

Syllabus (v.1)

ECON 4364 International Trade and Investment
Hong Kong University of Science and Technology
School of Business and Management
Department of Economics
Spring 2023

Pre-requisites: (Econ 3014 or Econ 3113) and (Econ 2123 or Econ 3123)

Exclusion: Econ 4384

Class time and location: Tu, Th 10:30am-11:50am at LSK 1010

Instructor: Professor Edwin L.-C. LAI, Department of Economics

Office location: LSK 6008

Office Hours: Tu 1:00pm – 2:00pm, Th 1:30pm-2:30pm, or by appointment

Office Phone: 2358-7611

E-mail: elai@ust.hk

Tutorial time and location: We 6:00pm-6:50pm at LSK 1007

Teaching Assistant: Lingfei LU

Office location: LSK5067

Office hours: Mon 12:00-2:00pm, or by appointment

Email: lingfei.lu@connect.ust.hk

Course description

In this course, we shall study the causes and consequences of international trade, the political economy of trade and trade policies. Course consists of two parts. Part I discusses the pattern of international trade, why nations trade, what they trade, and who gains from trade. Part II analyzes the motives for countries to implement policies that restrict international trade, and the welfare implications of those trade policies.

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.

Real world issues and policies will be discussed throughout the course. These include trade agreements, trade war, World Trade Organization, and so on. The cases in the textbook would be frequently used to illustrate how the theory is applied to the real world.

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 economics of international trade. 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)

3) Communicate effectively in oral and written English when analyzing economic issues. (SILO # 2)

Hopefully, you can also

4) Analyze the consequence of an international trade shock or a policy change and provide policy suggestions to governments and international organizations. (SILO # 4.3)

5) 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, tutorials, class discussion and homework.

The course is designed to help students cultivate the habit of thinking critically and independently yet working cooperatively. The basic teaching materials closely follow the main textbook and lecture notes. Additionally we will use cases and newspaper articles for discussion in class.

| Teaching and Learning Activities | Roles in the Course | Course Learning Outcome addressed |
|------------------------------------|--|-----------------------------------|
| Lectures with in-class discussions | Explain key concepts and models to students | 1, 2, 3, 4, 5 |
| Tutorials | Review basic model and concepts, practice problem-solving, explain answers to homework and exams | 1, 2, 3 |
| Homework assignments | Practice problem solving, apply models to analyze international economic issues | 1, 2, 3, 4 |

Reading Material

Required textbook:

Krugman, Obstfeld and Melitz, *International Trade: Theory and Policy*, 12-th edition, Pearson Publisher (abbreviated as KOM)

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

Feenstra, Robert C. and Taylor Alan M., *International Economics*, second or later edition, Worth Publishers (abbreviated as FT)

Supplementary reading material will be posted for students to download during the semester.

Examination and Assessment

| Assessment Activities | Weighting | Relevant information | Course learning outcomes assessed |
|-----------------------|-----------|----------------------|-----------------------------------|
|-----------------------|-----------|----------------------|-----------------------------------|

| | | | |
|--|-----|--|------------|
| Final Examination | 40% | Date: TBA | 1, 2, 3 |
| Mid-term exam 1 | 20% | Date: 21 March, in class | 1, 2,3 |
| Mid-term exam 2 | 20% | Date: 25 April, in class | 1, 2, 3 |
| Homework assignments (about five to six) | 10% | Need to submit, and credits will be given if seriously attempted | 1, 2, 3 |
| Participation | 10% | Attendance, asking and answering questions in class and tutorial | 1, 2, 3, 4 |

All examinations are open book.

The earlier part of the course will be tested in two mid-term examinations. The mid-terms are in-class, and each lasts for one hour and twenty minutes. The dates of the mid-terms are listed in the above table. You must take them on those dates. The final examination is about 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.

About five or six problem sets will be given. When a problem set is due and submitted, the answers will be discussed in the tutorial. No late submission will be accepted.

Student participation is taken seriously. Attendance will be taken in each class and tutorial. Students are expected to have read the relevant material before coming to class/tutorial, and to come prepared with questions. It must be emphasized that participation is not simply attendance. Attendance will account for less than 5 marks out of a total of 10 marks for participation. Participation includes asking and answering questions inside and outside the classroom. I may give some unannounced quizzes, which will also count towards participation.

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

Tutorials will be arranged when needed. A typical tutorial session would be held after problem sets are submitted. TA may also hold Q/A sessions or review sessions using tutorial time in other weeks.

Econ 4670

Students have the option of writing a paper to satisfy the requirement for Econ 4670. It is a zero-credit course unrelated to your grade in Econ 4364. The topic must be related to the following: global value chain (or global supply chain), trade war, industrial policy, export-led growth, foreign

outsourcing, foreign direct investment, multinational firms, infant industry protection, external economies of scale and trade, changing comparative advantage of China, World Trade Organization, preferential trading agreements, climate change and trade.

The final version of paper is due by the end of the day of 30 June 2023 -- no late papers will be accepted. But you have to submit a first version of the paper by 14 June 2023 for the professor to comment on, and then send a final draft taking into account his comments by 30 June 2022. Please check your paper by the software Turnitin and submit the checking result together with the paper. Please refer to the file "Econ4670 requirements for Econ4364 _S2023" posted on Canvas for more detail.

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.

Econ4364 Spring 2022 Schedule

| <u>Lecture session</u> | <u>Month</u> | <u>Day of month</u> | <u>Day of week</u> | <u>Chapter</u> | <u>Tutorial dates</u> |
|------------------------|--------------|---------------------|--------------------|----------------|--|
| 1 | Feb | 7 | Tu | 1,2 | |
| 2 | | 9 | Th | 3 | |
| 3 | | 14 | Tu | 3 | |
| 4 | | 16 | Th | 3 | |
| 5 | | 21 | Tu | 3 | |
| 6 | | 23 | Th | 5 | |
| 7 | | 28 | Tu | 5 | |
| 8 | Mar | 2 | Th | 5 | PS1 due 1 Mar |
| 9 | | 7 | Tu | 5 | |
| 10 | | 9 | Th | 6 | |
| 11 | | 14 | Tu | 6 | |
| 12 | | 16 | Th | 6 | PS2 due 15 Mar |
| 13 | | 21 | Tu | MT1 | |
| 14 | | 23 | Th | 7 | |
| 15 | | 28 | Tu | 7 | |
| 16 | | 30 | Th | 8 | |
| 17 | April | 4 | Tu | 8 | |
| 18 | | 13 | Th | 9 | PS3 due 12 Apr |
| 19 | | 18 | Tu | 9 | |
| 20 | | 20 | Th | 10 | PS4 part 1 due 19 Apr |
| 21 | | 25 | Tu | MT2 | |
| 22 | | 27 | Th | 10 | |
| 23 | May | 2 | Tu | 11 | |
| 24 | | 4 | Th | 11, 12 | PS4 part 2 due 3 May |
| 25 | | 9 | Tu | 12 | |
| | | | | | PS5 due 15 May (put in drop box on 6/F LSK) |
| Self-reading | | | | 4 | |

MT1 = Mid-term 1: ch 1, 2, 3, 5

MT2 = Mid-term 2: ch 6, 7, 8

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

PS1: ch 3

PS2: ch 5

PS3: ch 6, 7

PS4: ch 8, 9

PS5: ch 10, 11, 12

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