



# St. Francis Xavier University

Department of Economics

ECON 365: International Trade

Instructor: Zeynep Ozkok

Fall 2017

**Office:** Nicholson Tower 509  
**Telephone:** 867-5855  
**E-mail:** [zozkok@stfx.ca](mailto:zozkok@stfx.ca)  
**Web Page:** <https://sites.google.com/site/zeynepozkok/>  
**Classes:** Monday 5:15 – 6:30 pm and Wednesday 5:15 – 6:30 pm  
**Office Hours:** Monday 12:30 – 1:30 pm, Wednesday 11:00 am – 1:30 pm, Thursday 11:00 am – 12:30 pm & 2:30 – 3:30 pm

## Description

This is the first of two half-courses on international economics. This course focuses on the theory of international trade and its policy implications. The main topics covered are patterns of trade and specialization (from the classical models -Ricardo and Heckscher-Ohlin - to the more recent models of monopolistic competition); gains from trade; terms of trade; effects of international trade on income distribution and growth and economic development; economic geography and regional specialization; commercial policy and economic integration; trade policies; and WTO and trade agreements.

## Objectives and Learning Outcomes

The course has three main objectives:

- (1) To understand the determinants of trade in goods, services and capital among countries along with the policies used to influence such trade.
- (2) To explore the theory and practice of international trade and acknowledge the problems regarding trade policies among countries.
- (3) To prepare students for further study of international economics, and provide an thorough understanding of economic relations across countries.

## Prerequisites

ECON 201.

## Textbook

Krugman, Obstfeld and Melitz, *International Trade: Theory and Policy* (11<sup>th</sup> edition). You can also use Krugman, Obstfeld and Melitz, *International Economics: Theory and Policy* (11<sup>th</sup> edition).

## Evaluation

The course grade is based on problem sets, a mid-term and a final exam as follows:

- Assignments (3): 30%
- Mid-term: 30%
- Final exam: 40%

The mid-term exam is scheduled for **October 23**. The final exam, to be scheduled by the examinations office in December, will be cumulative. **No make-up mid-term exams** will be offered. Should a student miss a mid-term for a medical reason, the weight of the mid-term will be added to the final exam. No adjustments regarding the weight of the final exam will be made.

Attendance in class is mandatory and class participation, along with performance on assignments will be used to adjust grades up or down by half a grade level.

Three assignments will be handed out during the course. Problem sets will consist of questions on trade theory and short essays in applied topics covered in class. The students will be given a week to complete the assignments. The assignments will then be graded and handed back within a week. Answer keys for the problems will be posted on Moodle.

I will also be posting additional readings on Moodle to accompany the topics that we'll be covering in class. I encourage you to follow current international economic issues by reading major newspapers (i.e. The Wall Street Journal, The New York Times, Financial Times, Globe and Mail) or magazines (i.e. The Economist, Time). We will be discussing the relevant economic news in class as well.

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## **Course Outline**

### ***Part I: Economics of International Trade***

- |   | <b><i>Chapter(s)</i></b> |
|---|--------------------------|
| 1. Introduction and Overview                                | 1, 2                     |
| 2. Trade and Comparative Advantage<br>(The Ricardian Model) | 3                        |
| 3. Trade and Resources<br>(The Heckscher-Ohlin Model)       | 4, 5                     |
| 4. Trade and Economies of Scale                             | 6, 7                     |
| 5. Firms in the Global Economy                              | 8                        |

### ***Part II: Policy Issues in International Trade***

- |  |    |
|--|----|
| 1. The Instruments of Trade Policy       | 9  |
| 2. The Political Economy of Trade Policy | 10 |
| 3. Trade Policy in Developing Countries  | 11 |
| 4. Controversies in Trade Policy         | 12 |