



University of International Business and Economics International Summer School

ITR 206/ECO 206 International Trade Theory

Term: May 25 – June 25, 2020

Instructor: Di Gong

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Class Hours: Monday through Thursday, 120 minutes each day.

Office Hours: TBD

Discussion Session: 2 hours each week

Total Contact Hours: 64 contact hours (45 minutes each)

Credit: 4 units

Course Description:

This course presents an introduction to international trade theory and policy. The theoretical framework is the principles of microeconomics (ECON 104). Issues of international trade feature prominently in academic and policy debate (e.g. anti-globalization, global poverty etc.) and are issues that you need, as students of economics, some theoretical and practical knowledge of. The prerequisite courses are Economics 104 and 105 or their equivalents. The ECON 105 prerequisite can be waived for upper-year students with my permission but not the ECON 104.

Over 30 percent of the world's production of goods and services is traded between nations and there are significant levels of labour migration and capital movements via direct foreign investment between nations e.g. via multinational corporations. In the course we will focus on this international trade and seek to explain the reasons for these goods and services, labour and capital exchanges, and the relevant costs and benefits to society of these exchanges.

Course Overview:

This course studies the economic theory and policy of international trade in the global economy. The vastness of the topic necessarily means that we will be somewhat selective in our treatment. The course will focus on the most basic economic models of international trade, and the major national and international policies and agreements concerning international trade in the world economy.

The first part of the course will focus on how economists have theorized about trade and the major theoretical models in the discipline, some dating from the 19th and early 20th centuries, and other more modern interpretations of the late 20th century. We will consider movements of goods and services but also labour and capital across international borders. In the subsequent parts of the course, we will look at the major policies nations use in the area of

international trade such as tariffs and quotas, and export subsidies and taxes, and as well as analysis of international trade agreements, such as NAFTA, the European Union, and the agreements promoted by the World Trade Organization (WTO).

The overall learning objectives for the course are:

- ✧ To provide you with a basic knowledge of international trade theory and policy as it applies to the global world economy of today;
- ✧ to develop your ability to apply economic theory and economic ways of thinking to major real-world policy issues of international trade;
- ✧ To develop your ability to express yourself clearly and concisely both orally and in writing;
- ✧ To develop your ability to recognize and critically evaluate conflicting and competing sources of information.

Required Text:

Robert Feenstra and Alan Taylor, International Trade, Fourth Edition, Worth Publishers 2017. ISBN 978-1319061739. See also the companion website for the text, with practice quizzes. I will also as the course progresses refer in class and recommend for reading other recent academic books and articles as well as current newspaper and other press reports containing important current issues in international trade.

Course Hours:

The course is designed in a lecture-discussion format in which learning takes place through class discussion of assigned readings, so it is important that you keep up with the readings. Student preparation and participation is essential - you should plan to spend at least two hours reading outside of class for every hour in class. All students will be responsible for the basic readings on each topic – all from the required texts.

Attendance:

Summer school is very intense and to be successful, students need to attend every class. Attendance will be recorded. Occasionally, due to illness or other unavoidable circumstances, a student may need to miss a class. Any unexcused absence may impact on the student's grade, and a student who has too many unexcused absences may fail the course. Moreover, UIBE policy is that a student who has missed more than one-third of the classes (6 class times) of a course will fail the course.

Grading Policy:

In this course, grading will be based on the following:

Class Attendance, Engagement and Participation	10%
Thursday Quizzes	45% (3 quizzes, 15% each)
Thursday Assignments	15% (3 assignments, 5% each)
Final Exam	30% (Thursday June 25)
	*100%

Grading scale:

Assignments and examinations will be graded according to the following grade scale:

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

General Expectations:

Students are expected to:

- ✧ Attend all classes and be responsible for all material covered in class and otherwise assigned. Any unexcused absence may impact a student's grade. A student who has too many unexcused absences may fail the course
- ✧ Complete the day's required reading and assignments before class
- ✧ Review the previous day's notes before class; make notes about questions you have about the previous class or the day's reading
- ✧ Refrain from texting, phoning or engaging in computer activities unrelated to class during class
- ✧ Participate in class discussions and complete required written work on time

Course Schedules:

The planned schedule sketched out below may be modified to suit the interests or abilities of the enrolled students or to take advantage of special opportunities or events that may arise during the term.

WEEK ONE (May 25 – May 28): Patterns of International Trade 1

Mon: Course Introduction

Tues: Trade in the Global Economy, Ch. 1

Wed: The Ricardian Trade Model, Ch. 2

Thurs: The Ricardian Trade Model/Specific Factors Model, Ch. 2 and 3

WEEK TWO (June 1 – June 4): Patterns of International Trade 2

Mon: The Specific Factors Model, Ch. 3

Tues: The Heckscher-Ohlin Model Ch. 4

Wed: The Heckscher-Ohlin Model Ch. 4

Thurs: **Quiz and Assignment on Chapters 1-4**

WEEK THREE (June 8 – June 11): New Explanations for International Trade

Mon: Movement of Labour and Capital Between Countries Ch. 5

Tues: Increasing Returns to Scale and Monopolistic Competition Ch. 6

Wed: Offshoring of Goods and Services Ch. 7



Thurs: **Quiz and Assignment on Chapters 5-7**

WEEK FOUR (June 15 – June 18): International Trade Policies

Mon: Import Tariffs and Quotas under Perfect Competition Ch. 8

Tues: Import Tariffs and Quotas under Perfect/Imperfect Competition Ch. 8 and 9

Wed: Import Tariffs and Quotas under Imperfect Competition Ch. 9

Thurs: **Quiz and Assignment on Chapters 8-9**

WEEK FIVE (June 22 – June 25): International Trade Policies

Mon: Export Policies in Resource-Based and High-Technology Industries Ch. 10

Tues: International Trade Agreements Ch. 11

Wed: Review

Thurs: **Final Exam**

Academic Honesty:

Students are expected to maintain high standards of academic honesty. Specifically, unless otherwise directed by the professor, students may not consult other students, books, notes, electronic devices or any other source, on examinations. Failure to abide by this may result in a zero on the examination, or even failure in the course.