

### ABSE 280- International Economics

Course Title	<b>International Economics</b>				
Course Code	<b>ABSE 280</b>				
Course Type	<b>Business Elective</b>				
Level	<b>BSc (Level 1)</b>				
Year / Semester	<b>3<sup>rd</sup> / Spring</b>				
Teacher's Name	<b>Dr. Petia Tanova</b>				
ECTS	6	Lectures / week	3	Laboratories/week	
Course Purpose	<p>The course builds on the principles obtained in the previous modules in Microeconomic and Macroeconomic analysis. This course aims to introduce to international micro and macroeconomic policies with a particular focus on the EU environment. It provides students with a toolbag of basic analytical techniques to examine international trade and investment, international financial system, and nature and features the European economic integration. The course focuses on the current dynamics of international trade and investment policies and on the effectiveness of macroeconomic policies in an open economy.</p> <p>A major objective of the course is to help students develop systematic, critical and independent thinking of today's world economy and economic policies.</p>				
Learning Outcomes	<p>Upon the successful completion of this course, students will be able to:</p> <ol style="list-style-type: none"> <li>1. Comprehend the significance of absolute and comparative advantage in international trade and specialization</li> <li>2. Discuss the gains from trade vs. different kinds of trade restrictions.</li> <li>3. Critically evaluate conventional theories of international trade and foreign investment and debate free trade vs. protectionist policies.</li> <li>4. Evaluate the centrifugal and centripetal forces in the world economy and assess the impact of institutional differences on international trade and international business.</li> <li>5. Familiarize with the theory of competitive advantage of nations and its applications.</li> <li>6. Measure and determine foreign exchange rates, analyze fixed and floating exchange rate mechanisms</li> <li>7. Examine how exchange rates are affected by fluctuations in economic growth, inflation, interest rates, and expectations.</li> <li>8. Explain the meaning of the Balance of payments and compare and contrast the effects of fixed versus flexible exchange rates on a nation's macroeconomic performance.</li> </ol>				

	<p>9. Evaluate the effectiveness of macroeconomic policies under the conditions of the open economy within the framework of the IS-LM model.</p> <p>10. Understand and explain the theory of economic integration. Assess the competences of the European Union. Critically evaluate advantages and disadvantages of the European monetary integration and debate the current economic problems of the eurozone.</p>		
Prerequisites	<b>ABSE203, ABSE204</b>	Corequisites	<b>None</b>
Course Content	<p><b><i>I. Introduction to international trade</i></b></p> <p>Identify the main economic questions from the perspective of international trade.</p> <p>Evaluate the basis of international trade and the evolution of trade theory.</p> <p>Compare and contrast absolute and comparative advantages of specialization and trade and assess the theory against empirical evidence.</p> <p>Derive the concept of the terms of trade and determine and interpret their measure.</p> <p>Examine how international trade affects the quantity and price of goods and services and apply graphical analysis to identify the gains from trade.</p> <p><b><i>II. International trade policies</i></b></p> <p>Classify barriers to trade and compare and contrast tariff and non-tariff trade barriers.</p> <p>Critically assess the impact of tariffs and non-tariff barriers on the economy. And apply graphical analysis to their interpretation.</p> <p>Analyze the nature of strategic trade policies and assess their outcomes within the framework of the game theory.</p> <p>Compare and contrast free trade and protectionism.</p> <p>Familiarize with the New protectionism theories and evidence.</p> <p>Discuss the current trade policies and their impact on the world economy in team presentations and debates.</p> <p><b><i>III. International factor movements</i></b></p>		

Discuss theories of international factor movements from the perspective of motives and welfare effects.

Evaluate the centrifugal and centripetal forces in the world economy and assess the impact of institutional differences on international trade and international business

Analyze types of international investments and assess their determinants.

Familiarize with M. Porter's theory of competitive advantages of nations and study the empirical evidence.

Examine J. Dunning's contribution to the theory of international investment and multinational corporations.

#### ***IV. The Balance of Payments***

Understand the exchange rates and apply graphical analysis to the equilibrium in the foreign exchange market.

Explain the shape of the foreign exchange supply curve and distinguish between stable and unstable equilibrium.

Identify, classify and analyze factors determining fluctuations in the foreign exchange market.

Examine how exchange rates are affected by fluctuations in economic growth, inflation, interest rates, and expectations

Explain the meaning of the Balance of payments and its structure.

Discuss the importance of the Current account in the assessment of macroeconomic imbalances based on the analysis of Cyprus BOP.

Analyze advantages and shortcomings of fixed and floating exchange rate systems.

Critically assess the process of globalization and discuss the role of international economic institutions in the world economy

#### ***V. Macroeconomic Policies in the Open Economy***

Familiarize with the IS-LM model under the open economy: Derive the IS and the LM curves and analyze factors determining the shifts in the IS and the LM curve.

	<p>Analyze the dynamics of the IS-LM equilibrium and apply it to the examination of fiscal and monetary policies in the open economy.</p> <p>Apply graphical analysis to the assessment of the effectiveness of fiscal and monetary policy under fixed and under floating exchange rates.</p> <p><b>VI. Theory and practice of international economic integration</b></p> <p>Explain the meaning of economic integration and classify its types.</p> <p>Discuss the effectiveness of different trade blocs, based on empirical evidence.</p> <p>Understand and explain origins, evolution, and treaties of the European Union</p> <p>Familiarize with the institutions of the EU and their competencies.</p> <p>Discuss goals, instruments and subjects of the policies of the EU. Assess their achievements and controversies. Comment on the potential of the competition policy. Discuss advantages and shortcomings of the industrial policy. Examine the effectiveness of policies of the EU: theory vs. reality.</p> <p>Study the theory of monetary integration and apply it to the assessment of the Eurozone current developments.</p>
<p>Teaching Methodology</p>	<p>The taught part of course is delivered to the students by means of <i>ex cathedra</i> lectures and discussions in class, by means of traditional tools and using computer demonstrations. The instructor relates current events with the material presented in the lectures. During the lectures students are encouraged to participate in discussions.</p> <p>Some of the key issues are revealed on the basis of simulation games. Role playing and teamwork are incorporated in the simulations.</p> <p>Auditory exercises, where examples regarding matter represented at the lectures, are solved and further questions related to particular open-ended topic issues are compiled by the students and answered, during the lecture or assigned as homework.</p> <p>Topic notes are compiled by students, during the lecture. Lecture notes and slide shows can also be downloaded from the lecturer's webpage. Tutorial problems are submitted as homework and these are solved during lectures or privately during lecturer's office hours.</p> <p>Further literature search is encouraged by assigning students to identify a specific problem related to some issue, gather relevant scientific information about how others have addressed the problem and report this information in written or orally. Teamwork assignments on the current developments in international trade and the policies of the European Commission and the European central Bank are given to collect information and communicate it with the audience in a dispute format.</p>

Bibliography	<p><b><u>(a) Textbooks:</u></b></p> <p>Salvatore D. International Economics, 12<sup>th</sup> Edition Prentice Hall</p> <p><b><u>(b)References:</u></b></p> <ul style="list-style-type: none"> <li>• Krugman P., &amp; Obstfeld., International Economics: Theory and Policy, 11<sup>th</sup> Edition, Pearson</li> </ul>						
Assessment	<p><b><u>(k) Methods:</u></b></p> <p>Students are assessed with coursework that involves homework assignments and class participation, two written quizzes, a midterm and a final exam. The assessment involves explaining theoretical concepts, examining real life situations, solving numerical problems and applying graphical analysis.</p> <p>Students are assessed continuously and their knowledge is checked through tests with their assessment weight, date and time being set at the beginning of the semester via the course syllabus.</p> <p>Students are prepared for final exam, by revision on the matter taught, problem solving and concept testing and are trained to be able to deal with time constraints and revision timetable.</p> <p>The final assessment of the students is formative and cumulative and is assured to comply with the subject's expected learning outcomes and the quality of the course.</p> <p><b><u>(l) Criteria:</u></b></p> <p>The assessment criteria can be generalized as follows concerning the area assessed:</p> <ul style="list-style-type: none"> <li>• 86% or more – Excellent application of problem solving skills.</li> <li>• 76%-85% - Very good application of problem solving skills.</li> <li>• 66%-75% - Good application of problem solving skills.</li> <li>• 56%-65% - Satisfactory with some success in applying problem solving skills</li> <li>• 50%-55% -Satisfactory with limited success in applying problem solving skills</li> <li>• Below 50% -Little or no application of problem solving skills.</li> </ul> <p>Assessment criteria are available in each written assignment, midterm or in the final exam.</p> <p><b><u>(c) Weights:</u></b></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 70%;">Final Exam</td> <td style="text-align: right;">60%</td> </tr> <tr> <td>2 Quizzes</td> <td style="text-align: right;">10%</td> </tr> <tr> <td>Mid-term</td> <td style="text-align: right;">20%</td> </tr> </table>	Final Exam	60%	2 Quizzes	10%	Mid-term	20%
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Mid-term	20%						



	Homework assignments and participation	10%
Language	<b>English language</b>	