

**International Trade**

Code: 102475  
 ECTS Credits: 6

Degree	Type	Year	Semester
2501573 Economics	OT	3	2
2501573 Economics	OT	4	0

**Contact**

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**Use of languages**

Principal working language: english (eng)  
 Some groups entirely in English: Yes  
 Some groups entirely in Catalan: No  
 Some groups entirely in Spanish: No

**Prerequisites**

Mathematics I, Microeconomics I, Microeconomics II

**Objectives and Contextualisation**

1. Develop the concept of comparative advantage as a key aspect for commerce.
2. Understand the role of the endowment of factors for the development of international trade.
3. Analyse the behaviour of companies regarding the opportunities and challenges that trade presents in a globalised world.
4. Understand the different mechanisms available to governments to regulate international trade.
5. Study the logic of political decisions in terms of international trade and their economic and political impact.

**Skills**

**Economics**

- Capacity for adapting to changing environments.
- Demonstrate initiative and work individually when the situation requires it.
- Demonstrate thorough understanding of concepts related to international trade.
- Lead multidisciplinary and multicultural teams, implementing new projects and coordinating, negotiating and managing conflicts.
- Organise the work in terms of good time management, organisation and planning.
- Take decisions in situations of uncertainty, demonstrating an entrepreneurial and innovative attitude.
- Use of the available information technology and adaptation to new technological environments.
- Use theoretical models to analyse open macroeconomics.
- Work well in a team, being able to argue proposals and validate or reject the arguments of others in a reasoned manner.

**Learning outcomes**

1. Analyse a Balance of Payment.
2. Analyse the balance, in terms of welfare, of different commercial policies.
3. Analyse the impact of a change in resources on international trade, and incorporate the relationship between growth and international trade.
4. Capacity to adapt to changing environments.
5. Consider the impact of different commercial policies (fees, duties, subsidies, etc.) on international equilibrium.
6. Convey the diversity of products with imperfect competition and returns to scale.
7. Convey the structure of political institutions with trade policies.
8. Decide on a macroeconomic model for an open economy and highlight the aspects differentiating it from a closed economy.
9. Demonstrate initiative and work independently when required.
10. Find trade patterns according to comparative advantages.
11. Identify comparative advantages.
12. Interpret the evolution and current functioning of the international monetary system.
13. Lead multidisciplinary and multicultural teams, implement new projects, coordinate, negotiate and manage conflicts.
14. Make decisions in situations of uncertainty and show an enterprising and innovative spirit.
15. Organise work, in terms of good time management and organisation and planning.
16. Present the main models to determine exchange-rates on a short and long-term basis.
17. Recognise the groups of agents that benefit from trade and the groups of agents that are harmed by international trade.
18. Recognise the role of history and/or foreign economies on trade patterns.
19. Understand the main aspects behind exchange-rate fluctuations and the limitations on an empirical level of the existing models of exchange rate determination.
20. Understand the main aspects behind the choice of an exchange-rate regime.
21. Understand the main aspects related to the Balance of Payment of a country. Present the main theoretical models to analyse the effectiveness of fiscal and monetary policy in an open economy.
22. Use available information technology and be able to adapt to new technological settings.
23. Use the models learned to assess the effectiveness of fiscal and monetary policy in an open economy.
24. Work as part of a team and be able to argue own proposals and validate or refuse the arguments of others in a reasonable manner.

## **Content**

1. Introduction

### **PART I: THEORY ON INTERNATIONAL TRADE**

2. Absolute and comparative advantage. The Ricardian model
3. The specific factors model and the distribution of income
4. Initial endowments and trade. The Heckscher-Ohlin model. The Stolper-Samuelson model
5. Firms' behaviour in front of international trade

### **PART II: INSTRUMENTS AND POLICIES IN INTERNATIONAL TRADE**

6. Tariffs and other instruments of international trade
7. International trade policies

## **Methodology**

In the first part of the course we review the static theory of International Trade. The objective in this part is to show that international trade appears as a natural channel to exploit comparative advantages and to determine

the ingredients that may create such advantages. The reference texts are Caves, Frankel and Jones, and that of Krugman, Obstfeld and Melitz. Some themes will be complemented with additional readings that will be indicated in class.

In the second part of the course we will study several dynamic aspects of International Trade. In particular, we will study the effect of trade on economic inequality by means of changes in the distribution of income and wealth. The basic references in this part are a few selected chapters in the books by Aghion and Howitt and by Barro and Sala-i-Martin, as well as specific complementary readings.

The mathematics we use during the course are essentially limited to partial derivatives and its application in optimization problems. For the dynamic part we will introduce the convenient techniques.

During the course there will be a variety of problem sets and exercises that will help to put to work the mechanisms introduced in the classes. These homeworks will be revised and corrected in the classes.

## Activities

Title	Hours	ECTS	Learning outcomes
<b>Type: Directed</b>			
Classes with the main instructor	30	1.2	2, 3, 1, 20, 19, 21, 11, 12, 5, 16, 18, 17, 8, 10, 23, 7, 6
Problem sets and exercises	15	0.6	2, 3, 1, 4, 20, 19, 21, 11, 9, 12, 13, 15, 5, 14, 16, 18, 17, 8, 24, 10, 23, 22, 7, 6
<b>Type: Supervised</b>			
Office hours	2	0.08	2, 3, 1, 4, 20, 19, 21, 11, 9, 12, 13, 15, 5, 14, 16, 18, 17, 8, 24, 10, 23, 22, 7, 6
<b>Type: Autonomous</b>			
Study	89	3.56	2, 3, 1, 20, 19, 21, 11, 9, 12, 15, 5, 16, 18, 17, 8, 10, 23, 22, 7, 6

## Evaluation

The evaluation of the course will be carried out continuously, through some activities and a final exam. The type of activities and their weight in the final note is the following:

- Final exam: 30% of the final grade (all the syllabus)
- Mid-term exams: 20% of the final grade (10% each)
- Individual activities: 25% of the final grade
- Group work: 25% of the final grade

The final grade will be the weighted average of the activities.

If applying the above mentioned weights the qualification of the student is 5 or higher, the course is considered passed and this will not be subject to a new evaluation. In the case of a grade less than 3.5, the student will not pass the course. For those students who have obtained a grade that is equal to or greater than 3.5 and less than 5, there will be a re-take exam. The re-take exam grade will be qualitative and will only have two possible

outputs: PASS or NO PASS. If the student obtains a PASS grade, they will pass the course with a maximum numerical grade equal to 5. If the student gets a NO PASS score, the final grade will be equal to the one obtained before the re-take.

A student is considered to be "Not Evaluated" in the subject if he/she has not participated in any of the course activities. Therefore, if a student attends one or more activities of the evaluation, he/she can no longer opt for a "Not Evaluated".

Those students who attend the subject for the second, third or fourth time have the option to follow the continuous assessment or to present themselves directly to the final exam, which will mean that it will count 100% of the final grade.

### Calendar of evaluation activities

The dates of the evaluation activities (midterm exams, exercises in the classroom, assignments, ...) will be announced well in advance during the semester.

The date of the final exam is scheduled in the assessment calendar of the Faculty.

*"The dates of evaluation activities cannot be modified, unless there is an exceptional and duly justified reason why an evaluation activity cannot be carried out. In this case, the degree coordinator will contact both the teaching staff and the affected student, and a new date will be scheduled within the same academic period to make up for the missed evaluation activity."* **Section 1 of Article 115. Calendar of evaluation activities (Academic Regulations UAB).** Students of the Faculty of Economics and Business, who in accordance with the previous paragraph need to change an evaluation activity date must process the request by filling out an **Application for exams' reschedule**

[https://eformularis.uab.cat/group/deganat\\_feie/application-for-exams-reschedule](https://eformularis.uab.cat/group/deganat_feie/application-for-exams-reschedule)

### Grade revision process

After all grading activities have ended, students will be informed of the date and way in which the course grades will be published. Students will be also be informed of the procedure, place, date and time of grade revision following University regulations.

### Retake Process

*"To be eligible to participate in the retake process, it is required for students to have been previously been evaluated for at least two thirds of the total evaluation activities of the subject."* **Section 3 of Article 112 ter. The recovery (UAB Academic Regulations).** Additionally, it is required that the student to have achieved **an average grade of the subject between 3.5 and 4.9.**

The date of the retake exam will be posted in the calendar of evaluation activities of the Faculty. Students who take this exam and pass, will get a grade of 5 for the subject. If the student does not pass the retake, the grade will remain unchanged, and hence, student will fail the course.

### Irregularities in evaluation activities

In spite of other disciplinary measures deemed appropriate, and in accordance with current academic regulations, *"in the case that the student makes any irregularity that could lead to a significant variation in the grade of an evaluation activity, it will be graded with a 0, regardless of the disciplinary process that can be instructed. In case of various irregularities occur in the evaluation of the same subject, the final grade of this subject will be 0"*. **Section 10 of Article 116. Results of the evaluation. (UAB Academic Regulations).**

### Evaluation activities

Title	Weighting	Hours	ECTS	Learning outcomes
Essays, reports and other	50%	10	0.4	2, 3, 1, 4, 20, 19, 21, 11, 9, 12, 13, 15, 5, 14, 16, 18, 17,

activities

8, 24, 10, 23, 22, 7, 6

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Exams

50%

4

0.16

2, 3, 21, 11, 5, 16, 18, 17, 10, 6

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## Bibliography

Main text:

International economics: Theory and policy  
Krugman, Obstfeld and Melitz  
Pearson, 2018 (11 Edició)

Complementary references:

World trade and payment: An introduction.  
Caves, Frankel and Jones,  
Addison-Wesley, (10th Edition).

Advanced International: Trade Theory and Evidence.  
Robert C. Feenstra,  
Princeton University Press, (2nd Edition)