

Trade Policy and the World Trading System

Lecture: Tuesday, 16:00 – 17:30 **Room:** HS 124 **Start:** April 14, 2026

Tutorial: Wednesday, 12:15 – 13:45 **Room:** SR 308 **Start:** April 22, 2026

Outline: This course outlines the facts and developments of the world trading system and current trade policy issues. The main section analyzes the effects of trade policy instruments (tariffs, quotas, etc.) and arguments for trade policy interventions (influencing terms of trade; strategic trade policy, educational tariffs, industrial policy, and the economic policy implications of the “new trade theory”). The course also examines the political-economic causes of protectionist policies and the logic behind international trade agreements.

The tutorial will cover the content and applications of the lecture material through practice exercises. We expect you to have already familiarized yourself with the relevant material before the tutorial sessions and to contribute your questions and answers during the sessions.

Examination Format: 60-minute exam at the end of the semester (tbd, probably during the last week of lectures)



Sources: WTO, Homepage; The Economist July 18, 2020

Literature

Main text for many parts of the course:

Helpman, E. und P.R. Krugman (1989). Trade Policy and Market Structure. The MIT Press, Cambridge, Massachusetts.

Developments and current issues in the global trading system are clearly and comprehensively explained in the following books:

Bhagwati, J. (2002). Free Trade Today, Princeton University Press.

Bhagwati, Jagdish (2005). In Defense of Globalization. Oxford University Press.

Irwin, D. (2020). Free Trade Under Fire, Princeton University Press, 5th Edition (as well as earlier editions, some of which include additional material).

Irwin, D. (1996). Against the Tide. An Intellectual History of Free Trade, Princeton University Press.

This course requires a basic understanding of international economics, which can be refreshed by reviewing the following textbook:

Krugman, P.R., M. Obstfeld und M. Melitz (2023), International Economics. Theory and Policy. Pearson, 12th Edition.

You will receive additional, specific reading lists for each section of the lecture.

Structure

- 1 Developments of the Global Trading System, World Trade, and Current Issues
- 2 Trade Policy Instruments and Their Effects Under Perfect Competition
- 3 Competitive Effects of Market Liberalization
- 4 Domestic Market Failure: Trade Policy as a Second-, Third-, or ...-Best Solution
- 5 Trade Policy with Market Power in International Goods Markets
- 6 Political Economy, International Integration, and the World Trading System