



DEPARTMENT OF INTERNATIONAL BUSINESS

COURSE NUMBER: IBUS 175 Section 10

COURSE TITLE: International Monetary and Financial Issues

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COURSE MEETING TIME: Tuesdays and Thursdays at 3.45-5.00, Duques 152

WEBPAGE: Obtain course materials at <http://www.blackboard.gwu.edu/>

OFFICE HOURS: Tuesdays and Thursdays at 1.30-3.30 pm
And by appointment.

COURSE DESCRIPTION:

The objective of this course is to introduce participants to some of the important current issues in international economics and finance. This course extends the principles of investment analysis and financial management to the international environment. The goal is to provide a framework for making financial decisions in an international context. Students will be exposed to a broad range of topics in international finance to provide the necessary background to make in-class presentations on current topics.

Is this course right for you?

Note that this is not a required course for international business or finance majors. Previous students describe the course as intellectually demanding, but fun and rewarding with a heavy workload. This is effectively a third-level course in finance—it builds on the material and concepts covered in IBUS 160 and 171. The goal of the course is to advance you toward your goal of beginning a career or winning a place in graduate school. This is **not** the course for you if you are looking for a “hot topic” course or a fast-track way to make money in the markets.

PREREQUISITES:

- IBUS 171 is a formal prerequisite for this course.
- If you are shaky on topics such as: discounted cash flows and net present value, calculating risk and returns, and the basics of statistics (mean, variance, correlations, random variables, and regression analysis), dust off your old notebooks **now** and get yourself up to speed with this material. You should also be comfortable with Excel.

REQUIRED READING:

- 1) Eun, Cheol S., and Bruce G. Resnick. International Financial Management. Irwin, McGraw-Hill. 4th edition.
- 2) Any handouts distributed in class.

All students are expected to read the material assigned prior to the beginning of class.

EVALUATION:

Globalization Report	15 %
Midterm Exam	15 %
HPI Case in groups	15 %
Nestle Case in groups	15 %
Hutchison Whampoa Case in groups	10 %
Group Project & Presentation	15 %
Participation	15 %
TOTAL	100 %

Final grades

Grade	Total points	Grade	Total Points
A	93.00-100.00	C	73.00-76.99
A-	90.00-92.99	C-	70.00-72.99
B+	87.00-89.99	D+	67.00-69.99
B	83.00-86.99	D	63.00-66.99
B-	80.00-82.99	D-	60.00-62.99
C+	77.00-79.99	F	00.00-59.99

EXAMS:

The midterm and final exams will consist of short answer questions including problems. The exams will cover material from lectures, assigned readings, and the cases. Exams will strive to test comprehension and not merely memorization skills.

TIMING:

Please make note of the examinations, reports, and case analysis dates. If you have any conflict with those dates, drop the course now. Absentees receive a grade of zero for items missed.

TEAM PROJECT/PRESENTATION AND CASE WRITE-UPS:

You should form groups of 3-4 students for the team project and case studies. You will not be allowed to work alone under any circumstances, so please plan accordingly. Please submit your groups to me by *October 3rd*. To align incentives, group members will be given the opportunity to grade each other. Based on these peer evaluations your group project grades maybe reduced by 10-100%. We will discuss 3 major case studies and several smaller case studies in the course of the semester. **Attendance is mandatory for all students on the days a case is discussed**, and late papers will not be accepted.

You can obtain a copy of the cases from www.study.net. You must register as a student with Study.net. Set up your login name and password, login, and pay for the material before accessing it. The articles may be downloaded from the Lexis-Nexis databases available on Aladin.

PARTICIPATION:

- Your participation grade will depend on the quantity of your participation and most of all, the quality of your participation. Class participation will also factor into grading positively in the event that a student is on the border between grades. In a similar fashion, repeated breaches of classroom etiquette could negatively impact a student on the border; constant tardiness or other disruptive behavior is unacceptable.
- Lectures exceed the scope of the textbook. Therefore, attendance is important. You are responsible for all announcements made in class. I will teach under the assumption that students have read the assigned readings for each class.

OTHER POLICIES:

Appeals

Grading errors should be corrected. Appeals must be in writing, within 1 week after the graded work is returned—not the date you first look at it. The appeal should include a description of the question(s) that need to be reexamined as well as an explanation of why the original grade was incorrect. In general, the entire document will be checked for grading errors, and correcting these could either raise or lower the overall score.

Academic misconduct

It causes failing the course and triggers quite unpleasant university-mandated procedures, which result in further sanctions. Academic misconduct includes, but is not limited to, giving or receiving information during an exam and submitting plagiarized work for academic requirements.

Tentative Course schedule

Lecture	Subject	Assignment	Date
1	Introduction	Read Syllabus	5-Sep
2	Globalization	Chapter 1	7-Sep
3	International Trade	Chapter 1	12-Sep
4	International Trade		14-Sep
5	Role of the IMF/World Bank	Chapter 2; Life & Debt	19-Sep
6	Life and Debt Video		21-Sep
7	IMF Video		26-Sep
8	Discuss articles		28-Sep
9	India and China		3-Oct
10	Country/Political Risk	Hand in Globalization paper	5-Oct
11	Country/Political Risk	Case Study	10-Oct
12	International Equity Markets	Chapters 13 & 15	12-Oct
13	International Diversification		17-Oct
14	Cross-border Mergers and Acquisitions		19-Oct
15	MIDTERM EXAM		24-Oct
16	Corporate Governance	Chapter 4	26-Oct
17	Corporate Governance		31-Oct
18	Ownership Structure		2-Nov
19	Ownership Structure	Case Study	7-Nov
20	Strategic Alliances	Case Study	9-Nov
21	Privatization		14-Nov
22	ADRs	Chapter 13	16-Nov
23	Privatization/ Raising Equity Capital	Case Study, Report due	21-Nov
24	Thanksgiving Holiday		23-Nov
25	Raising Debt Capital	Chapter 12	28-Nov
26	Raising Debt Capital	Case Study, Report due	30-Nov
27	<i>Team Presentations</i>		5-Dec
28	<i>Team Presentations</i>		7-Dec

Lecture	Date	Assignments
1	5-Sep	<ul style="list-style-type: none"> • Read Syllabus
2	7-Sep	<ul style="list-style-type: none"> • Chapter 1 • “Liberty’s great advance” The Economist, June 2003
3	12-Sep	<ul style="list-style-type: none"> • Chapter 1 • Note on Comparative Advantage, Harvard Business School # 9-387-023 • Note on Sources of Comparative Advantage, Harvard Business School # 9-387-024 • “New” Theories of International Trade, Harvard Business School # 9-390-001 • “Fifty Years On” The Economist, May 1998 • “Trade disputes; Economic focus” The Economist, September 2004 • “Weighed in the balance; Global trade” The Economist, December 2005
4	14-Sep	<ul style="list-style-type: none"> • See previous lecture • Hand in Groups • “Now Harvest it” The Economist, August 2004 • “The remote future” The Economist, February 2004 • “Is it China’s fault?” Business Week, October 2003 • “Offshoring service jobs: Bane or boon and what to do?” Brookings Institution Policy Brief # 132, by L. Brainard and R. E. Litan. http://www.brook.edu/comm/policybriefs/pb132.htm
5	19-Sep	<ul style="list-style-type: none"> • Chapter 2; Life and Debt Video • Check out the following websites: <ul style="list-style-type: none"> ○ www.worldbank.org ○ www.imf.org • Answer the following questions: <ul style="list-style-type: none"> ○ How do the web pages of the IMF and the World Bank describe the mission, purpose, and goals of each organization? ○ How do the web pages describe the activities of each organization? ○ What do the web pages tell you about the successes achieved and challenges faced by each organization?
6	21-Sep	<ul style="list-style-type: none"> • See previous lecture; Life and Debt Video • “Globalization and its Discontents” The Fourth Annual JAMA Lecture, by Joseph Stiglitz, Nobel Economic Laureate (2001) • “More marches, a growing backlash; Immigration policy” The Economist, May 2006
7	26-Sep	<ul style="list-style-type: none"> • IMF Video
8	28-Sep	<ul style="list-style-type: none"> • “Global Finance Survey (7 articles)” The Economist, January 1999 • “Not even a cat to rescue; Reshaping the IMF” The Economist, April

		2006
9	3-Oct	<ul style="list-style-type: none"> • “The tiger in front: A survey of India and China (7 articles)” The Economist, March 2005 • “Putting up the barricades; China-bashing and trade” The Economist, April 2005
10	5-Oct	<ul style="list-style-type: none"> • “Managing Risk in an Unstable World” by Ian Bremmer, Harvard Business Review • Hand in Report on the “Pros and Cons of Globalization” (5 pages double spaced). <ul style="list-style-type: none"> ○ Include the role of the IMF and the World Bank – how are their activities useful in promoting/impeding globalization? ○ Focus on a macro-economic perspective. Look at the evidence on the positive and the negative impacts of globalization and take a position. Use the assigned readings/videos/lecture notes as well as additional material to defend your position.
11	10-Oct	<ul style="list-style-type: none"> • Petrolera Zuata, Petrozuata C. A. (answer the following questions) <ul style="list-style-type: none"> ○ Examine the operating risks the project faces ○ Examine the financial risks the project faces ○ Consider the sources of debt financing and the advantages and disadvantages bilateral and multilateral development agencies and the services they provide ○ How would you rate Petrozuata’s bonds?
12	12-Oct	<ul style="list-style-type: none"> • Chapters 13 & 15 • “How Do Stock Returns React to Special Events?” by Robert Schweitzer, <u>Business Review</u>, Federal Reserve Bank of Philadelphia, July-August 1989
13	17-Oct	<ul style="list-style-type: none"> • “Corporate Diversification Maybe Okay After All” by Robert F. Bruner, Batten Briefings, University of Virginia • Note on Diversification as a Strategy, Harvard Business School # 9-382-129
14	19-Oct	<ul style="list-style-type: none"> • See lecture notes • Note on Mergers and Acquisitions and Valuation, Ivey # 95-B023 • “The dubious logic of global mega mergers” by Pankaj Ghemawat and Fariborz Ghadar, HBR, August 2000
15	24-Oct	<ul style="list-style-type: none"> • Exam
16	26-Oct	<ul style="list-style-type: none"> • Chapter 4
17	31-Oct	<ul style="list-style-type: none"> • See previous lecture
18	2-Nov	<ul style="list-style-type: none"> • “Is American Corporate Governance Fatally Flawed?” by Merton Miller, Journal of Applied Corporate Finance, Winter 1994, 32-39. • “Pigs, Pay, and Power” The Economist, June 2003 • “Beyond Shareholder Value” The Economist, June 2003
19	7-Nov	<ul style="list-style-type: none"> • Perrier, Nestle, and Agnelli • Hand in Case Study (5 pages double spaced) <ul style="list-style-type: none"> ○ Why have the Agnelli’s targeted Perrier? Why is Perrier a

		<p>target for Nestle? How would you characterize the two bidders? How does the Agnelli alliance stack up against that of the Nestle/BSN forces?</p> <ul style="list-style-type: none"> ○ There are various parties involved in the battle for corporate control for Perrier. In your judgment, and based on the case facts, who are the insiders and who are the outsiders in the French corporate system? ○ Suppose the two court decisions turn out in Nestle's favor. How will this affect the shareholdings of the Agnellis and their allies? Has Nestle won the battle? Why or why not? What likely outcomes do you anticipate with respect to the EU antitrust case against Nestle? ○ What are some of the similarities and differences in the Anglo-American and French markets for corporate control (see Exhibit 9)?
20	9-Nov	<ul style="list-style-type: none"> • Bang and Olufsen • Discuss Case Study and answer the following questions: <ul style="list-style-type: none"> ○ Analyze the steps that should be taken by the partners to gain the synergies that were expected. ○ Over how long a time period do you anticipate these steps will take before the results become recognized in B&O's share price? • Many strategic alliances are unstable. Do you believe that this one will probably end in a voluntary sale of the rest of B&O to Philips, continue as a viable alliance, or split up?
21	14-Nov	<ul style="list-style-type: none"> • "Why privatization is not enough" by Kevin R. McDonald, Harvard Business School # 93308
22	16-Nov	<ul style="list-style-type: none"> • Chapter 13
23	21-Nov	<ul style="list-style-type: none"> • Huaneng Power International Inc., Ivey 9A98N001 • Hand in Case Study (5 pages double spaced) <ul style="list-style-type: none"> ○ Provide an "analysis" of the PRC, the power industry, key success factors, and HPI's strengths and weaknesses. (<i>Don't just repeat the facts from the case</i>) ○ Is this the right time for HPI to raise capital overseas, and will foreign investors be interested in investing in this company? ○ Are there other alternatives that HPI should have considered to listing and raising equity in the U.S.? ○ What criteria are important in determining the value of HPI's stock?
24	23-Nov	<ul style="list-style-type: none"> • Thanksgiving
25	28-Nov	<ul style="list-style-type: none"> • Chapter 12
26	30-Nov	<ul style="list-style-type: none"> • Hutchison Whampoa • Hand in Case Study (5 pages double spaced) : <ul style="list-style-type: none"> ○ Assess Hutchison Whampoa's financing strategy prior to June 1997.

		<ul style="list-style-type: none"> ○ What advantages do the financial markets outside of Hong Kong provide as sources of capital for Hutchison Whampoa? What are the disadvantages of financing abroad? ○ What are the advantages and disadvantages of issuing the Yankee bond for Hutchison Whampoa? How would you estimate a possible yield of the bonds to be issued?
27	5-Dec	<ul style="list-style-type: none"> • Hand in Group Project (5 pages double spaced)
28	7-Dec	<ul style="list-style-type: none"> • <i>None</i>