

## SYLLABUS OF SUBJECT – FULL-TIME STUDY

<b>Silesian University in Opava</b>					
<b>School of Business Administration in Karvina</b>					
<b>Expiry date of accreditation</b>					
<b>Subject unit code</b>	PIFC	<b>Department code</b>	FIN		
<b>Subject name</b>	International Finance in Central Europe				
<b>Type of subject within study programmes</b>	Povinně volitelný (B): HPSNP-BA	<b>Recommended year of study/semester</b>	1/2		
<b>Scheduling</b>					
<b>Extent of subject</b>	0+2	<b>Hours per week</b>	2 h	<b>Credits</b>	3 ECTS
<b>Grading</b>	Final exam				
<b>Learning track</b>	seminar				
<b>Consulting</b>					
<b>Assessment</b>	Compulsory attendance at seminars 25 %. Seminar paper, seminar discussion, short essay (other activities), final exam (written)				
<b>Pre-requisites for admission</b>	<b>conditioning</b>	None			
	<b>excluding</b>	None			
<b>Lecturer</b>	<b>full-time</b>	Doc. Ing. Daniel Stavárek, Ph.D., přednášející			
	<b>part-time</b>				
<b>Content description</b>	<p>The aim of the course is to introduce and explain the basic features of international finance and international financial system and their application on economies of central and eastern European Countries. The student will gradually get acquainted with the most important indicators of external economic position such as balance of payments, exchange rate, foreign investments and their mutual links. The course also covers topics as international financial markets and financial derivatives. The attention will be paid on specific implications of international finance on financial management of companies.</p>				
<b>Content Structure</b>	<ol style="list-style-type: none"> <li>1. International monetary system</li> <li>2. International financial institutions</li> <li>3. Role of international financial institutions in Central Europe</li> <li>4. History of European monetary integration</li> <li>5. Central European countries in the process of monetary integration</li> <li>6. Foreign exchange market</li> <li>7. Exchange rates</li> <li>8. Exchange rate regimes</li> <li>9. International movement of capital</li> <li>10. Foreign investment in Central Europe</li> <li>11. Balance of payments</li> <li>12. International economic relations in Central Europe</li> <li>13. Currency derivatives</li> </ol>				

1. **International monetary system**  
Definition of the international monetary system and description of its evolution. Gold standard and its forms, functioning of the gold standard and analysis of its contribution to the economic stability. Brettonwood system and its basic pillars. Role of USD in the monetary system. Post-brettonwood arrangement and present international monetary system.
2. **International financial institutions**  
Description of the most important international financial institutions including their organizational structure, tools, products, activities and results. Definition of the institutions' main aim and strategy. Particular focus on International Monetary Fund, World Bank Group and regional development banks.
3. **Role of international financial institutions in Central Europe**  
Description of membership of Central European countries in selected institutions (IMF, WB, EBRD, EIB). Analysis of the historical and present relationship and contribution of the institutions to the process of economic transformations. Case studies of particular projects of the institutions in Central Europe.
4. **History of European monetary integration**  
History of European economic and monetary integration towards current European Monetary Union. Theoretical description of currency and monetary union principles, benefits and drawbacks. Analysis of the EMU functioning and the European Pact of stability and growth. Role of the euro currency in the international financial system. Role of the European Central Bank in the integration process.
5. **Central European countries in the process of monetary integration**  
Analysis of transition countries efforts to participate on the integration process. Maastricht convergence criteria and troubles of new EU-member countries to fulfil them. Benefits and problems stemming from monetary integration and Eurozone membership. Experience of new Eurozone members with their membership. Possibility of unilateral euroization in the new EU-member countries.
6. **Foreign exchange market**  
Main features of the foreign exchange market, methods of trading and most important financial centres. Differences between retail and inter-bank foreign exchange market. Spot and term operations. Comparison of foreign exchange markets in transition countries with the global foreign exchange market Financial operations of companies on the foreign exchange market. Foreign exchange market in Central Europe.
7. **Exchange rates**  
Types of exchange rates, nominal and real exchange rate. Spot and forward exchange rate, quotes of exchange rate. Essential theories of exchange rate determination – simple model, interest rate parity, purchasing power parity. Analysis of the exchange rate development in Central Europe
8. **Exchange rate regimes**  
Typology of the exchange rate regimes and detailed description of regimes applied in Central Europe. Comparison of the regimes, their pros and cons. Changes of the exchange rate arrangements during the economic transformation, analysis of reasons for

and results of these changes.

9. International movement of capital  
Typology of investment and classification on portfolio, direct and other investment. Motives and risks of investing abroad. Foreign direct investment as a driving force of globalization. Analysis of benefits and drawbacks of foreign investments for an investor and for a host country. Present situation and recent development of foreign investments.
10. Foreign investment in Central Europe  
Analysis of benefits and drawbacks of foreign investments for an investor and for a host country. Present situation and recent development of foreign investments. Current situation and a recent development of foreign investments in the central and eastern European countries. System of foreign direct investment incentives. Short-term speculative investment as a typical feature of financial crises in transition countries. Controls and restrictions of free foreign capital movement.
11. Balance of payments  
A principle of balance of payments, credits and debits, residents and non residents. Vertical and horizontal structure, partial and cumulative balances. Current account, financial account, capital account, errors and omissions, changes in foreign exchange reserves. Examples of major credit and debit transactions, their recording and construction of a simple version of balance of payments.
12. International economic relations in Central Europe  
Development of the central and eastern European countries' balances of payments and analysis of their external macroeconomic equilibrium. Main development trend in international trade and investment position. Effects of balance of payments' surplus/deficit on macroeconomic stability of the Central European countries.
13. Currency derivatives  
Introduction to the principles of financial derivatives, history and recent development of derivatives markets. Comparison of basic types of financial derivatives – futures, options swaps. Differences between standardized and over-the-counter derivatives. A principle and methods of derivatives' usage in hedging and speculation including possibilities of financial derivatives' use in financial management of companies. Financial derivatives in transition countries and obstacles of more dynamic further development of trading and using of derivatives in transition countries.

#### **Text books required**

STAVÁREK, D. *International Finance: Theory and Practice in Transition Countries*. Karviná: Slezská univerzita, 2005. 186 s. ISBN 80-7248-290-4.

#### **Text books recommended**

Articles of Agreement of the International Monetary Fund. Washington, D.C.: IMF, 1988.  
BAIMBRIDGE, M., WHYMAN, P. *Economic and Monetary Union in Europe*. Cheltenham: Edward Edgar, 2003. ISBN 1-84542-233-3.  
DeGRAUWE, P. *Economics of Monetary Union*. 4th ed. Oxford: Oxford University Press, 2000. ISBN 0-198-77632-2.  
GILPIN, R. *Global Political Economy*. Princeton: Princeton University Press, 2001. ISBN 0-691-08677-X.

GOLD, J. *Membership and Nonmembership in the International Monetary Fund*. Washington, D.C.: IMF, 1974.

KENEN, P.B. *The International Financial Architecture: What's new? What's missing?* Washington, D.C.: Institute for International Economics, 2001. ISBN 0-88132-297-0.

KRUGMAN, P.R., OBSTFELD, M. *International Economics: Theory and Policy*. 5<sup>th</sup> ed. New York: Addison Wesley, 2000. ISBN 0-321-03387-6.

MUNDELL, R.A., ZAK, P.J., SCHAEFFER, D. *International Monetary Policy after the Euro*. Cheltenham: Edward Edgar, 2003. ISBN 1-84542-121-3.

MUSSA, M. *Argentina and the Fund: From Triumph to Tragedy*. Washington D.C.: Institute for International Economics, 2002. ISBN 0-88132-339-X.

VREELAND, J.R. *The IMF and Economic Development*. Cambridge: Cambridge University Press, 2003. ISBN 0-52101-695-9.

YEAGER, L.B. *International Monetary Relations. Theory, History, and Policy*. New York: Harper & Row, 1966.

*Financial Organization and Operations of the IMF*. Washington D.C.: IMF, 2001. ISBN 1-58906-067-9.

IMF Survey, The World Bank Annual Report, The Annual Report of the IMF.

**Resources and equipment**

Electronic media devices used during classes.

**Comments and exceptions**