



Universidad  
de Alcalá

## COURSE DESCRIPTION

# INTERNATIONAL TRADE AND GLOBALIZATION II

**Degree in International Economics and Business**

**Universidad de Alcalá**

**Academic Year 2021/2022**

**Third Course – Second Term**

## Course Description

Issue:	<b>International Trade and globalization II</b>
Code:	<b>361013</b>
Program:	<b>Degree in Economics and International Business (ENI) Degree in Business and Administration (ADE) Degree in Economics (ECO) Degree in Finance and Accounting (CyF)</b>
Department and unit:	<b>Department of Economics Economics</b>
Character:	<b>Compulsory for ENI and optional for other degrees</b>
Credits ECTS:	<b>6</b>
Course and Term:	<b>Third Year   Second Term</b>
Instructor:	<b>Mercedes Burguillo Cuesta - (<i>English and Spanish</i>)</b>
Consultation hours:	<b>To be announced</b>
Language:	<b>English and Spanish</b>

### 1. Introduction

The course on International Trade and Globalization II builds over the course on International Trade and Globalization I to cover deeper and essential concepts on trade theory in order to offer an up to date analysis of the globalization phenomenon. Along with International Macroeconomics I and II the fourth subjects cover the theoretical background required to understand the distinctive problems of the open economy.

Understanding the drivers and consequences of international trade is an essential component of the training of an economist and provides the tools and the skills needed to understand and analyse the international business and economic environment. Besides the theoretical focus of the course and its emphasis on analytical techniques and tools, the course content is motivated with real and relevant problems and special attention is given to the data and empirical evidence. The discussion of case studies gives students the opportunity to test the usefulness and relevance of the concepts and the theoretical models.

The content of the course is structured in two parts. The first one is devoted to the analysis of trade policies and to the economic integration processes; it starts with the study of the main trade policy instruments from the perspective of both general and partial equilibrium analysis. Then the outcomes of trade policy are presented by

considering market structures of imperfect competition and increasing returns of scale. This part concludes with the cost-benefit analysis of custom unions and economic integration processes.

The second part of the course covers the study of labour and capital mobility and the debates about globalization. of migrations, We analyse first the welfare consequences of migrations and over international income distribution. Second, the concept of intertemporal comparative advantages is introduced and used to the analysis of international capital flows. Then we analyse the connection between trade and direct foreign investment flows in order to understand the role in transnational firms and to introduce emerging processes of delocalization and offshoring.

## 2. Learning outcomes

### General learning outcomes

1. Offer and overview and a deep understanding of the basic concepts and tools of trade theory.
2. Acquire the instruments required to a proper understanding of the causes and consequences of trade and globalization processes.
3. Understand and be able to design and use basic microeconomic models of open economies.
4. Get a basic practical experience on the use of technologies to search and screen over relevant information about international trade and globalization.
5. Develop communication abilities to analyse relevant international problems critically.

### Specific learning outcomes:

1. Get a proper understanding of basic concepts, models and tools for the microeconomic analysis of open economies.
2. Get familiar with the technical language used in trade theory
3. Apply techniques and basic models to understand real world problems characteristic of the contemporary economy and to discuss the pros and cons of alternative policy decisions.

## 3. Syllabus

Content Blocks	Number of lessons, credits and hours
<b>PART I. Trade policy</b>	
<b>1. The instruments of trade policy</b> <ul style="list-style-type: none"> <li>• Tariffs.</li> <li>• Costs and benefits of tariffs</li> <li>• General equilibrium analysis of tariffs.</li> <li>• Export subsidies.</li> <li>• Quotas. Quotas vs tariffs.</li> <li>• Voluntary constraints on exports</li> <li>• Other instruments.</li> </ul>	
<b>2. Imperfect competition, increasing returns and strategic trade policy.</b> <ul style="list-style-type: none"> <li>• Technology and externalities.</li> <li>• Tariffs and quotas in competitive settings.</li> <li>• Antidumping measures</li> <li>• Imperfect competition and strategic trade policies.</li> <li>• Protectionism with increasing returns.</li> <li>• Trade policies and monopolistic competition.</li> </ul>	
<b>3. The political economy of trade policy.</b> <ul style="list-style-type: none"> <li>• Advantages of free trade.</li> <li>• Criticisms of free trade</li> <li>• The arguments in favour of protectionism.</li> <li>• Optimal tariffs.</li> <li>• Retaliation.</li> <li>• The theory of effective protection.</li> <li>• Income distribution and trade policy.</li> <li>• Trade policy in development countries.</li> <li>• Trade policy and environmental regulation</li> <li>• The globalization trilemma</li> <li>• Fair trade.</li> </ul>	<b>4 topics: 15 sessions</b> <ul style="list-style-type: none"> <li>• 7 theory lessons</li> </ul>
<b>4. Preferential trade agreements and economic integration.</b> <ul style="list-style-type: none"> <li>• Regional integration processes.</li> <li>• Trade areas and free trade vs custom unions .</li> <li>• Effect of trade creation and trade deviation.</li> <li>• Dynamic effects of custom unions.</li> <li>• Center-peripheria models.</li> <li>• International negotiations and trade policy.</li> <li>• Regionalism and multilateralism.</li> </ul>	<ul style="list-style-type: none"> <li>• 7 discussion and case study analysis sessions.</li> <li>• 1 Assessment</li> </ul>

**PART II. Production factors mobility and the consequences of globalization.**

**5. International labour mobility.**

- International trade vs ¿Interregional trade.
- Factors' trade.
- Welfare impacts.
- Effects of factors' trade over goods and services' trade.
- The international mobility of labour.
- The economic impact of migrations.

**6. The international mobility of capital and multinational firms.**

- International capital movements.
- Direct foreign investment.
- International loans and international debt. The intertemporal production possibility frontier and trade.
- Intertemporal comparative advantages.
- The theory of the multinational firm.
- Advantages of internationalization.
- Multinational firms in practice.

**7. Offshoring**

- Delocalization and externalization.
- The basic *offshoring model*
- Effects over international income distribution.
- The *offshoring* gains
- *Offshoring* of services.
- Impacts over wages, employment and labour and environmental standards.

**3 topics: 14 sessions**

- 6 theory lectures
- 6 practice and case study sessions
- 1 evaluation

## 4. Learning methods

### 4.1. Credits and hours

Classroom lessons: 48 hours	<ul style="list-style-type: none"> <li>Classroom lessons: 48 hours           <ul style="list-style-type: none"> <li>Theory: 22,5 hours</li> <li>Practice: 22,5 hours</li> </ul> </li> <li>Assessment: 3 hours.</li> </ul>
Student's own work: 102 hours	<ul style="list-style-type: none"> <li>Students own work: 102           <ul style="list-style-type: none"> <li>- Independent study</li> <li>- Reading, practical case analysis, exercises, etc.</li> <li>- Exams' preparation</li> <li>- ECTS tutorials</li> </ul> </li> </ul>
Total hours (25 hours per credit)	<ul style="list-style-type: none"> <li>150</li> </ul>

### 4.2. Materials and methods

Classroom hours:	<ul style="list-style-type: none"> <li>✓ Theory lessons, etc.</li> <li>✓ Practice. Discussions, case study sessions</li> </ul>
Independent student's work:	.

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## 5. EVALUATION

At the start of the course students must choose among two kinds of assessment systems:

1. A continuous evaluation system.
2. A final exam in May

An extraordinary exam in June will be available for all students that had not yet obtained a pass grade at the end of the normal course.

### Continuous evaluation.

This system is based on the control and monitoring of the students' work along the course, This evaluation system consists in:

- Two quizzes designed to assess the competences, concepts, methods and tools of each part of the course.
- Oral presentation and discussion of the students' work developed in the theory lessons. Assessment will focus on the students abilities to screen, organize and use information as well as the capacities to synthesize information, cooperate with other students and communicate individual and collective study results.

#### 1. Two quizzes: 80% of the final grade.

- To pass the subject students must pass each individual quiz (with a grade of 5/10 each)

#### 2. Practice 20% of the final grade.

The final grade will be obtained as the weighted average of the two above mentioned components. To pass the subject students must obtain at least 5/10 points.

#### Ordinary Exam:

This exam is only available for those students that are not able to follow th continuous assessment method and that ask for this method at the beginning of the course.

- To pass this subject, students must obtain at least 5 points out of 10 in the final exam.

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## 6. Bibliography

## Basic books:

Paul R. KRUGMAN, Maurice OBSTFELD y Marc J.MELITZ: *International Economics. Theory and Practice*, 9<sup>th</sup> Edition 2012.

✓ <http://www.pearsonhighered.com/krugman/>

Robert C. FEENSTRA y Alan M. TAYLOR: *International Trade*, Worth Publishers. 2<sup>a</sup> ed., 2011.

## Additional bibliography:

MARKUSEN, J. R., J. R. MELVIN, W. H. KAEMPFER y K. E. MASKUS: *International Trade. Theory and Evidence*. McGraw Hill, 1995.

✓ available online: <http://spot.colorado.edu/~markusen/textbook.html>

CAVES, R. E., J. A. FRANKEL, R. W. JONES: *World Trade and Payments: An Introduction*. Prentice Hall, 10<sup>a</sup> ed. 2007.

TUGORES QUES, J.: *Economía Internacional*. McGraw-Hill, 2005.

DE LA DEHESA, G.: *Comprender la globalización*. Alianza Editorial, 2007.

MARREWIJK, C.: *International Trade and the World Economy*. Oxford University Press, 2004.

- Additional references will be indicated by the instructor along the course.

STIGLITZ, J. E.: *Making Globalization Work*. W.W Norton & Company, Inc. 2006. Existe traducción española: *Cómo hacer que funcione bien la globalización*. Taurus, 2006.

KRUGMAN, P. R.: *Pop Internationalism*. The M.I.T. Press, 1996. (Versión española: *El internacionalismo moderno*. Ed. Crítica-Grijalbo-Mondadori, 1997).

BHAGWATI, J.: *In Defense of Globalization*. Oxford University Press, 2004.

KENEN, P. B.: *The International Economy*. 4<sup>a</sup> ed., Cambridge University Press, 2000.

THOMPSON, H.: *International Economics: Global Markets and International Competition*. 2<sup>a</sup> ed., World Scientific, 2006.

PUGEL, T. A.: *Economía Internacional*. 12<sup>a</sup> ed., McGraw-Hill, 2004.

RODRIK, D.: *Has Globalization Gone Too Far?*. Peterson Institute for International Economics, 1997.

GREENAWAY, D. y L. A. WINTERS (eds.): *Surveys in International Trade*. Blackwell Publishers, 1994.

KRUGMAN, P. R.: *Rethinking International Trade*. M.I.T. Press, 1990. .

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KRUGMAN, P. R. (ed.): *Strategic Trade Policy and the New International Economics*. M.I.T. Press. 1986.

TUGORES QUES, J.: *Economía Internacional. Globalización e Integración Regional*. McGraw-Hill, 2006.

RODRÍGUEZ PRADA, G.: *Teoría y Estrategias de la Integración Económica y Monetaria*. Ediciones de la Universidad de Alcalá. 1994.

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NOTE:

The University of Alcalá guarantees that, if due to health issues, the competent authorities prevent the total or partial attendance to face-to-face classes, the teaching plans would achieve their objectives through an online teaching-learning and evaluation methodology. Classes would return to the face-to-face modality as soon as the health situation would make it possible.