

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 2022

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

Exclusion: Econ 4384

Class time and location: Tu, Th 12:00Noon – 1:20pm; location: LSK 1033

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

Office location: LSK 6008

Office Hours: Tu 2:30pm – 3:30pm or by appointment

Office Phone: 2358-7611

E-mail: elai@ust.hk

Tutorial time and location: Th 6:00pm-6:50pm; location: LSK 1007

Teaching Assistant: Paul Wang

Office location: LSK 5056 Seat #4

Office hours: Wednesday 2:30pm-4:30pm or by appointment

Office Phone: 5138-2301

Email: ppwang@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*, eleventh edition, Pearson Publisher (abbreviated as KOM)

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

Feenstra, Robert C. and Taylor Alan M., *International Economics*, 2nd 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 (probably open book)	40%	Date: TBA	1, 2, 3

Mid-term exam 1 (probably open book)	20%	Date: , in class	1, 2,3
Mid-term exam 2 (probably open book)	20%	Date: , 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

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. No make-up mid-term exams would be provided. Any excuse of absence from the mid-term exams due to conflicts with other activities will not be accepted. The final examination is three-hour 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.

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 being there. Those who do not participate actively may be given “cold calls”.

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 session and/or review session using tutorial time in other weeks.

Econ 4670

Students have the option of writing a paper to satisfy the requirement for Econ 4670. The topic must be related to the following topics: 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.

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	8	Tu	1,2	
2		10	Th	3	
3		15	Tu	3	
4		17	Th	3	
5		22	Tu	3	
6		24	Th	5	
7	Mar	1	Tu	5	
8		3	Th	5	PS1 due 3 Mar
9		8	Tu	5	
10		10	Th	6	
11		15	Tu	6	
12		17	Th	6	PS2 due 17 Mar
13		22	Tu	MT1	
14		24	Th	7	
15		29	Tu	7	
16		31	Th	8	
17	April	7	Th	8	PS3 due 7 April
18		12	Tu	9	
19		19	Tu	9	
20		21	Th	10	PS4 part 1 due 21 Apr
21		26	Tu	MT2	
22		28	Th	10	PS4 part 2 due 28 Apr
23	May	3	Tu	11	
24		5	Th	11, 12	
25		10	Tu	12	PS5 due 13 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