

Course Code: ECON-429**Course Title: International Finance****Credit Hours: 3****Pre-requisite(s): Microeconomics, Macroeconomics, International Trade****Course Objectives:**

This course deals with the analysis of three important and related macroeconomics issues in open economies: exchange rates, capital flows and financial crises. The objectives of the course are two-fold: to introduce and critically evaluate the main relevant economic theories, models and empirical works in these three key areas of International Finance; and to apply these analytical tools to build an understanding of relevant economic developments and policy issues in the global markets. The basic tenets of international finance are presented through a core textbook, assigned readings and online lectures.

Lecture Outcomes:

By the completion of the course, students should be able to:

- Understand the basic concepts of international finance, such as interest rates, exchange rates, balance of payments.
- They should get a sense of how trade has an impact on the financial outcomes of the country.

Course Contents:

Introduction and Basic Terminology	Introduction of International Finance; International Financial Markets: The basis of the foreign exchange market; Organization of the market; Exchange rate systems (Foreign Exchange Rates (FER), Real, Nominal, and Effective Rates. Fixed and Floating exchange rates, Determinants of Foreign Exchange Rate)
Interest and Exchange Rates	Dynamic Theory of Interest and Exchange Rate, The Theory of Spot Exchange Rate Determination, Capital Flow and Speculations, Forward Exchange Market, Interest Arbitrage, Interest Parity Theory, Speculators, Hedgers and Traders, Forward Exchange Rate Policy
Balance of Payment	<p>Purchasing Power Parity (PPP): Non-Trade Goods, Balance of Payment Effect. Test of Exchange Rate Instability. Impacts of FER. Rate Instability. BOP: Income Absorption Approach to BOP Elasticities of Exports and Imports and Impact on BOP. The Optimum Quantity of Reserves, Optimum Interest Rate. The Marshall-Lerner Conditions.</p> <p>Disequilibria in balance of payments of corrective measures; Price Adjustment Mechanism; The partial equilibrium model; Price elasticities of demand for imports and exports; The J-Curve Effect</p>
International Financial Institutions	Introduction of International Institutions, Role and Major Activities of IMF. IMF Credit Facilities. Loan Mechanism, Value of SDRs. Euro-Dollar, Dollar Exchange and Impacts. Role of IMF in BOP Support and Stabilization. WTO: GATT and Emergency of WTO. Liberalization and BOP; Special Status of Developing Countries
Risk and Return	Facts on International Capital Flow: ASEAN Crisis and Role of International Institution and Criticism. Motive for Capital Movement: Return and Risk Diversification. Why disagreement on International Movement of Labor? Welfare Impacts of Labor Movements. Factors of Production and Price Equalization Issues
Further Topics	Major Trade Rules and Their Expected Impacts on Trade, BOP Deficit. WTO and Fair Trade / Free Trade. Free Trade will it be? Issue of "Are Free Trade Gains more than Restricted Trade"? Emerging Regional Trading, Blocks, Special Preference and their

	Impacts. Issues relating to the Contributions of International Financial Institutions and Their Evaluations.
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Teaching Methodology:

- To deliver lectures on topics included in course outline
- To require each student to solve independent assignments on topics included in the course.

Evaluation Criteria:

Evaluation Method	
Quizzes/Assignments	
Mid-Term Exam	
Final-Term Exam	

Recommended Books

- International Finance: Theory and Policy by Steve Suranovic, Latest Edition
- International Trade Theory and Policy by Chacholiades, Miltiades, Latest Edition
- International Economics by Donomick Salvatore, Latest edition.
- International Economics: Theory and Policy by Paul R. Krugman and Maurice Obstfeld, Latest edition.
- World Trade and Payments. An Introduction by Richard E. Caves ,Jeffrey A. Frankel, Ronald W. Jones. Latest edition.