

## **EC4342: International Trade II Academic Year 2015-2016, Semester 2**

### **Instructor**

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### **Module Description**

This module undertakes an in-depth study of topics in international trade at the undergraduate honors level. The topics include: the gains from trade; the determinants of comparative advantage; the effects of trade on the income distribution; monopolistic competition and trade; gravity equations; firm heterogeneity and trade; multinational enterprises; and trade policy. The module will cover both theoretical models and a discussion of recent empirical evidence, in order to introduce students to the core analytical tools that trade economists use. These tools are useful for gaining a critical understanding of a wide range of issues and developments that we encounter in our increasingly integrated world.

### **Prerequisites**

Students must have completed 80MCs, including 28MCs in economics, with a minimum CAP of 3.5, or otherwise be on the Honors track. You must also have completed either EC3341 (International Economics I) or EC3342 (International Trade). Familiarity with concepts from EC3101 (Microeconomic Analysis I), EC3102 (Macroeconomic Analysis II), as well as EC3303 (Econometrics I) will be assumed.

### **Assessment & Evaluation**

Class participation	10%
Midterm examination	25%
Group project	25%
Final examination	40%

### **Teaching Modes**

This is a seminar-style module. While lessons will be delivered, students are expected to participate actively by asking questions or engaging in discussions in-class. During the student presentations of group projects, an active discussion of the research papers is expected.

### **Class Schedule and Course Outline**

<b>Week</b>	<b>Lecture topic</b>	<b>Other activity</b>
Week 1 (starting 11 Jan)	Patterns of International Trade Gains from Trade and the Theory of Comparative Advantage	
Week 2 (starting 18 Jan)	Ricardian Model (including Dornbusch-Fischer-Samuelson)	
Week 3 (starting 25 Jan)	Specific Factors Model Heckscher-Ohlin Model	
Week 4 (starting 1 Feb)	Heckscher-Ohlin Model (continued) Implications for the Income Distribution (Stolper-Samuelson)	
Week 5 (starting 8 Feb)	Offshoring (Feenstra-Hanson; Grossman and Rossi-Hansberg)	
Week 6 (starting 15 Feb)	Helpman-Krugman Model	
	<b>Recess Week (20 Feb – 28 Feb)</b>	
Week 7 (starting 29 Feb)	Midterm Exam	
Week 8 (starting 7 Mar)	Gravity Equations (Anderson and van Wincoop)	
Week 9 (starting 14 Mar)	Melitz model (Firm heterogeneity)	
Week 10 (starting 21 Mar)	Multinational Enterprises (Horizontal FDI)	Project presentations
Week 11 (starting 28 Mar)	Trade Policy I	Project presentations
Week 12 (starting 4 Apr)	Trade Policy II	
Week 13 (starting 11 Apr)	Review and wrap-up	
	<b>Reading Week (16 Apr – 22 Apr)</b>	
	<b>Final Examination (23 Apr – 7 May)</b>	

**Preclusions:** EC4205

## **Class Sessions**

We will meet once a week for a two hour and 40 minute session (inclusive of a 10 minute break).

Meeting time: Tuesdays, 0900-1200hrs  
Class location: AS7-0106

In addition, since our week 5 meeting coincides with Chinese New Year, the schedule may be adjusted as needed. Most likely, I will give you a recorded lecture ahead of time to view during that week and we will then spend some extra time on review when we meet again the following week.

## **Breakdown of Assessment & Evaluation**

### **Class Participation (10%)**

I view student participation seriously. Absenteeism will result in a zero participation score for that week, unless a valid reason is provided. (No penalty will be imposed for classes that are re-scheduled for a public holiday or other reasons.) In addition, I may occasionally assign recent news articles or accessible papers that relate to the topic of that week's class. I will expect you to have read the relevant material before coming to class. Come prepared with questions or comments, so that you can engage in the discussion.

It must be emphasized that class participation is not just class attendance. Failure to participate will result in a low class participation score. However, quality will be weighted more heavily than quantity. I especially value constructive comments that demonstrate a critical understanding of the material (for example, relating it to current events and policy debates), as well as any corrections to errors that I may make in my slides or classroom delivery. On the other hand, students who speak up on many occasions but provide only simple "yes/no" responses can expect to receive an average to below-average score.

### **Group Project (25%)**

You will be asked to form a group of up to 5 students to make a brief presentation and lead a class discussion on a selected academic paper from a list to be distributed in-class. The presentations will be held in Weeks 10 and 11. Group members should prepare a 20 minute presentation, to be followed by a short open discussion.

In the presentation, the group should describe the main research question examined, and lay out the methodology and arguments that the author(s) put forward to confirm (or reject) their working hypothesis. You should also provide some critical input regarding how you assess the contribution of the paper. What are its strengths and weaknesses? As for the rest of the class, come prepared to participate and engage the group members in a meaningful discussion.

Your grade for this project will be determined as follows: (i) a common grade for all group members based on how well the overall presentation and discussion were conducted (10%); and (ii) a common grade for a short written report on the topic of the presentation (15%).

For (ii), each group should submit one jointly written report, summarizing the main arguments of the research paper and providing some critical appraisal. The written report is due in class in Week 13. The report should not exceed 8 pages (double-spaced with 12-point font size and 1-inch page margins, including footnotes). Groups are advised to start work on the report prior to the presentation, as this can serve to organize your thoughts and ensure that you are on top of the material for the presentation. Each group should arrange a meeting with me to get some guidance on preparing for their presentation.

### **Midterm and final examinations (25% + 40%)**

Both examinations will include True/False questions and analytical problems. Further details on the format of the examinations will be announced to the class closer to the exam dates. Please note that no makeup examinations will be provided. The midterm examination will be held in-class during Week 7.

### **Homework problems (not graded)**

Regular assignments will be posted to help you review the concepts taught in class and prepare for the midterm and final examinations. Accompanying answer keys will be provided afterwards and you are to correct your own assignments. You should feel free to consult me during office hours if any questions remain. You may also wish to form a study group with several classmates to work together on the assignments. Students are strongly encouraged to keep up with these assignments. Although they are not graded, your performance on the examinations is likely to improve if you work consistently on the assignments. There will be a total of 6 assignments posted during the term.

### **General expectations**

Students must keep me apprised if you are unable to fulfill any of the course requirements. This should be done in a timely fashion, namely at least ten days in advance. In fairness to the rest of your classmates, no alternative arrangements will in general be made to the components used to evaluate your course grade.

I should emphasize that I view **ACADEMIC INTEGRITY** very seriously, and I will not hesitate to rigorously enforce NUS policies in the unfortunate event that incidences of plagiarism, cheating, or academic dishonesty occur. On the issue of plagiarism, you should be sure to cite or reference any sources you employ in your project reports to give due attribution.

## Reference books

**Main text (MMKM):** Markusen, James, James Melvin, William Kaempfer, and Keith Maskus, (1995), *International Trade: Theory and Evidence*, McGraw-Hill. (Available online: <http://spot.colorado.edu/~markusen/textbook.html>)

**Supplementary texts:** You may wish to consult the following as additional references:

- (1) Richard Caves, Jeffrey Frankel and Ronald Jones, (2007), *World Trade and Payments: An Introduction*, 10<sup>th</sup> ed., Addison Wesley.
- (2) Paul Krugman, Maurice Obstfeld, and Marc Melitz, (2012), *International Economics: Theory and Policy*, 9<sup>th</sup> ed., Pearson.
- (3) Feenstra, Robert C., (2004), *Advanced International Trade*, Princeton University Press. (Advanced reference; for really motivated students.)

The following table identifies the relevant chapters in MMKM for each week of the course:

Week	Lecture topic	Reference reading (MMKM)
Week 1 (starting 11 Jan)	Patterns of International Trade Gains from Trade and the Theory of Comparative Advantage	Chapters 1-5, 14.2
Week 2 (starting 18 Jan)	Ricardian Model (including Dornbusch-Fischer-Samuelson)	Chapters 6-7, 14.3
Week 3 (starting 25 Jan)	Specific Factors Model Heckscher-Ohlin Model	Chapter 9 Chapters 8, 14.4
Week 4 (starting 1 Feb)	Heckscher-Ohlin Model (continued) Implications for the Income Distribution (Stolper-Samuelson)	
Week 5 (starting 8 Feb)	Offshoring (Feenstra-Hanson; Grossman and Rossi-Hansberg)	
Week 6 (starting 15 Feb)	The Helpman-Krugman Model	Chapters 11-12
Week 8 (starting 7 Mar)	Gravity Equations (Anderson and van Wincoop)	
Week 9 (starting 14 Mar)	The Melitz model (Firm heterogeneity)	
Week 10 (starting 21 Mar)	Multinational Enterprises (Horizontal FDI)	Chapter 22
Week 11 (starting 28 Mar)	Trade Policy I	Chapters 15-17
Week 12 (starting 4 Apr)	Trade Policy II	Chapters 18-20