



GRADUATE PROGRAMME IN ECONOMICS
FAKULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS INDONESIA

SYLLABUS
INTERNATIONAL FINANCE AND TRADE
ECES800201
1st Semester 2020/2021

Lecturers

No.	Name	Class Group	Class Schedule
1	Sugiharso Safuan, Ph.D/ Kiki Verico, Ph.D	Reguler	Thursday, 11.00 – 13.00

Subject Code	ECES800201
Subject Title	EKONOMI KEUANGAN INTERNASIONAL
Credit Value	3
Year/Semester	I/1
Subject Type	Compulsory
Pre-requisite/ Co-requisite/ Exclusion	Intermediate Microeconomics, Intermediate Macroeconomics, Mathematical for Economics
Role and Purposes	<p>This course is intended to provide the theory and empirics of international money and finance, including an overview of the role of financial Institutions and their instruments are able to play in the global economy. The objective is to understand how the theory can help to explain open macroeconomy phenomenon of the real world. The course will begin with a review on basic concepts of international finance and techniques as applied to a global setting</p> <p>The next are devoted to discuss with the international financial policy and issues, including analysis of the balance of payments, theory and exchange rate policy regime, monetary and fiscal policy responses in an open economy, foreign exchange systems and policies of capital flows between countries as well as international aspects of economic performance. The discussion focused on the deepening of theoretical and empirical studies in various countries</p> <p>This course are divided into two parts :</p> <ol style="list-style-type: none"> 1. First Part discuss with a Basic Concepts of Exchange Rate and Open Economy Macroeconomics. 2. Second Part discuss with International Macroeconomic Policy and Issues <p>The course is to familiarize the student with the growing global economy and how the economic futures of the nations of the world are intertwined.</p> <p>The combinations of graphs and mathematical approaches are essential in understanding and explaining the interaction between monetary aggregates and other macroeconomic variables.</p> <p>Student questions and comments are encouraged.</p>

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Subject Learning Outcomes	<p>Terminal Learning Outcome (competence):</p> <p>After attending this course, students are able to distinguish and relate the theory and concept of modern international financial economy with international financial economic issues in real life(C4, A3).</p> <p><u>Competencies (Terminal Objectives)</u></p> <p>After following the lectures the students should be able to:</p> <ol style="list-style-type: none">1. Understand and explaining the exchange rate theory and model and their relation with Balance of Payment Dynamic in the context of Open Economy Macroeconomics2. Apply the exchange rate and BOP theory in empirical model3. Analyze capital flows mobility in terms of causes, dynamics, and consequences4. Analyze the cause of global financial relations, international financial systems, interdependence and contagion, global imbalances, global financial crises, and global financial cycle <p>Supporting Learning Outcomes (Sub-competence):</p> <p>AACSB Learning Goal (LG) and Learning Objective (LO)</p> <ul style="list-style-type: none">• LG GLOBAL AWARENESS: Students have global perspectives Students demonstrate awareness of global societal environment and its relationship to local society.<ul style="list-style-type: none">◦ LO 1: 2.1. Students are able to position global issues as contextual factors in conducting their academic works.• LG General Knowledge of Economics: Students have relevant knowledge of theories and current development in economic theories and economics related field<ul style="list-style-type: none">◦ LO 1: Students are able to analyse and to evaluate relevant economic theories and empirical methodology for their research. <p>Trait 1 Able to choose evaluate relevant International money and finance, open economy macroeconomic theories to analyze economic problems.</p>												
Subject Synopsis/ Indicative Syllabus	<table><tr><th>Topics</th><th>Sub-Topics (NOUN)</th><th>Reference</th></tr><tr><td colspan="2">Part I : Basic Concepts of Exchange Rate and Open Economy</td><td></td></tr><tr><td colspan="2">Overview : Some basic relations and gives some institutional background on international financial markets, national income and balance of payments accounts and central bank operations.</td><td></td></tr><tr><td>1. Exchange Rate, Foreign Exchange Rate Market, Currency Derivative</td><td>1 Market Institutions and Exchange Rates 1.1 The Markets for Foreign Exchange 1.2 Characteristics, Activities and Players 2 The Exchange Rates 2.1 The Spot Exchange Rate 2.2 The Forward Exchange Rate</td><td></td></tr></table>	Topics	Sub-Topics (NOUN)	Reference	Part I : Basic Concepts of Exchange Rate and Open Economy			Overview : Some basic relations and gives some institutional background on international financial markets, national income and balance of payments accounts and central bank operations.			1. Exchange Rate, Foreign Exchange Rate Market, Currency Derivative	1 Market Institutions and Exchange Rates 1.1 The Markets for Foreign Exchange 1.2 Characteristics, Activities and Players 2 The Exchange Rates 2.1 The Spot Exchange Rate 2.2 The Forward Exchange Rate	
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		&Option Market	<p>2.3 Nominal, Real and Effective Exchange Rates .</p> <p>3 Currency Derivatives and Options Markets</p> <p>3.1 Futures</p> <p>3.2 Options</p> <p>3.3 Swaps.</p> <p>4. Some Fundamental International Parity Conditions</p> <p>4.1 The Purchasing Power Parity Principle</p> <p>4.2 The Interest Parity</p> <p>Uncovered Interest Parity</p> <p>Covered Interest Parity</p>	
		2. The Theory of exchange Rates : Traditional Approach	<p>5. Exchange Rate and Balance of Payments</p> <p>6.1 Introduction</p> <p>6.2 The Elasticity Approach</p> <p>6.3 The Absorption Approach</p> <p>6.4 The Multiplier Approach</p> <p>6.5 The Interest Rates and the Capital Account</p>	
		3. The Theory of Exchange Rates II: Modern Approach	<p>6. Models of Exchange Rate Determination</p> <p>6.1 Introduction</p> <p>6.2 The Monetary Model</p> <p>6.3 Sticky Prices and Exchange-Rate Overshooting: the Dornbusch Model .</p> <p>6.4 The Portfolio Balance Model</p> <p>6.4.1 The Short-Run Equilibrium</p> <p>6.4.2 The Long-Run Equilibrium</p>	
		4.Open Economy Macroeconomics	<p>7.1 Absorption and BOP</p> <p>7.2 Current Account and Capital Account Relations, Saving Investment Gap, Intertemporal Trade and Current Account</p> <p>7.3 Mundell-Fleming Model with Perfect Capital Mobility</p> <p>7.4 Mundell-Fleming Model with Imperfect Capital Mobility</p>	
		Part II : International Macroeconomic Policy And Issues		
		5. Exchange Rate Regime & Optimum Currency Area	<p>Choice of Exchange Rate Regime</p> <p>Empirical Model of Exchange Rate</p> <p>International Currencies and Currency Invoicing</p> <p>European Monetary Integration : Lesson Learned</p> <p>OCA criteria from Mundell</p> <p>OCA Index</p>	
		6.Capital Flows Mobility	<ul style="list-style-type: none"> • Impossible trinity • Capital flows and its determinants • Capital flows surge and sudden stop • Capital flows management • FDI versus Portfolio Investment 	

			<ul style="list-style-type: none"> • Globalization, Interdependence, and Contagion 	
	7	History of International Financial System	<ul style="list-style-type: none"> • Gold Standard • Bretton Wood • Flexible Exchange Rate • 	
			MIDTERM EXAM	
Reading List and References	<p>Main Textbooks:</p> <p>[1] Obstfeld, M. dan K. Rogoff (1997), “Foundation of International Macroeconomics”, 2nd Edition, MIT Press. (OR)</p> <p>[2] Krugman, P. dan M. Obstfeld (2003), “International Economics: Theory and Policy, 5th Edition, Addison-Wesley. (KO)</p> <p>[3] Hallwood, C. (2007), “Exchange Rate Economics”, 1st Edition, Blackwell. (HM)</p> <p>[4] Mark, N. (2001), “International Macroeconomics and Finance”, Blackwell. (NM)</p> <p>[5] Persanti, Geovani, The Macroeconomic Theory Of Exchange Rate Crises (2012)</p> <p>[6] Hossain, A. and Chowdhury, A. (2001), “Open-Economy Macroeconomics for Developing Countries,” Paperback edition reprinted, Edward Elgar Publishing (HC)</p> <p>Video links:</p> <p>UIP, Hedging, Swap, Arbitrage, Speculative Motive :</p> <ol style="list-style-type: none"> 1. European Monetary Union explained https://www.youtube.com/watch?v=StZhBA7HMcQ 2. How Soros Made A Billion Dollars And Almost Broke Britain : https://www.youtube.com/watch?v=WBZnau8Px5E <p>Related to History of International Financial Architecture :</p> <ol style="list-style-type: none"> 1. Who control money ? : https://www.youtube.com/watch?v=mQUhJTxBK5mA 2. How is money created? : 3. https://www.youtube.com/watch?v=mzoX7zEZ6h4 4. <p>Teori Optimum Currency Area (OCA)</p> <ol style="list-style-type: none"> 1. History of the Euro Currency and the Eurozone https://www.youtube.com/watch?v=PdLr3ITSyns 2. https://www.youtube.com/watch?v=dyCPjJiiVB4 <p>History of Economics and Financial Crisis</p>			

	<p>1. 1929 Crisis</p> <p>https://www.youtube.com/watch?v=bCEJ65H_1XE&t=203s https://www.youtube.com/watch?v=gO42ZfCN9ug&t=7s</p> <p>2. Untold story of Financial Crisis 2008 :</p> <p>https://www.youtube.com/watch?v=QozGSS7QY_U https://www.youtube.com/watch?v=QozGSS7QY_U&t=898s</p> <p>International Financial Architecture</p> <p>Bitcoin : https://www.youtube.com/watch?v=yz8ymvqUMrU CBDC1 : https://www.youtube.com/watch?v=-D9MRkw5wOc CBDC2 : https://www.youtube.com/watch?v=vzDIeJqYPLQ</p>																		
Teaching/Learning Methodology	<p>Teaching method uses active lecturing and class discussions, in which students achieve the study objectives by discussing and completing assignment under the guidance of lecturer and tutor. There are several sessions that use collaborative learning.</p> <p>Participation: Individually, each student is required to participate actively in teaching and learning, in the form:</p> <ol style="list-style-type: none">1. Ask questions in accordance with the topic.2. Prepare yourself to answer questions.3. Discuss issues related to the topic.4. To be eligible, students must read textbooks and other materials provided. <p>Attendance: Minimum 80% of Total Lecture: A maximum of 2 (two) times absent, for no reason. Students who came 15 minutes after class begins is considered not present.</p>																		
Assessment Method in Alignment with Intended Learning Outcomes: *) Students grading) AACSB Assessment	<p>Course grades will be determined by a midterm exam, a final exam , a group presentation and an individual essay.</p> <table><tr><th>Assessment</th><th>Weight fir SIAK NG*)</th><th>Weight for AoL **)</th></tr><tr><td>Individual Essay</td><td>20%</td><td>T1</td></tr><tr><td>Group Presentation</td><td>10%</td><td>0%</td></tr><tr><td>Midterm exam</td><td>35%</td><td>50%</td></tr><tr><td>Final paper</td><td>35%</td><td>50%</td></tr><tr><td>Total</td><td>100%</td><td>100%</td></tr></table> <p>In the group presentation, each group of students is encouraged to do a presentation and discussion on a specific topic in the class. The instructor will provide a specific yet related topic that has been discussed in the class. Before conducting the presentation, they are expected to write the summary of the topic and make presentation materials (ppt files). The summary and presentation material are sent by email to the instructor.</p> <p>The final exam will cover material from the lectures after midterm exam. You are encourage to do some problem set questions and solutions throughout the class to help you to understand the material, but they will not be graded.</p>	Assessment	Weight fir SIAK NG*)	Weight for AoL **)	Individual Essay	20%	T1	Group Presentation	10%	0%	Midterm exam	35%	50%	Final paper	35%	50%	Total	100%	100%
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	Students are to inform the instructor regarding topics of their essay assignment. It is expected that the essay covers both the theoretical background and empirical testing using data of Indonesia. The essay should be submitted on the day of the final exam and limited to 20 pages.
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Details of learning methods	<p>The course is presented in an integrated form of interactive lectures, in-class discussion and problem-solving activities. Some tutorials are also provided over the course of lectures.</p> <p>The specific learning methods used in this subject are:</p> <ol style="list-style-type: none"> 1. Class Discussion 2. Lecture 3. Question Based Learning 4. Case Studies 														
Student Study Effort Expected	<table border="1"> <tr> <td colspan="2">Class Contacts:</td></tr> <tr> <td>Lectures @90 minutes (14 sessions)</td><td>21 Hours</td></tr> <tr> <td>In/out Class Assignments @30 minutes (10 sessions)</td><td>5 Hours</td></tr> <tr> <td>Others (Students Presentation/Discussions, etc) @ 30 minutes (10 sessions)</td><td>5 Hours</td></tr> <tr> <td colspan="2">Other student study effort outside the class:</td></tr> <tr> <td>Preparation for assignment & independent learning outside class</td><td>31 Hours</td></tr> <tr> <td></td><td></td></tr> </table>	Class Contacts:		Lectures @90 minutes (14 sessions)	21 Hours	In/out Class Assignments @30 minutes (10 sessions)	5 Hours	Others (Students Presentation/Discussions, etc) @ 30 minutes (10 sessions)	5 Hours	Other student study effort outside the class:		Preparation for assignment & independent learning outside class	31 Hours		
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Plagiarism & Cheating	<p>Students should maintain originality and respect intellectual property rights. Therefore, students should avoid conducting any act of plagiarism when doing written assignments (if any), which may take a form of short individual / group paper and / or summary.</p> <p>The followings are acts of plagiarism:</p> <ul style="list-style-type: none"> • Copying paragraphs, sentences, a single sentence, or even a significant part of a sentence directly without enclosing them in quotation marks and appropriately footnoted; • Using and / or developing other's ideas found in printed materials or film elsewhere without explicitly referencing them to the respective author or the source of the idea. <p>Plagiarism is a serious infringement of intellectual property rights. Any assignment that contains presumed plagiarism will be marked 0 (zero).</p> <p>Since students are required to write group papers, students should sign a Statement of Authorship and attach it to their papers before paper submission. The form of Statement of Authorship is available at the Resource Center of the Program. Lecturer(s) and / or tutor(s) will refuse to mark any paper that has no signed Statement of Authorship attached.</p> <p>In addition, students should ask for cover sheet from the Resource Center of the Program for any assignment submitted.</p> <p>Sanction for plagiarism:</p> <ul style="list-style-type: none"> • First time: paper will be graded F • Second time: final grade for the specific course will be graded F • Third time: expelled from Department of Economics FEB UI <p>Sanction for cheating during exam:</p> <ul style="list-style-type: none"> • Exam will be graded "F" 														

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