UNIVERSITY OF DELHI

DELHI SCHOOL OF ECONOMICS

DEPARTMENT OF ECONOMICS

Minutes of Meeting

Subject: B.A. (Hons.), Sixth Semester

Course: International Trade(ECON016)

Credit: 4

Date: Tuesday, 4th December 2024

Venue: Room No.104

Convenor: Prof. Dibyendu Maiti

Attended by

Anu Satyal	**College for Vocational Studies**
Ujjayini Roy	**Lakshmibai College**
Krishnakumar S	**Sri Venkateswara College**
Shikha Singh	**Daulat Ram College**
Annushri	**College for Vocational Studies**

Course Objective

The purpose of this course is to inform the basics of international trade theory and to examine the effects of international economic policies on domestic and world welfare. This course develops a systematic exposition of models that try to explain the composition, direction, and consequences of international trade, and the determinants and effects of trade policy. Although the course is based on abstract theoretical models, students will also be exposed to real-world examples and case studies.

Course Learning Outcomes

The module aims to introduce students to the main theoretical and empirical concepts in international trade, equip students with a thorough analytical grasp of trade theory, ranging from Ricardian comparative advantage to modern theories of intra-industry trade, and familiarise students with the main issues in trade policy and with the basic features of the international trading regime. At the end of the course, the students should be able to demonstrate their understanding of the economic concepts of trade theory. In some models, the student will be required to deal with simple algebraic problems that will help them to better understand these concepts, use diagrammatic analysis to demonstrate and compare the economic welfare effects of free trade and protection, demonstrate their understanding of the

usefulness and problems related to topics in international trade, and demonstrate their critical understanding of trade policies.

Unit 1: Neoclassical Trade Theories (20 L)

1.1 Ricardian trade theory (notion of comparative advantage and gains from trade due to specialisation);

KOM: Ch 3 : Labour Productivity and Comparative Advantage: Ricardian Model, pp 52 -78

1.2 Specific factor model; international movement of factors, standard trade model

KOM Ch 4: Specific Factors and Income Distribution, pp 79-114

KOM Ch 6: Standard Trade Model, pp 151-178

1.3 Heckscher-Ohlin theory; Heckscher-Ohlin theorem; factor price equalisation, Rybczynski and Stolper-Samuelson theorems

KOM Ch 5: Resources and Trade: The Heckscher-Ohlin Mode, pp. 115-150 (with Appendix)

Gandolfo Ch 4: Section 4.3.1: A graphic treatment, pp 74-78 (excluding section 4.3.2), Section 4.5.2: Factor-intensity reversals, pp 85-86

Gandolfo Ch 5: The Four Core Theorems, pp 103 -108

Unit 2: New Trade Theories (15L)

2.1 External economies of scale, internal economies of scale; the Krugman model

KOM Ch 7 **:** External Economies of Scale and the International Location of Production, pp 179 197

2.2 Firm heterogeneity; introduction to the theory of multinational firms and FDI, Offshoring of Goods and Services

KOM Ch 8: Firms in the Global Economy, pp 198-241

FT Ch 7: Offshoring of Goods and Services, pp 197-205, pp 212-216

Unit 3: Trade policy (10L)

3.1 Instruments of trade policy; tariffs, quotas, export subsidies, voluntary export restraints. The economics of trade policy

KOM Ch 9 : The Instruments of Trade Policy, 243-273

Gandolfo Ch 3: Section 3.3, pp 43-48

3.2 Political economy of trade policy

KOM Ch 10: The Political Economy of Trade Policy, pp 274-304

3.3. International Agreements: Trade, Labour, and the Environment

FT Ch 11: International Agreements: Trade, Labour and Environment, pp 380-410 (from Section 2)

References:

1. Feenstra, R., Taylor, A. (2014). International Trade, 3rd ed. Worth Publishers. (Abbreviation used: FT)

2. Krugman, P., Obstfeld, M., Melitz, M. (2018). International Economics - Theory and Policy, 11th ed. Pearson Education. (Abbreviation used: KOM)

3. Gandolfo, International Trade Theory and Policy (with contribution from Federico Trionfetti), Springer (2014),2nd ed.

Teaching Learning Process: Lectures and tutorials

1. Internal Assessment and Continuous Assessment:

i) Internal Assessment (30 marks): The internal evaluation will consist of one class test and one assignment/presentation for 12 marks each. 6 marks shall be allocated for lecture attendance as per rules.

ii) Continuous Assessment (40 marks): The continuous evaluation will consist of one Project and Presentation of 25 marks and one assignment of 10 marks. 5 marks shall be for allocated for tutorial attendance as per rules.

II. End Semester examination (90 marks)

The paper has two sections.

Section A: 9 Multiple Choice Questions/ Phrase /one sentence answers

Section B: 4 out of 6 questions (optimally there shall be two to three sub-parts) (4 X 18=72 marks)