

ECON30160: International Trade Economics

This course introduces the students to the basic concepts of international trade where the overarching interest is what determines the flow of goods, services, and capital across countries. In particular this course explores the various factors that shape trade patterns from both a theoretical and empirical point of view. The students will be familiarised with the standard theoretical models (Ricardian, Specific Factors, Heckscher-Ohlin) in order to understand the dynamics of international trade and to critically discuss their relevance with regard to a number of real world issues such as protectionism and economic development.

Course content

The course consists of three parts

1. **Empirics:** This part of the course discusses the general trends in international trade that have taken place over time, introducing the students to the gravity model with which we can estimate trade patterns, and discuss the border effect.
2. **Theory:** An advanced treatment of the workhorse models in the international trade literature, specifically i) the Ricardian model, introducing the concept of comparative advantage, ii) the Specific Factors model, to help understand why not everyone gains from trade, and iii) the Heckscher-Ohlin model to illustrate long-term dynamics in specialisation.
3. **Policy:** Discussing the effects of policy measures such as tariffs on trade and explaining why trade resistance occurs focusing on the political economy of trade. This part of the course also focuses on the role of trade policy with regard to economic development and discusses trade controversies such as labour issues and pollution havens.

Learning outcomes

Upon completion of this course students should have

1. Substantial knowledge about the causes for international trade in goods, services, and capital,
2. A complete understanding of the theory of comparative advantage and factor proportion theory of international trade
3. A complete understanding of various trade policy instruments such as tariffs

In addition students will be

1. Articulate about topics of current interest with regard to international trade and
2. Able to solve numerical and analytical questions of the type discussed during the lectures

Course delivery

The workload for this course is **22** lecture hours and **78** hours of autonomous student learning. There are two one-hour lectures per week and a number of problem sets are provided for the students to test their understanding of the course material. The lecture slides and problem sets are available online. There is no required reading for this course but students can use “*International Trade: Theory and Policy*” by Krugman, Obstfeld, and Melitz for background reading.

Assessment

- A one hour test halfway the semester, covering the material from weeks one to five, counting towards **40%** of the grade
- A two hour exam at the end of the semester, covering all the material, counting towards **60%** of the grade