I. TITLE 
INTERNATIONAL TRADE
COURSE 
INBU 8210
CREDITS 
3
PREREQUISITES 
MICROECONOMIC THEORY: BADM 7223

II. COURSE DESCRIPTION

Classical and modern theories of international business in a static and dynamic framework. The implications of business policies derived from the different theories will be analyzed. Aspects such as the importance of international business for developing countries and the development of competitive strategies will be studied.

III. OBJECTIVES

1. End Objectives

Today we are living in a global society. Virtually all nations are linked to one another by trade flows and financial networks that circle the globe.

   1. Evaluate the theory of international trade since David Ricardo and

   2. Evaluate the effects of various international economic policies on domestic and world welfare.

2. TERMINAL AND CAPACITATING OBJECTIVES

   1.1 To analyze the foundations of international trade and the effects of various international economic policies on domestic and world welfare.
1.2 To compare the different theories of International Trade from Ricardo to present

2.1 To examine sources of comparative advantage, gains and losses from trade, and the impact of trade on economic growth,

2.2 To predict effects of trade policy interventions such as tariffs, quotas, voluntary export restraints, and export subsidies.

**IV. CONTENT (TOPICS)**

**A. OVERVIEW: MAJOR ISSUES**

1. INTRODUCTION AND GAINS FROM TRADE

**B. THE THEORY OF COMPARATIVE ADVANTAGE**

1. THE RICARDIAN MODEL

**C. THE HECKSCHER-OHLIN MODEL**

1. THE LEONTIEF’ PARADOX

**D. SCALE ECONOMIES, IMPERFECT COMPETITION, INTERNATIONAL FACTOR MOVEMENTS**

1. ECONOMIC OF SCALE AND INTERNATIONAL TRADE

2. ECONOMIC OF SCALE AND MARKET STRUCTURE

3. THE THEORY OF IMPERFECT COMPETITION
   a. Monopoly
   b. Monopolistic Competition

4. MONOPOLISTIC COMPETITION AND TRADE

**E. INTERNATIONAL TRADE POLICY**

1. INSTRUMENTS OF TRADE POLICY
   a. Tariff and Non-Tariff Barriers
   b. Trade Policy in Developing Countries
   c. Strategic Trade Policies in Advance Countries
F. ECONOMIC GROWTH AND TRADE

V. ACTIVITIES

A. Presentation in Power Point of Results of Paper Assigned

VI. EVALUATION PROCESS

Students taking the course for credit are required to

A. Take one mid-term and one final exam (20% and 30%)

B. actively participate in the presentation and discussion of the course material, which will necessitate reading the material in advance;

C. problems Set (20%)

D. complete a paper on a topic related to the course material. Grading will be 20% on (A) 20% on (B) and (C) together, and 30% on (D). The topic of the paper must broadly be related to this course, and is chosen before mid-term exam in consultation with the instructor.

E. This primary means of communication outside the classroom will be by email list. Therefore, one requirement will be to obtain an email account, in case you don't have one yet. All general announcements will be made via email.

The course grade will be based on these weights:

- Mid-term exam………………… 20%
- Term Paper………………….. 30%
- Problem sets………………… 20%
- Final Exam (comprehensive) 30%

VII. MAIN TEXT

A. OTHER RECOMMENDED TEXTS FOR REFERENCE


VIII. DETAILED TOPICS AND READINGS

A. OVERVIEW: MAJOR ISSUES

1. INTRODUCTION AND GAINS FROM TRADE

Readings

*“The power of Emerging World, The Economist, September 16 – 22, 2006


*Paul Krugman and Maurice Obstfeld, International Economics. Theory and
Policy, chapters 1.

*Appleyard, D. R. and A. J. Field, Jr., International Economics, chapter 1 and 2

Caves, Frankel and Jones World Trade and Payments An Introduction Ch. 2-3

Angel L. Ruiz Class Notes

“The pure Theory of International Trade”
“The Importance of International Trade”
“International Trade: An Overview”
“Breve Trasfondo Histórico: mercantilistas, Teoría de ventaja Absoluta y Teoría de Ventaja Comparativa”

B. THE THEORY OF COMPARATIVE ADVANTAGE

1. THE RICARDIAN MODEL

Readings

Paul Krugman and Maurice Obstfeld, International Economics. Theory and Policy, chapter 2

Bhagwati, Jagdish and Srinivasan T. N., Lectures on International Trade Foundations of International Economic Analysis, chapters 2-4


Appleyard, D. R. and A. J. Field, Jr., International Economics, chapters 3 and 4

Thomas Pugel, International Economics, chapters 2 and 3

C. THE HECKSCHER-OHLIN MODEL
Readings


Bhagwati, Jagdish and Srinivasan T. N., *Lectures on International Trade*, chapters 5-7

Caves, Frankel and Jones *World Trade and Payments An Introduction*, chapters 7-8


D. SCALE ECONOMIES, IMPERFECT COMPETITION, INTERNATIONAL FACTOR MOVEMENTS

Readings


Grossman, G. (editor), Imperfect Competition and International Trade, part III


Angel L. Ruiz, “Economías de Escala, Competencia Imperfecta y Comercio Internacional: El Modelo de Krugman” (handout)

**E. INTERNATIONAL TRADE POLICY**

1. The Instruments of Trade Policy
   a. Tariff and Non-Tariff Barriers
   b. Trade Policy in Developing Countries
   c. Strategic Trade Policies in Advance Countries

**Readings**

Krugman and Obsfeld, Part II, chapters 8-11

Caves, Frankel and Jones World Trade and Payments An Introduction, chapters 11-15

Steven M. Suranovic, “Evaluating the Controversy Between Free Trade and protectionism” (handout).

Angel L. Ruiz, Notas de Clase: “Restricciones al Comercio Internacional”
F. ECONOMIC GROWTH AND TRADE

Readings


S. Edwards (1993), "Openness, Trade Liberalization, and Growth in Developing Countries", Journal of Economic Literature 31: 1358-1393


David Greenaway: "New Trade Theories and Developing Countries," in V.N.

IX. BIBLIOGRAPHY


Freeman, C. and Hagedoorn, J., Catching up or Falling behind: Patterns in International Inter-Firm Technology Partnering World Development. 22 (5). May 1994,


Krugman, P.R., Import Protection as Export Promotion, in Kierzkowski, 1984.


