

## Syllabus (v.3)

**ECON 5510: International Trade**  
**Hong Kong University of Science and Technology**  
**School of Business and Management**  
**Department of Economics**  
**Spring Semester 2024**  
**Credit hours: 2**

**Pre-requisites: (ECON 5130 Microeconomic Analysis or ECON 5210 Microeconomic Theory I) and (ECON 5140 Macroeconomic Analysis or ECON 5250 Macroeconomic Theory I)**

**Exclusions: ECON 5560 Advanced International Trade and Investment**  
**or ECON 6120C International Trade I**  
**or ECON 6120D International Trade II**  
**or ECON 613F International Trade**

Class time and Classroom location: Wednesday 16:30-18:20, LSK 1007

Instructor: Professor Edwin LAI, Department of Economics

Office location: LSK 6008

Office Hours: Wed 11:30-12:30; Fri 11:00-12:00, or by appointment.

My office hours are also accessible through Zoom via my personal Zoom ID 492 408 1030. No passcode is needed. Just join during my office hours.

Office Phone: 2358-7611

E-mail: [elai@ust.hk](mailto:elai@ust.hk)

Teaching Assistant: Kehui LENG

Office location: LSK 5067

Office hours: Tu 19:00-21:00, or by appointment

Office Phone: 5467-3772

Email: [klengaa@connect.ust.hk](mailto:klengaa@connect.ust.hk)

### Course Description

The world is more and more integrated through trade. International trade has become more and more important, as transportation costs and artificial trade barriers keep falling over time. Trade also plays a very important role in the development of many emerging economies, such as China. This course discusses the determinants of the pattern of international trade, why nations trade, what they trade, the gains from trade, and the distributional effects of trade. Then, we go on to analyze the motives, consequence and welfare implications of trade policies, and political economy of trade, such as free trade agreements, trade war and the World Trade Organization. The cases in the textbook would be used to illustrate how the theory is applied to the real world.

Economic models will be used extensively to analyze the questions whenever necessary, and the application of these models to the real world would also be emphasized.

### **Course Objectives and Learning Outcomes – School Intended Learning Outcomes (“SILOs”):**

*Upon successful completion of this course, you should be able to:*

1) Get general knowledge about the theories of international trade and trade policy. Identify the main questions and issues in international trade and learn how to analyze them. Learn a few models and theories in international trade and how they can be applied to the real world. (SILO # 4.1)

2) Apply the concepts, principles, and models learned in this course to analyze issues and policies in international trade. (SILO # 4.2 and # 6.1)

Hopefully, you can also

3) Develop an interest in international trade and a desire for further study. (SILO # 9)

For the details of SILOs, please refer to:

<http://www.bm.ust.hk/sbmlern/eng/thirdcat.php?sid=5&thirdid=3>

### **Teaching Approach**

This course is primarily delivered through lectures, class discussion, and homework. The course is designed to help students cultivate the habit of thinking critically and independently. Students’ class participation is highly valued and will be rewarded.

The basic teaching materials closely follow the main textbook and lecture notes, plus some articles.

<b>Teaching and Learning Activities</b>	<b>Roles in the Course</b>	<b>Course Learning Outcome addressed</b>
Lectures with in-class discussions	Explain key concepts and models to students; apply models to explain the real world	1, 2
Homework assignments	Practice applying the theory to analyze problems	2

### **Reading Material**

Required textbook:

Krugman, Obstfeld and Melitz, *International Trade: Theory and Policy*, 12th edition (abbreviated as KOM) (Only chapters 3, 5, 6, 8, 9 and 10 will be covered by this course)

Paper for reference:

Paul Krugman, “Increasing returns, monopolistic competition, and international trade,” Journal of International Economics 1979 (referred to as “Krugman 1979 JIE”)

Supplementary textbook (you can find it in the library):

Feenstra, Robert C. and Alan M. Taylor, International Economics, 2nd or later edition, Worth Publishers (referred to as “Feenstra and Taylor”)

**Assessment**

<b>Assessment Activities</b>	<b>Weighting</b>	<b>Relevant information</b>	<b>Course learning outcomes assessed</b>
Final Examination	52%	Date: To be determined	1, 2
Midterm exam	25%	Date: 27 Mar, in-class	
Homework assignments (about five)	15%	Need to submit, and credits will be given if seriously attempted.	1, 2, 3
Participation	8%	Attendance; asking and answering questions in class and outside class; quizzes.	1, 2, 3

All examinations are closed-book.

The earlier part of the course will be tested in the mid-term examination. The mid-term is in-class, and lasts for 1 hour 50 minutes. The date of the mid-term is listed in the above table. You must take it at that date and time. The final examination is 3 hours long and will cover all the material taught in the course, with an emphasis on the later part of the course. The final examination will be held during the regular examination period.

Any excuse of absence from the mid-term and final exams due to conflicts with other activities will not be accepted, and no make-up exam will be given. Moreover, if you do not take a midterm or final exam for whatever reason, you will get zero mark for that exam. No shifting of weights to other parts of the assessment will be allowed.

Student participation is taken seriously. Attendance will be taken in each lecture. Students are expected to have read the relevant material before coming to class, and to come prepared with questions. It must be emphasized that participation is not simply being there but also asking

and answering questions during the class. Attendance will account for only 3 to 4 marks out of a total of 8 marks for participation. While asking questions outside the classroom also counts toward participation, higher weight is given to participation in class. I may give some unannounced quizzes, which will also count towards participation.

About five problem sets will be given. The problem sets are essential for learning economic analyses that will be tested in the exams. When a problem set is due and submitted, the answer key will be handed out. No late submission will be accepted.

Students are encouraged to discuss with each other how to tackle the problem sets but each student must submit his/her own homework.

### **Plagiarism and cheating**

Plagiarism and cheating in exams, tests and assignments are serious offences. The university takes these cases seriously. If you are found guilty, you can be failed for the class and even expelled from the university. If there is evidence that you copy problem set answers from each other or some leaked answer key, that is considered cheating.

### **Final Note:**

Student feedback is essential for course improvement. I encourage continuous teaching evaluation. At any time during the semester you may verbally or anonymously (e.g., via campus mail, or slip a note under my office door) give me your feedback of my teaching. This evaluation could include the following headings: 1) Things that I like; 2) Things that I dislike; and 3) Suggestions for improvements.

## Topics

1. Labor Productivity and Comparative Advantage: The Ricardian Model

- KOM Chapter 3

2. Resources and Trade: The Heckscher-Ohlin Model

- KOM Chapter 5 (including the appendix and the postscript at the end of the book)

3. The Standard Trade Model

- KOM Chapter 6

4. Firms in the Global Economy: Export Decisions, Outsourcing, and Multinational Enterprises

- KOM Chapter 8 (including the postscript at the end of the book)

5. The Instruments of Trade Policy

- KOM Chapter 9

6. The Political Economy of Trade Policy

- KOM Chapter 10

## Econ 5510 Spring 2024 Schedule

<u>Session</u>	<u>Month</u>	<u>Day of month</u>	<u>Day of week</u>	<u>Chapter in textbook</u>	<u>Problem set due date (end of the day)</u>
1	Jan	31	Wed	3	
2	Feb	7	Wed	3	
3		21	Wed	5	PS1 due on 20 Feb
4		28	Wed	5	
5	Mar	6	Wed	6	PS2 due on 5 Mar
6		13	Wed	6	
7		20	Wed	8	PS3 due on 19 Mar
8		27	Wed	MT	
9	Apr	10	Wed	8	
10		17	Wed	9	
11		24	Wed	9	
12	May	1	Wed	10	PS4 due on 30 Apr
13		8	Wed	10	PS5 due on 15 May

PS1: Ch 3

PS2: Ch 5

PS3: Ch 6

PS4: Ch 8, 9

PS5: Ch 9, 10

MT = midterm exam: Ch 1, 2, 3, 5, 6

Final exam: Comprehensive; heavier weight will be put on material not tested in mid-terms, but it covers all chapters