eco-friendly. But it was difficult to implement it in China. Price-sensitive local consumers seem to be annoyed when asked to pay extra for plastic bags and they did not want to bring their own shopping bags. Also, a majority of suppliers in China did not have the necessary technologies to provide green products that met IKEA's standards. IKEA decided to stick with low prices to remain in business.

IKEA, famous for its flat-pack furniture which consumers have to assemble themselves, understood that Chinese people really don't like the do-it-yourself concept.

Tasks:

1. Analyse main factors taken into account by IKEA in the development of pricing strategy for the expansion of its activity in China.
2. Identify key reasons for changing a low-price strategy of IKEA to emerging markets.
3. Make a comparison between IKEA's pricing and general strategy in Europe, China and the US.

2.4. INTERNATIONAL ECONOMIC INTEGRATION

The purpose of the class is to identify the peculiarities and trends of international economic integration in different regions of the world.

Discussion questions:

1. Determine the essence, preconditions and goals of international economic integration.
2. Describe the types and features of international economic integration at micro level.
3. Give a comparative description of the main forms (stages) of international economic integration at micro level.
4. Study impacts of integration on the social and economic development of the participating countries.
5. Analyse features of disintegration and reintegration processes in the regions of the world.

Case study "Integration as a strategy of TNCs' development"

Companies engaged in international economic activity can use different integration options with other economic actors, primarily full integration variant through mergers and acquisitions:

1) "Starbucks" is the biggest coffee house company in the world operating through about 17,000 stores in over 50 countries. The mission is to supply the customer with the finest coffee in the world.

The past strategy of "Starbucks" was to buy beans from suppliers, ensuring quality via high price and quality control, bean roasting fully integrated into the supply chain, to grant top quality coffee.

New strategy of "Starbucks" was expressed in the purchase of a coffee-bean farm in China, development of training and educating employees, ensuring quality with own farms and know-how. This decision was caused by opening of the Chinese market and its continuous rapid growth, limited supply of high-quality Arabica beans, increasing prices for coffee beans, desire to obtain direct quality control in all production stages and to control the full customer experience.

2) “Ford Motor Company” has its own steel, glass and tire-manufacturing factories. Ford not only manufactures cars but also retails them. It also controls the production of tires and steel for car parts. In this way they are in greater control of the cost of production and the supply of raw materials.

The company has invested in supplier development and partner with particular key vendors but are able to keep the vendors in control through the threat of competition. Recently, Ford moves into China through joint ventures instead of wholly owned factories.

3) “Nestlé S.A.” is a Swiss transnational corporation, the world’s largest food producer. “Nestlé” produces soluble coffee, mineral water, chocolate, ice cream, broths, dairy products, baby food, pet food, pharmaceutical products and cosmetics. The main trademarks are KitKat, Maggi, Nescafe, Nesquik, Nestea.

The expansion of “Nestlé” is mainly carried out due to the acquisition of other firms. Its management believes that it would be more expedient to enter a highly competitive market by acquiring firms that are already operating on it and investing in them the necessary funds rather than organizing new divisions. Very often the products and the territorial location of these firms do not correspond to the structure of “Nestlé”. For example, Nestlé became the owner of hotels. Since the management of “Nestlé” lacked experience in the hotel business, so the affiliate’s level obtained the right to make significantly wider decisions than usual. Other examples are the acquisition of manufacturer of “KitKat” chocolate bars and others, buying the shares of “L’Oréal”, Lviv Confectionery Factory “Svitoch”, Lutsk company “Volynholding” specializing in the production of cold sauces under the trademark “Torchin”.

Tasks:

1. Determine the type of micro integration in each case.
2. Explain the need to use integration for the development of enterprises on foreign markets.
3. Analyse main benefits and risks of such integration for “Starbucks”, “Ford Motor Company” and “Nestlé S.A.”.
4. Give other examples of best practices in the implementation of horizontal, vertical, diagonal and diversified integration by enterprises engaged in international business.

Case study “Integration of companies within strategic alliances”

One of main concepts of the management practices’ development in highly developed countries is an alliance theory. This concept is widely used in activities of firms providing financial and insurance services. Nowadays, the trend towards creation of alliances aimed at the development integrated proposals to meet individual needs of particular clients prevails.

The largest manufacturers of computers and software create alliances for the production of the most complex, integrated risk management systems.

Such an alliance was created by three American corporations:

1. “IBM” (facilities for creating and storing databases);
2. “PeopleSoft” (programs for comparing reporting);
3. “Algorithmics” (programs for data analysis).

Corporations of the alliance have developed programs allowing to estimate the amount of work and costs involved in introducing advanced methods into banking systems, they have created the corporate IT infrastructure necessary for the full use of systems. The alliance invited banks to acquire IT systems that address various aspects of risk management.

Competitors of the alliance of three American corporations in this area of activity are as following: consulting and audit companies (“Accenture”, “Bearing Point”, “Ernst & Young”, “McKinsey”, “KPMG”, “PwC”, etc.); specialized companies and rating agencies (“Erick”, “Fitch Risk Management”, “Mercer Oliver Wyman”, “Moody’s”, “Standard & Poor’s”, etc.).

Tasks:

1. Identify reasons and benefits of creating alliances for partner companies, in particular “IBM”, “PeopleSoft”, “Algorithmics”. Determine the type of micro integration.
2. Think how creating such a strong alliance can affect the redistribution of forces in the market and what can be the actions of competitors in response.
3. Determine and evaluate feasibility of applying alternatives for companies other than the creation of alliances.
4. Analyse main risks of integration within alliance for partner companies.
5. Study other examples of successful alliance partnerships.

2.5. FEATURES OF REGIONAL ECONOMIC INTEGRATION

The purpose of the class is to identify the preconditions and peculiarities of regional economic integration within the framework of NAFTA, MERCOSUR, APEC, ASEAN, the African Union and the EU.

Discussion questions:

1. Determine the essence of regional economic integration and main factors stimulating its development.
2. Identify the peculiarities of integration within North American region. Study prerequisites and aims of the NAFTA’s creation. Analyse trends in trade and FDI of NAFTA member countries. Define key outcomes for each national economy and perspectives of integration development in North American region.
3. Characterise integration processes in Latin American region, in particular within the MERCOSUR. Study key figures of MERCOSUR development.
4. Explore differing vectors of integration in Asian-Pacific region (within the APEC and the ASEAN).
5. Identify main differences in integration processes in African region compared to others.
6. Identify the preconditions and objectives of the EU creation.
7. Analyse evolution stages of the EU development. Determine key changes at each stage and their importance for further development.
8. Describe features of interaction between the EU bodies and institutions. Study the sequence of decision-making in the EU.
9. Study the EU’s common policies: regional policy, common foreign and security policy, competition policy, freedom, security and justice policy, democracy and human rights’ policy, European enlargement and neighbourhood policy, energy and environment policy, development and humanitarian aid policy, education policy, etc.
10. Analyse key indicators of the EU development in last years in such areas as: labour market; economy and finance; international trade; agriculture, forestry and fisheries; industry, trade and services, science, technology and digital society; environment; energy; and transport.
11. Explore the prospects for Ukraine – the EU interaction.

Case study “The EU development”

1. Since 2004, 10 countries of Central and Eastern Europe have become members of the European Union, since 2007 two more ones (Bulgaria and Romania), in 2013 – Croatia. Study changes in the EU development due to these enlargements, positive and negative trends. Analyse how these EU’s enlargements have affected the development of bilateral economic cooperation between Ukraine and these states in the field of interstate trade, monetary and financial area, investment attraction, cooperation, labour migration.

2. Express your opinion on the qualitative characteristics of the integration processes in Europe, which are: a) favourable to Ukraine; b) unfavourable to its development. Conclude this information as a table. Suggest ways to eliminate the unfavourable aspects of European integration processes for Ukraine.

3. Try to determine the conditions under which Ukraine can enter into the integration groups of states with supranational regulation taking into account the existing economic and socio-political aspects of development. Determine the type of agreement that should be concluded between the member states of the European Union to regulate relations in all spheres instead of national legislation.

4. In recent years, cooperation between Ukraine and the EU in the field of energy, agriculture, and environment has markedly intensified. With the support of the EU, the reform of the Ukrainian gas transportation system, the modernization of the coal industry is underway. With this in mind, determine which sectors of the economy will be able to use effectively their benefits in cooperation with the European Union.

5. Brexit is the impending withdrawal of the United Kingdom from the EU. It follows the referendum of 23 June 2016 when 51.9% of those who voted supported withdrawal. The European Union (Withdrawal) Act 2018 defined “exit day” as 29 March 2019 at 11.00 p.m. It is believed that this can lead to both positive and negative consequences, can change the peculiarities of deepening integration within the EU. Analyse them and determine perspective directions of the EU development in this regard.

2.6. GLOBALIZATION AND GLOBAL PROBLEMS OF HUMANITY

The purpose of the class is to identify the nature, features and possible consequences of global problems and ways to solve them.

Discussion questions:

1. Identify the essence of globalization, its manifestations and basic aspects.
2. Analyse advantages and disadvantages of globalization processes. Determine whether this is more positive or negative process for the development of national economy.
3. Study the concept of challenges called global problems of humanity and determine their main features.
4. Describe modern global challenges: disarmament problems and keeping peace on Earth, environmental problems, food problems, demographic problems, problems in energy and raw materials, health problems, etc.
5. Name main causes of global problems’ aggravation.
6. Analyse basic areas of international cooperation in addressing environmental, energy and raw materials, demographic, and peace-keeping issues.

Test tasks

Case study “KOF Globalisation Index”

The KOF Globalisation Index measures the economic, social and political dimensions of globalisation. Those fields have been on the rise since the 1970s.

In 2015 globalization slowed down in areas of international trade, capital, information and labour flows but the depth of global connectedness didn't reduce (Fig. 10.1).

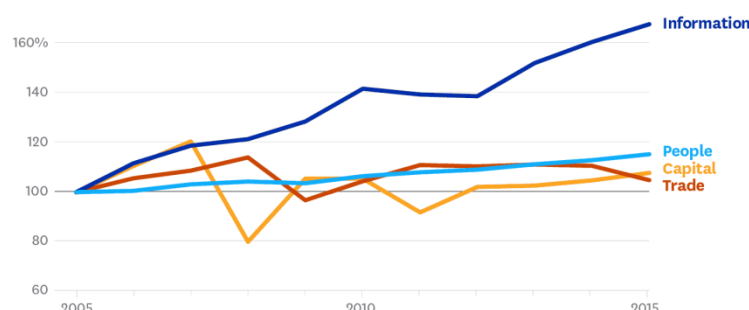


Fig. 10.1. Global Connectedness Index in international trade, capital, information and labour flows

KOF Globalisation Index is calculated on the basis of economic, social and political globalisation indexes. In turn, economic globalisation is evaluated through trade and financial globalisation, and social globalisation – through interpersonal, informational and cultural dimensions (Table 10.1).

Table 10.1

Structure of the KOF Globalisation Index

| Economic Globalisation | | |
|--|--|---|
| <i>Trade Globalisation</i> | <i>Financial Globalisation</i> | |
| <ul style="list-style-type: none"> • trade in goods and in services; • trade partner diversification; • trade regulations; • trade taxes; • tariffs. | <ul style="list-style-type: none"> • foreign direct investment; • portfolio investment; • investment restrictions; • capital account openness; • international debt; • international reserves; • international income payments. | |
| Social Globalisation | | |
| <i>Interpersonal Globalisation</i> | <i>Informational Globalisation</i> | <i>Cultural Globalisation</i> |
| <ul style="list-style-type: none"> • international voice traffic; • transfers; • international tourism; • migration; • telephone subscriptions; • freedom to visit; • international airports. | <ul style="list-style-type: none"> • patent applications; • international students; • high technology exports; • television; • internet user; • press freedom; • internet bandwidth. | <ul style="list-style-type: none"> • trade in cultural goods; • trademark applications; • trade in personal services; • McDonald's restaurant; • IKEA stores; • gender parity; • expenditure on education; • civil freedom; |
| Political Globalisation | | |
| <ul style="list-style-type: none"> • embassies; • UN peace keeping missions; • international NGOs; | <ul style="list-style-type: none"> • international organisations; • international treaties; • partners in investment treaties. | |

Due to the increasing interdependence between the countries of the world and the greater openness of national economies, the expansion of the international partnership scope, there is a tendency to increase globalization in the economic, social and political spheres (Fig. 10.2).

The most globalized is the economic area, it is followed by political, and then by social globalization. KOF Globalisation Index is a weighted average by these three dimensions.

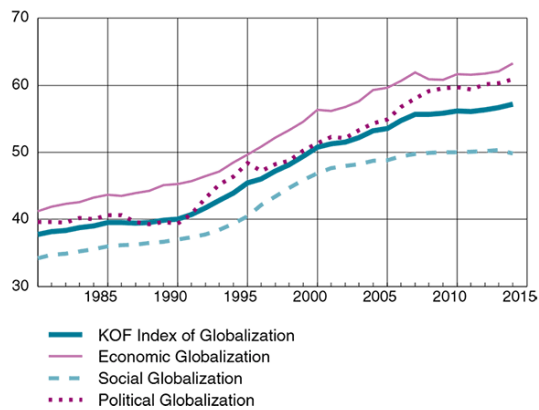


Fig. 10.2. Dynamics of KOF Globalisation Index worldwide by economic, social and political dimensions of globalisation

According to KOF Globalisation Index, Belgium, Netherlands, Switzerland, Sweden, Austria, Denmark, France, UK, Germany and Finland represent top-10 most globalized countries in the world in 2018.

Tasks:

1. Investigate changes in the index of countries' globalization.
2. Identify factors affecting the level of political, economic and social globalization. Explore how high the level of country's openness affects its level of globalization.
3. Analyse positive and negative impacts of a high globalization level of the country on its development. Identify possible ways to protect the country from negative consequences of globalization.