Course Objectives: All ambitious businesses need to have a global strategy. This course is designed to introduce current and future business leaders to analytical tools in thinking about cross-border investment and trade. We pay special attention to expropriation and exchange rate risks, and available options to control the risks.

Course Features: This course encourages active participation; hence you are expected to do assigned reading ahead of each class and to prepare for the possibility of sharing and defending your views in class.

Course Assignment and Due Dates:
- Group Assignment #1: Due by 9 pm on Feb 26
- Group Course Project report: Due 9 pm on April 3
- Individual Assignment #1: Evaluation of Other Projects: Due by 9 pm on April 8

Grading:
(a) Class participation: 30%;
(b) Individual written assignment: 20%. There is an individual aspect of item (d) the group course project, due by 9 pm on April 8 (by email to david.parsley@vanderbilt.edu). See below.
(c) Group assignment 1: 15%
(d) Group Course Project report: 35%; Analyze a case of your choice about an international business deal (cross-border trade or investment) that has not had a fully satisfactory outcome due to either exchange rate or expropriate risks (by actions of governments or firms). Propose an interesting and creative solution to the risks and explain how and why the outcome would have been different if your strategy is adopted. This case could be based on a news story or the experience of your own company. The case report is a team project that can have up to 5 coauthors. It should be 4-8 pages in length in total including graphs and tables. The report is due by 9 pm on April 3. All assignments will be then posted on Blackboard, and each class member will then submit their ranking of all other projects in the class (highest =1, lowest =9), with a two or three sentence evaluation of them by 9 pm on April 8 (by email to david.parsley@vanderbilt.edu). The top 3 will be invited to give a brief PowerPoint presentation (a 5 minute “elevator pitch” plus Q&A) to the class on April 10, and will get a grade bonus (+10, +6, +3, respectively, based on a class vote after their presentations). The authors of the best of the 3 will also get a bottle of champagne.

We expect you to bring your name card to each class session. Participation means attending each session on time, doing the assigned readings before each class, answering questions that we pose, and raising questions and/or sharing useful information with the rest of the class. The use of a laptop computer, blackberry, cell phone or other electronic communication device during class is not permitted.
Readings:
A reading package of articles and cases will be posted on the course webpage. Students are expected to do the assigned readings before the classes.

We also strongly encourage you to read the Financial Times, Wall Street Journal, and the Economist regularly to stay current on the macroeconomic issues around the world. Many topics in current economic affairs will be discussed in this course.

Course Plan and Assigned Readings

1. Course Overview + Hedging Currency Risks (8:00 – 11:15, February 14, 2009)

Learning Objectives: To identify some sources of exposures to exchange rate fluctuations, the instruments used in hedging, and to evaluate some different hedging strategies

Readings: (a) Case: Hedging Currency Risks at AIFS, HBS Case 205-026
(b) Case: Foreign Exchange Hedging Strategies at General Motors: Transactional and Translational Exposures, HBS Case 9-205-095

Discussion questions relating to AIFS: What gives rise to the currency exposure at AIFS? What would happen if Archer-Lock and Tabaczynski did not hedge at all? What happens if sales volumes are lower or higher than expected? What hedging decision would you advocate?

Discussion questions relating to GM: What do you think of GM’s foreign exchange hedging polices? Would you advise any changes? If GM deviates from its formal policy for its CAD exposure, how should GM think about whether to use forwards or options for the deviation from the policy? Why is GM worried about the ARS exposure?

You need not turn these in.
2. The Return of Depression Economics (8:00 – 11:15, Feb. 28, 2009)

Learning Objective: To review several of the exchange rate-, economic-, and financial-crisis since the 1990s, and to gain a perspective on their origins, commonalities, and what is unique about the present situation.

Assignment:
Each group is responsible for reading (and reporting on) two chapters of Krugman’s “The Return of Depression Economics and the Crisis of 2008”. Each group should send a file containing the two chapter summaries (one chapter per page) in an email with EMBA 728 Group Assignment #1 as the subject of your email to david.parsley@vanderbilt.edu by 9pm Feb 26. Chapter summaries may be a short paragraph, or a bullet point list. Print copies will be made available to the entire class.

Group 1 – Ch. 1 & 9  
Group 2 – Ch. 2 & 6  
Group 3 – Ch. 3 & 7  
Group 4 – Ch. 4 & 8  
Group 5 – Ch. 5 & 9  
Group 6 – Ch. 6 & 10  
Group 7 – Ch. 7 & 6  
Group 8 – Ch. 8 & 5  
Group 9 – Ch. 9 & 4  
Group 10 – Ch. 10 & 3  
Group 11 – Ch. 11 & 2

3. Cross-border Direct Investment (1:45-3:15, March 13, 2009)

Learning Objective: Considerations in cross-border investment and market-entry decisions. Apply project evaluation techniques to value a cross-border investment.

Readings:  Case: Hong Kong Disneyland (A), HBS HKU-107; Hong Kong Disneyland (B), HBS HKU-118

Discussion questions: (1) How would you value the HK Disneyland project from the perspective of Walt Disney? (2) If concessions could be granted by the HKSAR, what would they likely be?

4(a). Cross-border Direct Investment (8:00 –9:30, March 27, 2009)

Learning Objective: Considerations in cross-border investment: Developing a conceptual framework
Readings: Case: “Drilling South: Petrobras evaluates Pecom”, HBS Case 9-204-043

Answer one of the following: (1) Would you invest in Petrobras stock? (2) How should Petrobras value Pecom? (3) If you were the CFO of Petrobras, would you recommend buying Pecom to Petrobras’ Board of Directors? Why or why not?

Your answers should be no more than 1 paragraph. Submit them in an attachment to david.parsley@vanderbilt.edu by 9pm March 25 using the Subject heading: Individual Assignment #1

4(b). Guest Lecture: Peter Lorge, Vanderbilt University
Chinese History, Culture and Business (9:45 - 11:15, March 27, 2009)
5. Expropriation Risk + Cross-Cultural Communication (8:00 – 3:15, April 10, 2009)

Learning Objectives: (1) To raise awareness of expropriation risks in cross-border investment; (2) To evaluate options available to deal with these risks.

Readings:
1. “Olin Life in China,” by Maureen M. Lewis. [Instructions for relevant role-playing will be distributed on March 27, 2009.
2. Case: Czech Mate: CME and Vladimír Zelezny (A) and (B1-B3), HBS 9-204-118; HBS 9-204-119; HBS 9-204-120; and HBS 9-204-121 (you only need to read Case A before the class).

Questions to be discussed: If you were the CEO of CME, would you accept Mr. Zelezny’s proposal and buy his 5% shares in CME? If you have to buy the shares, how much would you pay for them? These questions need not be turned in.

Course outline at a glance:

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<th>Topics covered</th>
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<td>Saturday 2/14/2009 am</td>
<td>Hedging currency risks</td>
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<td></td>
<td>Case: Hedging Currency Risks at AIFS</td>
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<td>Case: Foreign Exchange Hedging Strategies at GM: Transactional and Translational Exposures; Exchange Rates - I</td>
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<tr>
<td>Saturday 2/28/2009 am</td>
<td>Exchange rates - II</td>
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<td>Recent world financial crises</td>
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<td>Friday 3/13/2009 pm</td>
<td>Cross-border investment – I</td>
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<td>Case: Hong Kong Disney</td>
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<td>Friday 3/27/2009 am</td>
<td>Cross-border investment – II</td>
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<td>Case: Drilling South</td>
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<td>Chinese History and Culture</td>
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<td>Friday 4/10/2009</td>
<td>Expropriation risks, Cultural Factors</td>
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<td>Simulation: Olin life in China</td>
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<td>Case: Czech Mate</td>
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<td>Top 3 Group Projects</td>
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International Residency Component Requirements

For the International Residency portion of the class we (mostly Juli Bennett) have scheduled on-site meetings with representatives from various companies in South Korea and in China. Each class member is expected to actively participate in these meetings, being mindful of the impressions you are making on our hosts. You should consider yourselves representatives of Vanderbilt University and act accordingly at all times. As a guideline, you may want to keep in mind the 4 “P”s of student involvement: (1) Preparation – you should be prepared by learning about our host; (2) Presence – you need to be there (and with all electronic devices turned off); (3) Promptness – we can only move as fast as the slowest participant, and lateness demonstrates disrespect for everyone else; and (4) Participation – when you have an observation that might be relevant to the group, please share it in an appropriate fashion.

We will have a final residency meeting where we will ask each group to share with the rest of the class how they might revise their Strategy Project in light of something discovered during the trip. You should plan on a 5 minute presentation and 5 minutes for questions. We will have a computer and a projector, so you need to have a USB memory stick for your presentation. In addition, each group should submit two copies (one to each of the professors) of their Strategy Project revisions. These should be approximately 1 page, and should include a brief (~1 paragraph) description of the strategy, as well as the points summarizing the changes you now consider relevant.