The twenty-first century is an age of unprecedented globalization. In the last decades, there has been a substantial increase of interactions between different economies, which brought about also an unusual degree of interdependence. Consequently, there is a need to understand the nature and sources of the international economic interactions. International Economics has evolved from theoretical analysis aimed mainly at advanced economies to incorporate new theoretical developments but also empirical finding with aim to reflect better also the reality of emerging and developing economies. This course deals with the most important aspects of International Economics, with emphasis being put on International Trade. It is divided into two main sections: the first section puts at scrutiny the fundamental theories of international trade, the policy issues related to international trade, and concludes with an analysis of different schemes of economic integration and its influence on regional trade and economic relations among countries. The second section of the course deals with the financial aspects of International Economics. Particularly, it investigates the international monetary system, certain monetary arrangements as well as main issues related to exchange rates and open-economy macroeconomics. In both parts, the course puts a special emphasis on the reality of the European Union.

Learning Objectives

By completing this course, students will:

- Summarize and discuss the object of study of international economics, the effects of international trade, the main patterns of trade, and the main policies implemented by world governments.
• Analyze the different models that are used or have been used to study and comprehend patterns and benefits of international trade.
• Contrast classic trade models with more complex and contemporary approaches to the study of international economics, such as economies of scale or imperfect competition.
• Evaluate how governments act to favor or limit international exchanges, from supporting export or limiting imports.
• Analyze and critique different and complex concepts of monetary system, from the different world standards to contemporary experiences like the creation of the Euro and the theories on currency areas.

Course Prerequisites

3 semesters of college-level micro- or macroeconomics. 1 semester of calculus recommended.

Methods of Instruction

The course will consist of lectures, but also of some class dynamics to reinforce the concepts taught. It is expected that students participate actively in different ways, asking relevant questions, with a proactive attitude in class dynamics.

Assessment and Final Grade

<table>
<thead>
<tr>
<th>Item</th>
<th>Weight</th>
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<tr>
<td>1. Midterm</td>
<td>20%</td>
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<tr>
<td>2. Final</td>
<td>20%</td>
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<tr>
<td>3. Exercises and Activities</td>
<td>15%</td>
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<tr>
<td>4. Final Project (Paper &amp; Presentation)</td>
<td>25%</td>
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<tr>
<td>5. Participation</td>
<td>20%</td>
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<tr>
<td>TOTAL</td>
<td>100%</td>
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Course Requirements

Midterm
Final

Both exams will consist of open questions to be developed. Notes from the class and printed material can be used but no internet connection will be permitted. The
midterm exam will cover the first part of the syllabus and the final exam will cover the rest of it (see schedule below).

Exercises and Activities

Exercises and activities are of two kinds: 1) discussion material is provided in class together with some lines of discussion, you'll have to submit the results of the discussion individually, regardless if the activity was done in small or big groups; 2) practical exercises of the topic discussed in class, you can discuss the way to solve them in groups or with the professor, also, answers must be submitted individually.

Final Project (Paper & Presentation)

Final project consists of a final paper of 2000 words and a small presentation (around 8 minutes). The purpose of the presentation is to receive suggestions from your fellow students and the professor that might help you to improve the final version of the paper. The paper must be delivered before the last day of class. Topics acceptable for the final paper will be discussed in the first weeks of class.

Participation

All students must participate in class discussions and ask relevant questions relative to the topics discussed in class. A proactive attitude in class dynamics is also important.

Attendance

Students are expected to attend all scheduled class sessions on time and be prepared for the day’s class activities. CIEE does not distinguish between justified or unjustified absences, whether due to sickness, personal emergency, inevitable transportation delay and/or other impediments. You are considered responsible of managing your own absences. Please keep in mind that exams, paper submission dates, presentations and any other course work deadlines cannot be changed.

No academic penalty will be applied if students miss up to 3 class sessions. If students miss up to 5 class sessions, students’ final course grade will drop 5 points out of 100 on the CIEE grade scale for each additional absence beyond 3 (for
example a 95 will become a 90 if they reach the 4th absence, and an 85 if they reach the 5th absence). Students will automatically fail the course if they miss more than 20% of total class hours (i.e. if they exceed 5 absences).

For students who miss up to 20% of the total course hours due to extenuating circumstances, the Academic Director may allow for exceptions to the local attendance policy based on documentation such as proof of bereavement, religious observances, hospitalization etc.

Students arriving more than 10 minutes late to the class will be considered absent for a day.

N.B. Course schedule is subject to change due to study tours, excursions, or local holidays. Final schedules will be included in the final syllabus provided to students on site.

Weekly Schedule

Week 1
Class: .

Orientation Week. What am I doing here?

Week 2
Class: .

Final paper presentations

Introduction to international economics

What is International Economics about? The gains from trade. Patterns of trade. Government policies and trade. Some definitions


Readings: Krugman & Obstfeld chapter 1 and 2, Feenstra & Taylor chapter 1
Week 3
Class:  

Traditional trade models

Mercantilist views on trade.

Trade based on absolute advantage: Adam Smith.

Labor productivity and comparative advantage: The Ricardian model.
Comparative advantage and opportunity cost. One factor Ricardian model. Trade in one factor model. Gains from trade and misconception about comparative advantage.

Readings: Krugman & Obstfeld 3, Feenstra & Taylor 2(3)

Due: Final paper topic

Week 4
Class:  

Trade and resources: The Heckscher-Ohlin Model

Two factor Heckscher-Ohlin model. Trade in Heckscher-Ohlin model. Trade and income distribution. Trade and factor prices (Stolper-Samuelson theorem). Empirical testing of H-O model (Leontief paradox).

Readings: Krugman & Obstfeld 4(5), Feenstra & Taylor 4

Week 5
Class:  

New explanation for international trade: economies of scale and imperfect competition

Economies of scale: an overview. Types of imperfect competition. Monopolist competition and trade. Inter- vs. intra-industry trade,
dumping. The theory of external economies. External economies of scale and trade.

Readings: Krugman & Obstfeld 6, Feenstra & Taylor 6

Week 6
Class:  

International factor movements, migration and multinational corporations


Readings: Krugman & Obstfeld 7, Feenstra & Taylor 5(7)

Week 7
Class:  

International factor movements, migration and multinational corporations


Readings: Krugman & Obstfeld 7, Feenstra & Taylor 5(7)

Week 8
Class:  

The political economy of trade policy

Free trade – pros and contras. Political models of trade policy.
International
negotiations of trade policy (GATT, WTO). Developing countries. EU trade policy. Some controversial issues related to trade policy. International negotiations in labor and environmental issues

Readings: Krugman & Obstfeld 9,10,11(22), Feenstra & Taylor 8,9,10,11, Baldwin & Wyplosz 12

Due: Final paper general structure

Week 9
Class: .

The international trade and economic integration

Stages of economic integration Economic integration in the EU. Basic EU institutional structure. Analysis of unilateral liberalization, custom unions and free trade agreements.

Readings: Baldwin & Wyplosz 2,5

Week 10
Class: .

Company visit (To be announced)

The international monetary system: past, present and future


Readings: Krugman & Obstfeld 18,19, Feenstra & Taylor 19

Week 11
Class: .
The Euro in historical perspective

The Maastricht criteria. Pros and cons of the creation of the Euro

Readings: Krugman & Obstfeld 20, Feenstra & Taylor 21, Baldwin & Wyplosz 13,16,17

Week 12
Class: .

Optimum currency areas (OCA) and the Euro

History and present of the European monetary integration. The euro. The theory of OCA. Is the EMU an OCA?

Readings: Krugman & Obstfeld 20, Feenstra & Taylor 21, Baldwin & Wyplosz 13,16,17

Week 13
Class: .

Final paper presentations

Week 14
Class: .

Final paper presentations

Week 15
Class: .

Final

Course Materials
Readings

Additional readings assigned during the course:


Recommended