

ECON 4413: INTERNATIONAL TRADE

Spring 2009

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Class Schedule: MWF 11:00 – 11:50 in EDUC 155

Office Hours: MW 2:00 – 3:30

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*

Prerequisites

Econ 3070 (Intermediate Micro Theory) is a prerequisite for this course.

Required Reading

- Robert Feenstra and Alan Taylor (abbreviated as FT), *International Economics*, 2008, Worth Publishers. You can also buy the trade part of the book (Chapters 1 to 11).
 - Students are required to obtain an account on the website of this textbook at www.worthpublishers.com/feenstrataylor ; I will assign quizzes and exercises from this site.
- 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.

Grading

There will be two tests that each account for 35% of the grade. These tests are in-class, closed-notes, closed-books. The dates are February 23 and May 1, 2008. Class participation counts for 10% of the grade. The remainder of 20% of the grade is determined by a take-home final exam which is due by May 5, 4pm in the Economics Department main office (Econ 212). Instructions for this take-home final are given below. Finally, class attendance is required. You cannot receive a passing grade if you missed more than 25% of class.

Organization

There will be no class on April 20 and 24 due to other commitments. These classes will be made up as needed. This primary means of communication outside the classroom will be by email. General announcements will be made through cuconnect.

Syllabus

1. Overview: Trade in the Global Economy

- FT, Chapter 1
- D. Rodrik, "Symposium on Globalization in Perspective: An Introduction", *Journal of Economic Perspectives*, Fall 1998: 3-8; available at <http://www.jstor.org>
- J. Williamson, "Globalization, Labor Markets and Policy Backlash in the Past", *Journal of Economic Perspectives*, Fall 1998: 51-72; available at <http://www.jstor.org>
- R. Feenstra, "Integration of Trade and Disintegration of Production in the Global Economy", *Journal of Economic Perspectives*, Fall 1998: 31-50; available at <http://www.jstor.org>

2. Trade and Technology: The Ricardian Model

- FT, Chapter 2
- Dornbusch, R., S. Fischer, and P. Samuelson, "Comparative Advantage, Trade and Payments in a Ricardian Model with a Continuum of Goods", *American Economic Review* 67(1977), pp. 823-839; available at <http://www.jstor.org>

3. Gains and Losses from Trade in the Specific-Factors Model

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- FT, chapter 3.

4. Trade and Resources: The Heckscher-Ohlin Model

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- FT, chapter 4.
- Wood, Adrian, "How Trade Hurt Unskilled Workers", *Journal of Economic Perspectives*, Summer 1995, pp.57-80; available at <http://www.jstor.org>

- Freeman, Richard, “Are your wages set in Beijing?”, Journal of Economic Perspectives, Summer 1995, pp.15-32; available at <http://www.jstor.org>
5. Movement of Labor and Capital between Countries; Multinational Enterprises
 - FT, chapter 5.
 6. Increasing Returns to Scale and Imperfect Competition
 - FT, chapter 6.
 7. Foreign Outsourcing of Goods and Services
 - FT, chapter 7
 8. Import Tariffs and Quotas under Perfect Competition
 - FT, chapter 8.
 8. Import Tariffs and Quotas under Imperfect Competition
 - FT, chapter 9.
 10. Export Subsidies in Agriculture and High-Technology Industries
 - FT, chapter 10.
 9. International Agreements: Trade, Labor, and the Environment
 - FT, chapter 11.

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.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 through a websearch. 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/courses/index.html>

