



## BUSINESS SCHOOL

### Course Outline 2018 ECON341: INTERNATIONAL TRADE (15 POINTS) Semester 2 (1185)

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#### Course prescription

This is a one-semester course in international trade: theory and policy. The course aims to explore the empirical patterns of world production and trade as well as analyse the welfare implications of trade in the rigorous theoretical framework. The course also addresses the phenomena of outsourcing and international mobility of labour (immigration) and capital (Foreign Direct Investment, FDI) in the new era of globalization. Besides, the course introduces the conventional instruments of trade policy and evaluates their impacts on domestic and international welfare. Finally, the course reviews the evolution of world trading system, including the World Trade Organization (WTO) and international trade agreements.

#### Course advice

The prerequisite for this course is ECON 201 Microeconomics.

Students wishing to specialize in International Economics should also consider taking ECON352 International Finance. Students planning to specialize in International Trade & International Finance at a higher level are advised to take this course (ECON 341) first.

#### Goals of the course

The objective of this course is to introduce a rigorous foundation of international trade theory and enable the student to employ the theory to address the issues on globalization, economic integration, and trade policy. Broadly, the goals are to

- i) explore the empirical patterns of international trade and highlight the recent developments in global production networks,
- ii) specify the conditions under which trade is beneficial for individual economies and international community as well as identify winners and losers from trade,
- iii) highlight the implications of trade on firm performance, productivity growth, and income distribution under various circumstances,
- iv) investigate the objectives and impacts of trade and industrial policies,
- v) discuss the causes and the resolutions of international trade disputes,
- vi) review the dynamics of world trading system and international coordination.

This course is designed to serve both as a stand-alone course in international trade theory and policy, and as a foundation for further study of advanced international trade theory and international economics.

## Learning outcomes (LO)

#	Learning outcome	Graduate profile capability
LO1	Identify core assumptions and derive key results of trade models; use trade models to make informed predictions	1. Disciplinary knowledge and practice 2. Critical thinking 3. Solution seeking 4b. Communication (Written)
LO2	Use the principle of comparative advantage to explain the empirical patterns of trade and investment	2. Critical thinking 3. Solution seeking 4a. Communication (Oral)
LO3	Explore the linkages between trade, labour and capital movements in the global production networks	1. Disciplinary knowledge and practice 3. Solution seeking 4b. Communication (Written)
LO4	Identify the impacts of trade flows on economic well-being, productivity growth, income distribution	1. Disciplinary knowledge and practice 2. Critical thinking 4b. Communication (Written)
LO5	Explain the objectives and practices of trade policy instruments, including tariffs, quotas, export subsidies, anti-dumping duties, etc.	1. Disciplinary knowledge and practice 4a. Communication (Oral) 6a. Social responsibilities
LO6	Evaluate the impacts of trade policy interventions on firm performance and competitiveness, economic well-being and income distribution	1. Disciplinary knowledge and practice 2. Critical thinking 3. Solution seeking 4b. Communication (Written)
LO7	Analyse the evolution of bilateral and multilateral trade agreements as well as explore the challenges for the WTO	1. Disciplinary knowledge and practice 2. Critical thinking 4b. Communication (Written)
LO8	Review historical development and future challenges in the world trading system; explain their impacts on individual economies and on international community	1. Disciplinary knowledge and practice 2. Critical thinking 4b. Communication (Written)

\* See your graduate profile at the end of this course outline.

## Content outline

Module	Week	Topic	Relevant learning resources/activities	Assessment due this week/module
<u>Introduction</u>	1	Trade in the Global Economy	Key Empirical Facts of Trade Patterns	
<u>Part I: Trade Theory</u>	2	Technology & Trade	The Ricardian Model	
	3	Gains & Losses from Trade	The Specific-Factors Model	
	4	Endowment & Trade	The Heckscher-Ohlin Model, Tutorial 1	Problem set 1
	5	Intra-Industry Trade and Increasing Return to Scale	The Krugman-Melitz Model	
	6	Group Project Presentation I	Tutorial 2 Review Session	Problem set 2
	7	Mid-Term Test	Information Technology and the New Globalization	
<u>Part II: Trade Policy</u>	8	Offshoring of Goods & Services	Global Production Network & Value-Chain Trade	
	9	Tariffs & Quotas under Perfect Competition	US-China Trade Disputes	
	10	Tariffs & Quotas under Imperfect Competition	U.S. and EU duties on Solar Panels, Infant Industry Protection Tutorial 3	Problem set 3
	11	Export Policies in Resource-Based & High-tech Industries	Agricultural export subsidies, Strategic use of high-tech export subsidies	
	12	Group Project Presentation I	Tutorial 4 Review Session	Problem set 4

## Learning and teaching

Lectures are held twice per week. The class recording are available on Canvas.

- Tuesday 12:00 PM - 02:00 PM OGHLeCTh/102-G36
- Thursday 12:00 PM - 02:00 PM OGHLeCTh/102-G36

Lectures form a core component of this course. Students must ensure that they are available to attend lectures during these times. Students should pay close attention to the class schedule and read the materials prior to class. Students are welcome to share new ideas during class and are encouraged to read about current events in the world economy throughout the semester.

There are four tutorial sessions held during lectures over the course of the semester. The tutorial involves problem solving in class, either individually or in groups. It provides some practice for tests and exams. The class activity may involve group-discussions, group-activities or debates aimed at applying concepts learnt in class to real world problems.

## Teaching staff

Email: haiping.zhang@auckland.ac.nz Telephone: 09 923 1152  
Office Hours: Thursday, 2:00 PM – 4:00 PM Location: OGGB Room 260-657

## Learning resources

Course materials are available on Canvas.

### Required Textbooks

- Feenstra and Taylor, "*International Trade*", 4th edition, Worth Publishers, 2017.
- Krugman, Obstfeld, and Melitz, "*International Economics: Theory and Policy*", 11th edition, Pearson, 2018.

The textbooks will be available at the bookstore. A copy will be available on short loan in the General Library. Alternate editions of the book may be used, however, there may be small differences between editions. Please check Canvas prior to class for course announcements, lecture slides, and supplementary reading materials.

### Some Useful Links

- A glossary of terms in international economics is available at Alan Deardorff's website <http://www-personal.umich.edu/~alandear/glossary/>
- [WTO](#), [OECD](#), [World Bank](#), [UNCTAD](#), [The Economist](#), [the Wall Street Journal](#)

## Assessment information

Assessment task	Weight %	Group / individual	Submission
Group Projects	20 %	Group	Week 5 & week 11
Mid-Term Test (Closed Book)	30 %	Individual	11 September 2018
Final Exam (Closed Book)	50 %	Individual	TBA

## Pass requirements

Students must get at least 50% of total mark to pass the course. *Plussage does NOT apply.*

## Description of assessment tasks

Assessment task	Learning outcome to be assessed
In group project 1, students should use trade theory and economic intuition to address empirical patterns of trade and global production networks. Besides the thesis, students should present research outcome in the class of week 6.	LO1, LO2, LO3, LO4
In group project 2, students should use economic intuition and trade policy instruments taught in the class to address recent developments of global trade policy and disputes. Besides the thesis, students should present research outcome in the class of week 12.	LO5, LO6, LO7, LO8
In the mid-term test, student should demonstrate the understanding of theoretical models, solid problem-solving skills, and the ability of explaining the model results intuitively.	LO1, LO2, LO3, LO4
In the final exam, student should demonstrate the clear understanding of trade theory and policy instruments, solid problem-solving skills, and the ability of explaining the results intuitively.	LO1, LO3, LO5, LO6

## Inclusive learning

Students are urged to discuss privately any impairment-related requirements face-to-face and/or in written form with the courses convenor/lecturer and/or tutor.

## Academic integrity

The University of Auckland will not tolerate cheating, or assisting others to cheat, and views cheating in coursework as a serious academic offence. The work that a student submits for grading must be the student's own work, reflecting his or her learning. Where work from other sources is used, it must be properly acknowledged and referenced. This requirement also applies to sources on the worldwide web. A student's assessed work may be reviewed against electronic source material using computerised detection to provide an electronic version of their work for computerised review.

## Student feedback

Student feedback is highly encouraged in this course. During the semester, students may directly submit their feedback to the lecturer, or they may wish to submit feedback through the class representative.

## In the event of an unexpected disruption

We undertake to maintain the continuity and standard of teaching and learning in all your courses throughout the year. If there are unexpected disruptions, the University has contingency plans to ensure that access to your course continues and your assessment is fair, and not compromised. Some adjustments may need to be made in emergencies. In the event of a disruption, the University and your course coordinators will make every effort to provide you with up to date information via Canvas and the University website.

## Bachelor of Commerce Graduate Profile

The following six themes represent the capabilities that the Business School seeks to foster in all of its graduates. The development of these capabilities does not come all at once, but rather is expected to build from year to year. Each course is not expected to contribute to all capabilities, but each course will have its own goals and learning outcomes that relate to the overall development of this profile.

Graduate Profile for	
<b>1. Disciplinary knowledge and practice</b>	Graduates will be able to demonstrate and apply a breadth of knowledge across disciplines, as well as specialist knowledge within one or more of them, while recognising the relevancy of this knowledge in a global context.
<b>2. Critical thinking</b>	Graduates will be able to analyse and critique theory and practice to develop well-reasoned arguments.
<b>3. Solution seeking</b>	Graduates will be able to identify and frame problems using analytical skills to create and evaluate innovative solutions.
<b>4. Communication and engagement</b>	Graduates will be able to collaborate and communicate effectively in diverse contexts using multiple formats.
<b>5. Independence and integrity</b>	Graduates will be able to respond professionally and ethically, demonstrating a capacity for independent thought and learning.
<b>6. Social and environmental responsibility</b>	Graduates will recognise the significance of the principles underpinning the Treaty of Waitangi and explain their obligations in relation to sustainability, whilst displaying constructive approaches to diversity.

Note that if you are enrolled in a conjoint degree, you should also engage with the Graduate Profile for your other degree programme.