



DEPARTMENT OF INTERNATIONAL BUSINESS

COURSE TITLE: Global Financial Environment

COURSE NUMBER: IBUS 3101 - 11

SEMESTER: Spring 2020

SCHEDULE: Tuesdays and Thursdays, 2:20 – 3:35, 1957 E Street, Room 214

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.

PROFESSOR: Reid W. Click
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OFFICE HOURS: Tuesdays, 4:00 – 6:00
and by appointment

COURSE OBJECTIVES: The 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

COURSE MATERIALS:

The textbook for the course is:
Thomas Pugel, *International Economics*, 17th edition, McGraw-Hill, 2020.

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 is available in print and digital editions. The print version will be delivered six days per week (Monday through Saturday) and the digital version is updated continuously. Information on student subscriptions is available at <http://r.wsj.net/nQPqM>. A print-and-digital version is available for \$10 per month, and the digital-only version is available for \$4 per month.

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. You will not be allowed to use cellular phones for this purpose during the exam.

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	29.4%
EXAM 2	100 POINTS	29.4%
FINAL TEAM PROJECT / PRESENTATION	100 POINTS	29.4%
CLASS PERFORMANCE	40 POINTS	11.8%
TOTAL	340 POINTS	100.0%

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 (approximately) four students will work on a specific country to investigate and analyze the economic, trade, and financial regimes for a company thinking of doing business in the country. The Memorandum at the end of this syllabus gives the assignment. Teams and countries will be decided a few weeks into the semester. 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, although an appendix with additional information is permitted. This memorandum is due Tuesday, April 7. This will allow your boss to review the memorandum and provide comments prior to the final briefing.
- The briefing will be approximately SIX MINUTES, using PowerPoint, 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 21 and Thursday, April 23. To facilitate the flow of briefings, all PowerPoint presentations are due by 5:00 PM on Monday, April 20. All students will sit through the presentations of other teams, and will be able to ask questions 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 beginning on page 696, 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 14	Introduction and Overview	Chapter 1
Thursday, January 16	Partial Equilibrium Analysis of International Trade	Chapter 2
Tuesday, January 21	Partial Equilibrium Analysis of International Trade (continued)	Chapter 2 Problems 3, 4, 8, 13
Thursday, January 23	General Equilibrium Analysis of International Trade	Chapter 3
Tuesday, January 28	General Equilibrium Analysis of International Trade (continued)	Chapter 3 Problems 4, 7, 8
Thursday, January 30	Trade Policies: Tariffs	Chapter 8 Problems 3, 4, 5, 7
Tuesday, February 4	Trade Policies: Nontariff Barriers	Chapter 9, omitting pages 170-172 on monopolies and pages 173-174 on the large-country case. Problems 3, 7
Thursday, February 6	Trade Policies (continued)	Chapters 8 and 9
Tuesday, February 11	Balance of Payments	Chapter 16 and Appendix E
Thursday, February 13	Balance of Payments (continued)	Chapter 16 Problems 1, 5, 7, 8, 12
Tuesday, February 18	Foreign Exchange Market	Chapter 17
Thursday, February 20	Foreign Exchange Market (continued)	Chapter 17 Problems 8, 9, 10
Tuesday, February 25	EXAM 1	
Thursday, February 27	Forward Market and Covered Interest Rate Parity	Chapter 18, omitting pages 422-429 on empirical evidence.
Tuesday, March 3	Forward Market and Covered Interest Rate Parity (continued)	Chapter 18 Problems 3, 4, 6
Thursday, March 5	Team Work on Projects	
Tuesday, March 10	International Financial Investment and Uncovered Interest Rate Parity	Chapter 18 Problems 7, 8, 9
Thursday, March 12	International Financial Investment and Uncovered Interest Rate Parity (continued)	Chapter 18

DATE	TOPIC	ASSIGNMENT
Tuesday, March 17 Thursday March 19	SPRING BREAK	NO CLASSES
Tuesday, March 24	Purchasing Power Parity	Chapter 19, omitting pages 453-460 on overshooting and prediction.
Thursday, March 26	Purchasing Power Parity (continued)	Chapter 19 Problems 2, 5, 9, 11
Tuesday, March 31	Exchange Rate Regimes: Floating Rates and the Alternatives	Chapter 20, focusing on pages 465-481. Problems 6, 9
Thursday, April 2	Exchange Rate Regimes: Floating Rates and the Alternatives	Chapter 25, focusing on pages 642-654. Problems 5, 8, 9, 11, 12
Tuesday, April 7	International Lending (and Capital Flows)	Chapter 21, focusing on pages 503-507. Problems 5, 6 COUNTRY PROFILES DUE in class, in hard copy.
Thursday, April 9	International Lending (and Capital Flows) (continued)	Chapter 21, focusing on pages 503-507.
Tuesday, April 14	International Lending (and Capital Flows) (continued)	Chapter 21, focusing on pages 503-507.
Thursday, April 16	EXAM 2	
Monday, April 20		POWERPOINT PRESENTATIONS DUE at 5:00 PM via e-mail to rclick@gwu.edu
Tuesday, April 21	Final Team Project Presentations	
Thursday, April 23	Final Team Project Presentations	

MEMORANDUM (FINAL TEAM PROJECT / PRESENTATION)

TO: Team

FROM: Reid W. Click
Executive Vice President of the U.S. Company

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 XXX. Currently, we don't know whether we will want to export to XXX, or possibly import from XXX, but we are definitely considering an investment (likely direct, but possibly portfolio) in XXX. 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.¹ Here are some things I want you to address, if you agree they are important:

What is the current economic situation in the country? Is the country growing? What are the current levels of interest rates and inflation? Has the country recently had any type of financial crisis (currency, banking, debt, etc.)? Is there any political situation affecting the economy?

What is the country's trade regime like? Are tariffs high or low compared to worldwide averages? Is the country in the WTO or involved in any trade blocs that would help or hurt us? Does the United States have any particular trade issues with the country?

What is the situation with the country's balance of payments (trade and current account balance, capital and financial account balance)? In particular, what is the country's bilateral balance of payments vis-à-vis the U.S.?

What is the country's exchange rate regime? Is the currency volatile? Are international reserves adequate for the regime in place? Do you think the currency might be overvalued or undervalued? Are there any currency controls? Are there forward contracts available so we would be able to hedge our cross-border transactions?

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

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? Do you think it's a good time to sell goods and services there, or possibly source goods and services there? Do you think we should make an investment there?

¹ In the memorandum, you may cite your references, but do so sparingly and use a major citation style, such as the American Psychological Association (APA) format.