



## COURSE SYLLABUS

# International Trade Theory, 7.5 credits

*International Trade Theory, 7,5 högskolepoäng*

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| <b>Course Code:</b> JTTK18   | <b>Education Cycle:</b> First-cycle level                                    |
| <b>Confirmed by:</b> Council for Undergraduate and Masters Education Mar 6, 2017 | <b>Disciplinary domain:</b> Social sciences (75%) and natural sciences (25%) |
| <b>Revised by:</b> Council for Undergraduate and Masters Education Oct 19, 2020  | <b>Subject group:</b> NA1  |
| <b>Valid From:</b> Jan 18, 2021  | <b>Specialised in:</b> G1F   |
| <b>Version:</b> 2  | <b>Main field of study:</b> Economics  |

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### Intended Learning Outcomes (ILO)

On completion of the course the student will be able to:

Knowledge and understanding

1. describe the welfare effects and trade patterns arising when a country opens up for trade according to different trade models, including the Ricardian model, the Heckscher-Ohlin model, the Specific-Factors Model, and models based on economies of scale.
2. explain how factors of production will move internationally and within a country between industries if allowed to do so.
3. match theoretical predictions with empirical findings in international trade, e.g. the Leontief Paradox.

Skills and abilities

4. apply abstract theorising in an appropriate theoretical framework to consider the essential issues in a variety of economic problems in international trade.
5. apply economic concepts that have a broad use for decision making (for example opportunity cost, equilibrium, disequilibrium, incentives, strategic thinking, the possible gains from voluntary exchange, and the relevance of marginal considerations) in the context of international trade theory.
6. critically discuss matters, questions, and situations in international trade, including the results of policy changes or other exogenous events, with rigorous argumentation for discussion (for example, critically discuss what happens to a country's welfare when tariffs increase).
7. explain ideas and solve problems in international trade theory using graphical, tabular, algebraic, and calculus-based techniques.

Judgement and approach

8. analyse the effect of trade policies on the welfare of different groups in society.

### Contents

The aim of the course is to provide the student with basic knowledge and skills in international

trade theory. The course helps the student understand the theoretical basis for the following issues: the gains from trade, how patterns of trade are determined, the effect of growth on trade, and the impact of various trade policies. The course also helps the student consider how trade theory may be applied to various real-world issues.

Important elements of the course include the following:

- Comparative advantage and the Ricardian Model,
- Income distribution and the Specific Factors Model,
- The resource endowment basis for trade patterns and the Heckscher-Ohlin Model,
- Terms of trade and its determinants,
- The effect of growth on trade,
- The inclusion of economies of scale and imperfect competition in international trade theory,
- The impact on trade of various international institutions and agreements on trade, such as the EU, NAFTA, GATT, and WTO.

### Connection to Research and Practice

The course provides an overview of the theoretical literature on trade theory referring to various articles published in leading academic journals. This literature is, in addition, complemented by recent empirical studies measuring the causal effects of changes in trade policies around the world. The provided literature will help students to gain first insights into economic research. Since trade implies general welfare benefits but can also lead to large redistribution between countries and within a country, trade policies are highly relevant. We will apply the theories, that are discussed in the course, to evaluate past and recent trade policies.

### Type of instruction

Lectures and exercise sessions based on homework assignments

The teaching is conducted in English.

### Prerequisites

General entry requirements and 15 credits in Business Administration or Economics including Microeconomics (or the equivalent).

### Examination and grades

The course is graded A, B, C, D, E, FX or F.

Individual written exam (ILOs: 1-5, 7, 8) representing 6.5 credits.

Group assignment (ILO: 6) representing 1 credit.

Registration of examination:

| Name of the Test                     | Value       | Grading        |
|--------------------------------------|-------------|----------------|
| Individual written exam <sup>1</sup> | 6.5 credits | A/B/C/D/E/FX/F |
| Group assignment <sup>1</sup>        | 1 credit    | U/G            |

<sup>1</sup> All parts of the compulsory examination in the course must be passed with a passing grade (A-E) before a final grade can be set.

The final grade of the course is determined by the sum total of points for all parts of the examination in the course (0-100 points).

Grade is set in accordance to JIBS grading policy.

### **Course evaluation**

It is the responsibility of the examiner to ensure that each course is evaluated. At the outset of the course, evaluators must be identified (elected) among the students. The course evaluation is carried out continuously as well as at the end of the course. On the completion of the course the course evaluators and course examiner discuss the course evaluation and possible improvements. A summary report is created and archived. The reports are followed up by program directors and discussed in program groups and with relevant others (depending on issue e.g. Associate Dean of Education, Associate Dean of faculty, Director of PhD Candidates, Dean and Director of Studies). The next time the course runs, students should be informed of any measures taken to improve the course based on the previous course evaluation.

### **Other information**

Academic integrity

JIBS students are expected to maintain a strong academic integrity. This implies to behave within the boundaries of academic rules and expectations relating to all types of teaching and examination.

Copying someone else's work is a particularly serious offence and can lead to disciplinary action. When you copy someone else's work, you are plagiarizing. You must not copy sections of work (such as paragraphs, diagrams, tables and words) from any other person, including another student or any other author. Cutting and pasting is a clear example of plagiarism. There is a workshop and online resources to assist you in not plagiarizing called the Interactive Anti-Plagiarism Guide.

Other forms of breaking academic integrity include (but are not limited to) adding your name to a project you did not work on (or allowing someone to add their name), cheating on an examination, helping other students to cheat and submitting other students work as your own, and using non-allowed electronic equipment during an examination. All of these make you liable to disciplinary action.

### **Course literature**

Literature

- Krugman, P. R., Obstfeld, M., and Melitz, M. International Economics: Theory and Policy, Tenth edition (2015) or later edition. New York: Addison-Wesley. ISBN-13: 978-1-292-01955-0 or ISBN-10:1-292-01955-0, Chapter 1-12, pp. 1-344 and 745-758.
- Supplementary material may be used.