



## ECON 357: International Trade

### General Information:

**Term: 2021 Summer Session**

**Instructor: Staff**

**Language of Instruction: English**

**Classroom: TBA**

**Office Hours: TBA**

**Class Sessions Per Week: 5**

**Total Weeks: 5**

**Total Class Sessions: 25**

**Class Session Length (minutes): 145**

**Credit Hours: 4**

### Course Description:

The course International Trade examines the theories and concepts of trade in such a globalized world. Things include why trades happen cross-national, what goods are traded, and who benefits (or not) from this trade are discussed in this course, emphasizing on the following topics: the Ricardian model, the Heckscher-Ohlin model, the standard trade model, instruments of trade policy, and so on. Beside pure lecturing, students are also provided with some real-life cases to support the acquisition of the knowledge and help them to adapt what they've learned into the analysis.

Prerequisite: ECON 210 Intermediate Microeconomics and ECON 220 Intermediate Macroeconomic

### Learning objectives:

The objectives of the course will be achieved by means of finishing required readings, listening to lectures given by the instructor, participating in the in-class discussions, finishing assigned homework pieces, composing individual case study reports, and checking their understanding of the knowledge in the midterm and final exams.

By taking this course, the students will be able to (1) acquire a general understanding of the theories and concepts that are currently highlighted in the field of international trade, (2) identify those frequently appeared tools (tariffs, quotas, export subsidies) and understand



how they work, and (3) apply the theories and concepts into real-life cases and demonstrate thoughtful ideas.

## **Course Materials:**

### **1. Required Textbook**

***International Trade: Theory and Policy***

by Paul R. Krugman, Maurice Obstfeld, and Marc Melitz, 11th Edition, 2018

### **2. Other materials:**

Students will be provided with supplemented reading materials selected by the instructor. During the lecture, in-class handouts and PowerPoint slides will also be provided by the instructor.

## **Course Format and Requirements:**

The format of the course is mainly in lectures, the materials of which will be designed and handed out by the instructor before each class. The contents of the lectures are based on the textbooks, and supplemented reading materials and case studies will be given by the instructor. There are also chances for students to make in-class discussions about their personal ideas toward certain topics. In order to get a thorough understanding of the knowledge presented, students are supposed to finish all the assigned readings before the class and write down their own thoughts and questions for in-class discussions.

### **Attendance:**

Students are required to be present at all class sessions. Notifications about absence reasons to the instructor should be done in advance if students are not able to attend classes. Active participation in all classroom activities is also very important for students to achieve success in this course

## **Grading Scale (percentage):**

**A+: 98%-100%**

**A: 93%-97%**

**A-: 90%-92%**

**B+: 88%-89%**

**B: 83%-87%**

**B-: 80%-82%**



**C+: 78%-79%**

**C: 73%-77%**

**C-: 70%-72%**

**D+: 68%-69%**

**D: 63%-67%**

**D-: 60%-62%**

**F: Below 60%**

## **Course Assignments:**

### **Attendance: 10%**

Students are required to be presented at all class sessions. Notifications about absence reasons to the instructor should be done in advance if students are not able to attend classes. Active participation in all classroom activities is also very important for students to achieve success in this course.

### **Assignments: 20%**

For each week, students are assigned a piece of homework, the form of which includes question sets, short case reports, open-ended questions, and so on. No late work will be accepted, and for each late work, there will be 10 points (100 points in total) taken off.

### **Individual case study report: 15%**

In the third week, students will be assigned a case study, requiring them to finish a written analysis report based on the content they've learned in International Trade and supplement reading materials. Their goal of finishing this case study is to help them strengthen their understanding of the theories and concepts learned in class and learn about how to apply them to cases. Once assigned, students will have two weeks to complete their paper, which means that they should hand in the report at the end of the 4th week. The guidance for this report will be released by the instructor after the paper is assigned. Students should read the guidance carefully and follow the rubrics provided.

The paper should be from 8 to 10 pages long, double-spaced, using Times New Roman size 12 with 1-inch margins.

### **Exams: 55%**

There will be 1 midterm exam and 1 final exam for this course.

The midterm and final exams are both closed-book in-class written exams. The forms of the questions include multiple choices, open-ended questions, short case analyses, and short essays (500 words maximum). Exams will cover most of the materials used in class, including textbooks, handouts, and reading materials. Classes before the midterm exams and the final exam will be left for review and Q&A.

**Course Assessment:**

Attendance	10%
Assignments	20%
Individual case study report	15%
Midterm Exam	25%
Final Exam	30%
<b>Total</b>	<b>100%</b>

**Course Schedule:**

Week	Topics	Assignments
Week One (Class 1-5) Introduction; An Overview of World Trade; The Standard Trade Model	<ul style="list-style-type: none"><li>• Introduction to the course: What is International Trade and how it works (Reading: <i>International Trade</i>, Ch 1)<ul style="list-style-type: none"><li>- What is international economics about?</li><li>- International economics: trade and money</li></ul></li><li>• World Trade: An overview (Reading: <i>International Trade</i>, Ch 2)<ul style="list-style-type: none"><li>- Who trades with whom?</li><li>- The changing pattern of world trade</li><li>- Do old rules still apply?</li></ul></li><li>• The Standard Trade Model (Reading: <i>International Trade</i>, Ch 6)<ul style="list-style-type: none"><li>- A Standard Model of a Trading Economy</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Assignment 1</li></ul>
Week Two (Class 6-10) Technology, Factor Endowments, and Increasing Returns	<ul style="list-style-type: none"><li>• Labor Productivity and Comparative Advantage: the Ricardian Model (Reading: <i>International Trade</i>, Ch 3)<ul style="list-style-type: none"><li>- The concept of comparative advantage</li><li>- A one-factor economy</li><li>- Trade in a one-factor world</li><li>- Misconceptions about comparative advantage</li><li>- Comparative advantage with many goods</li><li>- Adding transport costs and non-traded goods</li><li>- Empirical evidence on the Ricardian model</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Assignment 2</li></ul>



	<ul style="list-style-type: none"> <li>• Specific Factors and Income Distribution (Reading: <i>International Trade</i>, Ch 4)             <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>- The Political Economy of Trade</li> <li>- International Labor Mobility</li> </ul> </li> <li>• External Economies of Scale and the International Location of Production (Reading: <i>International Trade</i>, Ch 7)             <ul style="list-style-type: none"> <li>- Economies of Scale and International Trade</li> <li>- Economies of Scale and Market Structure</li> <li>- The Theory of External Economies</li> <li>- Specialized Suppliers</li> <li>- Labor Market Pooling</li> <li>- Knowledge Spillovers</li> <li>- External Economies and International Trade</li> <li>- Interregional Trade and Economic Geography</li> </ul> </li> <li>• Review for Midterm Exam</li> </ul>	
<p>Week Three (Class 11-15) The Global Monetary System</p>	<ul style="list-style-type: none"> <li>• Firms in the Global Economy: Export Decisions, Outsourcing, and Multinational Enterprises (Reading: <i>International Trade</i>, Ch 8)             <ul style="list-style-type: none"> <li>- The Theory of Imperfect Competition</li> <li>- Monopolistic Competition and Trade</li> <li>- Firm Responses to Trade: Winners, Losers, and Industry Performance</li> <li>- Multinationals and Outsourcing</li> </ul> </li> <li>• The Instruments of Trade Policy (Reading: <i>International Trade</i>, Ch 9)             <ul style="list-style-type: none"> <li>- Basic Tariff Analysis</li> <li>- Costs and Benefits of a Tariff</li> <li>- Other Instruments of Trade Policy</li> </ul> </li> <li>• The Political Economy of Trade Policy (Reading: <i>International Trade</i>, Ch 10)             <ul style="list-style-type: none"> <li>- The Case for Free Trade</li> <li>- National Welfare Arguments against Free Trade</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Midterm Exam</li> <li>• Assignment 3</li> </ul>



	<ul style="list-style-type: none"> <li>- Income Distribution and Trade Policy</li> <li>- International Negotiations and Trade Policy</li> </ul>	
<p>Week Four (Class 16-20) The Strategy and Structure of International Business</p>	<ul style="list-style-type: none"> <li>• Trade Policy in Developing Countries (Reading: <i>International Trade</i>, Ch 11)               <ul style="list-style-type: none"> <li>- Import-Substituting Industrialization</li> <li>- Results of Favoring Manufacturing: Problems of Import-Substituting Industrialization</li> <li>- Trade Liberation since 1985</li> </ul> </li> <li>• Controversies in Trade Policy (Reading: <i>International Trade</i>, Ch 12)               <ul style="list-style-type: none"> <li>- Sophisticated Arguments for Activist Trade Policy</li> <li>- Globalization and Low-wage Labor</li> <li>- Trade Shocks and Their Impact on Communities</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Assignment 4</li> <li>• Individual Case Study Report</li> </ul>
<p>Week Five (class 21-25) International Business Functions</p>	<ul style="list-style-type: none"> <li>• Recourses and Trade: The Heckscher-Ohlin Model (Reading: <i>International Trade</i>, Ch 5)               <ul style="list-style-type: none"> <li>- Model of a Two-Factor Economy</li> <li>- Effects of International Trade between Two-Factor Economies</li> <li>- Empirical Evidence on the Heckscher-Ohlin Model</li> </ul> </li> <li>• Global Production and Supply Chain Management (Reading: <i>International Trade</i>, Ch 6)               <ul style="list-style-type: none"> <li>- Tariffs and Export Subsidies: Simultaneous Shifts in RS and RD</li> <li>- International Borrowing and Lending</li> </ul> </li> <li>• Review for the Final Exam</li> </ul>	<ul style="list-style-type: none"> <li>• Assignment 5</li> <li>• Final Exam</li> </ul>

**Academic Integrity:**

Students are encouraged to study together, and to discuss lecture topics with one another, but all other work should be completed independently.

Students are expected to adhere to the standards of academic honesty and integrity that are described in the Huazhong University of Science & Technology’s *Academic Conduct Code*.



Any work suspected of violating the standards of the *Academic Conduct Code* will be reported to the Dean's Office. Penalties for violating the *Academic Conduct Code* may include dismissal from the program. All students have an individual responsibility to know and understand the provisions of the *Academic Conduct Code*.

**Special Needs or Assistance:**

Please contact the Administrative Office immediately if you have a learning disability, a medical issue, or any other type of problem that prevents professors from seeing you have learned the course material. Our goal is to help you learn, not to penalize you for issues which mask your learning.