

# TEACHING MODULE

- **Instructor's Name and College Name**
- **ECO 252 MACROECONOMICS**

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## Group Project on Sovereign Wealth Funds

### DESCRIPTION OF PROJECT

This project will encompass the first 6 weeks of the semester. Students will work in groups studying a country that has been involved in foreign investment in the US. The groups will determine if the country being researched has an active sovereign wealth fund investing in the US. In addition, students will determine if there has been controversy surrounding any investments made by the sovereign wealth funds in the US. The project culminates with oral presentations.

Students should use internet research, TV, and any publications that will assist them in determining trends in dollar amounts of imports and exports between the US and the group's country, as well as the types of imports and exports. Be sure to gather any relevant information on exchange rates between the dollar and the group's country's currency. Sovereign wealth funds are growing in importance in the arena of foreign investment so pay particular attention to this if your group's country has one. Determine the types of investments made by them, and if the US has imposed any restrictions on the types or the ownership percentage of the sovereign wealth funds.

Students will address the policy question of whether national security could be at risk with the level of sovereign wealth fund investment into the US. In other words, is there a political agenda to the investment, or are the sovereign wealth funds only profit motivated.

### OBJECTIVES

1. To explore the types of investments made in the US by the various sovereign wealth funds.
2. To explore limits on foreign investment in the US established by each sovereign wealth fund in terms of maximum percentage owned.
3. To explore foreign investment rules established by each sovereign wealth fund in terms of whether there are requirements for domestic partners.
4. To explore the rate of growth in sovereign wealth fund investment in the 2006-2008 period.
5. To compare US rules regarding foreign ownership in terms of types of investments

permitted, percentage ownership limits, or a requirement for domestic partners.

5. To explore whether sovereign wealth funds seek only higher profits, political influence and control, or both.
6. To collect data on exchange rates over 6 weeks between the US and the countries under study.
7. To compare the relative strength or weakness between the US dollar and other currencies under study over the course of 6 weeks.
8. To compare the types of imports and exports between the countries studied and the US.

## **METHODOLOGY**

### **Lectures/Discussions:**

Lectures on international trade basics will lay the foundations for the issues using the concept of comparative advantage. There will be discussions about exchange rates and the dollar's relative value over the first 6 weeks of the course. Incorporated into the discussions and lectures will be the issues surrounding fixed and floating exchange rates, and the role exchange rates play in foreign investment. Another key issue will be the impact of a strong and/or weak dollar on foreign investment.

There will be several required general readings for all students; copies of the articles will be handed out the first week of class.

**Research:** Students will be placed into groups to research the particulars regarding foreign investment, with special emphasis on the role of sovereign wealth funds. Each group will choose a country and compare the rules and limits relating to foreign investment in the country they are researching and how it compares to the rules and limits the US places on foreign investment from that country. Students will collect data regarding exchange rates and relative value of the dollar in comparison to other currencies. Students will explore the policy issues regarding the motives of sovereign wealth fund investments.

Students should use internet research, TV, NC Live, and any publications that will assist them in determining trends in dollar amounts of imports and exports between the US and the group's country, as well as the types of imports and exports. Limits can take the form of dollar limits, percentage ownership limits, or a requirement for a domestic partner.

### **RESOURCES:**

*Business Week* [www.businessweek.com](http://www.businessweek.com) Search for sovereign wealth funds

**CNBC**, the cable TV financial news channel is an excellent source for economic and financial news.

**CNBC.com** is the companion website [www.cnbc.com](http://www.cnbc.com)

This hosts a wealth of articles on the global economy, as well as foreign exchange rates, and the changing values of the US dollar. Choose **news**, select region or country, and then use the search feature.

**Census Bureau** [www.census.gov](http://www.census.gov) Under business and industry, choose foreign trade/export codes then click on statistics then choose country/product trade data.

*Channel News Asia* [www.channelnewsasia.com](http://www.channelnewsasia.com) Search for articles on sovereign wealth funds.

**China Today.com** [www.chinatoday.com](http://www.chinatoday.com) The site is devoted to China information choose export and import.

**Congressional Research Services.** [www.opencrs.com](http://www.opencrs.com)

This is a good site to search for articles relating to US concern about the sovereign wealth fund investments.

**Federal Reserve Bank St. Louis Branch** <http://research.stlouisfed.org> Search for articles on sovereign wealth funds.

*Forbes* [www.forbes.com](http://www.forbes.com) Search for articles on sovereign wealth funds.

**Google** [www.google.com](http://www.google.com) Search for sovereign wealth fund, exports and imports, and exchange rate information for a particular country.

*International Herald Tribune* [www.ihf.com](http://www.ihf.com) Search for articles on sovereign wealth funds. This is a good source for articles on Russia and Norway as well as all the other countries.

*Middle East Forum* [www.meforum.org](http://www.meforum.org) Search for articles on sovereign wealth funds.

*NY Times* [www.nytimes.com](http://www.nytimes.com) Search for articles on sovereign wealth funds. This is a good place for exchange rates and the value of the dollar as well.

**US Trade Representative** [www.ustr.gov](http://www.ustr.gov) This is a good site for information about trade relations between the US and other countries.

**NC Live:** See Forsyth Technical Community College library research librarian for assistance with NC Live, you will need a password. Search for sovereign wealth funds.

**Countries selected include:**

Saudi Arabia, Kuwait, China, Russia, United Arab Emirates, Norway, Singapore, and Japan.

**ASSIGNMENTS:**

In addition to the required readings, additional current journal, magazine or newspaper articles may be assigned in conjunction with this project.

**LOGISTICS:**

The class will be divided into groups and the required readings made available during the first week of class.

There will be at least 3 and up to 6 members in each group, depending on the country and the size of the class. Each group will research the types of investments these countries make in the US via sovereign wealth funds. Pay particular attention to the objectives and make sure you address them in your research. Also note whether the US invests in the other country as well. The class will meet in the library for two or three class periods for groups to work together.

The group presentation will be due at the end of Unit 2 after the test. I will hand out the rubric during the second week of class, after drop/add has ended.

The presentation should last at least 12-15 minutes, make sure all members participate in the presentation. The classroom is equipped for PowerPoint.

**Evaluation:**

The evaluation of the students' understanding of sovereign wealth funds and exchange rates during the project will be assessed by the following: Group presentation and the submission of 6 weeks data on exchange rates between the US and the country under review. This will count 10% of the final course grade.

**REQUIRED READINGS:** These will consist of general articles introducing the concept of sovereign wealth funds. They will be handed out the first week of class.

**Resources: other Sources**

State Department  
Congressional and Senate Offices  
Embassies of selected countries