

ECON 336

International Trade – Korea University

Spring 2020
MW 6 (15: 30 ~ 16: 45)

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TA:

Course Description

This is an introductory course on the economics of international trade and investment. We will emphasize both the intuition behind key ideas as well as some simple ways of demonstrating them with the help of models. Equipped with those, we will analyze current policy questions throughout the course.

Key issues in the course will be:

- *The Gains from Trade*
- *What Explains the Pattern of Trade and Factor Movements*
- *Trade Policy and Protectionism*
- *Foreign Direct Investment*
- *Globalization: Winners and Losers*

Prerequisites

- **The ability to read and write Korean (Hangul) is a prerequisite for this course.** The reasons are as following: Students are required to read the reading before class, and to actively participate in class discussions. The many reading materials (including Korean Newspaper) are in Korean. This will be the primary method of learning in the class.
- **Intermediate Micro economics** is a prerequisite for this course.

Required Reading

- Chong-Hyun Nam and Hongshik Lee (abbreviated as N&L), *International Economics, Theory and Policy*, 2nd ed.(in Korean), Kyoung-Mun Sa: 2018.
- Robert Feenstra and Alan Taylor (abbreviated as FT), *International Economics*, 3rd ed., Worth Publishers: 2015.

- Paul Krugman and Maurice Obstfeld (abbreviated as K&O), *International Economics. Theory and Policy*, 9th ed., Harper Collins: 2012.
- Regular reading of *The Economist* weekly magazine, so that you are on top of major current international economic issues. Some of these issues will be discussed in class. *All* of these issues are relevant material for possible test questions.

Note: What is taught in lecture is the material for the exams. The textbook is taken as a reference, yet I do not follow the book literally. In order to make certain problems more accessible, I sometimes discuss the chapters in a different order. The syllabus describes the outline of the course. Any changes in the reading will be announced in class.

Further, also a number of journal articles are required reading; you should also read regularly the economics pages of the *New York Times*, the *Wall Street Journal*, or the *Economist* magazine so that you are on top of current international economic issues. Two other recommended textbooks with slightly different emphasis are Richard Caves, Jeffrey Frankel, and Ronald Jones (CFJ), *World Trade and Payments. An Introduction*, Harper Collins and *Modern International Economics*, by Wilfried J. Ethier, Norton.

Grading

Midterm	30%
Final	40%
Term paper	15 %
Homework	15%

In case the midterm is missed, the final counts for 60 percent of your grade.

You should notify me *before* the exam, should you not be able to attend. In general it is smart policy to inform myself in case you are unable to attend classes for a longer period of time.

There will be two tests that each account for 70% of the grade. These tests are in-class, closed-notes, closed-books. The dates are April 20(Mon) and June 15(Mon), 2020. Attendance is required; you can not receive a passing grade with less than 90% class attendance. The remainder of 30% of the grade is determined by homework and paper presentation.

Organization

This primary means of communication outside the classroom will be by Blackboard. All announcements will be made via Blackboard, including reminders for the sections to be read in the reading packet as well as additional material in the current economic press.

Syllabus

1. Overview: Trade in the Global Economy

- N&L, Chapter 1, N&L, Chapter 15
- FT, Chapter 1
- D. Rodrik, "Symposium on Globalization in Perspective: An Introduction", *Journal of Economic Perspectives*, Fall 1998: 3-8; available at <http://www.jstor.org>
- J. Williamson, "Globalization, Labor Markets and Policy Backlash in the Past", *Journal of Economic Perspectives*, Fall 1998: 51-72; available at <http://www.jstor.org>
- R. Feenstra, "Integration of Trade and Disintegration of Production in the Global Economy", *Journal of Economic Perspectives*, Fall 1998: 31-50; available at <http://www.jstor.org>
- R. Baldwin, "The great trade collapse: What caused it and what does it mean?", in *The Great Trade Collapse: Causes, Consequences and Prospects*, R. Baldwin (ed.), VoxEU.org, November 2009; <http://www.voxeu.org/index.php?q=node/4297>

2. Trade and Technology: The Ricardian Model

- N&L, Chapter 2
- FT, Chapter 2
- Dornbusch, R., S. Fischer, and P. Samuelson, "Comparative Advantage, Trade and Payments in a Ricardian Model with a Continuum of Goods", *American Economic Review* 67(1977), pp. 823-839; available at <http://www.jstor.org>

3. Gains and Losses from Trade in the Specific-Factors Model

- N&L, Chapter 4
- FT, chapter 3.

4. Trade and Resources: The Heckscher-Ohlin Model

- N&L, Chapter 3
- FT, chapter 4.
- Wood, Adrian, "How Trade Hurt Unskilled Workers", *Journal of Economic Perspectives*, Summer 1995, pp.57-80; available at <http://www.jstor.org>
- Freeman, Richard, "Are your wages set in Beijing?", *Journal of Economic Perspectives*, Summer 1995, pp.15-32; available at <http://www.jstor.org>

5. Movement of Labor and Capital between Countries; Multinational Enterprises

- N&L, Chapter 6
- FT, chapter 5.

6. Increasing Returns to Scale and Imperfect Competition

- N&L, Chapter 5
- FT, chapter 6.

7. Foreign Outsourcing of Goods and Services

- N&L, Chapter 6
- FT, chapter 7

8. Import Tariffs and Quotas under Perfect Competition

- N&L, Chapter 10
- FT, chapter 8.

9. Import Tariffs and Quotas under Imperfect Competition

- N&L, Chapter 11
- FT, chapter 9.

10. Export Subsidies in Agriculture and High-Technology Industries

- N&L, Chapter 10
- FT, chapter 10.

11. International Agreements: Trade, Labor, and the Environment

- N&L, Chapter 12
- FT, chapter 11.