

International Trade and Economic Integration

Module		International Trade and Economic Integration					
Module Code		ECO60160					
Module Coordinator		Schmidt, Paul G.					
Last Update		2015/12/17					
Target Group		Programme(s)			Bachelor of Science		
		Term			7th semester		
		Compulsory/Elective Module			Elective Module		
		Module Duration			1 Semester		
		Credits:			6		
		Frequency			Annually		
		Language of instruction			English		
Workload:	150 h	Contact hours:	44 h	Independent Learning:	86 h	Assignments:	20 h
Prerequisites		Macroeconomics (ECO40030)					
Usability in other Modules/Programmes		Bachelor Thesis (BSc_BT)					
Intended Learning Outcomes		<p>Knowledge: On successful completion of this module, students can</p> <ul style="list-style-type: none"> • explain the cross-border structure of trade in goods and services, • describe the institutional conditions, targets, strategies and instruments of national trade policies, • outline the world trade architecture. <p>Skills: On successful completion of this module, the students will have the proven ability to apply theoretical concepts and analytical tools, i.e. they can</p> <ul style="list-style-type: none"> • analyse international trade flows <p><!-- --></p> <ul style="list-style-type: none"> • international flows of services, • evaluate international flows of capital and their impact on different economies. <p>Competencies: After successfully finishing this module students will be able to</p> <ul style="list-style-type: none"> • discuss current trade policies and initiatives of supranational institutions, • draw up protectionist measures of national governments, • assess as well as the impact of recent developments in international trade on global trade and individual countries. 					

Module Structure	<p>1. Classical Theory of Foreign Trade</p> <p>1.1 Causes of international trade 1.2 Division of labour, absolute and comparative cost advantages 1.3 Ricardo's Theorem of comparative cost advantages 1.4 Comparative and absolute cost advantages, price divergences and foreign exchange rates 1.5 Nominal wages, labor productivities and foreign exchange rates</p> <p>2. Neo-classical Theory of Foreign Trade</p> <p>2.1 The Samuelson-Jones model of specific factors 2.2 The Heckscher-Ohlin model of diverging factor endowments 2.3 The Leontief paradox and other anomalies 2.4 Implications for economic policies and development strategies</p> <p>3. Economies of Scale and Imperfect Markets</p> <p>3.1 Economies of scale 3.2 Monopolies 3.3 Cartels and oligopolies</p> <p>4. Foreign Economic Policy</p> <p>4.1 Strategies, targets and instruments of foreign economic policies 4.2 Economic effects of customs duties 4.3 List tariffs for protection of infant industries 4.4 Strategies and stages of regional economic integration 4.5 Protectionism in world trade</p> <p>5. World Trade Architecture</p> <p>5.1 Mandate and Targets of the World Trade Organization 5.2 Basic principles of the world trade order 5.3 Structure and instruments of the World Trade Organization</p> <p>6. Stabilization Policies in Open Economies</p> <p>6.1 Premises and structure of the Mundell-Fleming model 6.2 Stabilization policies under fixed exchange rate regimes 6.3 Stabilization policies under flexible exchange rate regimes 6.4 Stabilization policies with high capital mobility 6.5 Stabilization policies with restrictions on capital mobility 6.6 Criticism and further discussion</p> <p>7. The Trilemma of Economic Policy</p>
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Module Overview	<p>The module presents some of the basic theories on the causes and effects of international trade in goods and services. Students will become familiar with targets and instruments of national foreign economic policies as well as the international rules, principles, aims, organization, and conflict settlement mechanisms which characterize the current world trade order. The last chapter of the lecture analyzes stabilization policy options in open economies.</p> <p>In the final part of the module small teams of students give presentations on selected policy-oriented topics which include:</p> <ul style="list-style-type: none"> • Economic Integration in Africa, Asia & The Americas • Protectionism During the World Economic Crisis of the 1930s • The Recent Protectionist Temptation During the Global Financial Crisis • A Comparative View on Protectionist Economic Policy Instruments • The Impact of International Trade on Development & Poverty • World Commodity Markets: Gold, Metals, Crude Oil, Foodstuffs • Challenges & Control of International Arms Trade • Foreign Direct Investment: Causes, Trends, and Effects 																
Forms of teaching, methods and support	The in-class time is divided into approximately 70% lectures with discussions and 30% team presentations by students on selected case studies.																
Type of Assessment in the Module and Performance Points	<table border="1" data-bbox="480 1066 1378 1357"> <thead> <tr> <th>Type of examination</th> <th>Duration or length</th> <th>Performance points</th> <th>Due date or date of exam</th> </tr> </thead> <tbody> <tr> <td>Team presentations</td> <td>45 min.</td> <td>50</td> <td>During semester</td> </tr> <tr> <td>Classroom discussion</td> <td></td> <td>10</td> <td>During semester</td> </tr> <tr> <td>Written exam</td> <td>60 min.</td> <td>60</td> <td>End of semester</td> </tr> </tbody> </table> <p><u>Examination requirements:</u> Approved aids: bi-lingual dictionary & mathematical notation to the script.</p>	Type of examination	Duration or length	Performance points	Due date or date of exam	Team presentations	45 min.	50	During semester	Classroom discussion		10	During semester	Written exam	60 min.	60	End of semester
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<p>Recommended Literature</p>	<ul style="list-style-type: none"> • Gerber, James (2014), <i>International Economics</i> • , sixth edition, Boston et al (Prentice Hall). • Krugman, Paul R. / Obstfeld, Maurice / Melitz, Marc J. (2012), <i>International Economics. Theory and Policy</i> • . ninth edition, Boston et al. (Pearson) • Schmidt, Paul G. (2013), <i>International Trade and Economic Integration</i> • , script, Frankfurt/Main (Frankfurt School of Finance & Management) <p>A list of recommended introductory literature for presentation topics will be published at the beginning of the term.</p>
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