

UNIVERSITY OF COLORADO AT BOULDER

**Econ 4413: INTERNATIONAL TRADE
Spring 2016**

Professor:	Wolfgang Keller
Office:	Econ 206 C
Office Hours:	Wednesday and Friday, 12 noon to 1pm
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Classroom & time:	Econ 119, MWF 11:00am to 11:50am
Class Website:	D2L

I. COURSE DESCRIPTION AND OBJECTIVES

The subject of international trade deals with the movement of goods, services, people, capital and ideas across borders. It covers topics such as why countries trade, what are the benefits from trade and factor movements, and the outcomes of various trade policies. The primary objective of this course is to introduce you to international trade theory and policy. This course consists of two parts. In the first part, we will study various models of trade including Ricardian, specific factors model, the Heckscher-Ohlin model and the standard model of trade. In addition, we will look at issues of globalization, Foreign Direct Investment (FDI), and offshoring. In the second part of the course, we will shift to the instruments and outcomes of trade policy, looking at the impact of tariffs, quotas, and subsidies, the role of international organizations, and the specifics of trade policy in developing countries. Other topics might be also discussed, if time permits. This course will give you a sound theoretical background in international trade, introduce you to current empirical research in this area and will help to understand current international economic events.

Required Readings

The required textbook for this course is:

Krugman, Paul, Maurice Obstfeld and Marc J. Melitz, *International Economics: Theory and Policy*, 10th edition, 2015, Prentice Hall.

Occasionally, additional required materials and articles will be assigned to accompany the appropriate chapters in the book. They will be announced in class and be available on the course website. Reading about international economics issues in *The Economist*, *The New York Times*, and *The Wall Street Journal* is highly recommended.

II. COURSE REQUIREMENTS

Course Structure

This course will consist of lectures, readings, homework, article discussions, in-class assignments, exams and a paper. The material covered during lectures will be necessary to succeed in the course, thus lecture attendance is highly recommended! It is also very important that you read the book chapters and the appropriate readings along with attending lectures, as some material in the readings will not be covered in the lecture.

Grading

Your course grade will be based on homework, participation, midterm exam, final exam and a paper. Your grade will be determined as follows:

Homework	15%
Class Participation	5%
Midterm Exam	25%
Final Exam	35%
Paper	20%
Total	100%

Important Dates

Midterm Exam	March 2
Paper Proposal Due	March 18
Final Paper Due	April 29
Final Exam	May 2, 1:30pm

Homework

There will be homework assigned during the semester. It will be distributed through D2L and will relate to the material we discuss in class. Homework is part of your final grade, but it will also help you master the concepts discussed in class and prepare for the midterm and the final exam. No late homework will be accepted!

Attendance and Participation

Attendance and participation in in-class assignments and class discussions are highly recommended. Past data indicates that those who keep up with the material, complete the homework and are active in the class do well in the course.

Exams

There will be an in-class midterm and an in-class final exam. Midterm exam will be in class on March 2. The Final exam is cumulative. The Final exam will be on May 5, 4:30pm. I will announce in advance which topics will be covered during each exam and the structure of the exams.

There will be **NO makeup exams**.

Paper

The paper assignment will let you look in detail at one country and its international economic relationships. You will choose one country (other than U.S.) and write a 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 should be maximum eight double-space pages long, 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, HongKong, China, Republic of Korea, Japan

Other: Australia, New Zealand

You will be required to submit a one-page synopsis of your paper by Thursday, November 5th. The final paper will be due on the last day of class, April 29.

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.

Some useful websites:

www.worldbank.org	www.asean.org
www.imf.org	www.apecsecretariat.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
www.ustr.gov	www.bea.gov

You will also be able to find websites for individual countries by an Internet search.

Data for FDI can also be found in 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.

III. POLICIES

We will observe all CU policies, including

<http://www.colorado.edu/policies/academic-integrity-policy>

<http://www.colorado.edu/policies/academic-integrity-policy-two>

<http://www.colorado.edu/policies/final-examination-policy>

<http://www.colorado.edu/policies/observance-religious-holidays-and-absences-classes-and-or-exams>

<http://www.colorado.edu/policies/student-classroom-and-course-related-behavior>

<http://www.colorado.edu/policies/student-honor-code-policy>

Please be respectful to the professor and other students, and turn off your cell-phones and laptops during class.

IV. COURSE OUTLINE

As of January 8, 2016 – subject to change

<i>Date</i>	<i>Topic</i>	<i>Readings</i>
Jan 11, 13	Introduction	Chapter 1
Jan 15, 20	Overview of World Trade	Chapter 2
Jan 22, 25, 27	Labor Productivity and Comparative Advantage	Chapter 3
Jan 29, Feb 1, Feb 3	Specific Factors and Income Distribution	Chapter 4
Feb 5, 8, 10	Resources and Trade: the Heckscher-Ohlin Model	Chapter 5
Feb 12, 15, 17, 19	The Standard Trade Model	Chapter 6
Feb 22, 24, 26	External Economies of Scale	Chapter 7
Feb 29	Review and Catch-up	
Mar 2	Midterm Exam	
Mar 4	Re-cap	
Mar 7, 9, 11	Firms in the Global Economy	Chapter 8
Mar 14, 16, 18	Multinationals and Outsourcing	Chapter 8
Mar 28, 30, Apr 1	The Instruments of Trade Policy	Chapter 9
April 4, 6, 8	The Political Economy of Trade Policy	Chapter 10
April 11, 13, 15	Trade Policy in Developing Countries	Chapter 11
April 18, 20, 22	Controversies in Trade Policy	Chapter 12
April 25, 27, 29	Other topics, Catch-up and Review	
	FINAL EXAM Monday, May 2, 1:30pm	