

# ECON 443 International Trade and Trade Policy in the New Global Economy

Fall 2021

## **Instructor:**

Professor Eunhee Lee

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## *Course delivery*

- Delivery mode: **50% in-person and 50% online (synchronous)**; this may change to 100% in-person during the semester, if the public health situation improves.
- Class time and location
  - Section 101
    - In-person meeting: Mon 9:30-10:45 am Eastern Time, TYD 1114
    - Online meeting: Wed 9:30-10:45 am Eastern Time, Zoom
  - Section 201
    - In-person meeting: Mon 11 am-12:15 pm Eastern Time, TYD 1114
    - Online meeting: Wed 11 am-12:15 pm Eastern Time, Zoom
- Although the overall plan is to have in-person meetings on Monday and online meetings on Wednesday, there will be some exceptions. The delivery mode for each class meeting can be found in the course schedule below.
- Both midterm exams will be during the class time on Wednesday, but they will be **in person**. See below for the exact schedule.

In-person class meetings will cover theory, and online meetings will focus on group discussion, student presentations, numerical examples, and practice problems.

## *Overview*

This course focuses on learning theoretical frameworks to understand various issues about international trade, and more broadly, about globalization. The topics

to be covered in this course include determinants of trade patterns, gains from trade, distributional consequences of trade, trade policies, political economy of international trade, international trade organizations, and the recent trade war between major economies.

Students will first learn how to look at those issues through the lens of economics. Various economic models of international trade will be covered in class, and students will learn how to use those models to answer various questions about globalization. Students then will learn how to use economic models to understand current issues in international trade. In addition to learning theoretical frameworks, students will do a group research project on international trade systems.

*All policies of this course are based on the [UMD course-related policy](#). Students are required to read this university-wide policy carefully. I explain how those policies will be applied to this course in detail throughout the syllabus.*

### ***Textbooks and Class Materials***

#### **Required textbook:**

P. Krugman, M. Obstfeld, and M. Melitz, *International Trade: Theory and Policy* (Preferably, the 11<sup>th</sup> edition, but an older edition will be also fine.)

#### Additional textbook:

R. Feenstra and A. Taylor, *International Economics* (any edition is fine)

Lecture notes will be posted on ELMS. Lecture notes are copyright-protected. Redistribution of the lecture notes is strictly prohibited.

### ***Prerequisites***

1 course with a minimum grade of C- from (ECON305, ECON325); and 1 course with a minimum grade of C- from (ECON306, ECON326); and 1 course with a minimum grade of C- from (ECON230, BMGT230, ECON321).

### ***Course Requirements and Grades***

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| <ul style="list-style-type: none"><li>• Part I – Midterm exams (20% for each midterm exam; 40% total)</li><li>• Part II – Final exam (15%)</li><li>• Part III – Group presentation (10%)</li></ul> |
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- Part IV – Problem sets (20%)
- Part V – Podcast memos (15%)
- Extra credits

(\* The “major graded” label is to indicate the assignments that are subject to more strict excused absence policy per the university guideline. See the “Assignment submission and makeup policy” section below for more details.)

### **Part I – Midterm exams (20% for each midterm exam; 40% total) – major graded**

There will be two midterm exams. Both exams will be in-person, closed-book, closed-note, and closed-problem-set. No electronic device will be allowed. Students will also be required to sign the [University Honor Pledge](#) for the exams.

Midterm exam 1 (20%) – Wednesday, Oct 6, 9:30am (section 101), 11am (section 201) at TYD 1114 (in-person)

Midterm exam 2 (20%) – Wednesday, Nov 10, 9:30am (section 101), 11am (section 201) at TYD 1114 (in-person)

### **Part II – Final exam (15%) – major graded**

The final exam of this course will be take-home and open-book. It will be cumulative. For both section 101 and section 201, the exam will be posted on Friday, December 17 (8 am), and will be due on Tuesday, December 21 (10am). Students will be required to sign the [University Honor Pledge](#) at the beginning of the exam.

### **Part III – Group presentation (10%) – major graded**

On Wednesday, Dec 8, students will give a presentation in a small group of 5-6 students about international trade organizations and/or trade policies. Students will be assigned to a group in early November, and the instructor will assign a specific topic to each group. Each group’s presentation will be 10-15 minutes long. It is important that all group members participate in the presentation. A more detailed rubric on this assignment will be posted in early November.

### **Part IV – Problem sets (20%)**

There will be five problem sets assigned throughout the semester. All five problem sets will be graded, but the problem set with the lowest grade among five will not

count. Therefore, each problem set that counts has equal weight, 5% of the final grade. Students can work in groups, but each student has to submit his/her own answer. Simply copying your group's answers with different names will not be allowed. Due dates are marked on the class schedule.

### **Part V - Podcast memos (15%)**

There is a great podcast series "Trade Talks" that cover the latest developments in international trade every week. Dr. Chad Bown, a senior fellow of the Peterson Institute for International Economics, and Soumaya Keynes, the economics and trade correspondent at The Economist, post free podcasts of economic analysis of various trade policies. Students can subscribe for free in [iTunes](#), [Google Play](#), [Stitcher](#), [TuneIn](#), or anywhere they usually get podcasts.

In every Wednesday's class (on Zoom, but it may switch to in-person as explained at the beginning of the syllabus), we will discuss the podcast clip that the instructor assigned a week before. The discussion will be in small groups. Before the discussion, students are required to hand in a short memo (12 pt font size, 1.5 spacing, maximum 2 pages) on the podcast clip to be discussed in class. The memo is due every Wednesday (9:30 am for section 101, 11 am for section 201). Each memo should include the following:

- Summary of the talk
- Issues and controversies (if any) discussed during the talk
- More details from other related news articles (cite and summarize properly)
- A brief summary of your perspective based on economic theory

All assigned podcast memos will be graded, but the two memos with the lowest grades will not count.

### **Extra credit opportunity**

In some weeks, we may not have enough time to go over all discussion points for the assigned podcast episode of the week. Students can participate in the discussion on any discussion points that were not covered in class through ELMS. The instructor will post an announcement if there are discussion points left to be discussed after class. If a student participates in discussion of those points via ELMS at least three times during the semester, s/he will earn 3 extra points added toward the final grade. "One participation" is defined as posting thoughts on at least two of the remaining discussion points of the week on ELMS discussion board.

In addition, students can earn 3 extra points toward the final grade by submitting a summary note of all group presentations except for the own group's presentation

(i.e., a summary for each of the five group presentations). Group presentations will be on Wednesday, December 8, and the summary note should be submitted by **Monday, December 13** to get extra credits. The summary note for each group's presentation must include the key substance of the presentation.

### **Approximate grade breakdown**

A+,A,A-	B+,B,B-	C+,C,C-	D+,D,D-	F
90%+	80-89.99%	70-79.99%	60-69.99%	Below 59.99%

Cutoffs for + and - grades will be determined at the end of the semester. I may give a curve depending on the overall performance of the class, so this breakdown is only approximate and not final.

### ***Class attendance policy***

Attendance is not mandatory for in-person class meetings but strongly encouraged. Discussions during class meetings on Zoom will be an integral part of the course, so students are not allowed to miss too many of them. If a student misses three or more *online* class meetings, I will take off 5 points (out of the total 100 points) from the final grade for the student. If a student attends an online class meeting for shorter than 50 minutes, it will count as an absence. Whether a class meeting is in-person or online is clearly marked on the schedule below, and the instructor will post a reminder every week. In Fall 2021, we will follow [the normal University-wide policy for an excused absence](#). If a student misses a class but is granted an excused absence per the excused absence policy, such absence will not count. It is important to familiarize yourself with the policy and plan ahead.

### ***Assignment submission and makeup policy***

- All assignments must be typed and submitted via ELMS. A scanned copy of hand-written answers is permitted only for problem sets. Podcast memos must be typed.
- Due dates and times are firm and clearly marked on this syllabus.
- **Makeup policy for major graded assignments**  
Midterm exams, final exam, and group presentation are major graded assignments. Unless a student is granted an excused absence per the [university policy](#), no make-up will be allowed. As stated in the policy, students seeking an excused absence for a major graded assignment must provide verifiable documentation. No self-signed note will be accepted. Students must read the policy thoroughly and communicate with the

- instructor in a timely manner. Students granted an excused absence for a major graded assignment will be given a make-up attempt for the assignment.
- **Late submission policy for non-major-graded assignments**  
If a student misses the due date of a non-major-graded assignment (e.g., problem set, podcast memo) without providing written documentation to ask for an excused absence as described in the [university policy](#), no late submission will be accepted. However, as described above, students can drop one problem set and two podcast memos from their final grades. If a student has to miss the due date of a non-major-graded assignment due to an excused absence supported with verifiable documentation, the instructor will extend the due date for that student for 48 hours. If the student misses the extended deadline without further documentation but ultimately submits the assignment, the student will lose 20% of total points earned for up to 24 hours past the extended deadline; 50% for 24-48 hours past the extended deadline; no credit for a submission more than 48 hours past the extended deadline. Following the university policy, a self-signed note will be accepted only one time per course per semester for a non-major-graded assignment. If a student was granted an excused absence with a self-signed note but asks for further extension of the due date after the first extension, the student must provide verifiable documentation (not a self-signed note) when asking for an extension a second time. The university policy page provides a template for the self-signed note.

### *Academic Integrity*

Students should take academic integrity very seriously. The University of Maryland has made a code of academic integrity available online (click [here](#) for the document.) Students are responsible for upholding these standards as they are completing any course requirements. More resources on academic integrity are also available from the [Student Honor Council](#). For all exams, students will be required to sign the [University Honor Pledge](#). If an exam has to be moved to online due to public health measures imposed at the university level, students will be required to use Lockdown Browser for online exams.

It is important to note that course assistance websites, such as CourseHero, are not permitted sources, unless the instructor explicitly gives permission for you to use one of these sites. Material taken or copied from these sites can be deemed unauthorized material and a violation of academic integrity. These sites offer information that might not be accurate and that shortcut the learning process, particularly the critical thinking steps necessary for college-level assignments.

Additionally, it is understandable that students may use a variety of online or virtual forums for course-wide discussion (e.g., GroupME or WeChat). Collaboration in this way regarding concepts discussed in this course is permissible. However, collaboration on graded assignments is strictly prohibited unless otherwise stated. Examples of prohibited collaboration include: asking classmates for answers on quizzes or exams, etc.

### *Covid-19 Public Health Policy*

All students must follow the current public health policy of the University of Maryland. **As of now, the university requires everyone wear a mask indoors, regardless of vaccination status.** This policy will be strictly imposed. Everyone must wear a mask properly (i.e., covering over the nose and mouth) during in-person class meetings at all times. There are no exceptions. Eating or drinking during class is not allowed. If a student needs to eat or drink, s/he may leave the classroom to do so then come back. Students not wearing a mask will be given a verbal warning and asked to wear one, or will be asked to leave the classroom immediately. Students who have additional issues with the mask expectation after a first warning will be referred to [the Office of Student Conduct for failure to comply with a directive of University officials](#). In case there is a student who receives a second warning for refusing to wear a mask after a first warning, the instructor will cancel the class meeting immediately to protect everyone else in the classroom.

If you feel unwell, do not come to class. If you test positive for Covid-19, you are not allowed to come to class for 10 days regardless of vaccination status. For the detailed policy, see the [HEAL line webpage](#).

The University of Maryland is committed to providing the best learning experience while keeping everyone in our community safe. In-class group discussion is an integral part of this course, but doing so in person in a tight classroom poses a non-negligible public health risk during the pandemic. Therefore, class will meet over Zoom for in-class group discussions and presentations as explained earlier in the syllabus. If the public health situation improves over the semester, the instructor may decide to move Wednesday class meetings to in-person. Class meetings will not be recorded. In-person class meetings will not be live-streamed.

### *Resources*

- 1) "Trade Talks" podcast series

As described in the course requirement, students are required to follow this weekly podcast series, write a memo on them, and discuss them in every Tuesday class. You can subscribe for free on [the official website](#), [the PIIIE](#), [iTunes](#), [Stitcher](#), [TuneIn](#), or from almost any usual sources of podcasts.

## 2) News articles, policy briefs, research articles, and blogs

Here are the places where you can get the latest news on globalization issues and learn economists' perspectives on those issues.

- Economics sections of major news outlets: [NYT](#), [The Economist](#), [FT](#), [WSJ](#)
- [World Trade Organization](#)
- [World Bank, Trade and International Integration unit](#)
- Peterson Institute for International Economics: [research](#), [blogs](#)
- [The Brookings Institution](#)
- These websites provide recent economic research works (across all fields) for a more general audience, but you would be surprised how many of them are on globalization.
  - <http://economistsview.typepad.com/>
  - <http://voxeu.org/>
- Blogs: [Dani Rodrik](#) (Harvard Kennedy), [Jonathan Dingel](#) (U Chicago Booth)

## 3) Writing

Students are strongly encouraged to get help on their writing from the [University Writing Center](#). The center provides online tutoring, in-person writing consultations, workshops, and many other resources.

### *Course Outline and Readings (subject to change)*

#### **Week 1**

- *Monday, Aug 30 – in-person*
  - Course overview
  - Chapter 1, Krugman, Obstfeld, and Melitz (KOM)
- *Wednesday, Sep 1 – in-person*
  - Chapter 2, KOM

#### **Week 2**

- *Monday, Sep 6 – No class (Labor Day)*
- *Wednesday, Sep 8 – online*
  - Group discussion on a podcast clip
  - Empirical examples of the Gravity model

### Week 3

- *Monday, Sep 13 – in-person*
  - Chapter 3, KOM
- *Wednesday, Sep 15 – online*
  - Numerical examples of the Ricardian trade model
  - Group discussion on a podcast clip
- Problem set I will be assigned.

### Week 4

- Wed, Sep 22 (11:59pm) – Problem Set I is due
- *Monday, Sep 20 – in-person*
  - Chapter 4, KOM
- *Wednesday, Sep 22 – online*
  - Numerical examples of the specific factors model
  - Group discussion on a podcast clip

### Week 5

- *Monday, Sep 27 – in-person*
  - Chapter 5, KOM
- *Wednesday, Sep 29 – online*
  - Numerical examples of the Heckscher-Ohlin trade model
  - Group discussion on a podcast clip
- Problem set II will be assigned

### Week 6

- Mon, Oct 4 (11:59pm) – Problem Set II is due
- *Monday, Oct 4 – in-person*
  - Review for the first midterm exam
- Wednesday, Oct 6 – in-person
  - Midterm exam I (in-class, in-person, during regular class time)

### Week 7

- *Monday, Oct 11 – in-person*
  - Chapter 7 KOM
- *Wednesday, Oct 13 – online*
  - Numerical examples of economies of scale and trade
  - Group discussion on a podcast clip

### Week 8

- *Monday, Oct 18 – in-person*
  - Chapter 8 KOM
- *Wednesday, Oct 20 – online*
  - Numerical examples of firms and trade

- Group discussion on a podcast clip
- Problem set III will be assigned

### Week 9

- Mon, Oct 25 (11:59pm) – Problem Set III is due
- *Monday, Oct 25 – in-person*
  - Chapter 9 KOM
- *Wednesday, Oct 27 – online*
  - Numerical examples of tariffs
  - Group discussion on a podcast clip

### Week 10

- *Monday, Nov 1 – in-person*
  - Chapter 10 KOM
- *Wednesday, Nov 3 – online*
  - Numerical examples of the political economy of trade policies
  - Group discussion on a podcast clip
- Problem set IV will be assigned

### Week 11

- Mon, Nov 8 (11:59pm) – Problem Set IV is due
- *Monday, Nov 8 – online*
  - Review for the second midterm exam
- *Wednesday, Nov 10 – in-person*
  - Midterm exam II (in-class, in-person, during regular class time)

### Week 12

- *Monday, Nov 15 – in-person*
  - Chapter 11 KOM
- *Wednesday, Nov 17 – online*
  - Group discussion on a podcast clip
  - Group discussion on the following article: Goldberg, Pinelopi Koujianou, and Nina Pavcnik. [“Distributional Effects of Globalization in Developing Countries.”](#) *Journal of Economic Literature* 45, no. 1 (March 2007): 39–82.

### Week 13

- *Monday, Nov 22 – a lecture video will be posted (no in-person class meeting)*
  - Chapter 12 KOM
- *Wednesday, Nov 24 – No class (Thanksgiving recess)*
- Problem set V will be assigned

### Week 14

- Wed, Dec 1 (11:59pm) – Problem Set V is due
- *Monday, Nov 29 – in-person*
  - Trade and inequality: winners and losers from globalization?
    - Autor, David H., David Dorn, and Gordon H. Hanson. "[The China Syndrome: Local Labor Market Effects of Import Competition in the United States](#)." *American Economic Review* 103, no. 6 (2013): 2121-68.
    - David H. Autor, David Dorn, Gordon H. Hanson, "[Untangling Trade and Technology: Evidence from Local Labour Markets](#)", *The Economic Journal*, Volume 125, Issue 584, May 2015, Pages 621-646.
- *Wednesday, Dec 1 – online*
  - Group discussion on a podcast clip
  - Group discussion on the following article:
    - Amiti, Mary, Stephen J. Redding, and David E. Weinstein. "[The Impact of the 2018 Tariffs on Prices and Welfare](#)." *Journal of Economic Perspectives* 33, no. 4 (2019): 187-210.

### Week 15

- *Monday, Dec 6 – online*
  - Group discussion on a podcast clip
  - Group discussion on the following articles:
    - Dean, Judith, Mary Lovely. "[Trade growth, global production, and environmental degradation](#)", VoxEU, 2008.
    - Onder, Harun. "[What does trade have to do with climate change?](#)", Vox EU, 2012.
- *Wednesday, Dec 8 – online*
  - Group presentation on international trade organizations and trade policies

### Week 16

- *Monday, Dec 13 – online*
  - Review for the final exam
  - Career path as a trade economist