

Cairo University
Faculty of Economics and Political Science
The Euro-Mediterranean Studies Program

Master in Euro Mediterranean Studies
U611: Issues of International Finance and Development in the Mediterranean Area
Academic Year 2016/2017

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Office Hours: Mondays 16.00 – 17.30, Office 81, 4th Floor

Mondays: 17.30 – 20.30

❖ **Pre-requisites:**

Introductory microeconomics and macroeconomics. A refreshment of basic tools will be provided at the beginning of the course.

❖ **Course Objectives:**

This course is designed to help students understand the different aspects of international finance and development in the context of the European Union and southern Mediterranean countries. The course will focus on five main themes: Theories and Concepts of International Finance and Development, Exchange Rates and Open-Economy Macroeconomics, Finance, Economic Growth, and Development, European Capital Flows in Southern Mediterranean Countries, and External Aid and Development.

❖ **Intended Learning Outcomes**

By the end of the course, the students will be able to:

- Understand the theoretical arguments for and against the different types of foreign capital inflows.
- Evaluate the impact of international finance on the growth and broader development goals of MENA countries.
- Work on the areas of financial economics and development (whether in private or public institutions) requires a solid knowledge of the topics studied in this course.
- acquiring critical reading, sound reasoning, academic writing, and improving students' presentation and speaking skills.

❖ **Course Design and Content:**

The course covers the main economic aspects of international finance and development, European exchange rates system, the relationship between finance, economic growth, and development, the current development of the European capital flows in Southern Mediterranean countries, and external aid and development.

The Course Structure and Readings are described below.

❖ **Course Structure and Readings:**

| Week & Date | Topic | Readings |
|---|--|--|
| Section 1: Theories and Concepts of International Finance and Development | | |
| <u>Week 1</u> Feb. 13 | - Introduction - Finance and Growth | Required Readings* - (Hansanti, Islam, & Sheehan, 2008), Ch.1, Pp 1-30 |
| <u>Week 2</u> Feb. 20 | - Recent Issues in International Finance - Financial Liberalization - Capital Controls | Required Readings* - (Hansanti, Islam, & Sheehan, 2008), Ch.1, Pp 1-30 |
| Section 2: Exchange Rate Policy in European Union and MENA Countries | | |
| <u>Week 3</u> Feb. 27 | - Exchange Rates and International Transactions - The Foreign Exchange Market | Required Readings* - (Krugman, Obstfeld, & Melitz, 2012), Ch.14, Pp 320-381 |
| <u>Week 4</u> Mar. 6 | - The Demand for Foreign Currency Assets - Equilibrium in the Foreign Exchange Market | Required Readings* - (Krugman, Obstfeld, & Melitz, 2012), Ch.11, Pp 256-270 |
| <u>Week 5</u> Mar. 13 | - Optimum Currency Areas and the European Experience | Required Readings* - (Krugman, Obstfeld, & Melitz, 2012), Ch.20, Pp 557-615 Optional Readings** - (El-Agraa, 2007), Ch.12, Pp 227-238 |
| Section 3: Finance, Economic Growth, and Development in Southern Mediterranean Countries | | |
| <u>Week 6</u> Mar. 20 | - Financial Institutions and Economic Growth | Required Readings* - (Rao, 2003), Ch.2, Pp 29-39 - (Chenaf-Nicet & Rougier, 2016), Pp66-91 |
| <u>Week 7</u> Mar. 27 | - Financial Development and Economic Growth - Financial Development and Economic Development | Required Readings* - (Rao, 2003), Ch.2, Pp 39-46 |
| <u>Week 8</u> Apr. 3 | - Capital Adequacy and Financial Soundness - Financial Liberalization and Globalization - International Financial Institutions - Finance and the Global Environment | Required Readings* - (Rao, 2003), Ch.4, Pp 73-93 - (Rao, 2003), Ch.8, Pp 161-182 Optional Readings** - (El-Agraa, 2015) |

| Section 4: European Capital Flows in Southern Mediterranean Countries | | |
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| <u>Week 9</u> Apr. 10 | - European FDI in Southern Mediterranean Countries | <p>Required Readings*</p> <p>- (Chenaf-Nicet & Rougier, 2016), Pp 66–91</p> <p>Optional Readings**</p> <p>- (Caetano & Galego, 2009)</p> |
| <u>Week 10</u> Apr.17 | - European FDI in Southern Mediterranean Countries | <p>Required Readings*</p> <p>- (Chenaf-Nicet & Rougier, 2016), Pp 66–91</p> <p>Optional Readings**</p> <p>- (Caetano & Galego, 2009)</p> |
| Section 5: External Aid and Development | | |
| <u>Week 11</u> Apr.24 | <ul style="list-style-type: none"> - Official Development Assistance - Trends in ODA - Rationale for ODA | <p>Required Readings*</p> <p>- (Rao, 2003), Ch.5, Pp 97-113</p> |
| <u>Week 12</u> May. 1 | <ul style="list-style-type: none"> - External Aid and Economic Growth - The Effectiveness of Aid - The EU and the developing world | <p>Required Readings*</p> <p>- (Rao, 2003), Ch.5, Pp 97-113</p> <p>Optional Readings**</p> <p>(El-Agraa, 2007), Ch.25, Pp 494-518 (El-Agraa, 2015)</p> |
| <u>Week 13</u> May. 8 | <ul style="list-style-type: none"> - Sovereign Debt Management - External Debt and Economic Growth - Debt Relief Policies - Sovereign Debt Restructuring - Maintaining Financial Stability - Country Risk Analyses and Credit Ratings | <p>Required Readings*</p> <p>- (Rao, 2003), Ch.6, Pp 117-146 - (Rao, 2003), Ch.9, Pp 185-194</p> |
| <u>Week 14</u> May. 15 | - Final Discussion | |

***Readings:**

Caetano, J., & Galego, A. (2009, May). FDI in the European Union and Mena Countries: Institutional and Economic Determinants. *CEFAGE-UE Working Paper*.

Chenaf-Nicet, D., & Rougier, E. (2016). The Effect of Macroeconomic Instability on FDI Flows: A gravity Estimation of the Impact of Regional Integration in the Case of Euro-Mediterranean Agreements. *InternationalEconomics*, 145, 66–91.

El-Agraa, A. M. (2007). *The European Union- Economics and Policies* (8 ed.). United States of America: Cambridge University Press.

El-Agraa, A. M. (2015). *The European Union: Illuminated- Its Nature, Importance and Future* (1 ed.). UK: Palgrave Macmillan.

Hansanti, S., Islam, S. M., & Sheehan, P. (2008). *International Finance in Emerging Markets: Issues, Welfare Economics Analyses and Policy Implications*. A Springer Company.

Krugman, P. R., Obstfeld, M., & Melitz, M. J. (2012). *International Economics- Theory & Policy* (9 ed.). United States of America: Addison-Wesley.

Rao, P. (2003). *Development Finance*. New York: Springer-Verlag Berlin Heidelberg.

Useful links for material and data about the EU:

- <http://ec.europa.eu/trade/policy/countries-and-regions/statistics/>
- <http://www.ecb.europa.eu/home/html/index.en.html>
- https://www.wto.org/english/res_e/statis_e/tradebyregion_e.htm
- <http://data.worldbank.org/data-catalog/world-development-indicators>
- <http://www.oecd.org/>

❖ **Evaluation:**

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| ▪ Presentation (20 minutes) | 10 |
| ▪ Short Paper (approx. 5000 words, excluding reference/ tables/ charts/. etc.) – Paper Deadline: Week 12. | 10 |
| ▪ Participation in class discussions and quizzes | 15 |
| ▪ Mid-term Exam | 15 |
| ▪ Final Exam | 50 |
| Total | 100 |

Note on Cheating and Plagiarism: Neither will be tolerated. All assignments, exams, and papers for this class are individual work. No notes of any sort may be used on assignments and exams. By handing in a paper, each student is affirming that this paper is her/his own personal work and that it was written by her/him.