

**COURSE DATA****Data Subject**

<b>Code</b>	44172
<b>Name</b>	International trade theory and policies
<b>Cycle</b>	Master's degree
<b>ECTS Credits</b>	3.0
<b>Academic year</b>	2023 - 2024

**Study (s)**

<b>Degree</b>	<b>Center</b>	<b>Acad. year</b>	<b>Period</b>
2203 - M.U. en Política Económica y Economía Pública	Faculty of Economics	1	First term

**Subject-matter**

<b>Degree</b>	<b>Subject-matter</b>	<b>Character</b>
2203 - M.U. en Política Económica y Economía Pública	7 - Economic policy from an international perspective	Optional

**Coordination**

<b>Name</b>	<b>Department</b>
GIL PAREJA, SALVADOR	132 - Economic Structure

**SUMMARY**

The course Theory and policy of international trade focuses on the study of the basic features of international trade; the determinants of international trade (the gravity model), the classic theoretical explanatory models of international trade; the new theories of international trade; the costs / benefits of international trade; the instruments of trade policy; the political and economic arguments for intervention: the strategic trade policy; the role of GATT and the World Trade Organization (WTO); regional trade agreements; trade in services; the relationship between trade and foreign direct investment

**PREVIOUS KNOWLEDGE**



### Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

### Other requirements

Basic knowledge of Microeconomics and Macroeconomics

## OUTCOMES

### 2203 - M.U. en Política Económica y Economía Pública

- Students should apply acquired knowledge to solve problems in unfamiliar contexts within their field of study, including multidisciplinary scenarios.
- Students should communicate conclusions and underlying knowledge clearly and unambiguously to both specialized and non-specialized audiences.
- Students should demonstrate self-directed learning skills for continued academic growth.
- Students should possess and understand foundational knowledge that enables original thinking and research in the field.
- Capacidad para preparar, redactar y exponer en público informes y proyectos sobre política económica y economía pública de manera clara y coherente, defenderlos con rigor y tolerancia y responder satisfactoriamente a críticas sobre los mismos.
- Desarrollar la capacidad crítica, impulsar la inquietud y el interés investigador; buscar, ordenar, analizar y sintetizar la información económica, seleccionando aquella que resulta pertinente para la toma de decisiones en política económica.
- Desarrollar la capacidad de trabajo en equipo, coordinación de tareas, liderazgo y compromiso con el grupo en el desarrollo de actividades de análisis de los problemas económicos y sus soluciones.
- Valorar diferentes problemas económicos, precisar sus causas e interpretar la toma de decisiones del Estado.
- Poder evaluar el impacto de la política económica sobre la economía en su conjunto y por áreas de actividad o sectores.

## LEARNING OUTCOMES

Learning outcomes of the course Theory and policy of international trade are: understanding the scope of the increasing globalization of economic activity; to know the determinants of international trade; to assess the costs and benefits of international trade; to know the theoretical models that explain international trade, as well as conventional instruments used in trade policies; to know the main institutions governing international trade relations; to know and understand the rationale for the various existing international trade agreements.



## DESCRIPTION OF CONTENTS

### 1.

In this unit, an analysis of international trade is done through various databases. The objective is to know its main features and trends, providing an overview of the situation and proceed in the following subjects, the development of explanatory models of specialization of countries and trade policies

### 2. THE GRAVITY MODEL OF INTERNATIONAL TRADE

This topic introduces the gravity model of international trade and analyses the challenges posed by its estimation. Moreover, a series of recommendations are presented to be taken into account in order to obtain reliable estimates of the parameters. The gravity model is the methodological framework most successful and used during the last decades in the study of the determinants of bilateral trade flows between countries and, in particular, in the analysis of the effects of the different types of economic integration agreements on trade international.

### 3.

With this theme starts the study of the explicative models describing the comparative advantage concept as the determination of the specialization as though the available gains of trade. Following the extension of the Ricardian model, finally going to show the empirical evidence of this model

### 4.

This topic discusses the Heckscher-Ohlin model, the dominant model in neoclassical theory of international trade and the results of its contrast and attempts to reconcile Leontief's paradox with theory are considered.

### 5.

This topic is dedicated to explaining the new trade theory that modifies some of the assumptions of neoclassical theories of trade based on comparative advantage that are adequate to explain inter-industrial trade flows (exchange of goods between different industries). In this topic, we explain new trade models that help explain the growing importance of intra-industrial trade (exports and imports within the same industry) between countries with similar factor endowments and technological levels observed in recent decades. These models emphasize the importance of economies of scale and consumer taste for varieties.



## **6. FIRMS IN INTERNATIONAL TRADE. MNEs, FDI, OFFSHORING**

This topic introduces new models that modify the fundamental assumption of a representative firm in each industry of the "new theories of trade". The availability of databases at the level of industrial establishments and companies since the late 1980s revealed the existence of both enormous heterogeneity among companies involved in trade, and rich dynamics at the firm-, product-, and destination market level. In this topic, we introduce new models that emphasize the importance of heterogeneity at the firm level and explain the decision to export (import), make foreign direct investment (FDI) and / or offshoring and outsourcing processes.

Part I of this topic considers the decision to export (import) by heterogeneous domestic companies that must incur unrecoverable costs and in context of high uncertainty.

Part II of the topic is devoted to analyze the phenomenon of multinational companies, paying special attention to the fundamental decisions of location (where to produce) and of internalization of production processes (control vs. transactions through the market), as well as their impact on the countries where they are located.

## **7.**

In this unit we study the impact of the intervention in the markets with the different instruments of trade policy. We consider the tariff effect as a partial analysis as a general analysis. Once studied the tariff protection, the various non-tariff instruments, its effects, the differences between them and their advantages and disadvantages are studied; with particular emphasis on groups in which the adoption is beneficial / harmful

## **8.**

Once exposed trade policy that includes the previous topic, we describe the role and functioning of the current regulatory institution of international trade, the WTO. Later, we analyze trade issues related to the various regional integration processes undertaken in both developed and developing countries

## **9. TRADE POLICY III: EMPIRICAL RESEARCH**

Articles presentations about trade policy

**WORKLOAD**

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Development of group work	20,00	0
Study and independent work	20,00	0
Preparation of evaluation activities	2,00	0
Preparing lectures	3,00	0
<b>TOTAL</b>	<b>75,00</b>	

**TEACHING METHODOLOGY**

Theoretical classes (participatory master class).

Classes aimed at putting theoretical knowledge into practice.

Discussion of articles (readings).

Practical cases.

**EVALUATION**

Final exam: 70%

Continuous assessment: 30%

**REFERENCES****Basic**

- Krugman, P.K., Obstfeld, M. y Melitz, M.J. (2016): Economía Internacional, Pearson, Madrid.
- Feenstra, R. y Taylor, A. (2011): Comercio Internacional, Editorial Reverté, Barcelona