Welcome to my course, which is an advanced undergraduate treatment of international trade theory and policy. In this course we will study aspects of international trade at a fairly abstract and rigorous level, though the analysis will be almost entirely graphical in nature, employing a minimum of mathematics. Issues that will be addressed include the fundamental determinants of the patterns of trade and the gains from trade, justifications for policies that restrict trade, the effects of trade barriers, the rationale for regional free-trade agreements and multilateral trade rules, and the role of international factor movements. We will also read widely in more practical areas of international trade, including trade institutions and calculations and the welfare impacts of trade barriers. Thus, there are two goals in the course. First, we will develop a solid grounding in the analytical work of modern trade theory and, second, we will master some tools for use in practical trade analysis. This is an ambitious agenda and will require sustained effort.

The required text is *International Trade: Theory and Evidence* (McGraw-Hill, 1995) by James Markusen, James Melvin, William Kaempfer, and Keith Maskus (MMKM). We will attempt to complete most of the volume, as detailed below, though this will be a challenge. The textbook takes an abstract, general-equilibrium approach to international trade theory and is, therefore, rather rough going in spots. I wish to emphasize the importance in this connection of the course prerequisite, which is successful completion of intermediate microeconomic theory. I will consider requests for exemptions from this prerequisite in individual consultations, but please be advised that micro theory is the foundation for this course. In addition to the text, I list below some additional readings that I will put on reserve at Norlin Library. Finally, you will find it interesting to read about current international trade issues in *The Wall Street Journal, The New York Times, The Financial Times*, and/or *The Economist*.

There will be two mid-term examinations, each worth 25% of your grade, one final examination worth 40%, and a short term paper (see below for its structure) worth 10%. I will also provide you with problem sets in preparation for exams but their completion is up to you and they will not be graded.

Lectures will be held three times a week, except when in-class examinations are scheduled. I will set aside a few class periods for discussion of current international trade topics. Before these discussions I will make available (either electronically or through handouts) relevant policy papers that I have written on each subject.
<table>
<thead>
<tr>
<th>Subject</th>
<th>Material</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction</td>
<td>MMKM, Ch 1</td>
<td>Aug 28</td>
</tr>
<tr>
<td>2. Production Theory</td>
<td>MMKM, Ch 2</td>
<td>Aug 30 - Sep 1</td>
</tr>
<tr>
<td>3. Utility Theory</td>
<td>MMKM, Ch 3</td>
<td>Sep 6 - 8</td>
</tr>
<tr>
<td>4. General Equilibrium</td>
<td>MMKM, Ch 4</td>
<td>Sep 11 - 13</td>
</tr>
<tr>
<td>5. Gains from Trade</td>
<td>MMKM, Ch 5-6</td>
<td>Sep 15 - 20</td>
</tr>
<tr>
<td>6. Ricardian Trade Theory</td>
<td>MMKM, Ch 7</td>
<td>Sep 22 - 25</td>
</tr>
<tr>
<td>7. Heckscher-Ohlin Trade Theory</td>
<td>MMKM, Ch 8</td>
<td>Sep 27 - Oct 2</td>
</tr>
</tbody>
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**Policy Discussion: Trade, Employment, and Wages**

Oct 4

Readings A:
- Maskus, "NAFTA, Employment, and Wages" (handout)

**MIDTERM EXAMINATION ONE** (Ch 1-8 & readings A)

Oct 6

8. Specific-Factors Model | MMKM, Ch 9 | Oct 9 - 11 |
9. Imperfect Competition | MMKM, Ch 11(1-3,5-7) Ch 12(1-4) | Oct 13 - 23 |
10. Demand and Technology | MMKM, Ch 13 | Oct 25 - 27 |
11. Empirical Studies | MMKM, Ch 14 | Oct 30 - Nov 1 |

**Policy Discussion: The East Asian Economic Miracle**

Nov 3

Readings B:
- Maskus, "The East Asian Economic Miracle" (handout)

12. Tariffs | MMKM, Ch 15 | Nov 6 - 13 |

**MIDTERM EXAMINATION TWO** (Ch 9, 11-14, & readings B)

Nov 15

13. Quotas and NTBs | MMKM, Ch 16 | Nov 17 - 22 |
14. Strategic Trade Policy | MMKM, Ch 17(1-2,7-8) | Nov 27 - 29 |

Reading C:
- Krugman, "Is Free Trade Passe?" *Journal of Economic Perspectives, Fall, 1987* (Norlin)
15. Free Trade Areas MMKM, Ch 18 Dec 1 - 4
16. Trade Rules & Institutions MMKM, Ch 20 Dec 6 - 8
   Policy Discussion: WTO, Trade, and the Environment Dec 8
   Reading E: -Maskus, "Trade and the Environment" (handout)
17. Trade in Factors MMKM, Ch 21(1,6-8) Dec 11
18. Multinational Firms MMKM, Ch 22(1-3,5-6) Dec 13
   Reading F: -Maskus, "Theories of Foreign Direct Investment" (handout)

FINAL EXAMINATION 3:30-6:30 PM Wednesday, Dec 20
(covers Ch 15-18, 20-22, & Readings C-F)

PAPER ASSIGNMENT

Your paper is not to exceed five (5) typed, double-spaced pages, including tables and references. Your paper can be devoted to either of the following topics.

A. Country Trade Analysis. Choose a country (other than the U.S.) from the list on the following page (these are big enough that there is information available about their trade patterns). Write your paper to answer the following questions:
   a. What are the major import and export commodities? Have these changed over the last 10 years, and why?
   b. Which countries are its major trading partners?
   c. What are reasonable explanations for these trade patterns, based on what we have studied (factor endowments, technology, etc)? Support your conclusions with facts and evidence from other studies.
   d. Has the country attempted recently to lower its barriers to trade and investment, and how?
   e. Is the country a member of WTO and/or any regional FTAs?

B. Trade Issue Analysis. Research recent literature (journal articles, newspapers and magazines, books) and write an essay describing the economic issues surrounding a particular trade-policy area. Sensible topics could include:
   i. Extension of NAFTA to other Latin America
   ii. Extension of EU to Eastern Europe
   iii. Trade and Environmental Damage/Optimal Rules for control
   iv. Labor Standards and Trade Competition
v. Aggressive Unilateral Trade Policy by the U.S.
vi. Agricultural Trade reform in the Uruguay Round (UR)
vii. Implications of intellectual property agreement in UR
Other topics should be discussed with me personally.

List of Countries for Paper topic A:
North America: Canada, Mexico
South America: Argentina, Chile, Brazil
Western Europe: UK, France, Germany, Italy, Spain, Sweden,
Austria, Switzerland, Portugal, Greece
Central Europe: Hungary, Poland, Czech Republic
Eastern Europe: Russia
Africa: Egypt, South Africa, Morocco
Middle East: Turkey
South Asia: India, Pakistan
East Asia: Thailand, Malaysia, Indonesia, Singapore, Hong Kong, Taiwan, China, Republic of Korea, Japan
Other: Australia, New Zealand

Sources of information: Be creative. However, some major organizations to check would be World Bank (IBRD), International Monetary Fund, Organization for Economic Cooperation and Development, European Commission, ASEAN, Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, United Nations (including UNIDO, UNCTAD, FAO, UNESCO, WIPO, WHO, etc), and GATT/WTO. U.S. government also publishes numerous studies about trading partners; see especially the International Economic Review of the US International Trade Commission and National Trade Estimate Annual Report on Foreign Trade Barriers of the US Trade Representative’s Office.

The paper will be due by 5:00 PM on the last day of classes (Wednesday, Dec 13).