

INTERNATIONAL ECONOMICS

The course focuses in teaching students the bases of international economy, to make them understand what International Economics is about and what are the gains from trade in order to change the way students see the world. Economics teaches students to use the economist's lens and to view the world more clearly.

Subjects covered by the course will be:

1. International trade theory;
2. International trade policy;
3. Exchange rates;
4. International macroeconomics

Course 1

INTRODUCTION TO INTERNATIONAL ECONOMICS

- 1. National Economy**
- 2. World Economy**
- 3. International Economy**
- 4. International Economics**

1. National Economy- all economic activities which are taking place in a country (on a market) - industry
- transportation
- culture
- exchanges of products

Conditions to exist: - Territory (**T**)
- Population (**L**abour force, **L**)
- Capital (**K**)

Conditions to function- to try to be in a permanent *equilibrium* - internal
- external

The *internal equilibrium* is between the quantity of products and the quantity of money.

The *external equilibrium* is between imports and exports.

An important aspect is that a **national economy is an entity**

2. World Economy - is the sum of national economies (reference: UNITED NATIONS (U.N) members, more than 195)

- it does not have its own Territory (**T**), Population-(**P**) and Capital (**K**)
- **is not an entity**

There are two different criteria to classify the national economies:

a.) The development level of a country (GDP/capita):

- developed countries - 25.000 USD/ capita /year (about 30 countries)
- developing countries – 5.000 USD/capita/ year

b.) The groups the countries belong to are:

- economic commercial integration – i.e.: E.U, NAFTA, EFTA,
- globalization

The European Union (25 members): Belgium, Netherlands, Luxembourg, France, Germany, Italy, United Kingdom, Ireland, Denmark, Spain, Greece, Finland, Portugal, Austria, Sweden, Cyprus, Malta, Lithuania, Latvia, Estonia, Poland, Hungary, Check Republic, Slovakia, Slovenia.

The European Free Trade Agreement: Norway, Lichtenstein, Island, Switzerland.

The North Atlantic Free Trade Agreement: United States of America, Canada, Mexico.

3. International Economy- all economic activities that take place between the nations of the world.

There are three important aspects regarding the international economy:

a.) international trade with products (exports and imports of goods and services)

PRODUCT = GOODS AND SERVICES

Trade with products can be: - physical (*visible trade*) - trade with goods
-intangible (*invisible trade*) – trade with services

International trade is measured by the volume of exports of all countries or by volume of imports

b.) international financial flow - payments, investments, transfer of revenue

c.) international flow of labour force - most dynamic- 300 million people

4. International Economics – is the *science*, the branch of international economy. Its aim is to give basic background of knowledge in this field.