INTERNATIONAL ECONOMICS

Degree(s)	: Economics
Type	: Compulsory course unit
Curricular year/semester	: 3rd year / 1st Semester
ECTS / hours per week	: 6 ECTS / 4.0 Hours
Workload per week	: 1 Theoretical x 2 Hours + 1 Practical x 2 Hours
Teacher responsible	: Professor Maria Paula Fontoura

OBJECTIVES

- To provide the student with the foundations of the theory of international trade needed to understand the nature and consequences of the link between the domestic economy and the rest of the world economy.
- To integrate clear, concise theory, with up-to-date examples and events.

PROGRAM

1. Introduction

1.1. The field of International Economics

1.2. Flows and trends in trade (by types of trade) and in foreign investment

2. The free trade paradigm

2.1. The theory of Absolute Advantage

2.2. The theory of Comparative Advantage

2.3. Extensions of the Classical Model of Trade

2.4. Empirical evidence about the Classical Model

3. The basis for trade in other market contexts

3.1. Intra-industry trade: notion, types of intra-industry trade, explanatory factors and measurement

3.2. The Brander-Krugman model of intra-industry trade

3.3. The Kemp model and the New Economic Geography

3.4. The fragmentation of the productive process

4. Trade Policy

4.1. The role of GATT/WTO

4.2. Impact of trade policies in a partial equilibrium setting

4.3. The effective rate of protection: concept and measurement

4.4. Arguments for protectionism

5. Economic Integration

5.1. Types of economic integration

5.2. Characteristics of regionalism

5.3. The theory of Custom Unions

5.4. Customas Unions versus Free Trade Zones

5.5. Optimum currency areas and application to the euro zone

6. International trade and the Developing Countries

6.1. Trade characteristics of the Developing Countries

6.2. Trade policy and the Developing Countries

6.3. TheLaffer Curve of international debt

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7. Applications of the neoclassic theory to international trade

7.1. Technical concepts

7.1.1. General equilibrium with international trade

7.1.2. The gains from trade (in production and consumption)

7.2. Applications of the neoclassical model

7.2.1. The comparative advantage based on different factor endowments between countries (but the same technologies): the Heckscher-Ohlin model.

7.2.2. The impact of trade on factors income

7.2.2.1..The Stolper-Samuelson theorem

7.2.2.2. The specific-factors model

7.2.3. Immiserising growth

8. International Factor Movements and multinational firms

8.1. Types of foreign direct investment

8.2 .Multinational firms and determinants of foreign direct investment

BIBLIOGRAPHY

Recommended Bibliography:

- Appleyard, D., Field, A. and Cobb, S. (2010), International Economics, 7th ed., McGraw-Hill, Boston.

Optional Bibliography:

- Krugman, P and Obstfeld, M. (2008), International Economics, 8th ed. Addison-Wesley.