

INTERNATIONAL TRADE ECONOMICS EC3352B-001

Department of Economics
Western University

January 2020

General Information:

Instructor: Ananth Ramanarayanan
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Office hours: Monday, 1:00-2:00, Tuesday, 2:30-3:30, or by appointment
Class times: Tuesdays, 1:30-2:30, and Thursdays, 1:30-3:30, UCC 67
Course website: <https://owl.uwo.ca/portal>
Undergraduate inquiries: 519-661-3507 or SSC Room 4075 or econugrd@uwo.ca

Registration:

You are responsible for ensuring you are registered in the correct courses. If you are not registered in this course, the Department will not release any of your marks until your registration is corrected. You may check your timetable by using the Login on the Student Services website at <https://student.uwo.ca>. If you notice a problem, please contact your home Faculty Academic Counsellor immediately.

Prerequisite Note:

The formal prerequisite for this course is **Economics 2261A/B**.

Prerequisite(s) for your course can be found in the Western Calendar at:

<http://westerncalendar.uwo.ca/Courses.cfm?Subject=ECONOMIC&SelectedCalendar=Live&ArchiveID>

In addition, you should be very comfortable with **calculus, algebra, and geometry**. This course will make heavy use of all these tools.

You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken any anti-requisite courses. Lack of prerequisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed.

If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces become available for students who require the course in question for graduation.

Course Objectives:

This course is an advanced introduction to the study of international trade. We will examine models of international trade and investigate how well these models do in explaining the observed patterns of trade among countries. We will use the frameworks provided by these models to ask how large are the gains from trade, and to analyze policy issues such as tariffs and trade agreements. We will also examine theories of foreign investment and multinational firms.

Course Learning Outcomes:

By the end of this course, students will learn to:

- Identify major features of the bilateral patterns and industry composition of international trade flows in the data;
- Analyze the determinants of comparative advantage and international trade in common theories of international trade;
- Solve for equilibrium outcomes in simple, fully-specified models of international trade;
- Evaluate the effects of international trade on national output, wages, and productivity;
- Assess the predictions of international trade theories and compare them to data

Course Materials:

There is no required text for this course. You are responsible for all material covered in lectures, as well as articles and other notes or readings that are made available on the course website. Please note that the material online will not cover everything that we will discuss in class, so it is important that you maintain a full set of notes on in-class material.

The following book is not a substitute for in-class notes, but may provide some background helpful in understanding the material. Krugman, Obstfeld, and Melitz, "International Economics: Theory and Policy" (*first half*). This is a basic undergraduate text that treats the models we discuss at a *much lower* level. Previous versions without the third author are available, and are similar. It is available in Weldon library.

Grading:

Your grade in this course will be based upon 4 homework assignments, a midterm exam, and a final exam. They will contribute to your final grade as follows:

Homework Assignments:	20%
Midterm Exam	40% *
Final Exam	40%

Homework Assignments will be posted online, and each one will be due one week after it is posted. Your assignment must be turned in to me in class on the due date. Assignments may not be submitted by email or any other method. Late assignments will not be accepted. **Your highest 3 homework scores will count toward your grade.** You may discuss the problems and solutions with your classmates, but you must each write up your own individual assignments independently. Identical or essentially identical assignments will receive a grade of zero.

The **Midterm Exam** will be given on Thursday, Feb 13, during class time. **The Final Exam** will be held at a time and location to be determined by the University Registrar. Both exams will be closed-book and closed-notes. The only electronic device you may use during exams is a non-graphing, non-programmable calculator. All other electronic devices must be kept in your bag. If you have any of these devices out during an exam it will be taken from you and will only be returned once you have turned in the exam.

The final exam is **cumulative**, meaning it will cover all material in the course. If you miss a midterm due to illness or other acceptable excuse, and if Academic Counseling recommends accommodation, a make-up midterm exam will be scheduled. Lack of an acceptable justification for missing an exam will result in a grade of zero for that exam.

* In calculating your grade, if your score on the final exam is higher than the midterm, then one quarter of the weight of the midterm will be shifted to the final. (The midterm will count for 30% and the final will count for 50%.) This rule is meant to encourage you to improve your grade in case you perform poorly on the midterm exam.

If you have a dispute about how an exam or assignment was graded, you can submit it to me within **one week** after the day I return the graded exam or assignment to the class. Your request must be submitted in writing and must explain why you think the grade should be changed. I will re-grade the entire exam / assignment, so your total grade may go up or down.

Outline of topics:

This schedule may be adjusted based on time constraints.

Weeks 1-2

- A. Data: Basic Patterns of International Trade
 - i. The volume and pattern of bilateral trade flows
 - ii. Growth in the volume of trade over time
- B. Comparative Advantage and the Ricardian model
 - i. Comparative advantage and gains from trade
 - ii. Empirical evidence on the Ricardian model
 - iii. Trade policy in the Ricardian model

Weeks 3-4

- C. Factor endowments and the Heckscher-Ohlin-Samuelson model
 - i. The Five Theorems of the H-O-S model
 - ii. Empirical evidence and the Leontief paradox

Weeks 5-6

- D. Specific Factors model
 - i. Trade policy and trade politics with specific factors

Weeks 7-9

- E. New Trade Theory
 - i. Imperfect competition and increasing returns
 - ii. Empirical evidence on new trade theory
- F. Gravity and the border effect

Weeks 10-12

- G. Firms in international trade
 - i. Technology differences
 - ii. Evidence on firms in international trade
- H. Multinationals and FDI

Copyright:

Lectures and course materials, including power point presentations, outlines, and similar materials, are protected by copyright. Students may take notes and make copies of course materials for their own educational purposes. Students may not record lectures, reproduce (or allow others to reproduce), post or distribute lecture notes, wiki material, and other course materials publicly and/or for commercial purposes without written consent.

Please Note

Department Policies for 2019-2020

Remember that the University expects all students to take responsibility for their own Academic Programs. Students should also check their registration to ensure they are enrolled in the correct courses.

1. Guidelines and policies for the Faculty of Social Science and the Department of Economics are posted online in the current Western Academic Calendar at: <http://westerncalendar.uwo.ca>.
2. Students must familiarize themselves with the “Rules of Conduct for Examinations”
http://www.uwo.ca/univsec/pdf/academic_policies/exam/administration.pdf.
3. **Cheating as an academic offence:** Students are responsible for understanding what it means to “cheat”. The Department of Economics treats cheating incidents very seriously and will investigate any suspect behavior. Students found guilty will incur penalties that could include a failing grade or being barred from future registration in other Economics courses or programs. The University may impose further penalties such as a notation on an official academic transcript, suspension or expulsion.
4. **Plagiarism:** Students must write their essays and assignments in their own words. When taking an idea/passage from another author, it must be acknowledged with quotation marks where appropriate and referenced with footnotes or citations. Plagiarism is an academic offence (see Scholastic Discipline for Undergraduate Students in the Western Calendar at http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_20).

Western University uses software to check for plagiarism and students may be required to electronically submit their work. Those found guilty will be penalized as noted in point 3.

5. It is a Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students must submit assignments in class or to the instructor during office hours.

6. When appealing a mark, students should refer to the Student Academic Appeals section in the current Western Academic Calendar at:

http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_14

Please note the relevant deadlines.

The Department will not consider an appeal unless an attempt has been made to settle the matter with the instructor first. Students who remain dissatisfied with the outcome may proceed with a written appeal (e-mails are not acceptable) to the Undergraduate Director in Economics, stating the reasons for their appeal. A checklist is provided at:

http://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals.

7. Systematic adjustments of a class grade distribution (either up or down) can occur in Economics courses. The fact that grades have been adjusted is **not** grounds for an appeal.

8. Note the following add and drop deadlines:

Deadline to add a second term half course: **January 14, 2020**

Deadline to drop a second term half course: **March 7, 2020**

9. Faculty of Social Science policy states that oversleeping or misreading an exam schedule is NOT grounds for a makeup. This rule applies to midterm and final exams in the Department of Economics.

Policy on Tests, Final Exams and on Missed Academic Responsibilities

Students who proceed to write a test or examination must be prepared to accept the mark. Rewriting tests or examinations, or retroactive reweighting of marks, is **not** permitted. Students must book travel arrangements AFTER final exam dates have been posted; travel is not an acceptable excuse for absence from a final exam.

Students who are temporarily unable to meet academic requirements due to extenuating circumstances can follow Western University procedures to request academic consideration through the following routes:

- a) Submit a Self-Reported Absence form if the conditions for submission are met (e.g., only for exams or assessments worth 30% or less of the course mark; not applicable to final exams; maximum 2 self-reported absences per academic year;

see [link](#) for full list of conditions and info).

If the conditions for submission of a Self-Reported Absence form are not met, then:

- b) For medical absences, submit a Student Medical Certificate (SMC) signed by a licensed medical or mental health practitioner along with a request for academic consideration to Academic Counselling in the student's home Faculty (see [link](#) for full info) ; or
- c) For non-medical absences (e.g., religious or compassionate), submit appropriate documentation to Academic Counselling in the student's home Faculty (see [link](#) for full info).

It is strongly recommended that students notify their instructors as soon as possible. University policy is that students **must** communicate with their instructors no later than **24 hours** after the end of the period covered by either the self-reported absence or SMC, or immediately upon their return following a documented absence. Failure to follow University policy and procedures may result in denial of academic accommodation and a grade of zero. Students should also set up an appointment to meet with their instructor as soon as possible. If the instructor is not available, send an email message, copying the Undergraduate Coordinator at econugrd@uwo.ca.

Note: Academic consideration is not normally intended for long-term, recurring absences, an existing disability, or high levels of stress related to academic performance. In such cases, students should consult their academic counsellor. See [link](#) for full information.

In all cases, if the documentation submitted to request academic consideration is not acceptable, students will receive a grade of zero for the missed test, exam, or assignment.

For full information about Western University's policies and procedures for student absences and requests for academic consideration, please visit this [link](#).

Policies Regarding Academic Accommodation

The Faculty of Social Science's policies regarding academic accommodation is found at http://counselling.ssc.uwo.ca/procedures/having_problems/index.html.

"Academic Rights and Responsibilities" are also outlined in the Western Calendar at

<http://westerncalendar.uwo.ca/PolicyPages.cfm?PolicyCategoryID=1&command=showCategory&SelectedCalendar=Live&ArchiveID=>. Claiming that “you didn’t know what to do” is not an acceptable excuse for not following the stated procedures.

Policy Regarding Class Attendance

If the instructor deems a student’s class attendance as unsatisfactory, that student may be prohibited from writing the final examination. If there is intent to make use of this University policy, the student will be notified in writing.

Statement on Mental Health and Support Services

Students under emotional/mental distress should visit the website below for more information and a complete list of resources on how to obtain help.

http://uwo.ca/health/mental_wellbeing/