

School of Professional Advancement

Course Outlines

Course Title International Trade and FOREX

Course code Core

Course Description

The course international trade and forex deals with theory of international trade and the mechanics of foreign exchange markets. It will undergo the analysis of costs and benefits of international economic interdependence. This course will highlight the aspects and different dimensions of international trade. During this course students will learn how actually the International Trade takes place and what are the reasons for international trade. It will lead discussions of current problems in international trade and international foreign exchange and this course will make students capable to analyze dynamics of international trade and foreign exchange.

Format of the Course:

- Lectures and Discussion most of the times
- Case studies
- Presentation
- Experimentation

Instructional Goals (or Course Objective)

This course has been designed to cater the needs of students to compete in competitive environment of business through latest business knowledge. The course will help the student to identify and solve many international trade related problems by using a rational and logical perspective. This course will enable the students to carry out independent analysis of international trade and foreign exchange fluctuation.

Course (Student) Objectives

Students successfully completing this course will be able to:

1. Demonstrate familiarity with the terminology adopted in International Trade;
2. State the principle of comparative advantage and explain its implications (pattern of trade, terms of trade, gains from trade);
3. List trade policy instruments and explain their effects on nations' welfare;
4. Analyze causes and effects of exchange rate variations and apply that knowledge to the analysis of current issues in international finance;
5. Explain the impact of the global economy on business conduct and performance as well as the effects of business actions on the global economy;
6. Demonstrate the ability to think critically and objectively by relating current issues in international economics to the material learned in class.

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Course Content (or Course Outline)

Session1: Introduction & Overview of International Trade

In first session the introduction of the students and the topic will be conducted, groups will be made and a detail discussion about the course outline will be held. Students will be made aware of the initial terms of international trade.

Learning Outcome: Students will get familiar with the teacher, and with other students and this session will be used as ice breaker. Students will get over view of the course and will learn new terms in the domain of IT.

Session 2: Gravity model and Overview of International Trade. International trade theories:

In second session the detail overview of IT and its impact on the countries and societies will be explained. In this session it will be explained why international trade is important and various international theories will be introduced.

Readings: Chapter 1, 2, 3 International Economics: Theory and Policy, 8/e By: Paul R. Krugman and Maurice Obstfeld

Activity:

Learning Outcome: After the session students will be able understand the importance of IT and they will be more familiar with various theories of IT.

Session 3: Theory of Comparative Advantage

One of the most basic theories in IT is comparative advantage theory. This theory deals with why nations involve in IT and it answers the question if any country having less efficiency in the production of a commodity can still enjoy benefits through IT.

Readings: Chapter 4 International Economics: Theory and Policy, 8/e By: Paul R. Krugman and Maurice Obstfeld

Activity: Research Paper (10 Marks)

Learning Outcome: The students will learn the dynamics of comparative advantage and they will be able to apply the principals of CA in their analysis.

Session 4: Different trade models and their insights. Role of resource endowments.

In IT resource endowments and factors of production play a vital role in determination of CA of a nation. The efficiency in endowments of resources leads to better CA for the country. In this session students will learn how the resources can be utilized efficiently and through this how the CA of a country can be altered.

Readings: Chapter 4,5 International Economics: Theory and Policy, 8/e By: Paul R. Krugman and Maurice Obstfeld

Activity: Assignment about GT model (10 Marks)

Learning Outcome: In this session students will get knowledge about resource endowment and will be made familiarize with the role of resource endowment in CA of a nation.

Session 5: International Trade factors mobilization

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This session deals with the role of factors mobilization in IT. The mobility of factors of production has major role in the demand side as well as the supply side of products. Greater flexibility in the mobility of factors of production always lead to better results in IT.

Readings: Chapter 6 International Economics: Theory and Policy, 8/e By: Paul R. Krugman and Maurice Obstfeld

Activity: Quiz-1 (20 Marks)

Learning outcome:

The students will learn about various factors their output and the dynamics of their mobility.

Session 6: Imperfect competition and intra-industry trade. Terms of Trade

This session will deal about the trade dynamics of intra-industry. What are the reasons for the fact that some countries are exporter as well as the importer of same product? Terms of trade is the concept used to estimate the prosperity in a society.

Readings: Chapter 5 International Economics: Theory and Policy, 8/e By: Paul R. Krugman and Maurice Obstfeld

Activity: Research Paper

Learning Outcome:

In this session students will learn the dynamics of intra-industry trade and also the terms of trade concept.

Session 7: HO theory

Among various IT theories the most recent and valid theory is from Heckscher and Ohlin. They have presented a more logical answer to the question why nations involve in trade. The HO theory has a significant contribution in IT literature.

Readings: Chapter 7 International Economics: Theory and Policy, 8/e By: Paul R. Krugman and Maurice Obstfeld

Activity: Research Paper (from previous lecture) Marks 10

Learning Outcome:

Students will learn about the detail background of HO theory and can better analyze the IT phenomena among various countries of the world.

Session 8: Trade policy instruments – quotas and subsidies.

This session deals about the trade policy instruments. Here the discussion will be how governments use various techniques to increase TOT and/or enhance its revenue.

Readings: Chapter 8 International Economics: Theory and Policy, 8/e By: Paul R. Krugman and Maurice Obstfeld

Activity:

Learning Outcome:

Students will learn about quotas, subsidies and their role in government policies for enhancing or shrinking trade with other countries.

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Session 9: Dumping practices and anti-dumping duties. Trade documents

Dumping and anti dumping rules is another topic necessary for students of IT to understand. This session will deal about when and how countries involve in dumping and what dumping has negative results on a host country.

Readings: Chapter 8 International Economics: Theory and Policy, 8/e By: Paul R. Krugman and Maurice Obstfeld

Activity: Quiz-2 (20 Marks)

Learning Outcome:

The students will gain knowledge about the dumping practice and anti dumping rules.

Session 10: International trade agreements and WTO. Forms of economic integration.

World is living in an Economic Integration Era. Where countries are coming closer to each other. This proximity among nations has opened new avenues of IT. The session is about economic integration and brief overview of World Trade organization and its functions. The current IT is keenly watched by WTO and the countries who are signatory of WTO must abide by the laws and regulations set by WTO.

Readings: Chapter 9 International Economics: Theory and Policy, 8/e By: Paul R. Krugman and Maurice Obstfeld

Activity: Research Paper (from previous lecture) Marks 10

Learning Outcome:

The students will learn more about the functions, history and role of WTO in IT.

Session 11: Trade Documents and Exchange rates – the basics.

International Trade documents will be discussed in this session along with dynamics of exchange rate. Exchange rate is an important determinant of IT. The fluctuation of FOREX leads to significant consequences of IT performance of a country. This session will deal about various theories of FOREX and financial institutions responsible for foreign exchange.

Learning Outcome:

The students will learn about the exchange rate and its dynamics.

Session 12: Practical Exercise

This session will be dedicated towards practical example of IT. Where students will be grouped and each group will represent a country. In this session students will in real time do trade with each other in real time.

Readings: Chapter 12,13 International Economics: Theory and Policy, 8/e By: Paul R. Krugman and Maurice Obstfeld

Activity:

Learning Outcome:

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The Students will demonstrate IT while doing exchanges with each other by using all relevant documents.

Session 13: International Finance Institutions

International trade finance institutions like World Bank and IMF are important institutions which handle the international finance.

Learning Outcome:

The students will gain knowledge about the history, functions and role of IFIs.

Session 14: WTO History and Functions

The session is about World Trade organization and its functions. The current IT is keenly watched by WTO and the countries who are signatory of WTO must abide by the laws and regulations set by WTO.

Readings: Handouts, material from WTO website

Activity: Quiz-3

Learning Objectives

The students will gain knowledge about the history, functions and role of WTO in IT.

Session 15: Pakistan International Trade Policies

This session will discuss IT, TOT and policies of Pakistan. In this session various aspects and Pakistan's IT will be discussed.

Learning Objectives

Students will get knowledge about the trade policies of Pakistan and after this lecture they will be able to better analyze situation of Pakistan exports and imports.

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Calendar of Activities:

Week of class	Topics covered	Chapters in the text	Activities
1	Introduction & Overview of International Trade	Ch.1,2	
2	Gravity Model and Overview of International Trade. International trade theories	Ch.3	
3	Labor productivity and Theory of Comparative Advantage	Ch.4	Research Paper (10 May)
4	Different trade models and their insights. Role of resource endowments.	Ch.4	Assignment about GT model
5	International Trade factors mobilization	Ch.5	Quiz-1 (17 May)
6	Imperfect competition and intra-industry trade. Terms of Trade	<i>Ch.6</i>	
7	HO theory	Ch.7	Research Paper (24 May)
8	Trade policy instruments – quotas and subsidies.	Ch.7,	
9	Dumping practices and anti-dumping duties. Trade documents	<i>Ch.8</i>	Quiz-2 (31 May)
10	International trade agreements and WTO. Forms of economic integration.	Ch.9	
11	Exchange rates – the basics. Interest and money	Ch.10	
12	Practical Exercise		9 June
13	International Finance Institutions	<i>Ch.11,12</i>	
14	WTO History and Functions	Handouts	Quiz-3 (16 June)
15	Pakistan International Trade Policies	<i>Ch.13</i>	Research Paper

Recommended Book (s) & Text:

International Economics: Theory and Policy, 8/e By: Paul R. Krugman and Maurice Obstfeld

E-Resources:

Available e- resources for the course