
INTERNATIONAL TRADE AND MONETARY SYSTEM

Bachelor in Economics BIE SEP-2024 IT&MS-Ec.1.M.A

Area International Relations

Number of sessions: 30

Academic year: 24-25

Degree course: FIRST

Number of credits: 6.0

Semester: 2º

Category: BASIC

Language: English

Professor: **JOSÉ MARIA ALARCÓN ESCRIBANO**

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José María is currently Responsible for International Trade of Banco Santander in Madrid. Apart from that, he has added his training experience as a Professor in several institutions such as IE University (IE School of Global and Public Affairs), EAE Business School and UFV Universidad Francisco de Vitoria.

He has been working for eighteen years in the banking sector in several positions and twelve of them in International Trade. Moreover, he served as Banco Santander Ambassador to Bank of Shanghai in 2016. Within these years, he has overseen end-to-end trade operations, co-ordinated business operations including business relations, implemented effective strategies to fulfill our customer needs and mitigate potential risks. Likewise, he has helped companies expanding their businesses abroad and trained managers to accomplish organizational objectives.

He studied a Bachelor of Business Administration, a Degree in Management at Universidad de Valencia (Spain), a Bachelor of Marketing and Commercial Research at ESIC Business School (Valencia, Spain). As well, he holds a Bachelor of Political Science and Sociology and a Degree in Tourism at UNED and postgraduate programs in International Trade Management and European Law.

He is a PhD candidate in Political Sciences and International Relations at UCM, Universidad Complutense, Madrid. His doctoral thesis deals with a comparative analysis of international relations models of the USA and the People's Republic of China.

Regarding professional credentials, he has obtained a Certificate in Financial Services Advisory (MiFID II) and Certificate in Training People from IE Business School, a Certificate in International Trade awarded by The London and Institute of Banking and Finance and he is member of EFPA Spain.

Office Hours

Office hours will be on request. Please contact at:

jalarcon@faculty.ie.edu

Mondays from 18h00 to 19h00

SUBJECT DESCRIPTION

This course will allow students to be familiarized with the theory and policy of International Trade and the International Monetary System. It will consist of four parts:

- PART I: Introduction and International Trade Theory (Sessions 1-8)
- PART II: International Trade Policy (Sessions 9-12)
- PART III: Monetary Policy, Exchange Rates and Foreign Currencies (Sessions 15-22)
- PART IV: International Monetary Systems: International Macroeconomic Policy, the Realm of USD and the role of the EURO (Sessions 23-26)

LEARNING OBJECTIVES

When finished the course, students will be able to understand, discuss and comment on topics related to international macroeconomics, finance, trade and monetary issues.

TEACHING METHODOLOGY

IE University teaching method is defined by its collaborative, active, and applied nature. Students actively participate in the whole process to build their knowledge and sharpen their skills. Professor's main role is to lead and guide students to achieve the learning objectives of the course. This is done by engaging in a diverse range of teaching techniques and different types of learning activities such as the following:

Learning Activity	Weighting	Estimated time a student should dedicate to prepare for and participate in
Lectures	20.0 %	30.0 hours
Discussions	6.7 %	10.0 hours
Exercises in class, Asynchronous sessions, Field Work	20.0 %	30.0 hours
Group work	13.3 %	20.0 hours
Individual studying	40.0 %	60.0 hours
TOTAL	100.0 %	150.0 hours

AI POLICY

Generative artificial intelligence (GenAI) tools may be used in this course for research, ideation, generating an outline, proofreading, grammar check, coding, image generation with appropriate acknowledgement. GenAI may not be used for assignments, group submissions, exams. If a student is found to have used AI-generated content inappropriately, it will be considered academic misconduct, and the student might fail the respective assignment or the course.

If you are in doubt as to whether you are using GenAI tools appropriately in this course, I encourage you to discuss your situation with me.

PROGRAM

SESSION 1 (LIVE IN-PERSON)

INTRODUCTION AND OVERVIEW

- What is International Trade and Monetary Policy?
- Changing patterns of World Trade and the role of the WTO (World Trade Organization).
- Regional agreements on Free Trade.

Book Chapters: International Economics: Theory and Policy (Chapters 1 and 2, pp. 29-51) (See Bibliography)

Working Paper: World Economic Outlook. April 2024

SESSION 2 (LIVE IN-PERSON)

DEBATES ON INTERNATIONAL TRADE

- Introduction to basic concepts such as Monetary Policy, Balance of Payments, Exchange rates, Foreign Currencies, International Financial Markets.
- Debate 1: Some reflections on a new World Economic Order and Who rules the World.
- Debate 2: The role of major multinationals in international trade.

Book Chapters: International Economics - Theory and Policy (Chapters 1 and 2. pp 29-51) (See Bibliography)

Article: The new geopolitics of global business (The Economist) (CED)

SESSION 3 (ASYNCHRONOUS)

COMPARATIVE ADVANTAGE

- The general concept of comparative advantage and the Ricardian model.
- From a world with one-factor to a world with many factors.
- Case Study: Economic Isolation and Autarky over time: The Spanish case.

Book Chapters: International Economics - Theory and Policy (Chapter 3, pp. 52-78) (See Bibliography)

Other / Complementary Documentation: Two examples of Comparative Advantage

SESSION 4 (ASYNCHRONOUS)

INCOME DISTRIBUTION

- The Specific Factors Model and The Production Possibility Frontier (PPF).
- The Political Economy of Trade.
- International Labour Mobility.
- Case Study: Wage convergence in the UE.
- Case Study: Immigration and the US Economy.

Book Chapters: International Economics - Theory and Policy (Chapter 4, pp. 79-114) (See Bibliography)

Technical note: Regional Economic Outlook. Europe. 2023 (IMF)

Article: Europe's radical economic response to COVID-19 (The Economist, Mar 31st 2021) (CED)

SESSION 5 (LIVE IN-PERSON)

RESOURCES AND TRADE

- From GATT to WTO.
- How is WTO different from GATT?
- The Heckscher-Ohlin model.
- Empirical evidence on the H-O model.
- Case Study: Has the growth of Newly Industrialized Economies hurt Advanced Nations?

Book Chapters: International Economics - Theory and Policy (Chapter 5 and 8, pp. 116-242) (See Bibliography)

Article: The WTO has a new chief (The Economist) (CED)

SESSION 6 (LIVE IN-PERSON)

THE STANDARD TRADE MODEL

- A standard model of a trading economy.
- Tariffs and export subsidies.
- International borrowing and lending.

Book Chapters: International Economics - Theory and Policy (Chapter 5 and 8, pp. 116-242) (See Bibliography)

SESSION 7 (LIVE IN-PERSON)

EXTERNAL ECONOMIES OF SCALE AND THE INTERNATIONAL LOCATION OF PRODUCTION

- Economies of Scale.
- The theory of external economies.
- External economies and international trade.
- Interregional trade and economic geography.

Book Chapters: International Economics - Theory and Policy (Chapter 5 and 8, pp. 116-242) (See Bibliography)

Article: Industrial production and investment surge in China (The Economist) (CED)

SESSION 8 (LIVE IN-PERSON)

FIRMS IN THE GLOBAL ECONOMY

- Type of market structure.
- Perfect competition.
- Imperfect competition: Monopoly, Duopoly and Oligopoly.
- Dumping.
- Multinationals and FDI (Foreign Direct Investment).
- Multinationals and the international economy.

Book Chapters: International Economics - Theory and Policy (Chapter 5 and 8, pp. 116-242) (See Bibliography)

Article: Joe Biden hopes to stop American multinationals booking huge profits abroad (The Economist) (CED)

SESSION 9 (ASYNCHRONOUS)

THE INSTRUMENTS OF TRADE POLICY

- Basic tariff analysis.
- Costs and benefits of a tariff.
- Other instruments of trade policy.
- Case Study: Mercosur, trade diversion in South America.

Book Chapters: International Economics - Theory and Policy (Chapter 9 and 10, pp. 243-307) (See Bibliography)

Working Paper: Regional Economic Outlook. 2024. Western Hemisphere. IMF

SESSION 10 (ASYNCHRONOUS)

THE POLITICAL ECONOMY OF TRADE POLICY

- Free trade and efficiency.
- National welfare arguments against free trade.
- Income distribution and trade policy.
- International regulations and trade policy.
- Regional preferential trading agreements.

Book Chapters: International Economics - Theory and Policy (Chapter 9 and 10, pp. 243-307) (See Bibliography)

Article: Operational Risk in Latin America: Politics, Populism and Policy (The Economist Intelligence Unit)

SESSION 11 (LIVE IN-PERSON)

TRADE POLICY IN DEVELOPING COUNTRIES

- Import substituting industrialization.
- Results of favouring manufacturing.
- Trade liberalization since 1985.
- Trade and growth: Take-off in Asia.
- Case Study: Export-led strategy in Lithuania.

Book Chapters: International Economics - Theory and Policy (Chapter 11 and 12, pp. 311-348) (See Bibliography)

Technical note: Trade Policy framework for Developing Countries (UNCTAD)

SESSION 12 (LIVE IN-PERSON)

CONTROVERSIES IN TRADE POLICY

- Trade Policy in Developing Countries and Trade Liberalization since 1985.
- Controversies in Trade Policy.
- Globalization and its effects.
- Globalization and the environment.
- Case Study: The semiconductors crisis and how affects the global economy.

Book Chapters: International Economics - Theory and Policy (Chapter 11 and 12, pp. 311-348) (See Bibliography)

Article: Apple suppliers' exodus from China (Bloomberg) (CED)

SESSION 13 (LIVE IN-PERSON)

MIDTERM ASSESSMENT

This assessment will consist of answering two parts:

- **Part A: 2-limited space short questions (6 points).**
- Part B: A resolution of a case study (4 points).

SESSION 14 (LIVE IN-PERSON)

MIDTERM ASSESSMENT

This assessment will consist of answering two parts:

- Part A: 2-limited space short questions (6 points).
- **Part B: A resolution of a case study (4 points).**

SESSION 15 (ASYNCHRONOUS)

NATIONAL INCOME ACCOUNTING AND THE BALANCE OF PAYMENTS

- National Income Accounting for an Open Economy: Gross National Product (GNP) and Gross Domestic Product (GDP).
- The Balance of Payments Accounts.
- The World's creditors and debtors.
- Case study: The assets and liabilities of the World's Biggest Debtor.

Book Chapters: International Economics - Theory and Policy (Chapter 13, pp. 349-377) (See Bibliography)

Technical note: Global Competitiveness Report 2020. Enabling Environment (World Economic Forum)

SESSION 16 (ASYNCHRONOUS)

THE BALANCE OF PAYMENTS IDENTITY

- The balance of payments identity.
- Current, capital and financial accounts.
- The role of Central Banks.
- Case study: Analysis and interpretation of the US Balance of Payments of 2015.

Book Chapters: International Economics - Theory and Policy (Chapter 13, pp. 349-377) (See Bibliography)

Technical note: Global Competitiveness Report 2020. Enabling Environment (World Economic Forum)

SESSION 17 (LIVE IN-PERSON)

EXCHANGE RATES

- Exchange rates and international transactions.
- The most traded foreign currencies.

- Case study: Foreign currencies forecasting.

Book Chapters: International Economics - Theory and Policy (Chapter 14, pp. 378-410) (See Bibliography)

Technical note: Global Competitiveness Report 2020. Markets (World Economic Forum)

SESSION 18 (LIVE IN-PERSON)

THE FOREIGN EXCHANGE MARKET

- The Foreign Exchange (FX) Market: Spot and Forward.
- Convertible and Non-Convertible Currencies.
- Case Study: The yes or no internationalization of the CNY (Chinese Yuan) or RMB (Renminbi).

Book Chapters: International Economics - Theory and Policy (Chapter 14, pp. 378-410) (See Bibliography)

Technical note: Global Competitiveness Report 2020. Markets (World Economic Forum)

SESSION 19 (LIVE IN-PERSON)

MONEY DEMAND AND INTEREST RATES

- The demand for money.
- Aggregate money demand.
- The equilibrium interest rate.

Book Chapters: International Economics - Theory and Policy (Chapter 15, pp 414-448) (See Bibliography)

Article: The war against money laundering is being lost (The Economist) (CED)

SESSION 20 (LIVE IN-PERSON)

MONEY SUPPLY, INTEREST RATES AND EXCHANGE RATES

- The money supply and the exchange rate in the short run.
- Money, the price level and the exchange rate in the long run.
- Inflation and exchange rate dynamics.
- Debate: International economic sanctions imposed on Russia over Ukraine's invasion and their repercussions in terms of interest rates, inflation and exchange rates.
- Case Study: Inflation Targeting and Exchange Rate in Emerging Countries.

Book Chapters: International Economics - Theory and Policy (Chapter 15, pp 414-448) (See Bibliography)

Technical note: Global Competitiveness Report 2020. Assessing Countries' Transformation Readiness (World Economic Forum)

SESSION 21 (LIVE IN-PERSON)

EXCHANGE RATE REGIMES (I)

- Changes in the exchange rate: Devaluation and revaluation of a foreign currency.
- Main types of exchange rate systems.
- Fixed exchange rate system.
- Managed floating rate system.

- Case study: Switzerland and Turkey dealing with managed floating system.

Book Chapters: International Economics - Theory and Policy (Chapter 18, pp. 534-578) (See Bibliography)

Article: Digital disruption: risks and opportunities in the shift to online (The Economist Intelligence Unit)

SESSION 22 (LIVE IN-PERSON)

EXCHANGE RATE REGIMES (II)

- A comparison of foreign exchange rate systems.
- How Central Banks fix exchange rates.
- Exchange rate regimes today.
- Case Study: Can Markets attack a strong currency? The case of Swiss Franc (CHF).
- Review questions.

Book Chapters: International Economics - Theory and Policy (Chapter 18, pp. 534-578) (See Bibliography)

Article: Biden's new China doctrine (The Economist) (CED)

SESSION 23 (LIVE IN-PERSON)

INTERNATIONAL MONETARY SYSTEMS: A HISTORICAL OUTLOOK

- Historic Overview from the 20th Century.
- The Bretton Woods System: The IMF and the World Bank.
- Case Study: The first years of Floating Rates, 1973-1990.

Book Chapters: International Economics - Theory and Policy (Chapter 19, pp. 579-641) (See Bibliography)

Article: Global economic recovery will be driven by \$2.9 trillion that consumers saved (Bloomberg) (CED)

SESSION 24 (LIVE IN-PERSON)

INTERNATIONAL MONETARY SYSTEMS NOWADAYS

- Current Monetary System.
- The Financial Revolution and Monetary Affairs.
- Few or many national currencies?
- Case Study: Transformation and Crisis in the World Economy.

Book Chapters: International Economics - Theory and Policy (Chapter 19, pp. 579-641) (See Bibliography)

Article: Global economic recovery will be driven by \$2.9 trillion that consumers saved (Bloomberg) (CED)

SESSION 25 (LIVE IN-PERSON)

FINANCIAL GLOBALIZATION: OPPORTUNITIES, CRISIS AND INTERNATIONAL REGULATORY COOPERATION

- The international capital market and the gains from trade.

- International banking and the international capital market.
- Onshore and offshore banking.
- The shadow banking system.
- Banking and Financial Fragility: The problem of Bank failure.
- Basel Committee and Basel III.
- International regulatory cooperation.
- Case study: The South-East Asia financial crisis: Thailand's case.

Book Chapters: International Economics - Theory and Policy (Chapter 20, pp. 642-680) (See Bibliography)

Article: The real revolution on Wall Street. (The Economist) (CED)

Article: Companies have raised more capital in 2020 than ever before (The Economist) (CED)

Article: Few Economies are ready for long-term prosperity (World Economic Forum)

SESSION 26 (LIVE IN-PERSON)

OPTIMUM CURRENCY AREAS AND THE EURO. FINAL REVIEW

- How the European Single Currency evolved.
- The Euro and Economic Policy in the Euro Zone.
- The Euro Crisis and the future of Economic and Monetary Union (EMU).
- Case study: Is Europe an Optimum Currency Area?

Book Chapters: International Economics - Theory and Policy (Chapter 19, pp 681-719) (See Bibliography)

Article: Christine Lagarde is taking the ECB out of its comfort zone (The Economist) (CED)

SESSION 27 (LIVE IN-PERSON)

TEAM WORK PRESENTATIONS (I)

15-minute presentation pitch per group.

Participation of all the group members is required.

SESSION 28 (LIVE IN-PERSON)

TEAM WORK PRESENTATIONS (II)

15-minute presentation pitch per group.

Participation of all the group members is required.

SESSION 29 (LIVE IN-PERSON)

FINAL ASSESSMENT

This final exam will consist of answering two parts:

- **Part A: 2-limited space short questions (6 points)**
- Part B: A resolution of a case study (4 points)

Questions on final exam will cover the second part of the course from session 15 ahead. However, essential concepts and ideas of the first part of this course will be needed to get a better mark.

SESSION 30 (LIVE IN-PERSON)

FINAL ASSESSMENT

This final exam will consist of answering two parts:

- Part A: 2-limited space short questions (6 points).
- **Part B: A resolution of a case study (4 points).**

EVALUATION CRITERIA

Assessment will be determined as a great deal of participation, individual and team work, presentation skills, midterm assessment and final exam.

The intermediate test/exam and the final exam will consist of answering two sections:

- **Section A:** Five short questions related to different issues learnt within the course.
- **Section B:** A case study in which there will be a mix of different questions from all the lessons of the course.

Materials which have been dealt with in class will be allowed during the exam.

criteria	percentage	Learning Objectives	Comments
Examen Final	40 %		Two sections in the exam: 5 short questions + A case study
Class Participation	10 %		Interaction with issues mentioned by Professor and other students
Group Presentation	20 %		Presentation skills
Intermediate Tests	30 %		Two sections in the exam: 5 short questions + A case study

RE-SIT / RE-TAKE POLICY GENERAL OBSERVATIONS

The final exam covers the material from the entire course when talking about general ideas and concepts. However, the main topics appearing in the final exam will mainly cover from session 15 ahead.

Each student has four attempts over two consecutive academic years to pass this course.

For every BIR Program mandatory class aside from the IR Unplugged and BIR Electives, students are required to obtain the minimum grade of 5 required to pass the course. Students whose grade in the Final Exam (or the largest assignment) is below 5 will fail the course. The rule applies to whichever assignment carries the greatest weight to the final grade. Dates and location of the final exam will be posted in advance and will not be changed.

Students must attend at least 80% of the sessions. Students who do not comply with the 80% attendance rule will receive a 0.0 on their first and second attempts and go directly to the third one (they will need to enroll in this course again the following academic year).

Students who are in the third or fourth attempt must contact the professor during the first two weeks of the course.

The Bachelor's in International Relations pursues to develop the knowledge, skills and attitudes for bringing transformative and sustainable change in today's world. Therefore, all the courses follow the principles of sustainability and diversity. Firstly, this course considers the agenda 2030 and builds upon Sustainable Development Goals (Quality Education, Gender Equality, Decent Work and Economic Growth, Industry, Innovation and Infrastructure, Reduced Inequalities, Peace, Justice and Strong Institutions). Secondly, this course is committed to an inclusive learning environment and looks to be enriched and enhanced by diversity along numerous dimensions, including race, ethnicity and national origins, gender and gender identity, sexuality, class and religion.

ATTENDANCE

Attendance is mandatory at IE University, as it is an essential factor of IE's learning methodology. While we do closely monitor attendance in each course, we also consider our students responsible for their own agenda and commitments, as adult university students. With that in mind, each student may miss up to 20% of the sessions within a given course and still maintain the possibility of passing that given course. This 20% "buffer" is to be used for any absences, such as: illnesses, personal emergencies, commitments, official/ governmental matters, business and/or medical appointments, family situations, etc. Students should manage their various needs, and situations that may arise, within that 20% buffer. If a student is absent to more than the allowed 20% of the sessions (regardless of the reason), s/he will obtain a 0.0 grade for that course in both the ordinary and extraordinary calls of the current academic year, and s/he will have to retake the course during the following academic year.

Please pay close attention to your attendance. The program strongly encourages attending 100% of the sessions as it will improve your learning outcomes, it will increase the class performance and it will benefit your participation grade. Noncompliance with deadlines for Non-Classroom Learning activities or assignments will result in an absence for the session.

Extreme cases involving emergencies such as: extended hospitalizations, accidents, serious illnesses and other cases of force majeure, are to be consulted with the Program Management (bir.biemadrid@ie.edu) for assessment of the situation and corresponding documentation, in order to support and guide each student optimally.

RETAKE POLICY

Any student whose weighted final grade is below 5 will be required to sit for the retake exam to pass the course (except those not complying with the attendance rules, whom are banned from this possibility).

Grading for retakes will be subject to the following rules:

The retakes will consist of a comprehensive exam or equivalent assignment. The grade will depend only on the performance on this exam; continuous evaluation over the semester will not be taken into account.

Dates and location of the retakes will be posted in advance and will not be changed.

The exam/assignment will be designed bearing in mind that the passing grade is 5 and the maximum grade that can be attained is 8 out of 10.

PLAGIARISM / ACADEMIC HONESTY

Plagiarism is the dishonest act of presenting another person's ideas, texts or words as your own. This includes in order of seriousness of the offence:

- providing faulty sources;
- copy-pasting material from your own past assignments (self-plagiarism) without the instructor's permission;
- copy-pasting material from external sources even while citing them;
- using verbatim translations from sources in other languages without citing them;
- copy-pasting material from external sources without citing them;

- and buying or commissioning essays from other parties.

IEU students must contact the professor if they don't know whether the use of a document constitutes plagiarism. For help with your academic writing, contact the Writing Center (writingcenter@faculty.ie.edu) . The professor will also advise the student on how to present said material. All written assignments must be submitted through Turn-it-in, which produces a similarity report and detects cases of plagiarism. Professors are required to check each student's academic work in order to guarantee its originality. If the originality of the academic work is not clear, the professor will contact the student in order to clarify any doubts. Students using external tutorial support should report it to the professor and the BIR Program from the moment they began receiving this support. In the event that the meeting with the student fails to clarify the originality of the academic work, the professor will inform the Director of the Bachelor Program about the case, who will then decide whether to bring the case forward to the BIR Academic Review Panel. Very high similarity scores will be automatically flagged and forwarded to the Academic Review Panel. Plagiarism constitutes a very serious offense and may carry penalties ranging from getting a zero for the assignment to expulsion from the university depending on the severity of the case and the number of times the student has committed plagiarism in the past.

BIBLIOGRAPHY

Compulsory

- Paul R. Krugman, Maurice Obstfeld, Marc J. Melitz. (2022). *International Economics - Theory and Policy*. 12th edition. Pearson. ISBN 9781292409719 (Printed)

Recommended

- Robert Gilpin. (2001). *Global Political Economy. Understanding the International Economic Order..* Princeton University Press.. ISBN 8125023062 (Digital)

BEHAVIOR RULES

Please, check the University's Code of Conduct [here](#). The Program Director may provide further indications.

ATTENDANCE POLICY

Please, check the University's Attendance Policy [here](#). The Program Director may provide further indications.

ETHICAL POLICY

Please, check the University's Ethics Code [here](#). The Program Director may provide further indications.