



**University of International Business and Economics
International Summer School**

ITR 206/ECO 206 International Trade Theory

Term: July 10 – August 4, 2017

Instructor: Kevin H. Zhang

Home Institution: Illinois State University

Email: khzhang@ilstu.edu

Class Hours: Monday through Friday, 120 minutes each day (2,400 minutes in total)

Office Hours:

Teaching Assistant: TBD

Email: TBD

Discussion session: 2 hours each week

Total Contact Hours: 64 contact hours (45 minutes each, 48 hours in total)

Credit: 4 units

Course Description

International trade has played a critical role in the ability of countries to grow, develop, and be economically powerful through history. Intentional trade theory focuses primarily on three issues: why countries trade; what goods a country sell to whom; and why protectionism. This course will introduce the main concepts and methods of international trade and illustrates them with applications drawn from the real world. We will address a wide range of issues, including comparative advantage, the patterns of trade, gains from trade, protectionism, and effects of trade on income distributions. We will also consider political and economic aspects of trade barriers, connections between trade and economic development, and trade treaties such as WTO.

Course Goals

When you have completed this course, you should be able to do following:

- ✧ Apply basic macroeconomic concepts to your daily life as well as specific situations;
- ✧ Identify basic macroeconomic concepts used in daily newspapers, magazines, and TV programs;
- ✧ Interpret economic data, e.g., data on prices and quantities of specific goods and services, GDP, unemployment, and inflation;
- ✧ Critically evaluate the claims of politicians and other policymakers regarding the welfare effects of their proposals.

Required Text

Paul Krugman, Maurice Obstfeld, and Marc Melitz, *International Economics: Theory & Policy*, 9th edition, Addison-Wesley, 2012.

Prerequisite

Principles of Economics (or first-year micro and macro) and intermediate micro and macro (or second-year micro and macro), or equivalent courses are required.



Attendance

One thing you can promote your performance in this course is to attend every class, because the materials in this course are challenging and much of them build on previous lectures. You will sign on an attendance sheet in each class, and will receive 40 points for full attendance. You would lose 3 points if you miss one class without excuse.

Grading Policy

Your grades are based on a total of 600 points, which are acquired as follows:

4 Exams	= 400 points total, 100 points each
4 Homework Sets	= 100 points total, 25 points each
6 quizzes	= 60 points total, 10 point each
Attendance	= 40 points, 3 points are taken off if missing one class
Total	= 600

- ❖ **Exams:** Two exams are non-comprehensive and each exam consists of 25 multiple-choice questions. Please note that **NO MAKE-UP EXAMS WILL BE GIVEN.**
- ❖ **Homework:** Two homework sets are distributed during the course in order to give you practice working with the concepts introduced in the class and also to prepare you for the exams. Homework serves as a sample exam in the sense that their questions are similar to those of exams in topics, difficulty degree, and number of questions. The failure to try all questions is viewed as an indication of lack of effort, besides costing you the points you could have earned on the homework.

Some specific policies are as follows:

- ❖ If you miss an exam without an excused absence, you will receive a zero on it. No make-up exams are given.
- ❖ If an illness or some emergency prevents you from attending class, or taking one of exams, please try to discuss this with me **before** the class and the exam. Documentation (notification from doctor, for instance) *may be* required. If you don't contact me until after the exam, documentation *will be* required. If you are excused from one exam, then the score for the missing exam is average of other three exam scores. Similar policy applies for homework. You also will not lose 4 points for attendance if you contact me before the class.
- ❖ **Late homework will not be accepted** because the answer key is distributed on the due day.
- ❖ Anyone caught cheating on any exam or quiz will receive an "F" in the class and will have their case referred to the Student Judicial Office for additional disciplinary action.

Grading Scale

Grades are based completely on the work listed above. NO extra credit work is given under any circumstances. The scale for semester grades is as follows:

- A 90-100
- A- 85-89
- B+ 82-84
- B 78-81
- B- 75-77
- C+ 72-74
- C 68-71
- C- 64-67
- D 60-63



F below 60

Course Hours

The course has 20 class sessions in total. Each class session is 120 minutes in length for a total of 2,400 minutes of class time. The course meets from Monday to Friday.

Class Rules

Many students perceive economics as being a very difficult, if not impossible, course to master. However, this perception is, in all likelihood, based on observations of the experiences of other students who did not apply the proper approach to learning economics. In many courses, simple memorization is enough. This is not the case in economics. In this course you will need to understand the meaning of basic terms and concepts, but you will also be required to demonstrate the ability to apply economic concepts in specific situations. In other words, you will be required to demonstrate the ability to think like an economist!

I recommend the following approach to studying and learning economics.

- ✧ Read over the material we will be covering in class before each session. The idea is not to master the material being covered but simply to familiarize you with the concepts to be covered in class. In addition, start working on the questions in the study guide that your group will be working on during the next class session.
- ✧ Attend each class, take good notes, and assume an active role within your group.
- ✧ After class, read the text again, study your notes and continue working in the study guide.
- ✧ Form a study group that meets outside of class on a regular basis to go over the material, work on homework, and go over problems in the study guides.
- ✧ See me if you feel lost. Don't wait as thing will only get worse! You (and the taxpayers of Illinois) are paying me to teach this course, so take advantage of my services. If you can't make office hours, see me after class or call/email me, and we will set up a mutually convenient time.

Course Topics and Schedule

I Introduction

- Chapter 1 Introduction
- Chapter 2 Gravity Model of World Trade

II International Trade Theory

- Chapter 3 Comparative Advantage: Ricardian Model
- Chapter 4 Standard Trade Model
- Chapter 5 Heckscher-Ohlin Model and Other Trade Theories

III Policy Instruments and Protectionism

- Chapter 6 Trade Restrictions: Tariffs
- Chapter 7 Nontariff Trade Barriers and Political Economy of Protectionism

III New Trade Theory and Trade Policy of Development

- Chapter 8 External Scale Economies and International Location of Production
- Chapter 9 Internal Scale Economies and International Trade
- Chapter 10 Offshore Outsourcing
- Chapter 11 Trade Policy for Industrialization



Chapter 12 Trade Policy for Global Competitiveness