

## COURSE DESCRIPTION

# INTERNATIONAL COMMERCE AND GLOBALIZATION I

**Degree in Economics and International  
Business**

**Universidad de Alcalá**

**Academic Period 2019/2020  
Third year – First semester**

Con formato: Español (España)

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## Course Description

Name of subject:	<b>International Commerce and Globalization I</b>
Code:	<b>361009</b>
Degree:	<b>Degree in Economics and International Business</b>
Department and Academic Discipline:	<b>Economics Economic Analysis Fundamentals</b>
Type:	<b>Compulsory</b>
Credits ECTS:	<b>6 ECTS</b>
Year and Semester:	<b>3<sup>rd</sup> Year, 1<sup>st</sup> Semester</b>
Instructors:	<b>SONIA QUIROGA GÓMEZ</b> <a href="mailto:sonia.quiroga@uah.es">sonia.quiroga@uah.es</a> <b>GLORIA MORENO</b> <a href="mailto:gloria.moreno@uah.es">gloria.moreno@uah.es</a>
Consultation Hours:	<b>The Schedule will be determined by the instructor at the start of the course</b>
Language of Instruction:	English

### 1. INTRODUCTION

“International commerce and Globalization I” offers a wide updated view of fundamental aspects in commerce theory and the globalization phenomenon.

Alongside “International commerce and Globalization II”, which is offered the following semester, this subject provides a thorough analysis of the primary concepts and methods of international commerce theory, as well as an analytical framework to analyse, from a microeconomic perspective, present problems of the international economy. Combined to “international macroeconomics I and II”, these subjects lay down the bases for a correct comprehension of economic problems in open economies.

The study of the causes and consequences of international commerce is essential for any economist’s formation and constitutes a necessary tool for those who focus their attention towards the field of economics and international business. Even if this course draws special attention towards theoretical models, analysis methods and their proof with the available empirical evidence, its presentation is always motivated by world’s actual problems. The analysis of practical cases allows students to check the utility of theoretical models and incentives their interest towards them.

This subject’s program is structured in two clearly separated parts.

The first deals with the specific study of classical and neoclassical theories on comparative advantage. This unit starts with the classical version of the theory (Ricardian model), which emphasizes technological differences between countries as the primordial cause of international commerce. Following this model the neoclassical variant is studied (within the Heckscher-Ohlin-Samuelson Model's framework), which explains international commerce patterns based on the international differences on production factor relative initial assignation. Following this, other determinants of international commerce are examined, such as preferences, income per capita and technological change. From there on, the effects arising from commercial opening over income distribution both in the long and in the short term, and it finishes by analysing the causes that explain international differences in factor prices.

At the beginning of the second part of the program a standard model of international commerce is introduced, which permits the study of the effects over exchange terms over world offer and demand. The model is used later in order to determine the effects of economic growth, international income transfers, wellbeing level and international income distribution. Following this, the causes for intraindustrial trade are explained, and the reasons that allow commerce between countries with similar structures when increasing returns and imperfect competition appear. Special attention is paid to the study of monopolistic competence models and oligopolies and to the analysis of external economies over wellbeing and the international commerce trend.

## 2. Learning outcomes

General learning outcomes:

1. Providing an overall and integrated view over the basic contents of the international commerce theory and over its own research methods.
2. Offering the necessary tools for the correct comprehension of causes and consequences of international commerce and globalization.
3. Capacitating for the elaboration and exploitation of basic microeconomic models in open economies, both at individual level and as a working group.
4. Acquiring the practical and personal experience in the use of new technologies for the search and selection of relevant information for the understanding of international commerce's and globalization's own phenomena.
5. Developing the capacity for the communication of well based points of view and stimulating reflexive and critical judgment over relevant questions of social, scientific and ethical nature related to international commerce and globalization.

Specific learning outcomes:

1. Achieving a basic but well based knowledge over main methods and techniques of microeconomic analysis of open economies.
2. Acquiring a precise knowledge of the technical language used in the field of international commerce theory.

3. Familiarizing with the economic problems of the real world related to international commerce.
4. Capacitating for applying those techniques and basic models in international commerce theory to real problems and situations.

### 3. SYLLABUS

Module contents	Total classes, credits and hours
<p><b>PART I. Comparative advantage and globalization</b></p> <p><b>Topic 1. World trade an overview</b></p> <ul style="list-style-type: none"> <li>• Who Trades with Whom?</li> <li>• Basic questions in international trade.</li> <li>• The gravity model. Distance and borders</li> <li>• Has the World Become “Smaller”? Service outsourcing (or off shoring)</li> </ul> <p><b>Topic 2. Labour Productivity and Comparative Advantage: The Ricardian Model</b></p> <ul style="list-style-type: none"> <li>• Opportunity costs and comparative advantage</li> <li>• A one-factor Ricardian model</li> <li>• Production possibilities</li> <li>• Gains from trade</li> <li>• Wages and trade</li> <li>• Misconceptions about comparative advantage</li> </ul> <p><b>Topic 3. Resources and Trade: The Heckscher-Ohlin Model</b></p> <ul style="list-style-type: none"> <li>• Production possibilities</li> <li>• Changing the mix of inputs</li> <li>• Relationships among factor prices and goods prices, and resources and output</li> <li>• Trade in the Heckscher-Ohlin model</li> <li>• Factor price equalization</li> <li>• Trade and income distribution</li> <li>• Empirical evidence</li> </ul> <p><b>Topic 4. Specific Factors and Income Distribution</b></p> <ul style="list-style-type: none"> <li>• The Specific Factors Model</li> <li>• International Trade in the Specific Factors Model</li> <li>• Income Distribution and the Gains from Trade</li> <li>• Globalization and income inequalities.</li> </ul>	<p>4 topics: 15 sessions</p> <ul style="list-style-type: none"> <li>• 7 lectures on theory</li> <li>• 6 sessions on exercises and practical cases</li> </ul> <p>1 evaluation session</p>
<p><b>PART II. Standard trade model and the modern approaches of global trade</b></p>	<p>3 topics: 14 sessions</p>

<p><b>Topic 5. Standard trade model. Applications.</b></p> <ul style="list-style-type: none"> <li>• A more general model for global trade.</li> <li>• The Welfare Effects of Changes in the Terms of Trade.</li> <li>• The Effects of Economic Growth.</li> <li>• Effects of trade policy on international and domestic distribution of incomes.</li> </ul> <p><b>Topic 6. External Economies of Scale and the International Location of Production</b></p> <ul style="list-style-type: none"> <li>• Types of economies of scale</li> <li>• Economies of scale and market structure</li> <li>• The theory of external economies</li> <li>• External economies and international trade</li> <li>• Dynamic increasing returns</li> <li>• International trade and economic geography</li> </ul> <p><b>Topic 7. Firms in the Global Economy: Export Decisions, Outsourcing, and Multinational Enterprises</b></p> <ul style="list-style-type: none"> <li>• Monopolistic competition and trade</li> <li>• The significance of intra-industry trade</li> <li>• Firm responses to trade: winners, losers, and industry performance</li> <li>• Dumping</li> <li>• Multinationals and outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>• 6 lectures on theory</li> <li>• 7 sessions on exercises and practical cases</li> </ul> <p>1 evaluation session</p>
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#### 4. TEACHING-LEARNING METHODOLOGIES.-PRACTICAL WORK

4.1. Distribution of credits (in hours)	
Number of classroom hours: 48	<ul style="list-style-type: none"> <li>• Number of classroom hours: 48</li> <li>- Theoretical lectures: 22,5</li> <li>- Practical classes and seminars: 25,5</li> </ul>
Number of hours of personal study: 102	<ul style="list-style-type: none"> <li>• Hours of independent study: 50</li> <li>• Preparation and completion of exercises: 22</li> <li>• Assignments and practical activities: 30</li> </ul>
Total hours 150	

#### 4.2. Methodological strategies, materials and didactic resources

<p><b>Class work</b></p>	<ul style="list-style-type: none"> <li>• <b>Theory classes</b></li> </ul> <p>In which the professor, in lecture form, will develop the basic concepts of every topic in the programme. Also, in these classes the students will be guided through the work they need to complete.</p> <ul style="list-style-type: none"> <li>• <b>Practical classes</b></li> </ul> <p>In which the professor will be able to develop the auxiliary concepts which are considered appropriate, while the main objective is to complete case studies on the application of the topics discussed in the theory classes. Whenever possible, these practical classes will be take place in the computing classroom in order to have access to the data and information online.</p> <p>The instructor will prepare specific material available for the students: collections of exercises, research and economic policy papers and Internet resources. The students will develop part of their work within the virtual platform: Blackboard, which will improve the access to new contents, homework activities and evaluations and will facilitate the interrelationship among the instructor and the students.</p>
<p><b>Independent Work</b></p>	<p>The student must read and understand the recommended Reading material and any other material that may emerge as important throughout the course. They also have to solve the practical activities and exercises set in class, etc.</p>
<p><b>Tutorials</b></p>	<p>Tutorials are optional for students and they can be carried out individually or in groups. Tutorial of consultation hours will be communicated to the students at the beginning of the course.</p>

## 5. ASSESSMENT: Procedures, assessment criteria and grading system

We will collaborate with the CRAI-Library professionals so that the students carry out an activity that develops the informational competences in the use and management of the information.

### Assessment criteria

The assessment criteria for this subject are designed to evaluate the acquisition of general and specific skills and will include both theoretical and practical content covered in class and during the students' personal study.

### Grading System

Grading scale with numerical (with one decimal) and qualitative ratings:

0.0-4.9	Fail (Suspenso)
5.0-6.9	Pass (Aprobado)
7.0-8.9	Merit (Notable)
9.0-10	Distinction (Sobresaliente)
9.5-10	Starred Distinction (Matrícula de Honor) (limited to 5% of students in the standard examination session)

Con formato: Español (España)

### Means of Evaluation

The evaluation of the subject in the standard examination session is to be carried out, following University regulations, in accordance the following procedures:

1. Continuous assessment system
2. Final examination

#### 1. Continuous assessment

The continuous assessment process will be based on both theoretical and practical material learned in class and as part of the students' private work. Students will take at least one exam that will cover fundamental contents of the module. In order to evaluate students' theoretical and practical knowledge the examination may contain both theoretical and practical components, with questions and exercises which are based on a mix of theory and practice.

The rest of activities carried out within the framework of the practical learning will be assessed in a continuous portfolio containing their contribution to the proposed exercises, presentations, discussions and group activities.

The final mark will be the average among the examination and the portfolio assessment where the exam will account for the 40% of the final mark and the portfolio the 60%.

## 2. Final Assessment

Students who being allowed to present the final assessment option for this module must take a final exam according to the Schedule established by the competent authorities. This exam will contain theoretical and practical components.

In order to pass the module under this assessment system, students must obtain a minimum mark of 5 in the final exam.

## 6. READING

### Core Reading

Paul R. KRUGMAN, Maurice OBSTFELD and Marc J.MELITZ: International Economics: Theory and Policy (10th Edition or any of the older editions) Pearson Series in Economics.

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

Robert C. FEENSTRA and Alan M. TAYLOR: International Trade, Worth Publishers. 3ª ed., 2011 (or any of the older editions).

### Further reading (especially indicated for the practical sessions)

MARKUSEN, J. R., J. R. MELVIN, W. H. KAEMPFER y K. E. MASKUS: International Trade. Theory and Evidence. McGraw Hill, 1995. Online in: <http://spot.colorado.edu/~markusen/textbook.html>

CAVES, R. E., J. A. FRANKEL, R. W. JONES: World Trade and Payments: An Introduction. Prentice Hall, 10ª ed. 2007 (o cualquier edición anterior).

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

• Along the module regular reading material from newspapers, grey literature or research papers will be facilitated to the students for analysing current hot spots related to the contents.

Con formato: Inglés (Estados Unidos)

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