

Educational institution «Belarus state economic university»

APPROVED

Rector of educational institution

«Belarus state economic university»

 V.N. Shimov

« 30 » 06 2017 г.

Registration № 5322-17

### **International Microeconomics**

Study program of institution of higher education of the discipline for specialization  
1-25 81 01 International Economics and Trade Policy

**DRAFTSMAN:**

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**REVIEWERS:**

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**RECOMMENDED TO APPROVE**

by world economy department of Belarus state economic university (protocol № 12, 16 . 05 . 2017)

by Scientific and methodological council of Belarus state economic university (protocol № 5, 21 . 06 . 2017).

## EXPLANATORY NOTE

One of the priorities of the Republic of Belarus as a small open economy is to maximize the benefits from participation in the international division of labor and factors of production to get the stable non-deficit trade balance and the welfare growth. International microeconomics is the discipline that forms the methodological basis for the understanding the current processes in international trade and factors movements, that allows to predict the further dynamics and find better ways of problem-solving. The discipline «International Microeconomics» is developed for the undergraduates which have studied the international economics at the basic level and have the skills for mathematical analysis and know the English at intermediate level or upper.

**The purpose of the discipline** is to extend the fundamental knowledge about the regularities of international trade and international movements of factors of production and to form the skills for their use in the analysis of current trends in the world economy.

**The tasks of the discipline:**

- to give in-depth knowledge of the principles, causes and consequences of international trade of goods and services;
- to form an understanding of the mechanisms of international migration of labor, capital and technology;
- to develop skills in analysis of the world economy events.

As a result of the discipline studying master student should *know*:

- the main categories of the discipline «International microeconomics»;
- the views of various economic schools on the international trade;
- mechanism and principles of international labor, capital and technology migration.

**be able to:**

- use the theoretical knowledge for the analysis of world economy trends and predict possible events;
- defend their point of view in the debate on the topical problems of world economy.

«International microeconomics» facilitates to form the following **academic competencies**:

- to have in-depth theoretical knowledge and apply them in problem-solving;
- to have own research skills;
- to be able to work independently;
- to be able to generate new ideas.

«International microeconomics» facilitates to form the following **social and personal competences**:

- to have the citizenship qualities;

- to have skills for social cooperation;
- to have skills for interpersonal communication;
- to understand and accept criticism and modify own position in the case of their validity;
- to formulate the own position and find the arguments in its defense.

«International microeconomics» facilitates to form the following **professional competencies:**

- to develop and validate the socio-economic indicators of activities of the world economy subjects;
- to analyze the potential sources of economic information for the economic calculations;
- to use the global information resources;
- to be able to use the modern means of telecommunications;
- to develop the work plans and programs of scientific research;
- to develop the strategies of economic agents' behaviour at international commodity markets;
- to estimate the international competitiveness of companies.

**Interdisciplinary relationship.** Discipline «International microeconomics» deepens the material learned in the discipline of «International Economics».

International microeconomics uses such methods as marginal analysis, functional analysis, economic and mathematical modeling, notably is based on the knowledge that gives the discipline «Higher Mathematics».

The discipline «International Microeconomics» forms a basis for the studying of «International Macroeconomics» and «Theory of international trade and trade policy».

Total hours for the discipline – 164, including 50 hours for lectures, 10 hours for seminars.

The form of control – examination.

## SAMPLE THEMATIC PLAN

Discipline content	hours	including	
		lectures	seminars
Division 1. Theories of International Trade			
Topic 1. The Ricardian Theory of Comparative Advantage	5	4	1
Topic 2. Specific Factors and Income Distribution	5	4	1
Topic 3. The Heckscher-Ohlin (Factor Proportions) Model	8	6	2
Topic 4. Economies of Scale and International Trade	7	6	1
Topic 5. The Standard Trade Model	7	6	1
Topic 6. Alternative Theories of International Trade	7	6	1
Division 2. International Factor Movements			
Topic 7. International Capital Movements	7	6	1
Topic 8. International Labour Migration	7	6	1
Topic 9. International Technology Transfer	7	6	1
<b>Total</b>	<b>60</b>	<b>50</b>	<b>10</b>

# CONTENT

## Division 1. Theories of International Trade

### Topic 1. The Ricardian Theory of Comparative Advantage

The reasons for international trade.

Assumptions of comparative advantage theory. Absolute and comparative advantage. Exogenous and endogenous variables of the model.

A model of a one-factor economy. Production possibilities. The production possibility frontier. Relative prices and supply.

Trade in a one-factor world. Determining the relative price after trade. The gains from trade. Relative wages.

Comparative advantage in a model with many goods. Relative wages and specialization. The motivation for international trade and specialization

The welfare effects of free trade.

Empirical evidence for the validity of advantage theory.

### Topic 2. Specific Factors and Income Distribution

The specific factors model. Assumptions of the model. Production possibilities. The production possibility frontier in the specific factors model

Relative prices and the distribution of income in the specific factors model. Changes in relative prices and output.

International trade in the specific factors model. Income distribution and the gains from trade.

### Topic 3. The Heckscher-Ohlin (Factor Proportions) Model

Heckscher-Ohlin model assumptions. The production possibility frontier. Exogenous and endogenous variables of the model.

The Heckscher-Ohlin theorem. Relative factor abundance.

The factor price equalization theorem. The theorem assumptions.

The Stolper-Samuelson theorem. The theorem assumptions. The magnification effect.

The Rybczynski theorem. The dutch disease. Relationships among the theorems. National welfare effects of free trade in the Heckscher-Ohlin model.

Criticism against the Heckscher–Ohlin model. The Leontief paradox. The Heckscher Ohlin Vanek theorem.

#### **Topic 4. Economies of Scale and International Trade**

Economies of scale and market structure. The theories of imperfect competition. The monopoly and monopolistic competition models.

Monopolistic competition and international trade. The effects of increased market size. Intra-industry trade.

The economics of dumping. Price discrimination and profit maximization. Reciprocal dumping.

The theory of external economies. Specialized suppliers. Labor market pooling. Knowledge spillovers. External economies and increasing returns.

External economies and international trade. Trade and welfare with external economies. Dynamic increasing returns.

#### **Topic 5. The Standard Trade Model**

Production, Consumption, and Trade in the Standard Model. Production Possibilities and Relative Supply.

Economic Growth and International Trade. A Shift of the Relative Supply Curve. International Effects of Growth.

International Transfers of Income. Shifting the RD Curve. Effects of a Transfer on the Terms of Trade.

Tariffs and export subsidies: simultaneous shifts in RS and RD. Relative Demand and Supply Effects of a Tariff. Metzler tariff paradox.

#### **Topic 6. Alternative Theories of International Trade**

Gravity trade model. The Gravity Equation. Empirical Applications of the Gravity Equation.

Product life-cycle theory of Raymond Vernon. Introduction. Growths. Maturity. Saturation. Decline.

The theory of the competitive advantages (M. Porter). The factorial determinants. The determinants of the demand. Up and downstream industries. The strategy and structure of the companies and the rivalry among them

«Technology gap» theory of international trade. Level of technology and competitiveness.

## **Division 2. International Factor Movements**

### **Topic 7. International Capital Movements**

The meaning and forms of international capital flows. Determinants of international capital flows. Short-term net capital flows. Long-term net capital flows.

Economic effects of international capital flows. Microeconomic analysis. Macroeconomic analysis. Long-term economic growth. Convergence.

International borrowing and lending. Intertemporal production possibilities. The real interest rate. Intertemporal comparative advantage.

International capital flows to developing countries. Changing composition of geographical distribution. Reasons for trend changes.

International capital flows and domestic economic policies. Risk, government controls, and other barriers or incentives to international capital movements.

### **Topic 8. International Labour Migration**

The meaning and types of international migration. Micro, Macro and meso analysis of international migration.

Basic theories of international labour migration. Neo-classical theory. Historical-structural theory.

Mobility transition theory. Zelinsky model. Skeldon model.

Social capital, chain migration and social network theory. Migration systems theory.

Migration and development. Lost labour effect. Increasing inequality. Inflationary pressures.

New economics of labour migration. Migration as a household livelihood strategy.

### **Topic 9. International Technology Transfer**

Definition and forms of technology transfer. Technology transfer costs.

International technology transfer & intellectual property rights. International protection of intellectual property in developed and developing countries

Basic technology transfer models. The appropriability model. The dissemination model. The knowledge utilization model. The communication model. Technology transfer models after 1990s. Gibson and Slimor's model. Sung and Gibson's model. Rebenisch and Ferretti's model.

Knowledge-based view related models. Kogut and Zander's model. Nonaka's model. Grant's model. Spender's model. Szulanski's model.



Organization learning related models. Argyris and Schon's model. Mills and Friesen's model. Nevis, DiBella and Gould's model. Nonaka's knowledge spiral model. Kim's model.

The role of TNCs in the generation, transfer and diffusion of technology.

### Teaching and methodical chart of the discipline

Number of division, topic	Division, topics	Classroom hours					other	forms of knowledge control
		lectures	practical classes	seminars	laboratory classes	controlled independent work		
<b>1</b>	<b>Theories of International Trade</b>	<b>32</b>		<b>7</b>				
1.1	The Ricardian Theory of Comparative Advantage	4		1			[1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 14]	Oral test, tasks
1.2	Specific Factors and Income Distribution	4		1			[1, 2, 3, 4, 5, 6, 7, 8, 9, 11]	Oral test, tasks
1.3	The Heckscher-Ohlin (Factor Proportions) Model	6		2			[1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 13]	Oral test, tasks
1.4	Economies of Scale and International Trade	6		1			[1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11]	Oral test, tasks
1.5	The Standard Trade Model	6		1			[1, 2, 3, 4, 5, 6, 7, 8, 9, 11,]	Oral test, tasks
1.6	Alternative Theories of International Trade	6		1			[1, 2, 3, 4, 5, 6, 7, 8, 9, 11]	Oral test, tasks
<b>2</b>	<b>International Factor Movements</b>	<b>18</b>		<b>3</b>				
2.1	International Capital Movements	6		1			[1, 2, 3, 4, 5, 6, 7, 8, 9, 11]	Oral test, tasks
2.2	International Labour Migration	6		1			[1, 2, 3, 4, 5, 6, 7, 8, 9, 11]	Oral test, tasks
2.3	International Technology Transfer	6		1			[1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13]	Oral test, tasks
	<b>Total</b>	<b>50</b>		<b>10</b>				<b>Examination</b>

## INFORMATION AND METHODOLOGICAL PART

### Literature

#### primary:

1. Carbaugh, R.J. *International Economics* / J. Carbaugh. – USA: South-Western College Pub, 2016. – 554 p.
2. Feenstra, R.C. *International Economics* / R.C. Feenstra. – Princeton: Worth Publishers, 2014. – 1008 p.
3. Krugman, P.R. *International Economics* / P.R. Krugman, M. Obstfeld, M. Melitz. – USA: Pearson, 2014. – 792 p.
4. Pugel, T. *International Trade* / T. Pugel; New York: McGraw-Hill, 2016. – 337 p.
5. Salvatore, D. *International Economics* / Dominick Salvatore. – Hoboken: Wiley, 2015. – 720 p.
6. See-Yan, L. *The Global Economy in Turbulent Times* / Lin See-Yan. – Hoboken: Wiley, 2015. – 1024 p.

#### secondary:

7. Dunn, R. M. *International Economics* / R.M. Dunn, J.H. Mutti. – London: Routledge, 2004. – 518 p.
8. Ingham, B. *International Economics: A European Focus* / B. Ingham. – Gosport: Ashford Colour Press Ltd., 2004. – 336 p.
9. Murray, K. *International Trade Theory: A Critical Review* / K. Murray. – London: Routledge, 2008. – 240 p.
10. Richardson, M. *Dimensions of Trade Policy (World Scientific Studies in International Economics)* / M. Richardson. – WS Professional, 2017. – 350 p.
11. Slaughter, M.J. *International Trade and Labor-Demand Elasticities* / M.J. Slaughter // *Journal of International Economics*. – 2001. – Vol. 54. – P. 27-56.
12. *The Economy: Economics for a Changing World* / The CORE Team. – Oxford: OUP Oxford, 2017. – 1000 p.
13. *Transfer of Technology*. – New York and Geneva: United Nations, UNCTAD, 2001. – 137 p.
14. Vousden, N. *The economics of trade protection* / N. Vousden. – Cambridge: Cambridge University Press, 2003. – 305 p.

**ADDITIONS AND CHANGES MADE IN THE STUDY PROGRAM FOR  
THE \_\_\_\_/\_\_\_\_ ACADEMIC YEAR**

The program is reviewed and recommended for use by the Department of World  
Economy

(protocol № \_\_\_\_ . \_\_\_\_ . 20 )

Head of the Department

\_\_\_\_\_ A.A. Pranevich

APPROVED

Director of the Institute of Masters Programs

\_\_\_\_\_ M.V. Samoilov

**PROTOCOL**  
**of harmonization of study program with other disciplines**

Discipline, which requires harmonization	Department	Proposals for changes in the content of the program	Decision taken by the department developed the program (with the date and protocol number)
<i>Microeconomics</i>	<i>Economic theory</i>	<i>No</i> <i>[Signature]</i> <i>(Aspirant KA)</i>	<i>N 12</i> <i>16.05.2017</i>