

## **ECOK-259, TA5 International Trade, 5 Cr**

### **Course objective**

The objective of the course is to introduce students with the basis, consequences and policies of international trade so they have essential ability to analyse important trade issues.

### **Course overview**

The course introduces microeconomic issues relevant to the economic relationships among countries and covers international trade theories and policies in general. These theories will help us understand the reasons why countries trade goods and services and firms invest abroad, the determinants of trade patterns and the impacts of (gains and losses from) trade on welfare and economic development. We will study several models of international trade and use them to examine trade policy. The course essentially addresses the following questions. Who trades what with whom? What are the effects of trade on welfare and income distribution? Why do countries implement protectionist trade policies? What are the effects of barriers to trade and economic integration? What is the role of the WTO? This course is designed not only as an individual course in international trade, but also as a foundation for further study of this subject.

### **Course Contents**

The course covers the main topics in international trade and is organised in three major parts: introduction, trade theory and trade policy. In the beginning, we will start with an introduction to trade in the global economy highlighting key empirical facts of trade patterns. In the second part, we will discuss major trade theories that cover areas including technology and trade (the Ricardian Model), gains and losses from trade (the specific-factors model), endowment and trade (the Heckscher-Ohlin model), the standard trade model, economies of scale and international location of production and how firms behave in the global economy in a world of competition. Then in the third part, the course will concentrate on trade policy issues. We will cover topics including offshoring of goods and services, tariffs and quotas under perfect and imperfect competition, infant industry protection and export policies in resource-based and high-tech industries.

### **Prerequisites**

This lecture course is designed for the students of economics, business studies, finance and banking as well as for other social science disciplines. The course is equally suitable for all students who want to know more about fundamentals of international trade. Basic knowledge in the principles of microeconomics and macroeconomics would be very helpful.

## **Intended Learning Outcomes (ILOs)**

### *Scientific ILOs*

Upon successful completion of the course, students should be able to

- (1) learn modern trade theories and explore the empirical patterns of international trade,
- (2) specify the conditions under which trade is beneficial for individual economies and international community as well as identify winners and losers from trade,
- (3) highlight the implications of trade on firm performance, productivity growth, and income distribution under various circumstances,
- (4) investigate the objectives and impacts of trade and industrial policies,
- (5) discuss the causes and the resolutions of international trade disputes, and
- (6) review the dynamics of world trading system and international coordination.

### *Transferable skills-related ILOs*

The course also aims to enable the student to:

- (1) Retrieve information from various traditional and online sources;
- (2) Synthesise, argue and write on specific research topics;
- (3) Manage study time and use library resources effectively; and
- (4) State academic arguments, present research results and apply feedback constructively as appropriate for their studies.

## **Learning resources**

Some of the course material (lecture slides, articles etc.) will be available on Moodle.

### **Textbook**

Krugman, P.R., Obstfeld, M. and Melitz, M.J. (2023). “International Economics: Theory and Policy”, 12<sup>th</sup> edition, Pearson, Chapters 1 – 12.

### **Other useful readings**

Appleyard, D.R. and Field, A. J. (Jr.) (2017). “International Economics”, 9th edition, McGraw-Hill.

Carbaugh, R. J. (2023). “International Economics”, 18<sup>th</sup> Edition, CENGAGE.

Husted, S. and Melvin, M. (2014). “International Economics”, 9<sup>th</sup> edition, Pearson.

Alternate editions of the textbook may be used. However, there may be small differences between editions. Please check the Moodle page for course announcements, lecture slides, and supplementary reading materials prior to the lecture. Also, note that only just reading the lecture materials does not substitute for attending classroom sessions. Students’ presence in lectures must be as per the rules of the faculty. The lecture notes (slides and handouts) as well as the readings (might also be given later in some cases) are part of the materials tested in the final exam.

### **Completion methods**

Completion methods of the course include 12 lectures, two **homework exercises (15% + 15% = 30%)** and **one final written exam (70%)** at the end of the course lectures. These exercise sets will be posted in the Moodle after the 6<sup>th</sup> and 10<sup>th</sup> lectures scheduled on **Monday 26.09.2022** and **Monday 10.10.2022**, respectively. Students' answers are due to be submitted (typed in) in the Moodle on or before **Friday 07.10.2022** and **Monday 24.10.2022**, respectively. Different sets of exercises (similarly structured) might be distributed to students in order to promote individual thinking and learning. **Students must obtain at least 50% marks separately both in the exercise part and the final exam.** There might be additional assigned readings for lecture sessions. Homework exercises as well as the final written examination will both be **comprehensive** (meaning, all-inclusive) based on the textbook and other lecture material. Learning in the course will finally be evaluated on a scale of 1-5.

### **Attendance and class participation**

Attendance and class participation are integral parts of the course. Missing too many classes is therefore discouraged and your attendance to each lecture is highly recommended. Your active class participation may affect my informal evaluation of your performance, and will be a decisive factor when your grade lies on the borderline between two levels. Plagiarizing assignments, copying another student's work and late submission of exercises are, as always, subject to penalty.