



UNIVERSITAS INDONESIA
FACULTY OF ECONOMICS AND BUSINESS

SYLLABUS

INTERNATIONAL ECONOMICS

Lecturer:

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SUBJECT DESCRIPTION

The objective of this course is to equip students with the necessary knowledge and understanding about international economic relations and problems. The course will address theories and policies of international trade, globalisation, the international monetary system, the balance of payment, the foreign exchange market, the international institutions, and regional economic integration among countries. Another goal of the subject is to make students familiar with the latest developments in international trade theories and in international economic integration agreements.

SUBJECT OBJECTIVES

Objectives related to the improvement of cognitive skill are to equip students to:

1. Understand the ongoing process of globalisation.
2. Understand the basic theories of international trade and policies.
3. Understand the international monetary system, its history and policies.
4. Acquire the knowledge about the role international institutions.
5. Understand the ongoing process of regional economic integration, its background and goals.⁴

In terms of **cognitive skills**, by studying this subject, the students will improve the ability: To apprehend the comprehensive basic concept of international economic relations, why nations do trade with one another, how they settle their trade accounts, how nations manage their international monetary and financial system, and how they intensify their economic relations in order to increase the common welfare of nations.

In addition the students will improve:

- technical skills
- analytical skills
- problem solving skills

Generic Skills to be Developed	Intensity Level		
	Low	Moderate	High
Evaluation of ideas, views, and evidence			X
Synthesis of ideas, views, and evidence			X
Strategic thinking			X
Critical thinking			X
Application of theory to real conditions			X
Assessing the economic policies into real conditions			X
Summarize and interpretation of information	X		
Self motivation and management			X
Problem solving skills		X	

Written communication	X		
Oral communication		X	

SUBJECT MATERIALS

Required readings

1. P. Krugman, M. Obstfeld. 2009. *International Economics, Theory and Policy*, 8th ed., Boston, etc.: Addison-Wesley. For short K-O.
2. D. Salvatore. 2007. *International Economics*, 9th ed., J. Wiley & Sons, Inc. For short DS.

Additional Readings:

1. L. T. Tarmidi, M. Chatib Basri. 1997. "Relevansi Teori Perdagangan Internasional Traditional dan Teori-teori Baru", in: M.A. Anwar, et al. (editors), *Pembangunan Nasional: Teori, Kebijakan, dan Pelaksanaan*, Widjojo Nitisastro 70 Tahun, Jakarta: FEUI, pp. 87-124.
2. L. T. Tarmidi. 2005. "International Trade Theory and Policy Revisited", in: *Journal of International Cooperation Studies*, Vol. 13 No. 2, Kobe University: Graduate School of International Cooperation Studies, pp. 1-28.
3. M. E. Porter. 1990. *The Competitive Advantage of Nations*, New York: The Free Press.

ASSESSMENT

Final grade consists of

a. Mid-term exam	35%
b. Paper and Presentation	30%
c. Final exam	<u>35%</u>
Total	100 %

CLASSROOM ORGANIZATION

- one 150 minutes student lecture per week (total 14 weeks). Active class participation like discussions is expected and highly appreciated.
- students who do not attend the class within 30 minutes will be checked as absent.
- **Examination:**
 - Midterm exam will be closed book.
 - Final exam will be closed book.

Teaching Method consists of:

Lecture	yes
Class discussion	yes
Quiz	no
Individual Project & paper	-
Group project & paper	yes
Presentation	yes
Case analysis	-
Tutorial	-
In-class experience exercise	-
Computer lab	-
Collaborative learning	-

Two teaching methods will be used: (1) Lecturing method and (2) Active class participation through questions and discussions.

Tutorial session will cover discussion about exercises and problems related to the topic. The problems should provide the students with enough challenge and difficulties. Activities in accounting in-class lab will cover comprehensive problems.

CLASS TIMETABLE

Session	Topics	Lecture materials
1	<u>Introduction</u> <ul style="list-style-type: none"> • Course introduction • The scope of International Economics • Causes of international trade 	K-O Ch. 1, DS Ch. 1
2	Labour Productivity and Comparative Advantage: the Ricardian Model <ul style="list-style-type: none"> • The gravity model • Absolute advantage (A. Smith) • Comparative advantage (D. Ricardo) • One factor economy 	K-O Ch. 2-3, DS Ch. 2
3	Resources, Comparative Advantage and Income Distribution <ul style="list-style-type: none"> • A model of a two-factor economy/factor-proportion theory by Heckscher-Ohlin 	K-O Ch. 4

	<ul style="list-style-type: none"> • Effects of international trade between two-factor economy • Empirical evidence 	
4	The Standard Trade Model <ul style="list-style-type: none"> • A standard trade model • International transfers of income • Tariffs and Export subsidies 	K-O Ch. 5, DS Ch. 3
5	Economies of Scale, Imperfect Competition, and International Trade <ul style="list-style-type: none"> • Economies of scale • The theory of imperfect competition and intra-industry trade • Monopolistic competition and trade • Dumping • Strategic Trade Policy (K-O Ch. 11) 	K-O Ch. 6, DS Ch. 6
6	The Political Economy of Free Trade <ul style="list-style-type: none"> • The case for free trade • National arguments against free trade 	K-O Ch. 9
MID-TERM EXAM Session 1 – 6		
7	Instruments of Trade Policy <ul style="list-style-type: none"> • Basic tariff analysis • Effective rate of protection (ERP) • Non-tariff barriers to trade • Tariff barriers: new issues 	K-O Ch. 8, DS Ch. 8, 9
8	Trade Policy in Developing Countries <ul style="list-style-type: none"> • Import Substituting Industrialisation • Export-oriented Industrialisation (Export promotion) • Trade and environment 	K-O Ch. 10
9	National Income Accounting and the Balance of Payments <ul style="list-style-type: none"> • National income accounting for an open economy • The balance of payment accounts 	K-O Ch. 12, DS Ch. 13
10	Exchange Rates and the Foreign Exchange Market <ul style="list-style-type: none"> • Exchange rates and international transactions • The foreign exchange market • The demand for foreign currency assets • Purchasing Power Parity • The J-curve 	K-O Ch. 13, 15; DS Ch. 14, 15

