



INTERNATIONAL FINANCE

The professional community now has an opportunity to get acquainted with a new edition of a voluminous publication in the area of international finance, the author of which is the renowned specialist doc. Ing. Anežka Jankovská, CSc. For a long time now, she has been professionally involved in international finance, keeping track of its development from both the theoretical and practical point of view. The book is published by the IURA EDITION, spol. s r.o. publishing house, and is

part of the series Economics. It has 529 pages, including the references and subject index. The sub-chapters 6.5 and 6.7 were written by Ing. Jana Kotlebová and Ing. Boris Šturc, respectively.

The author's book is divided into 5 sections, which are subdivided into 14 chapters. The book not only reflects the author's great aptitude for mastering the subject matter, but also has the quality of disseminating this knowledge to the reader in an appropriate way.

An introduction to its subject is given in the first section, Balance of Payments and Currency Rates. The balance of payments is specified here according to its contents, and definitions of such concepts as balance of trade, balance of transactions, balance of current account, basic balance, summary balance are given. This part also deals with the standardisation and unification of the process of balancing of financial exchanges with the rest of the world and compilation of the balance of payments in the Slovak Republic.

The first section covers qualitative and quantitative aspects of the currency rate, the currency convertibility and the respective factors determining them. Special attention is paid to the purchasing power parity in relation to inflation differential, international Fisher's effect and their impact on expectations on the development of the foreign exchange rate. It also comprises comparison of the most widespread theories of currency rates and their approach to the issue.

Thereafter the author outlines individual rules and mechanisms for the setting and management of foreign exchange rates. The classification of foreign exchange rates used within the IMF according to the flexibility of exchange rates and the monetary policy objectives is also treated with significant regard. The IMF uses five monetary policy strategies: the utilisation of exchange rates for the monetary policy anchoring, the use of monetary aggregates, inflation targeting, monetary programming and other monetary policy regimes.

The second section of this publication, entitled Foreign Exchange Markets, Spot and Forward Operations, starts by tackling the issue of foreign exchange markets. Attention is also devoted to the structure of a foreign exchange market and its financial instruments, the cross-rate rule as the basic rule for setting cross-rates. It gives a terse description of the Slovak foreign ex-

change market, covers techniques and risks associated with the conversion and arbitrage, and analyses bilateral and trilateral arbitrage and accounting for transaction costs in the arbitrage. Forward and futures foreign exchange operations are also detailed here.

The third section of the publication, called International Investment, begins with the chapter International Direct Investment. In addition to the explication of concepts of foreign direct investment and a subsidiary, an analysis is given of factors driving the movement of direct capital, effectiveness of foreign direct investment and risks related thereto. In the chapter Indirect International Investment, the key features of this concept are given and return on indirect investment by individual instruments is discussed. Also covered is the issue of taxation effect on yield and sensitivity of return on portfolio investment to changes in the economic environment. In conclusion to this chapter, the author explores the issue of foreign exchange exposure and foreign exchange risk.

The fourth section is entitled International Monetary Integration and International Monetary Institutions. It starts with the chapter on International Monetary Systems. The analysis is itemised by respective periods of the development of relations: before the World War I, between the two world wars, after the World War II. In the chapter called International Monetary Institutions, the status and functions of the International Monetary Fund, the rights and duties of the IMF member states, the IMF sources of funding, the quotas and their significance, the role of gold, SDR (special drawing rights) and USD are explored. Special attention is devoted to the setting of SDR rates, the interest rate on SDR, IMF foreign exchange and financial operations and transactions, the IMF organisation and governance the International Bank for Reconstruction and Development,



IMF funding and Slovakia's involvement in the IMF and IBRD. As for the other international financial institutions, the author has outlined the profile of the Bank for International Settlements in Basle, the European Investment Bank, the International Development Association, the African Development Bank and the European Bank for Reconstruction and Development.

The last section of the book deals with the issue of International Liquidity and International Payments. The author also defines criteria for qualitative structure of foreign exchange reserves, paying special attention to the position of gold as a component of foreign exchange reserves, the standing of national currencies, convertible currencies and potential foreign exchange facilities within the foreign exchange reserves, as well as tackling the issue of foreign exchange reserve management. The part on international payments covers

basic payments and clearing systems. It focuses on the international payment systems, their forms, instruments and the execution of international payments.

In her publication, doc. Ing. Anežka Jankovská, CSc. has managed to capture the latest status of the issues in the given area, both from the point of view of theory and practice. By its authoritative reasoning, the ease with which it can be followed, the flow of the text, the way in which explanations in the text link to each other, as well as a consistently thorough and comprehensive coverage of the actual subject of international finance, this book will definitely capture readers' interest. It undoubtedly has the potential of enriching readers' thesaurus of knowledge due to the new expertise it represents.

doc. Ing. Eva Horvátová, CSc.