



CIEE Global Institute - Santiago de Chile

Course name:	International Finance
Course number:	(GI) BUSI 3001 STCH
Programs offering course:	Open Campus (Business Track)
Language of instruction:	English
U.S. semester credits:	3
Contact hours:	45
Term:	Spring 2020

Course Description

This course provides students with an overview of the dynamics of the global financial and international monetary systems. Students develop knowledge of the fundamental concepts needed to understand foreign direct investment, financial flows, international trade and investment deals. As political risk and economic exposure to global events have become more immediate, special attention will be given to the 2007-2012 world banking crisis, the role of central banks in the stabilization of national economies, national debts, and the specific economic challenges to which individual countries have been exposed in varying ways. Alternative views and policy measures to help struggling economies overcome the economic and financial crisis – like contracting (or expanding) government spending – will be assessed and critically analyzed.

Learning Objectives

By the end of the course, students will be able to:

- Critically evaluate basic financial concepts and their application to the very intricate web of international economic and financial transactions.
- Discuss the determinants of international financial transactions and their consequences in the present-world economic and financial order.
- Comprehend the decisions taken by various agents (governments, multinational corporations, public and private banks) and how these interact in the international financial markets.
- Read and analyze economic and market indicators for a better understanding of the world panorama of economics and finance.
- Apply these indicators and criteria to financial decisions taken within multinational corporations for effective governance.
- Evaluate the way emerging economies are inserted into the world economy through capital flows, and the impact of capital flows on the national economies of the region.
- Examine and map the relationship between national and regional economies and the international monetary system during the last two decades.

Course Prerequisites



Previous coursework in microeconomics, macroeconomics and international economics (which should include the basics of international trade) are course prerequisites. This course is not suitable for students with no previous economics classes.

Methods of Instruction

The course will be highly interactive between the instructor and the students. Students are expected to do the required readings before class, so they can discuss the material among themselves and with the instructor. PowerPoint presentations, including short video clips, will be used by the instructor to introduce the material required. Students are expected to prepare questions based on their reading and interact thoughtfully in class. The list of online references at the end of the syllabus includes web sites on financial information that should be consulted daily during the course, as finance is a dynamic and changing discipline that needs constant updating; therefore, the students will be responsible for checking selected web sites daily for in-class discussion.

Assessment and Final Grade

Midterm Examination	20%
Final Examination	25%
Two Summary Papers (7.5% each)	15%
Group Presentation	20%
Participation	20%

Course Requirements

Midterm Exam

The open-book midterm examination will consist of the material covered during the first three weeks of class, including the PowerPoint presentations by the instructor, the readings given for those weeks and the in-class discussions. You will be asked to answer three essay questions of the above in the allotted class time. Students will be evaluated on their ability to dissect and analyze the nuances presented in the case studies, readings, and class discussions in response to the essay questions.

Final Exam

The open-book final examination will consist of the material covered during the first three weeks of class, including the PowerPoint presentations by the instructor, the readings given for those weeks and the in-class discussions. You will be asked to answer three essay questions of the above in the allotted class time. Students will be evaluated on their ability to dissect and analyze the nuances presented in the case studies, readings, and class discussions in response to the essay questions.

Summary Papers

The summary papers are due on the last day of class in Weeks 2 and 4. These should be 2 pages in length and should include a brief summary of a visit to a local company that is international in its outlook.



Group Presentation

The in-class presentation will be delivered by the students in groups of no more than 4 students. Each will choose a topic on international finance, which the instructor will give to the students on the first day of class, as case studies. The presentation should be in PowerPoint format and each group participant will present a part of the presentation, although all members should be familiar with the whole topic. The presentation should not last more than 15 minutes and will be followed by a Q&A session. Of utmost importance is to illustrate the theoretical arguments with real-life financial examples.

Participation

Participation is valued as meaningful contribution in the digital and tangible classroom, utilizing the resources and materials presented to students as part of the course. Meaningful contribution requires students to be prepared in advance of each class session and to have regular attendance. Students must clearly demonstrate they have engaged with the materials as directed, for example, through classroom discussions, online discussion boards, peer-to-peer feedback (after presentations), interaction with guest speakers, and attentiveness on co-curricular and outside-of-classroom activities.

In one session of every week all students will submit a short writing of 10 lines making a brief summary of a financial news of global importance taken from one global financial newspaper (e.g.: Financial Times, or the Financial section of a global general newspaper), and give one short oral explanation why he/she views the importance of the chosen news, and the criteria will be how close to the course current discussions is the news connected. This is considered participation evaluation. At the end of the semester the student will have to have 6 financial news briefings, that will count for the 20% overall evaluations.

Attendance Policy

Regular class attendance is required throughout the program, and all unexcused absences will result in a lower participation grade for any affected CIEE course. Due to the intensive schedules for Open Campus and Short Term programs, unexcused absences that constitute more than 10% of the total course will result in a written warning.

Students who transfer from one CIEE class to another during the add/drop period will not be considered absent from the first session(s) of their new class, provided they were marked present for the first session(s) of their original class. Otherwise, the absence(s) from the original class carry over to the new class and count against the grade in that class.

For CIEE classes, excessively tardy (over 15 minutes late) students must be marked absent. Attendance policies also apply to any required co-curricular class excursion or event, as well as to Internship, Service Learning, or required field placement. Students who miss class for personal travel, including unforeseen delays that arise as a result of personal travel, will be marked as absent and unexcused. No make-up or re-sit opportunity will be provided.

Attendance policies also apply to any required class excursion, with the exception that some class excursions cannot accommodate any tardiness, and students risk being marked as absent if they fail to be



Weekly Schedule

NOTE: this schedule is subject to change at the discretion of the instructor to take advantage of current experiential learning opportunities.

Week 1 Introduction to course program. Introduction to International Finance

Class 1.1 Introduction to the course. Syllabus will be presented and reviewed, with emphasis on assessment methods and course requirements.

Readings:
International Finance Course Syllabus

Class 1.2 An introduction to international finance. The 2008 financial crisis and its consequences for the country of study. Visit to a local branch of an internationally active bank.

Readings:
Madura, J., *International Financial Management, Canada*, Cengage, 2010
(Specific chapters TBD)

Week 2 Foreign Exchange Markets

During this week students will learn the fundamentals of foreign exchange markets: from the record of the economic transactions between the residents of the country and the rest of the world in a particular period (the balance of payments), to the most critical notions about financial assets and currencies. Following up the recent Asian turmoil, students will learn more about the Chinese context and relate it to the stability of the Latin American markets.

Class 2.1 The balance of payments.

Class 2.2 Financial assets and currencies, monetary assets, interest rates and forex intervention

Class 2.3 The case of the Chinese currency will be the prime example as it relates to forex in the international context.

Readings:
Krugman, P., Obstfeld, M., Melits, M., *International Economics: Theory and Policy*, Pearson Addison-Wesley, 2011
Assignment due: Written Assignment I

Week 3 International Capital Markets



- Class 3.1 The credit and money markets
- Class 3.2 Equities and bonds and portfolio investment in the international environment
- Class 3.3 The emerging markets and China. The cases of Brazil and Chile (Visit to headquarters of *El Financiero* newspaper in Santiago).

Readings:
Madura (2010)
Krugman, Obstfeld and Melitz (2011)

Week 4 Financial Risk Management

- Class 4.1 Hedging strategies against risk exposure
- Class 4.2 Forecasting exchange rates and forex in the context of international trade
- Class 4.3 Overall considerations on managing monetary and financial exchanges

Readings:
Madura (2010)
Grath (2013)
Assignment due: Written Assignment II

Week 5 Decision-making Strategies in International Finance

This week students will become acquainted with the strategic decisions regarding short- and long-term investments, both in terms of portfolio as well as foreign direct investments. An international overview of the central banks will help students to identify the differences among countries and to understand why those differences exist.

- Class 5.1 Financing for short- and long-term investments (portfolio as well as foreign direct investment)
- Class 5.2 The role of central banks. A comparison of IMF and its role in Latin America, and the US Treasury.
- Class 5.3 Individual central bank cases: Chile, Argentina and Brazil

Readings:
Grath (2013)

Week 6 Conclusions and Review: An Ethical Viewpoint



- Class 6.1 Regulatory and ethical environment in Latin America financial leadership. Cases of lack of transparency.
- Class 6.2 Final exam
- Class 6.3 Oral presentations and conclusions
Readings:
Madura (2010)

Course Materials

Readings

Grath, A., *The Handbook of International Trade and Finance*, Philadelphia, PA, Koganpage Publishers, 2013

International Monetary Fund Policy Paper. Financial Integration in Latin America, March 30th, 2016

Krugman, P., Obstfeld, M., Melitz, M., *International Economics: Theory and Policy*, Pearson Addison-Wesley, 2011

Madura, J., *International Financial Management*, Canada, Cengage, 2010

Online Resources

International New York Times: Clouds seen in regulators' crystal ball for banks

<http://www.nytimes.com/2013/01/11/business/economy/models-for-financial-risk-are-still-seen-as-flawed.html?pagewanted=all&module=Search&mabReward=relbias%3Aw%2C%7B%22%22%3A%22RI%3A13%22%7D&r=0>

Market Psych: Sentiment Data in the Foreign Exchange Markets:

<http://thomsonreuters.com/articles/2013/marketpsych-sentiment-data-in-fx-markets>

Further reading materials will be assigned on a week-by-week basis.

Professor will provide a complete list of complementary readings, media sources and articles published in national and international media in order to stimulate class debates and activities.