



**Fall Term 2019**

**Basic Information:**

<b>Title:</b>	International Trade	<b>Code:</b>	FIN 644
<b>Program:</b>	MBIT via BBIT	<b>Credit Hours:</b>	Three (03)
<b>Sessions:</b>	30 Classes + Mid Term + Final Term	<b>Pre-Requisite:</b>	Managerial Economics

**Course Description:**

*The course has three basic components. The first part develops the basic models of international trade. The second part covers topics including strategic trade policy, the role of imperfect competition, and political economy angle. The last section covers a few topics from the recent literature including trade and the environment. By the end of this course it is expected that the student will be familiar with the models used in international trade, from the classic ones to the latest developments, understand key policy issues and the theory relevant to their analysis, and develop the capacity to read and understand the journal literature in the area of international trade.*

**Learning Outcomes:**

*After completion of this course participants should be able*

- ✓ *To understand important facts concerning global economy and international trade*
- ✓ *To perceive the role of international trade in the world economy.*
- ✓ *To understand the mechanism of international trade*

**Teaching Learning Methodology:**

*The formal teaching component of this course consists of: active student participation in and contribution to all forms of teaching and learning i.e. lectures, discussions, research assignments and projects. Lectures will be twice a week of 90 min each.*

**Group Configurations:**

*One of the objectives of this course is to encourage and facilitate team work. Class will have to make a group of four for projects and research assignments. It is recommended that student will form their own groups. As general guideline, your group should have members with diverse skill sets including people who are proficient or have aptitude for different subject areas.*

**Weekly Term Plan**

<b>Week</b>	<b>Lecture Topic</b>
1	<i>Introduction</i>
2	<i>Classical Trade Theories</i>
3	
4	<i>Ricardian Theory of Trade, Empirical Evidence On The Ricardian Model</i>
5	<i>Standard Theory of Trade</i>
6	<i>Offer Curves &amp; Terms of Trade</i>
7	
8	<b><i>Mid Term Examination</i></b>
9	<i>Neoclassical Trade Theory</i>
10	
11	<i>Trade Restrictions: Tariffs</i>
12	<i>Nontariff Trade Barriers and The New Protectionism</i>
13	<i>Economic Integration</i>
14	<i>Regional Trading Arrangements</i>
15	<i>The Political Economy of Trade Policy</i>
16	<i>Trade Policy in Developing Countries</i>
17	<b><i>Final Term Examination</i></b>



**Fall Term 2019**

**Topics in Detail**

**Introduction**

*What is International Economics about?*  
*Current International Economic Problem*  
*The Gains from trade.*  
*The Pattern of Trade*  
*The Changing Degree of International Trade*

**Classical International Trade Theory**

*The Mercantilists*  
*Absolute Advantage Theory*  
*Criticism*

**Ricardian Theory of Trade**

*Comparative Advantage*  
*PPS under constant returns to scale*  
*Gains from Trade under constant returns to scale*

**The Standard Theory of International Trade**

*The Production Frontier with Increasing Costs*  
*The Marginal Rate of Transformation*  
*Community Indifference Curves*  
*The Marginal rate of Substitution*  
*Equilibrium Relative Commodity Prices and Comparative Advantage*  
*The basis for and Gains from Trade*  
*Trade based on Differences in tastes*  
*Trade Theory*  
*Offer Curves and Terms of Trade*  
*Trading equilibrium*

**Neoclassical Trade Theory**

*Heckscher-Ohlin Model*  
*Assumptions of the Model*  
*Factor Prices and Goods Prices*  
*Resources and Output*  
*Relative Prices and the Pattern of trade*  
*Trade and Distribution of Income\*  
*Factor Price Equalization and Income Distribution*

**Trade Restrictions: Tariffs**

*Types of Tariff*  
*Partial Equilibrium Analysis of Tariff*  
*The Impact of tariff on consumer, and producer surplus*  
*The Optimum Tariff*

**Nontariff Trade Barriers and New Protectionism**

*Import Quotas*  
*Effects of an Import Quota*  
*Other Nontariff Barriers*  
*Voluntary Export Restraints*  
*International Cartels*  
*Dumping*

**Economic Integration:**

*Free Trade Area*  
*Customs Union*  
*Common Market*  
*Economic Union*  
*Impact of economic integration:*  
*Regional Trading Arrangements*  
*Types of Regional Trading arrangements*  
*The impetus for regionalism*  
*The European Monetary Union*  
*North American Free Trade Area (NAFTA)*  
*SAARC*

**Trade Policies for Developing Nations**

*Developing-Nation trade characteristics*  
*Trade problems of the developing nations*  
*Commodity Agreement Experience*

**Trade Regulations and Industrial Policies**

*The General Agreement on Tariffs and Trade (GATT)*  
*WTO*  
*The role of WTO in Trade Regulations*  
*East Asian Economies*  
*China's Case*  
*China and WTO*

**The Political Economy of Trade Policy**

*Arguments for and against free trade*  
*Income distribution and trade policy*

**Trade Policy in Developing countries**

*Import substitution Industrialization,*  
*Export Oriented Industrialization.*  
*Controversy between free trade and protectionism*

**Text & Recommended Readings**

- A. *International Economics*  
*Dominick Salvatore (latest edition)*
- B. *International Economics*  
*Robert J. Carbaugh (2001), USA*
- C. *International Economics: Theory and Policy.*  
*Krugman, Paul R. and Obstfeld, Maurice*  
*(2008), Addison-Wesley*

**Assignment Specification**

*Microsoft Word for Documentation*  
*Headings*                      *Arial 11pt Bold*  
*Normal Text*                      *Times New Roman 10pt*  
*Header Footer*                      *Times New Roman 8pt*  
*Paragraph*                      *Single Line Spacing*  
*First Line Indent*                      *1.0 cm*  
*Page Margins*                      *2 cm from each side*



**Grading Policy:**

Final Grade for this course will be the cumulated result of the following term work with relevant participation according to the quoted percentage.

<b>Sessional</b>	<b>25%</b>		<b>Mid Term</b>	<b>35%</b>		<b>Final Term</b>	<b>40%</b>
Assignments	10 %		Mid Term Exam	25%		Final Exam	30%
Quizzes	10%		Lab Work/ Lab Mid	10%		Case Study/ Project/	10%
Presentations	05%		Exam			Term Paper	

*Remember subdivision of Mid Term and Final Term Examination should be done only in case of very essential and major Grading Instruments.*

**Dishonest Practices & Plagiarism**

Any student found responsible for dishonest practice/cheating (e.g. copying the work of others, use of unauthorized material in Grading Instruments) in relation to any piece of Grading Instrument will face penalties like deduction of marks, grade 'F' in the course, or in extreme cases, suspension and rustication from IBIT.

For details consult Plagiarism Policy of PU at <http://pu.edu.pk/dpcc/downloads/Plagiarism-Policy.pdf>

**Grading System:**

Letter Grade	Grade Point	Num Equivalence
A	4.00	85 – 100 %
A-	3.70	80 – 84 %
B+	3.30	75 – 79%
B	3.00	70 – 74 %
B-	2.70	65 – 69 %
C+	2.30	61 – 64 %
C	2.00	58 – 60 %
C-	1.70	55 – 57 %
D	1.00	50 – 54 %
F	0.00	Below 50 %
I	Incomplete	*
W	Withdraw	*

**Norms to Course:**

- ✓ Submission Date and Time for the term instruments is always **Un-Extendable**
- ✓ 7 Absentees in class will be result in forced withdrawal. **(PU Policy)**
- ✓ Re-sit in Mid and Final Term will cause you a loss of 2 and 3 grade marks respectively. **(PU Policy)**
- ✓ This is your responsibility to keep track of your position in class evaluation units.
- ✓ After the submission date, NO excuse will be entertained.
- ✓ **Keep a copy of all submitted Grading Instruments.**
- ✓ Assignment is acceptable only in its Entirety.
- ✓ No make up for any assignment and quiz.
- ✓ Copied & Shared work will score Zero.
- ✓ Assignments are Individual.

**Good Luck**