UNIVERSITY OF COLORADO AT BOULDER

Econ 4413: INTERNATIONAL TRADE
Spring 2017

Professor:	Wolfgang Keller
Office:	Econ 206 C
Office Hours:	Mondays and Wednesdays, 2 to 3pm
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Classroom & time:	Muenz E113 MWF 1:00 – 1:50 pm
Class Website:	D2L

I. COURSE DESCRIPTION AND OBJECTIVES

What happens to trade, foreign direct investment (FDI), and offshoring when a country raises a tariff of 35% on the goods that it imports? Who gains in terms of welfare, and who loses? 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, 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 may be assigned to accompany the appropriate chapters in the book. They will be announced in class and be available on D2L. 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, in-class exercises, homework, exams and a paper. We will also solve about six in-class practice problems. The material covered during lectures will be necessary to succeed in the course, and lecture attendance is required. It is also very important that you read the book chapters and the appropriate readings along with attending lectures, as some material from 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	Mar 1
Paper Proposal Due	Mar 6
Final Paper Due	May 5
Final Exam	May 9, 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 not only 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 exercises are required. 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 1. The Final exam is cumulative. The Final exam will be on May 9, 1:30pm. 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 March 6th. The final paper will be due on the last day of class, May 5th .

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-andor-exams
http://www.colorado.edu/policies/student-classroom-and-course-related-behavior
http://www.colorado.edu/policies/student-honor-code-policy

It is not permitted to use an electronic device to email, text, or browse the web in this class.

IV. COURSE OUTLINE

As of January 16, 2017 – subject to change

	Topic	*Readings*
Jan 18, 20, 23	Introduction and Overview of World Trade	Chapters 1, 2
Jan 25, 27, 30, Feb 1	Labor Productivity and Comparative Advantage	Chapter 3
Feb 3, 6, 8	Specific Factors and Income Distribution	Chapter 4
Feb 10, 13, 15, 17	Resources and Trade: the Heckscher-Ohlin Model	Chapter 5
Feb 20, 22, 24	The Standard Trade Model	Chapter 6
Feb 27	Review and Catch-up	
Mar 1	**Midterm Exam**	
Mar 6	Re-cap	
Mar 8, 10	External Economies of Scale	Chapter 7
Mar 13, 15, 17	Firms in the Global Economy	Chapter 8
Mar 20, 22, 24	Multinationals and Outsourcing	Chapter 8
Apr 3, 5, 7, 10	The Instruments of Trade Policy	Chapter 9
Apr 12, 14, 17	The Political Economy of Trade Policy	Chapter 10
Apr 19, 21, 24	Trade Policy in Developing Countries	Chapter 11
Apr 26, 28	Controversies in Trade Policy	Chapter 12
May 3, 5	Other topics, Catch-up and Review	
	FINAL EXAM **Tuesday, May 9, 1:30pm**	