



THE GEORGE WASHINGTON UNIVERSITY
SCHOOL OF
BUSINESS

DEPARTMENT OF INTERNATIONAL BUSINESS

COURSE SYLLABUS

COURSE TITLE: Global Financial Environment

**COURSE
NUMBER:** IBUS 3101
Section 11

SEMESTER: Spring 2017

**TIME AND
LOCATION:** Tuesdays and Thursdays, 11:10–12:25, Duquès 359

**COURSE
DESCRIPTION:** The international economic, trade, and financial environment in which global business operates and how developments in these areas affect business activity. This course provides an international economics and finance perspective that complements IBUS 3001, Introduction to International Business.

**COURSE
OBJECTIVES:** The basic objective of this course is to provide a foundation for students to assess international economic and financial developments as they affect corporate business activity. The course deals with both the theory and the practice of international trade and finance.

PREREQUISITES: ECON 1011 Principles of Economics I
ECON 1012 Principles of Economics II

PROFESSOR: Reid W. Click
Associate Professor of International Business and International Affairs

OFFICE: Fungler 401P
Telephone: (202) 994-0656
E-Mail: rclick@gwu.edu

OFFICE HOURS: Tuesdays and Thursdays, 2:30–3:30
And by appointment

COURSE

MATERIALS: The textbook for the course is:
Thomas Pugel, *International Economics*, 16th edition, McGraw-Hill, 2016.

You also need to read a business newspaper such as *The Wall Street Journal* or *The Financial Times* to keep up with current international business events. *The Wall Street Journal* offers more depth to coverage, and that's what I read. A subscription to *The Wall Street Journal* is affordable with student prices and includes three formats: the print copy, the online version at wsj.com, and the mobile reader for a smartphone app. The print version will be delivered six days per week (Monday through Saturday). Information on student subscriptions is available at www.wsj.com/spring2017. A subscription for the 15 weeks of the semester is a bargain at \$15.00.

You will also need a simple calculator, particularly for use on the exams. It does not need to be a financial calculator or programmable, but something that will relieve you from doing addition, subtraction, multiplication and division by hand.

There will also be occasional handouts passed out in class or posted on Blackboard at blackboard.gwu.edu.

EVALUATION:

In accordance with University regulations, each student will receive a grade of A, B, C, D, or F (with + or – as appropriate). Grades will be based on two exams, a final team project (with in-class presentation) and class performance, according to the following point scale (and weights):

EXAM 1	100 POINTS	25%
EXAM 2	100 POINTS	25%
FINAL TEAM PROJECT / PRESENTATION	100 POINTS	25%
CLASS PERFORMANCE	100 POINTS	25%
TOTAL	400 POINTS	100%

The exams will cover material contained in the lectures, class discussions, and assigned readings (including handouts). Make-up exams for missed exams will be given only in extreme emergencies, so you must plan to take the exams at the stated dates and times.

The final project is a country profile delivered both as a written memorandum and an in-class briefing. Teams of four students will work on a specific country to investigate and analyze the trade, economic, and financial regimes for a company thinking of doing business in the country. Team and country assignments will be given later, but you can see the nature of the work in the memorandum at the end of this syllabus. The assignment is about the country, and is not about any particular industry, but is set up to relate to new foreign operations being considered by a well-established (and large) U.S. company.

- The memorandum requires a minimum of 4 pages and a maximum of 6 pages (12-point font, one-inch margins, single-spaced with double space between paragraphs), and must be written as a memorandum from your team to your boss. You are able to include charts, pictures, and diagrams, but they must fit within the page limit. This memorandum is due Thursday, April 13.
- The briefing will be SIX MINUTES, using PowerPoint at your discretion, and must be presented as a briefing for your boss on the work you've done. The boss will ask questions after your presentation. The briefings will be scheduled for Tuesday, April 25 and Thursday, April 27. All students will sit through the presentations of other teams, but will be able to ask questions only if time permits.

Class performance will be assessed on attendance, contribution to class discussions, and responses to questions asked in class.

For both exams and class discussion, you must keep up with current events in international trade and finance.

Although not graded, you are encouraged to work problems at the end of each assigned chapter in order to prepare for the exams. As part of the class assignments, some specific questions from each chapter are recommended. Answers to the odd-numbered problems are in the back of the text, and answers to assigned even-numbered problems will be posted on Blackboard. We may also go over some questions in class as time permits.

SCHEDULE OF CLASSES

DATE	TOPIC	ASSIGNMENT
Tuesday, January 17	Introduction and Overview	Chapter 1
Thursday, January 19	Partial Equilibrium Analysis of International Trade	Chapter 2
Tuesday, January 24	Partial Equilibrium Analysis of International Trade (continued)	Chapter 2 Problems 3, 4, 8, 13
Thursday, January 26	General Equilibrium Analysis of International Trade	Chapter 3
Tuesday, January 31	General Equilibrium Analysis of International Trade (continued)	Chapter 3 Problems 4, 7, 8
Thursday, February 2	Commercial Policies: Tariffs	Chapter 8, omitting pages 152-156 on optimal tariff. Problems 3, 4, 5
Tuesday, February 7	Commercial Policies: Nontariff Barriers	Chapter 9, omitting pages 170-172 on monopolies and pages 172-173 on the large-country case. Problems 3, 7
Thursday, February 9	Commercial Policies: Current Topics	Handouts
Tuesday, February 14	Balance of Payments	Chapter 16
Thursday, February 16	Balance of Payments (continued)	Chapter 16 Problems 1, 5, 7, 8, 12
Tuesday, February 21	Foreign Exchange Market	Chapter 17
Thursday, February 23	Foreign Exchange Market (continued)	Chapter 17 Problems 8, 9, 10
Tuesday, February 28	EXAM 1	

DATE	TOPIC	ASSIGNMENT
Thursday, March 2	Library Research Briefing Team Co-ordination	Shmuel Ben-Gad
Tuesday, March 7	Forward Market and Covered Interest Rate Parity	Chapter 18, omitting pages 422-429 on empirical evidence. Problems 3, 4, 6
Thursday, March 9	International Financial Investment and Uncovered Interest Rate Parity	Chapter 18 Problems 7, 8, 9
March 13-17	Spring Break	
Tuesday, March 21	Purchasing Power Parity	Chapter 19, omitting pages 452-459 on overshooting and prediction.
Thursday, March 23	Purchasing Power Parity (continued)	Chapter 19 Problems 2, 5, 9, 11
Tuesday, March 28	Exchange Rate Regimes	Chapter 20, focusing on pages 464-480.
Thursday, March 30	Exchange Rate Regimes (continued)	Chapter 20 Problems 6, 9
Tuesday, April 4	International Lending	Chapter 21, focusing on pages 502-506. Problem 5
Thursday, April 6	International Financial Crises	Chapter 21
Tuesday, April 11	Emerging Markets	Handouts
Thursday, April 13	National and Global Choices: Floating Rates and the Alternatives	Chapter 25, focusing on pages 641-654. Problems 5, 8, 9 COUNTRY PROFILE DUE
Tuesday, April 18	National and Global Choices: Floating Rates and the Alternatives	Chapter 25 Problems 11, 12
Thursday, April 20	EXAM 2	
Tuesday, April 25	Final Team Project Presentations	
Thursday, April 27	Final Team Project Presentations	

FINAL TEAM PROJECT / PRESENTATION

MEMORANDUM

TO: Team

FROM: Reid W. Click
Executive Vice President

RE: Country Profile

The Company is beginning to investigate opportunities outside of the United States, and I would like you to prepare a country profile on XXXXXX. Currently, we don't know whether we will want to export to XXXXXX, or possibly import from XXXXXX, but we are definitely considering an investment (likely direct, but possibly portfolio) in XXXXXX. We are looking at several possible locations, but I'm asking you to focus on XXXXXX for now and we will do some comparisons later. Please prepare a memorandum for me, and we will schedule a live briefing subsequently. Here are some things I want you to address, if you agree they are important:

What is the country's trade regime like? Is the country in the WTO or involved in any trade blocs that would help or hurt us?

What is the situation with the country's balance of payments? In particular, what is the country's balance of payments vis-à-vis the U.S.?

What is the country's exchange rate regime, and do you think the currency might be overvalued or undervalued? Has the currency been volatile lately? Are there forward contracts available so we would be able to hedge our cross-border transactions?

What is the country's capital regime like? Would we be able to make a direct investment there, and repatriate our profits? Are there any taxes on cross-border transactions that we need to know about? Does the country have a bilateral investment treaty (BIT) with the US?

What is the current economic situation in the country? Is the country growing? Are interest rates and inflation high? How was the country impacted by the global financial crisis? Has the country recently had any other financial crises? Do you think it's a good time to sell goods and services there, or possibly source goods and services there?

What is the current political situation in the country? Is there anything about the institutions in the country that we should know about which would influence our decision to operate there?

Have I forgotten anything? Is there anything else I should know about the country?

Would you recommend that we consider operations in the country, or do you think doing business there would be unprofitable?