



CIEE Global Institute – Berlin

Course name:	International Finance
Course number:	(GI) BUSI 3001 BRGE
Programs offering course:	Berlin Open Campus, Berlin Global Architecture and Design, Berlin Global Internship
Open Campus Track:	Business
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, the European debt crisis, and the specific economic challenges to which individual EU 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 – as developed by the EU, and the U.S., will be assessed and critically analyzed.

Learning Objectives

The learning objectives of this course include:

- To gain an understanding of basic financial concepts and their application to the very intricate web of international economic and financial transactions.
- To deepen the understanding of the determinants of international financial transactions and their consequences in the present-world economic and financial order.
- To comprehend the decisions taken by various agents (governments, multinational corporations, public and private banks) and how these interact in the international financial markets.
- To learn how to read and analyze economic and market indicators for a better understanding of the world panorama of economics and finance.
- To understand and apply these criteria to financial decisions taken within multinational corporations for effective governance and risk management.



- To gain greater knowledge of financial instruments such as stocks, bonds, and derivatives along with financing methods such as asset-backed securitization, venture capital and private equity.

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 class material among themselves and with the instructor. A summary highlighting important aspects of the required readings is due each session and appraised as an element of class participation. PowerPoint presentations, including short video clips, will be used by the instructor to introduce the material. Required readings will be assigned in advance to allow students to read in advance, digest and prepare questions for more and interactive classroom discussion.

Debates on current events in the area of International Finance will be held. Theoretical instruction will be mixed with topical case studies presented by the students. The list of online references at the end of the syllabus includes web sites on financial information that should be consulted 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 regularly for in-class discussion.

Assessment and Final Grade

1. Midterm exam:	20%
2. Final exam:	20%
3. Two summary papers:	20%
4. Group presentation:	20%
5. Participation:	20%
TOTAL:	100%

Course Requirements

Examinations

The 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. Likewise, the final examination will cover all the course material for a similar examination.

Summary Papers

The two summary papers are due one week following class excursions to a company or government agency. These should be 750 words in length and should include a brief summary of the visit and your thoughts on issues in International Finance raised at the meeting. Alternatively, you may submit a report on a self-organized interview with a local company or bank that is international in its operations. Banks you may wish to consider meeting include Commerzbank, Berliner Sparkasse, Berliner Volksbank, Deutsche Bank, Weberbank, IBB. The interview should include the topic of German corporate governance and the extent such differs from the US approach.

Nuggets and Market Reports

The nuggets on the course readings should highlight two items of note in the chapter and include a brief overview of recent developments in the financial markets such as IPOs, new bond issues or shifts in currency markets. These papers of no more than 400 words in length and will be discussed in class.

Group Presentation

The in-class presentation will be delivered by the students in groups of 2 students. The topics for the group presentation will be assigned to the students on the second day of class, as case studies (see end of document). The presentation should be in PowerPoint format and each group participant will present a part of the presentation, although both members should be familiar with the whole topic. The presentation should not last more than 20 minutes and will be followed by a Q&A session. Of utmost importance is to apply international financial theory to the real-life cases involved.

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. Students are also expected to prepare 3 – 5 questions to ask guest speakers in class and during business visits. Questions should be submitted via Canvas beforehand.

Participation includes the regular submission of brief summaries of the course readings. These “nuggets” should highlight two items of note in the chapter and include a brief overview of recent developments in the financial markets such as IPOs, new bond issues or shifts in currency markets. These papers of no more than 400 words in length and will be discussed in class.

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 present at the appointed time.

Unexcused absences will lead to the following penalties:

<i>Percentage of Total Course Hours Missed</i>	<i>Equivalent Number of Open Campus Semester classes</i>	<i>Minimum Penalty</i>
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Up to 10%	1 content classes, or up to 2 language classes	Participation graded as per class requirements
10 – 20%	2 content classes, or 3-4 language classes	Participation graded as per class requirements; written warning
More than 20%	3 content classes, or 5 language classes	Automatic course failure , and possible expulsion

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 International Finance

Class 1:1 The main purpose of the course will be covered this session. General terms of international finance will be discussed and introduced. Special attention will be placed on Germany and its form of corporate governance.

Reading:
Madura 2014, Chapter 1

Week 2 International Financial Markets

This week will focus on the balance of payments as a record of international money flows and the international financial markets, the crux of this course. We will cover the international foreign exchange markets, money and credit markets, as well as bond and stock markets, in the context of international business financing and portfolio investment.

Class 2:1 Topics: German Corporate Governance, the European Debt Crisis, and the Global Financial Crisis of 2018

Reading:

Madura 2014, Chapters 2 and 3, Appendix 111-15;

Submission of forecasts for the Dow Jones Industrial, DAX 30, USD/EUR and 10-year yields for US & German government bonds

Class 2:2 Site Visit to the German Federal Bank (*Deutsche Bundesbank*),
Leibnizstrasse 10, 10625 Berlin

Reading:

Madura 2014, Chapter 4

Week 3 Foreign Exchange Markets

The valuation of foreign shares, and the factors affecting the equilibrium exchange rates will be covered this week with an introduction to currency derivatives. Hedging strategies against risk exposure, will be introduced and explained. Spot and forward exchange rates as well as governmental forex intervention will be presented. In addition, the role of central banks, comparing especially the European Central Bank and the US Fed, will be presented as prime examples of the most important players in forex intervention.

Class 3:1 Site Visit to German Ministry of Finance,
Wilhelmstrasse 97, 10117 Berlin

Reading:

Madura 2014, Chapter 5

Due date for submission of excursion summary

Class 3:2 Topic: What can be done about trade deficits?

Reading:

Madura 2014, Chapter 6

Week 4 Financial Risk Management

Forecasting exchange rates and forex in the context of international trade will expand the further understanding of why managing exposure to financial risk is so important in managing these monetary and financial exchanges.

Class 4:1 **Midterm Exam**

Due date for submission of excursion summary

Class 4:2 Topics: Effect of co-determination and market regulation on companies in Germany, Currency Derivatives in Foreign Exchange Management, Forex Management. Case Study Daimler AG

Reading:
Madura 2014, Chapter 9.

Class 4:3 Guest Lecture: Daimler AG Forex Department

Reading:
Madura 2014, Chapter 10

Week 5 Measuring Exposure to Exchange Rate Fluctuations and Decision-making Strategies in International Finance

Three main types of currency exposure will be introduced. Under the topic of long-term asset and liability management, the debt maturity decision and the fixed versus floating rate decision will be covered with an explanation of hedging instruments such as interest rate swaps.

Class 5:1 Topics: Debt Funding Strategy. Case Study Deutsche Bahn, Venture Capital in Europe

Reading:

Madura 2014, Chapter 15;

Class 5:2 Site Visit to Deutsche Bahn (German Railway) Treasury Department

Due date for submission of guest-lecture summary

Week 6 Conclusions and Review: An Ethical Viewpoint

An integral review of all information given during the course will be summarized and put into context. Examples of big investment banks and insurance companies (Goldman Sachs, JP Morgan, HSBC among others) will be given as illustrative examples of how the drive to profit from the lucrative securitization business led to an erosion of lending standards and the worst recession since 1928. These practices will be contextualized in comparison to the green movement and Islamic finance.

Class 6:1 Topics: Pfizer, Shareholder Value and Corporate Responsibility; The Paradise Papers. What is all the fuss? Historical influences on German monetary and fiscal policy; Impact of Brexit on Capital Budgeting Decisions

Reading:
Madura 2014, Chapter 16;

Class 6:2 **Final Exam**

Summary due on visit with Deutsche Bahn

Readings

Grath, Anders. *The Handbook of International Trade and Finance: The Complete Guide for International Sales, Finance, Shipping and Administration*. Kogan Page. 2013. Print.

_____. *The Handbook of International Trade and Finance: The Complete Guide to Risk Management, International Payments and Currency Management, Bonds and Guarantees, Credit Insurance and Trade Finance*. Kogan Page. 2008. Print.

Krugman, Paul, Obstfeld, Maurice and Melitz, Marc. *International Economics: Theory and Policy*. Prentice Hall, 9/e, 2011. Print.

Madura, Jeffrey. *International Finance Management*. Cengage Learning. 2014. Print.

Online Resources

Bank for International Settlements, *The Global Financial Crisis*, 79th Annual Report, June 2009, Timeline of Events, Pages 18, 19. <http://www.bis.org/publ/arpdf/ar2009e2.pdf>

Krugman, Paul. Did The Fed Save The World? *New York Times*, Op-Ed, October 7, 2015. <http://krugman.blogs.nytimes.com/2015/10/07/did-the-fed-save-the-world/>

Thomson Reuters: MarketPsych: Sentiment Data in the Foreign Exchange Markets.

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

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

Economist: Watching the wages.

<http://www.economist.com/news/europe/21614178-germanys-economy-stutters-even-if-fundamentals-are-strong-watching-wages?zid=295&ah=0bca374e65f2354d553956ea65f756e0>

Economist: The Libor scandal, the rotten heart of finance.

<http://www.economist.com/node/21558281>

For international finance, a myriad of websites to consult and get data are available. The main and most influential include:

Bloomberg. <http://www.bloomberg.com/>

Financial Times. <http://www.ft.com/>

International Monetary Fund. <http://www.imf.org/external/index.htm>

Organization for Economic Cooperation and Development. <http://www.oecd.org/>

Reuters. <http://www.reuters.com/>

The Economist. <http://www.economist.com/economics>

World Bank Group. <http://www.worldbank.org/>

Links to German financial institutions / banks:

German Ministry of Finance. <http://www.bundesfinanzministerium.de/Web/EN/Home/home.html>

Berliner Sparkasse. www.berliner-sparkasse.de

Commerzbank. www.commerzbank.de

Deutsche Bank. www.deutsche-bank.de



IBB. www.ibb.de

Postbank. www.postbank.de

Weberbank. www.banking.weberbank.de/portal/portal/Starten

Harvard Business Case Studies:

Basel II: Assessing the Default and Loss Characteristics of Project Finance Loans (A)

BlueOrchard Finance: Connecting Microfinance to Capital Markets

Ethics in Finance

Government Policy and Clean-Energy Finance

Santander Consumer Finance