

University of Nebraska at Omaha
Department of Economics

Course: Economics 4610/8616, International Trade

Term: Fall 2009, Thursday 6-8:40 pm, RH 301

Professor: Dr. Catherine Y. Co

Office: RH 508 L

Office Hours: Tuesday and Thursday, 12 noon to 1 pm; Thursday 4:30 pm to 5:30 pm; or, by appointment

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** When sending e-mail to me be sure to write "International Trade" in the subject heading. Otherwise, your messages may be tagged as spam. Also, I occasionally send messages to the class and will be using your UNO e-mail address (or the e-mail address on UNO's Blackboard system). Thus, be sure to check your e-mail account regularly.

Catalog Course Description:

An analysis of the character of international economic relations. Subjects covered include the economic basis for international specialization and trade, the economic gains from trade, commercial policy, economic integration, and economic growth.

Prerequisites are designed to protect you from taking courses that you are unprepared to successfully complete. You are expected to have mastered materials covered in ECON 2200 (Prin. of Economics--Micro) and ECON 2220 (Prin. of Economics--Macro) or BSAD 8180 (Analytical Foundations of Economics).

Course Objectives:

This course offers a rigorous introduction to traditional and new international trade theories and their empirical implications. It also includes analyses of the effects of trade policies such as tariffs, quotas, export subsidies and taxes, and antidumping duties. Special topics such as economic integration, trade and the environment, trade and intellectual property standards, and trade and multinational enterprises will also be examined.

Required Text:

Appleyard, D.; Field, A.; Cobb, S. *International Economics*, 6th Edition, McGraw-Hill Irwin, Boston, 2008. ISBN # 978-0-07-337567-0

Supplementary Materials:

These are available at the class's Blackboard page (under **Course Documents**), go to <http://myuno.unomaha.edu/webapps/portal/frameset.jsp>.

Additional readings appear in the tentative course schedule below (pp. 3-5) and are available on Electronic Reserves at <http://eres.unomaha.edu/>. The password is _____.

Course Grade: (Graduate Students)

Mid-term Exam	30%
Final Exam	30%
Research Portfolio*	35%
Paper #1--Data (3%)	
Paper #1--Analysis (12%)	
Paper #2--Data (4%)	
Paper #2--Analysis (16%)	
Attendance/Class Participation/Homework	<u>5%</u>
	100%

Course Grade: (Undergraduate Students)

Mid-term Exam	25%
Final Exam	30%
Research Portfolio*	40%
Paper #1--Data (4%)	
Paper #1--Analysis (16%)	
Paper #2--Data (4%)	
Paper #2--Analysis (16%)	
Attendance/Class Participation/Homework	<u>5%</u>
	100%

*Ten percentage points will be deducted from your grade for each day each of these items are submitted late. For example, if your work receives a grade of 90% but you turned it in one day late (Note: Submissions within a 24-hour period after 6 pm of the due date is considered one day late), then you will receive a grade of 80%. A distinction will be made between graduate and undergraduate students when assigning and grading all work. A course grade of at least an A- is needed to receive honors credit.

Grading Scale for the Course:

A+: 97-100%; **A:** 93-96%; **A-:** 90-92%; **B+:** 87-89%; **B:** 83-86%; **B-:** 80-82%; **C+:** 75-79%; **C:** 70-74%; **D+:** 67-69%; **D:** 63-66%; **D-:** 60-62%; **F:** less than 60%

Exams:

The exams are scheduled on these dates:

Mid-term Exam- October 15, 2009 (Thursday)

Final Exam- December 17, 2009 (Thursday)

Withdrawal Deadline: November 6, 2009 (Friday)

"Accommodations are provided for students with verified disabilities. For more information contact Services for Students with Disabilities in EAB 117 or 554-2872, TTY 554-3799."

Exam Philosophy:

Exam questions will be in (long and short) essay form. The questions will test both your mastery of the basic theories (e.g., welfare effect of export subsidies) and your understanding of the policy implications of these theoretical results (e.g., why governments continue to subsidize exports even when the country's overall welfare drops). You are also expected to read all assigned additional readings—you will be tested on these as well. Some questions will be quantitative in nature.

Early Exams:

If you know ahead of time that you will not be able to make it to an exam because of scheduled University-sponsored activities or job-related obligations (must be verifiable), let me know as soon as possible and we can arrange for you to take the exam **early**. If you missed an exam without prior notification, you will receive a **zero**. Only upon presentation of a **legitimate** and **verifiable** excuse will I reconsider this rule.

Research Portfolio:

The research portfolio consists of two papers (country analysis and product analysis). In general, you will need to collect a number of data series and analyze these data. Some of the data that you will be collecting are quite extensive so you would need to use Microsoft Excel to manipulate these data. Project details will be provided at a later date. Due dates for each of the components of the Research Portfolio are as follows:

Paper #1—Data	Due October 1
Paper #1—Data & Analysis	Due October 22 (Typically, 6-8 typed double-spaced pages)
Paper #2—Data	Due November 12
Paper #2—Data & Analysis	Due December 10 (Typically, 6-8 typed double-spaced pages)

Attendance/Class Participation/Homework:

Although I do not check class attendance, you are expected to attend class regularly. This is because lectures are not solely based on materials covered by the textbook and supplementary reading materials. That is, lectures and reading materials are complementary rather than substitutes. In addition, class participation is part of your grade and you obviously cannot participate if you are not present. You are expected to participate in discussions of all assigned readings. There will be several in-class exercises throughout the semester. At times, these exercises require that you collect information prior to class—these will be assigned as homework. Part of your participation grade also depends on your performance during these exercises.

Finally, no form of academic dishonesty will be tolerated.

Tentative course schedule and readings

All materials are required readings for graduate students. For undergraduates, all chapters in the main text and articles from *The Economist* and *Fortune* are required readings. Additional materials with "*" are highly recommended; those with "***" are required.

Note: Whenever "ss" appears, this means selected sections of the chapter/paper are covered. I reserve the right to add other materials to this list. All materials are available on-line via the library's Electronic Reserves service. (This is password protected; I will give you the password as soon as I receive it.)

1. Introduction- International trade in perspective

Chapter 1 of the main text

The Economist, 2008, "Beyond Doha" (October 11)

The Economist, 2009, "World trade: Unpredictable tides" (July 25)

The Economist, 2009, "Rebalancing the world economy: America" (July 25)

The Economist, 2009, "Rebalancing the world economy: China" (August 1)

*Bernard, A.; Jensen, J.; Redding, S. and Schott, P., 2007, "Firms in international trade," *Journal of Economic Perspectives* 21 (3), pp. 105-130.

Zakaria, F., 2008. *The Post-American World*. New York: W.W. Norton. (leisure reading)

Friedman, T. 1999. *The Lexus and the Olive Tree*. New York: Anchor Books. (leisure reading)

2. Trade models and their empirical implications--Explaining inter- and intra- industry trade

2.A. Classical trade theory

2.A.1. Mercantilism, Chapter 2 of the main text

2.A.2. The Ricardian Model and its extensions (Trade and technology), Chapters 3-4 of the main text

2.B. Neoclassical trade theory

2.B.1. The Basics, Chapters 5ss, 6 of the main text

2.B.2. Factor endowments and the Heckscher-Ohlin Model (Trade and resources), Chapter 8 of the main text

2.B.3. Empirical tests, Chapter 9ss of the main text

The Economist, 2006, "More pain than gain" (September 16)

The Economist, 2007, "Trade's victims: In the shadow of prosperity" (January 20)

The Economist, 2008. "Krugman's conundrum: the elusive link between trade and wage inequality" (April 19)

**Rosen, H., 2008, "Strengthening trade adjustment assistance," Peterson Institute Policy Brief No. 08-2, Peterson Institute, Washington, DC. Available for download at

<http://www.petersoninstitute.org/publications/interstitial.cfm?ResearchID=878>.

2.C. Additional theories and extensions

Chapter 10 of the main text

**Includes intra-industry trade; services trade; multinational corporations, product cycle theory; vertical trade; offshoring; foreign outsourcing (manufacturing and services); trade gravity equation

The Economist, 2009. "Shipping in the downturn: Sea of troubles" (August 1)

The Economist, 2008, "Globalization and health care: Operating profit (August 16)

The Economist, 2007, "IBM and globalization: Hungry tiger, dancing elephant" (April 7)

**Cox, W.M. and Alm, R. 2008. "Opportunity Knocks: Selling our services to the world," Federal Reserve Bank of Dallas 2007 Annual Report, pp. 6-27. Available for download at <http://www.dallasfed.org/fed/annual/2007/ar07.pdf>.

**Ramanarayanan, A. 2009. "Ties that bind: Bilateral trade's role in synchronizing business cycles." *Economic Letter, Insights from the Federal Reserve Bank of Dallas*. (January) Available for download at <http://dallasfed.org/research/ecllett/2009/el0901.pdf>.

**Co, C.Y. 2009. "Intra- and Inter-firm US trade," *International Review in Economics and Finance*, forthcoming. Available for download at the class homepage at <http://cba.unomaha.edu/faculty/CatheCo/web/index.html>. ss, pp. 1-14.

*Jensen, J. and Kletzer, L., 2008, "Fear" and Offshoring: the scope and potential impact of imports and exports of services," Peterson Institute Policy Brief No. 08-1, Petersen Institute, Washington, DC. Available for download at <http://www.petersoninstitute.org/publications/interstitial.cfm?ResearchID=880>

*Koncz, J. and Flatness, 2008. A. "US international services: Cross-border trade in 2007 and services supplied through affiliates in 2006," *Survey of Current Business* (October), pp. 16-37. Available for download at http://www.bea.gov/scb/pdf/2008/10%20October/services_text.pdf ss

*Moran, T.H., 2009. "American multinationals and American economic interests: New dimensions to an old debate. Peterson Institute Policy Brief No. 09-3, Petersen Institute, Washington, DC. Available for download at <http://www.piie.com/publications/wp/wp09-3.pdf>

*Blinder, A., 2007, "How many U.S. jobs might be offshorable?," CEPS Working Paper No. 142, Princeton University, Princeton, NJ. Available for download at Prof. Blinder's website at <http://www.princeton.edu/~blinder/articles.htm#2007>.

*McCallum, J., 1995, National borders matter: Canada-U.S. regional trade patterns," *American Economic Review* 85 (3), pp. 615-623.

3. Trade policy—Trade policy instruments, their impacts, why nations restrict trade

Chapters 13-14 of the main text

Chapters 15ss-16ss of the main text

**Includes tariffs, quotas, export subsidies, agricultural subsidies, US agricultural policy (introduction), export taxes, antidumping duties, counter-veiling duties, world trading rules (introduction), World Trade Organization (introduction), WTO's dispute settlement mechanism

The Economist, 2009, "Opening the floodgates" (May 9), India's trade liberalization

The Economist, 2009, "China and the WTO: Let me entertain you" (August 13)

The Economist, 2009, "Boeing and Airbus argue about subsidies" (August 13)

The Economist, 2009, "World food prices" (July 4)

The Economist, 2004, "Anti-dumping rules: Shrimp wars" (July 10)

The Economist, 2004, "Trade politics: Byrd-brained" (September 4)

Hirsch, J. 2009, "Big food firms want to boost sugar imports," Chicago Tribune (August 17)

**World Trade Organization, 2009. [DS392](http://www.wto.org/english/news_e/news09_e/dsb_31jul09_e.htm): United States — Certain measures affecting imports of poultry from China. Available for download at http://www.wto.org/english/news_e/news09_e/dsb_31jul09_e.htm

*Gayle, P.G. and Puttitanun, T., 2009. "Has the Bryd amendment affected US imports?" *The World Economy* 32 (4), pp. 629-642.

*Tokarick, S., 2008, "Dispelling some misconceptions about agricultural trade liberalization," *Journal of Economic Perspectives* 22 (1), pp. 199-216.

4. Special topics

4.A. Economic integration

Chapter 17 of the main text

The Economist, 2001, "China and the WTO: Ready for the competition?" (September 13), China's accession to the World Trade Organization

The Economist, 2004, "Ten years of NAFTA: Free trade on trial" (January 3)

The Economist, 2007, "Trade policy: The trade two-step" (April 7)

*Rose, A., 2005, "Which international institutions promote international trade?," *Review of International Economics* 13 (4), pp. 682-698. **ss**

*Rose, A., 2004, "Do we really know that the WTO increases trade?," *American Economic Review* 94 (1), pp. 98-114. **ss**

4.B. Trade, intellectual property rights, and the environment

Gunter, M., 2005. "Cops of the global village," *Fortune* (June 27), pp. 158-166.

**Smith, P., 2001, "How do foreign patent rights affect U.S. exports, affiliate sales, and licenses?" *Journal of International Economics* 55 (2), pp. 411-439.

*Maskus, K., 2000, "Parallel imports," *The World Economy*, 23 (9), pp. 1269-1284.

*Ederington J. and J. Minier, 2003, "Is environmental policy a secondary trade barrier?," *Canadian Journal of Economics* 36 (1), pp. 137-154.

International Trade Practice

If you plan to be an international trade practitioner in the future, you may find a publication titled *A Basic Guide to Exporting* useful. This is available from the US Department of Commerce at <http://www.unzco.com/basicguide/index.html>. The publication covers myriad of issues from export strategy development to export documentation requirements.

A large amount of information on exporting from the US federal government is available at <http://export.gov>. For example, a recent Webinar http://www.export.gov/articles/webinar_export101.asp addressed exporting basics, international trade finance and logistics among other things. In essence, export.gov helps companies find overseas markets for their products and/or helps companies find solutions to their international trade needs (e.g., trade finance and logistics).

Information relevant to exporters in Nebraska is available from the state's Department of Economic Development at <http://www.neded.org/content/view/500/1180/>. The office also provides links to additional *International Resources* at <http://www.neded.org/content/view/393/575/>. Also, visit the US Commercial Office (a federal government agency) in Nebraska at <http://www.buyusa.gov/nebraska/> for additional information.