Course Description

This is an introductory course on the economics of international trade and investment. We will emphasize both the intuition behind key ideas as well as some simple ways of demonstrating them with the help of models. Equipped with those, we will analyze current policy questions throughout the course.

Key issues in the course will be:

· The Gains from Trade
· What Explains the Pattern of Trade and Factor Movements
· Trade Policy and Protectionism
· Foreign Direct Investment
· Globalisation: Winners and Losers

Required Reading

· Regular reading of The Economist weekly magazine, so that you are on top of major current international economic issues. Some of these issues will be discussed in class. All of these issues are relevant material for possible test questions.
· Material that I make available on the course web page on my home page. Typically, this will be additional readings on current international topics

**Grading**

There will be two tests that each account for 40% of the grade. These tests are in-class, closed-notes, closed-books. The dates are March 7 and April 27, 2006. The remainder of 20% of the grade is determined by a take-home final exam which is due on May 6, 2006, by 10 am at my office (Econ 222). Instructions for this take-home final are given below.

**Organization**

This primary means of communication outside the classroom will be by email. General announcements will be made through webct.

**Syllabus**

I. **International Trends in the U.S. and Abroad, Today and in the Past**

0. **Overview**
   
   
   

1. **Gains from Trade and the Costs of Protection: Flipsides of the Same Coin**
   
   · K&O, chapter 9, pp. 218-237.
   

2. **The Ricardian Model and Comparative Advantage**
   
   · K&O, chapter 2.
   

3. **The Specific Factors Model**
   
   · K&O, chapter 3.

4. **The Heckscher-Ohlin Model**
5. **The General 2x2 Trade Model: Production Response and the Terms of Trade**
   - K&O, chapter 5.

6. **Trade not based on Differences in Technologies or Resources**

7. **Trends in International Transport Costs and Agglomeration**
   - Lecture notes

8. **International Factor Movements: Capital, Labor, and Technology**
   - K&O, chapter 7.
   - Lecture notes

**II. International Trade Policy**

9. **Instruments of Trade Policy**
   - K&O, chapter 8.

10. **The Political Economy of Trade Policy**

11. **Trade Policy in Developing Countries**

12. **Controversies in Trade Policy**
    - K&O, chapter 11.
    - Lecture notes. Possibly includes the following topics, among others,
      - Free Trade Agreements
      - China
Instructions for Take-Home Final

Choose a country (other than the U.S.) from the list below (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? In which industries do you observe a lot of FDI? Have these changed over the last 10 years, and why?

b. Which countries are its major trading partners? Which countries do foreign direct investment in your chosen country? Where does your country do its FDI?

c. What are good explanations for these trade patterns, based on what we have studied (factor endowments, technology, etc)? And what explains the FDI patterns? 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 any regional Free Trade Areas? What seem to be the costs and benefits of this membership?

Your paper is not to exceed eight typed, double-spaced pages, including tables and references.

List of Countries for paper:
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, Kenya
Middle East: Turkey, Israel
South Asia: India, Pakistan
East Asia: Thailand, Malaysia, Indonesia, Singapore, Hong Kong China, China, Republic of Korea, Japan
Other: Australia, New Zealand

Sources of information: This includes major organizations such as The World Bank, International Monetary Fund, Organization for Economic Cooperation and Development, European Commission, ASEAN, Asia-Pacific Economic Cooperation Forum (APEC), Asian Development Bank, African Development Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, United Nations (including UNIDO, UNCTAD, FAO, UNESCO, WIPO, WHO, etc), and WTO. The U.S. government also publishes numerous studies about trading partners; see especially the International Economic Review of the U.S. International Trade Commission and National Trade Estimate Annual Report on Foreign Trade Barriers of the US Trade Representative's Office.

Here are some useful websites:
www.worldbank.org  www.asean.org
www.imf.org  www.apcecssecretariat.org
www.oecd.org  www.adb.org
www.sourceoecd.org  www.idb.org
www.europa.int  www.ebrd.org
www.unido.org  www.unctad.org
www.fao.org  www.unesco.org
www.wipo.org  www.who.org
www.wto.org  www.usitc.gov
You will also be able to find websites for individual countries through a web search. Also ask the staff in the government documents area of Norlin Library to help you find trade and investment data from the IMF, the World Bank, the UN, and other sources.

Generally, there is less information on foreign direct investment (FDI) than there is on trade. Two sources for FDI data that you should consider are the annual *World Investment Reports* by UNCTAD (www.unctad.org), as well as the FDI data held by the U.S.’ Bureau of Economic Analysis (www.bea.gov) in its International section.

**NOTE**

I am willing to accommodate the special needs of students with disabilities and particular needs for religious observations, but please contact me immediately if you have such concerns. Finally, you should be aware of the honor code and policy for student classroom behavior. The campus policies for these and other issues, including policies regarding course prerequisites, may be found at [http://www.colorado.edu/Economics/spring06-syllabi/spring06-syllabi-index.htm](http://www.colorado.edu/Economics/spring06-syllabi/spring06-syllabi-index.htm)