

Syllabus for FPO Examination

PAPER: INTERNATIONAL TRADE THEORY

Course Objectives

At the completion of the course, participants will be able to:

- i) Develop an insight into advances in trade theory
- ii) Develop and understanding of the mechanism of capital flows
- iii) Develop an understanding about testing and predicting trade patterns

Course Level: Basic

Time duration: 3 hrs

Credit Hours: 40

Marks: 100

Syllabus 48 th CTP
<p>Module 1: International Trade</p> <p>1.1 International trade</p> <p>1.2 <i>International Trade and Linkages (Case Studies)</i></p> <p>1.3 Balance of trade, its importance and Impact on economy</p> <p>1.4 <i>National Income Accounting and the Balance of Payments (International Economics: Theory and Policy, 10th edition, Paul Krugman, Maurice Obstfeld, and Marc Melitz, CHAPTER 13)</i></p>
<p>Module 2: Traditional Trade Theories</p> <p>2.1 Mercantilist's views on trade</p> <p>2.2 Adam Smith's model</p> <p>2.3 Ricardian model</p> <p>2.4 Specific Factors and Income Distribution</p> <p>2.4.1 Labor and Capital Movements</p> <p>2.4.2 Factor Mobility and National Advantage</p> <p>2.4.3 Factor Movement & Income Distribution</p> <p>2.4.4 Socially Responsible Trade Integration</p> <p>2.5 Heckscher-Ohlin model</p> <p>2.6 New trade theory and gravity model of trade</p> <p>2.7 <i>The Standard Trade Model (International Economics: Theory and Policy, 10th edition, Paul Krugman, Maurice Obstfeld, and Marc Melitz, Chapter 6)</i></p>
<p>Module 3: Modern firm base trade theories</p> <p>3.1 Country similarity theory</p> <p>3.2 Product life cycle</p> <p>3.3 Global strategic rivalry theory</p> <p>3.4 National competitive advantage</p> <p>3.5 <i>Firm Upgrading (Model by Verhoogen 2021)</i></p> <p>3.6 <i>Firm Innovation (Model by Crepon, Duguet & Mairessec, 1998)</i></p> <p>3.7 <i>Management and Business Training (Models by Bloom and Van Reenen 2007 and de Mel et al. 2014)</i></p> <p>3.8 <i>Standard complete markets model</i></p> <p>3.9 <i>Imperfect credit and insurance markets (De Mel et al. 2008)</i></p> <p>3.10 <i>Firms, Contracts & Development</i></p>

3.11 Markets and Competition in Developing Countries

Module 4: International Finance

- 4.1 International monetary system
- 4.2 Foreign exchange market, its types and functions
- 4.3 Foreign exchange rates and international transactions
- 4.4 Foreign exchange risks
- 4.5 ***Price Levels and the Exchange Rate in the Long Run (International Economics: Theory and Policy, 11th edition, Paul Krugman, Maurice Obstfeld, and Marc Melitz, Chapter 16)***
- 4.6 ***Output and the Exchange Rate in the Short Run (International Economics: Theory and Policy, 11th edition, Paul Krugman, Maurice Obstfeld, and Marc Melitz, Chapter 17)***
- 4.7 ***Foreign Exchange Intervention and Money Supply (International Economics: Theory and Policy, 11th edition, Paul Krugman, Maurice Obstfeld, and Marc Melitz, Chapter 18)***
- 4.8 ***Macroeconomic Policy & Coordination under Floating Exchange Rates (International Economics: Theory and Policy, 11th edition, Paul Krugman, Maurice Obstfeld, and Marc Melitz, Chapter 19)***

Reading List:

- ***Microeconomics, 8th edition. Jeffrey M. Perloff, University of California-Berkeley.***
- ***McConnell & Brue, Economics, 19th Edition, 2012***
- ***International Economics: Theory and Policy, 10th edition, Paul Krugman, Maurice Obstfeld, and Marc Melitz***
- ***Deardorff, A. "The General Validity of the Law of Comparative Advantage." Journal of Political Economy 88, no. 57–941 (1980)***
- ***Frankel, J., and D. Romer. "Does Trade Cause Growth?" American Economic Review 89, no. 399–379 (1999)***
- ***Morrow, Peter M. "Ricardian-Heckscher-Ohlin Comparative Advantage: Theory and Evidence." Journal of International Economics 82, no. 51–137 (2010)***
- ***Bernard, Jensen, et al. "Firms in International Trade." Journal of Economic Perspectives 21, no. 30–105 (2007) 3.***
- ***Arkolakis, C., and M. Muendler. "The Extensive Margin of Exporting Products: A Firm-Level Analysis." Mimeo, 2010.***
- ***International Economics: Trade and Finance, 11th edition, Dominic Salvatore***
- ***Exchange Rate and International Finance, 6th edition, Laurence Copeland***
- ***<https://voxeu.org/> assignment related articles***
- ***Pakistan's Experience with the Pak-China Free Trade Agreement: Lessons for CPEC (with Theresa Chaudhry and Nida Jamil) in the Lahore Journal of Economics, Vol. 22, Issue SE, Sept. 2017, 1-24.***
- ***Atkin, David, and Dave Donaldson. "The role of trade in economic development." Handbook of International Economics Volume 5 (2022): 1-59***
- ***Chaudhry, T. T., Haseeb, M., & Haroon, M. (2017). Economic geography and misallocation in Pakistan's manufacturing hub. Annals of Regional Science***

- **Haseeb, M and Chaudhry, T. (2014). Resource Misallocation and Aggregate Productivity in Punjab, No 1-2014, CREB Working papers, Centre for Research in Economics and Business, The Lahore School of Economics**
- **Chaudhry, T. T., & Haseeb, M. (2014). Exporters in Pakistan and firms who do not export: what's the big difference? Lahore Journal of Economics, 19(Special Edition), 207–246**
- **Verhoogen, Eric, "Trade, Quality Upgrading, and Wage Inequality in the Mexican Manufacturing Sector," Quarterly Journal of Economics, 2008, 123 (2), 489–530.**
- **Verhoogen, Eric, "Firm-Level Upgrading in Developing Countries," Journal of Economic Literature, forthcoming.**
- **Bruno Crepon , Emmanuel Duguet & Jacques Mairessec (1998) Research, Innovation And Productivity: An Econometric Analysis At The Firm Level, Economics of Innovation and New Technology, 7:2, 115-158**
- **Bloom, Nicholas and John Van Reenen (2007), "Measuring and Explaining Management Practices across Firms and Countries," Quarterly Journal of Economics, 122(4): 1341-1408.**
- **de Mel, Suresh, David McKenzie, and Christopher Woodruff (2014), "Business training and female enterprise start-up, growth, and dynamics: Experimental evidence from Sri Lanka," Journal of Development Economics, 106: 199-210.**
- **De Mel, S, D McKenzie and C Woodruff (2008), "Returns to Capital in Microenterprises: Evidence from a Field Experiment", The Quarterly Journal of Economics 123(4): 1329-1372.**
- **Macchiavello, R., & Morjaria, A. (2021). Competition and relational contracts in the Rwanda coffee chain. The Quarterly Journal of Economics, 136(2), 1089-1143.**
- **Björkman Nyqvist, M., Svensson, J., & Yanagizawa-Drott, D. (2022). Can good products drive out bad? A randomized intervention in the antimalarial medicine market in Uganda. Journal of the European Economic Association, 20(3), 957-1000.**

Cases:

- **HBSP Business cases**
- **Economics in the news**

Trade Cases:

- **Pakistan: The Consequences of a Change in the EC Rice Regime**
- **Apple (in 2013): How to Sustain a Competitive Advantage?**
- **Nike versus New Balance: Trade Policy in a World of Global Value Chains**

