

## Syllabus (v.1)

**ECON 5510: International Trade**  
**Hong Kong University of Science and Technology**  
**School of Business and Management**  
**Department of Economics**  
**Spring Semester 2025**  
**Credit hours: 3**

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: Tuesday 18:00-20:50, LSK2003

Instructor: Professor Edwin LAI, Department of Economics

Office location: LSK 6008

Office Hours: Tuesday 15:45-17:00, or by appointment.

Office Phone: 2358-7611

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

Teaching Assistant: SONG Dan

Office location: TBA

Office hours: TBA, or by appointment

Office Phone: TBA

Email: TBA

### Course Description

International trade has become an increasingly important economic activity, as transportation costs and artificial trade barriers keep falling over time. The world is increasingly integrated through trade. 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, and the World Trade Organization.

## **M.Sc. Program in Economics -- Program Intended Learning Outcomes (PILO)**

On successful completion of the program, graduates will be able to:

1. Solve advanced economic models using mathematical methods related to real analysis, static optimization, and dynamic optimization;
2. Assess the underlying insights of these economic models;
3. Construct simple economic models using the above methods;
4. Explain firms' and individuals' behaviors in given economic and industry environments using an understanding of theories and knowledge from microeconomics;
5. Explain the effects of economic policies on monetary and business cycle stability, trade and economic growth using an understanding of theories and knowledge from macroeconomics;
6. Evaluate the implications of empirical data analysis using an understanding of theories and tools from empirical data analysis;
7. Explain and apply econometric principles;
8. Decide how to collect and deal with raw data;
9. Construct proper econometric models and use relevant software to conduct empirical analysis on given data;
10. Make predictions on economic and business outcomes based on results from empirical analysis;
11. Explain economic models and intuition to academic people using professional language in economics;
12. Present economic insights or their empirical findings to industry people using both economic and business languages; and
13. Use various approaches including graphs, diagrams, figures, etc. to enrich their communication.

## **Course Intended Learning Outcomes**

1. Understand the theories behind gains from trade, comparative advantage and trade, economies of scale and trade, distributional effects of trade, and trade policy, and in some cases, understand how to take the theory to the data and estimate the model empirically. (This outcome maps onto PILO 1, 2, 3, 4, 5, 11, 12, 13 stated above)
2. Apply the theories to analyze gains from trade, what determines comparative advantage, how comparative advantage determines trade pattern, how increasing returns to scale determines trade pattern, how trade affects factor returns and the effects of trade policy. (This outcome maps onto PILO 1, 2, 3, 4, 5, 11, 12, 13 stated above)

## 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.

Teaching and Learning Activities	Roles in the Course	Course Intended Learning Outcomes addressed
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	1, 2

## Reading Material

### Required textbook:

Krugman, Obstfeld and Melitz, *International Trade: Theory and Policy*, 12th edition (abbreviated as KOM) (Only chapters 1, 2, 3, 5, 6, 7, 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

Assessment Activities	Weighting	Relevant information	Course learning outcomes assessed
Final Examination	48%	Date: To be determined	1, 2

Midterm exam	29%	Date: 8 April, 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 2 hour. 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. In the midterm and final exam, students are allowed to bring one A4-size “cheat sheet” in which they can write down things that they may have to refer to in the exam in case they forget. They may write on both sides of the sheet.

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.

## **Textbook chapter titles**

1 Introduction

### **Part 1 International Trade Theory**

2 World Trade: An Overview – Who trade with whom, and what do they trade?

3 Labor Productivity and Comparative Advantage: The Ricardian Model

4 Specific Factors and Income Distribution (will not be covered in this course)

5 Resources and Trade: The Heckscher-Ohlin Model

6 The Standard Trade Model

7 External Economies of Scale and the International Location of Production

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

### **Part 2 International Trade Policy**

9 The Instruments of Trade Policy

10 The Political Economy of Trade Policy

11 Trade Policy in Developing Countries

12 Controversies in Trade Policy

## Econ 5510 Spring 2025 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	Feb	4	Tue	1, 2, 3	
2		11	Tue	3	
3		18	Tue	3	
4		25	Tue	5	PS1 due on 24 Feb
5	Mar	4	Tue	5	
6		11	Tue	6	PS2 due on 10 Mar
7		18	Tue	6	
8		25	Tue	7	PS3 part 1 due on 24 Mar
9	Apr	8	Tue	MT	
10		15	Tue	7, 8	
11		22	Tue	8, 9	PS3 part 2 due on 21 Apr
12		29	Tue	9	
13	May	6	Tue	10	PS4 due on 5 May
					PS5 due on 12 May
Self-study (not covered in exams)				4, 11, 12	

PS1: Ch 3

PS2: Ch 5

PS3: Ch 6, 7

PS4: Ch 8, 9

PS5: Ch 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 the exam covers all chapters