

Syllabus (v.2)

ECON 4364 International Trade and Investment
Hong Kong University of Science and Technology
School of Business and Management
Department of Economics
Spring 2024
Credit hours: 4

Pre-requisites: (Econ 3014 or Econ 3113) and (Econ 2123 or Econ 3123)
Exclusion: Econ 4384

Class time and location: We, Fr 13:30-14:50 at LSK 1009
Instructor: Professor Edwin L.-C. LAI, Department of Economics
Office location: LSK 6008
Office Hours: We 11:30-12:30; Fr 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

Tutorial time and location: We 10:30-11:20 at LSK 1011
Teaching Assistant: Lingfei LU
Office location: LSK 5067
Office hours: We 15:00-17:00, or by appointment
Office Phone: 5482-6644
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. The 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. Students' class participation is highly valued and will be rewarded.

The basic teaching materials closely follow the main textbook and lecture notes. Additionally we may 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
Group paper and presentation	Application of the theory to analyze the real world issues and government policies	2, 3, 5

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	37.5%	Date: TBA	1, 2, 3
Mid-term exam	17.5%	Date: 27 Mar , in-class	1, 2,3
Group paper and presentation	25%	Date: See the Schedule	1, 2, 3
Homework assignments (about five)	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 outside class; quizzes.	1, 2, 3, 4

All examinations are closed-book.

The earlier part of the course will be tested in the mid-term examinations. The mid-term is in-class, and lasts for one hour and twenty 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 10 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 answers will be discussed in the tutorial. 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.

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

Group Project

Students are to form into groups, and each group is required to write a group paper and do a group class presentation. The class should be evenly divided into a total of about eight groups. The number of students in any two groups cannot differ by more than one. There should be no more than four members in each group (maybe even no more than three, depending on the total number of students in the class). You can form your group voluntarily. However, if some students fail to form groups voluntarily, the instructor will intervene to form the groups for them. The instructor has the final say in determining who belongs to which group. The dates of the presentations are listed in the Schedule in this syllabus.

At the end of the semester, each student will be asked to evaluate the percentage contribution of all other students in his/her group. These numbers will be used to calculate the marks obtained by each student in the group. So, different students in the same group can get different marks for the group project if their contributions as evaluated by others are different.

Group paper

The paper and presentation should be on a topic about international trade to be approved by the instructor. The final version of paper is due by the end of the day of 16 May 2024 -- no late papers will be accepted. Please refer to the file named "4364_S2024 requirements for group paper" for a more detailed description of the requirements of the group paper.

Group presentation

Each group is required to make a 24-minute class presentation based on their group paper. Each group will be given participation marks for asking questions in other groups' presentations. A student's participation in asking questions in the presentations of other groups will enhance their individual participation marks as well as their group's participation marks.

Econ 4670

The whole group has the option of writing a longer paper that can be used to satisfy both the requirement of this course and the requirement for Econ 4670 for all members of the group. In that case, the paper has to have at least 2300 words and no more than 2500 words per student.

If an individual student wants to expand what they write in the group paper into a solo paper that satisfies the requirement for Econ 4670, it has to have no less than 3200 and no more than 3500 words. The topic can be related but needs to be different from that of the group paper.

The final version of paper is due by the end of the day of 30 June 2023 -- no late papers will be accepted. Please check your paper by the software Turnitin and submit the checking result together with the paper.

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 2024 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	Jan	31	We	1,2	
2	Feb	2	Fr	3	
3		7	We	3	
4		9	Fr	3	
5		14	We	3	
6		16	Fr	5	
7		21	We	5	Tutorial for PS1
8		23	Fr	5	
9		28	We	5	
10	Mar	1	Fr	6	
11		6	We	6	Tutorial for PS2
12		8	Fr	6	
13		13	We	7	
14		15	Fr	7	
15		20	We	7	Tutorial for PS3 Part 1
16		22	Fr	8	
17		27	We	MT	
18	April	10	We	8	Tutorial for PS3 Part 2
19		12	Fr	8	
20		17	We	9	
21		19	Fr	9	
22		24	We	9	Tutorial for PS4
23		26	Fr	10	
24	May	3	Fr	10	
25		8	We	Student presentation	Tutorial session on 8 May will be used for student presentation
26		10	Fr	Student presentation	PS5 due on 15 May (end of the day). No tutorial will be held for this problem set.
Self-reading				4, 11, 12	

MT = Mid-term 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

PS1: ch 3

PS2: ch 5

PS3: ch 6, 7

PS4: ch 8, 9

PS5: ch 9, 10

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