

ATHENS UNIVERSITY OF ECONOMICS & BUSINESS

MSc in International Shipping, Finance and Management **INTERNATIONAL ECONOMICS**

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Lectures: Tuesday (3rd, 10th, 17th /12-2024), **Wednesday (8th-01-2025)**
15:00-18:00, Evelpidon Bldg., Rm 701

EDUCATIONAL AIM

To provide a good understanding of the principles of international trade and international monetary relations. Theoretical, practical, and empirical aspects are presented and examined.

EDUCATIONAL OBJECTIVES AND LEARNING OUTCOMES

- **Introduce** the nature and role of international economics (elements of international trade and international monetary relations in today's integrated world economy).
- **Familiarize** with concepts and ideas of international economics.

The course makes it possible for participants:

- **To acquire** a clear understanding of issues such as: Comparative advantage; Conduct of trade policy such as import tariffs and export subsidies; Recording and measuring the international economic activity of a country; The role of foreign exchange markets in international economic activity; Fixed and flexible exchange rate regimes; Fiscal and monetary policies under the alternative exchange rate regimes.

- **To seek** positions in the private and public sectors, or in international organization, and to research units analyzing and studying bilateral and multilateral economic relations among countries.

THEMATIC AREAS

- **Thematic area 1:** *Introduction- The World Economy briefly*
- **Thematic area 2:** *Comparative Advantage and the Gains from International Trade*
- **Thematic area 3:** *International Trade Policy: Import Tariffs and Export Subsidies*
- **Thematic area 4:** *Interest Rates and the Determination of the Exchange Rates*
- **Thematic area 5:** *National and International Accounts: National Income and Balance of Payments*

DESCRIPTION OF THEMATIC AREAS

- ***Introduction: The World Economy in brief***

Presentation of the basic flows of international trade in goods and services between major countries and trading blocs. Major importers and exporters in world trade. The structure of trade across types of goods (i.e. manufacturing, agricultural, etc.) and services. Creditor and debtor nations, and international trade in assets.

- ***Comparative Advantage and the Gains from International Trade***

The no-trade (autarky) state of a country and the reasons why countries trade. *Absolute and Comparative Advantage. Gains* from international trade.

- ***International Trade Policy: Import Tariffs & Export Subsidies***

The implications of trade policy instruments (e.g. import tariffs and export subsidies). Strategic use of trade policy instruments.

- ***Interest Rates and Exchange Rate Determination***

Define, understand, and examine basic concepts such as exchange rate, and the operations of foreign exchange markets. Key foreign exchange market mechanisms: arbitrage and expectations. Uncovered Interest parity and exchange rate determination. What explains long-run changes in the exchange rates? The *Purchasing Power Parity* (PPP) hypothesis.

- *National and International Accounts: Income, Wealth, Balance of Payments*

GDP (Gross Domestic Product) vs. GNI/GNP (Gross National Income/Product). The meaning of the balance of payments and its constituents (e.g. trade balance, current account balance, income balance, financial account balance, etc.). Net Foreign Assets and National Wealth.

COURSE ASSIGNMENTS AND EVALUATION

Course evaluation is based on two diagnostic items

- **Final exam (70% of the final grade):** It is a **comprehensive examination** covering all subjects taught, comprising of **THREE** parts: **(i)** a multiple-choice questions/answers format, **(ii)** true-false statements with a brief explanation, and **(iii)** analytical problems solving.
- **Project/short paper (30% of the final grade).**

Project / short paper (1500 to 2000 words):

- **It involves** the examination and presentation of main international trade characteristics and patterns of country-pairs belonging to the top 50 countries in terms of GDP, and the top 30 in terms of their population size.
- **The relevant data** for the country-pairs can be extracted from freely available databases, such as the ones below (please see, Data Sources for the Paper). Further to this information, you may explore and utilize any other sources you deem relevant to your work.
- **In the course of your work**, you may examine, discuss and compare for such a country-pair, similarities and differences, and possible reasons thereof, e.g., in the evolution of the pattern of their exports and imports, the major categories of exported/imported products, services, etc., their main, e.g., top 2-3, major trading partners, the overall size and structure of their Current Account Balance, other macroeconomic developments, e.g., evolution of real exchange rates, current account balances, GDP growth rates, etc.

The list of country-pairs is uploaded in the course's e-class platform (Course Project 2024-25) and will be allocated to student-pairs (group of 2) on a first-come-first-served basis.

Deadlines for the project/short paper:

- (i) **research proposal**, between 100 to 150 words, must be submitted via e-mail (hatzip@aueb.gr or hatzipanayotou.panos@gmail.com) by the end of the 2nd week of classes, i.e., **Friday 13-12-2024, 17:00**.
- (ii) The **final draft** of the paper is due **without exceptions** on **Sunday 12-01-2025**. Please return the final draft of your paper in a pdf format to the electronic address hatzip@aueb.gr or hatzipanayotou.panos@gmail.com

Data Sources for the paper:

<http://atlas.media.mit.edu/en/>

<http://www.imf.org/external/pubs/ft/weo/2015/02/weodata/index.aspx>

https://www.wto.org/english/res_e/statis_e/its2015_e/its15_appendix_e.htm

https://www.wto.org/english/res_e/statis_e/its2015_e/its15_world_trade_dev_e.htm

https://www.wto.org/english/res_e/statis_e/its2015_e/its15_merch_trade_product_e.htm

https://www.wto.org/english/res_e/booksp_e/trade_profiles15_e.pdf

<https://www.bis.org/statistics/eer.htm?m=6%7C187>: A very easy to use source of data for the EU28 (plus a few other) countries is the Ameco Database of the European Commission

http://ec.europa.eu/economy_finance/ameco/user/serie/SelectSerie.cfm

<http://www.worldshipping.com>

READING MATERIAL

Course Textbooks:

- *Feenstra, Robert & Alan Taylor, International Economics*, Worth Publishers, 2013.
- *Krugman, Paul, Maurice Obstfeld, & Mark Melitz, International Economics: Theory and Policy*, 9th Edition, Addison-Wesley 2012.

Supplementary Readings:

➤ *Books:*

Bhagwati, J., *Protectionism*, MIT Press, 1988. Bhagwati, J., *The World Trading System at Risk*, MIT Press, 1991.
Krugman, P., *Pop-Internationalism*, MIT Press, 1995.

➤ *Articles in International Economics Journals*

L. Edwards, and R. Lawrence (2010), “US Trade and Wages: The Misleading Implications of Conventional Trade Theory”, <http://www.iie.com/publications/wp/wp10-9.pdf>.

Kierkegaard, J. (2007), “Offshoring, Outsourcing, and Production Relocation—Labor-Market Effects in the OECD Countries and Developing Asia”, <http://www.iie.com/publications/wp/wp07-2.pdf>.

Krugman, P. (1997), “What Should Trade Negotiators Negotiate About?”, *Journal of Economic Literature*,

Rodrik, D. (2000), “How Far Will International Economic Integration Go?”, *Journal of Economic Perspectives*.

Subramanian, A. and M. Kessler (2013) “The Hyperglobalization of Trade and Its Future”, 2013, <http://www.iie.com/publications/wp/wp13-6.pdf>.

Borio, C. and P. Disyatat (2010), “Global Imbalances and the Financial Crisis: Link or No Link?” BIS Working Papers No. 346, Bank for International Settlements.

Eichengreen, B. (2011), *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System*, Oxford University Press, 2011.

Frieden, J., (1991) “Invested Interests: The Politics of National Economic Policies in a World of Global Finance”, International Organization.

Katsimi, M. and T. Moutos (2010), “EMU and the Greek Crisis”, *European Journal of Political Economy*.

Obstfeld, M. (2011), “The International Monetary System: Living with Asymmetry”, NBER Working Paper No. 17641.