

University of Toronto  
**ECO364H1S - International Trade**  
Winter 2013

**Useful information**

Lectures : Tuesday 10:10 a.m. - 12:00 p.m. in LM162 (*L0101*), Tuesday 2:10 p.m. - 4:00 p.m. in KP108 (*L0201*).

Instructor : Kunal Dasgupta

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Website : [www.economics.utoronto.ca/kdasgupta/teaching.htm](http://www.economics.utoronto.ca/kdasgupta/teaching.htm)

Office hours : Wednesday 9:30-10:30 a.m.

Teaching assistants : Michelle Liu ([mengxiao.liu@utoronto.ca](mailto:mengxiao.liu@utoronto.ca)), Leandro Freylejer ([leandro.freylejer@mail.utoronto.ca](mailto:leandro.freylejer@mail.utoronto.ca)), Jeff Chan ([jeffm.chan@mail.utoronto.ca](mailto:jeffm.chan@mail.utoronto.ca)), Andy Kwan ([chiyeung.kwan@mail.utoronto.ca](mailto:chiyeung.kwan@mail.utoronto.ca)).

Office hours : TBA.

**Objective**

This course is an introduction to international trade. The core objective of the course is to develop microeconomic models of open economies that can be applied towards answering questions like why do different countries specialize in producing and exporting different goods, who gains and who loses from trade, what are the most effective trade policies available to national governments for raising aggregate welfare, etc. The models will also help us gain an understanding of recent events such as the increased off-shoring of production from the developed to the developing countries and the role of the WTO in resolving disputes.

**Prerequisites and Exclusions**

Check out the *Document on Prerequisites* posted on Portal under COURSE INFORMATION.

**Textbook**

The main textbook for the course is Robert C. Feenstra and Alan M. Taylor's, *International Trade* (FT), Worth Publishers, second edition (ISBN: 1-4292-4104-7). This book is available for purchase at the UofT bookstore. It is also available at the Short-Term Loan Service at the

Robarts Library (3rd Floor) in very limited numbers. FT is available in both bound, as well as, loose leaf versions. The first edition of FT can also be used. An e-book version of the book which is compatible with tablets and mobile phones is available here: [www.coursesmart.com](http://www.coursesmart.com).

From time to time, I shall also post articles from other sources like The Economist, The New York Times, The Wall Street Journal, etc. For the interested reader, the following books carry insightful but non-technical analysis of some of the issues that we shall be studying in this course:

1. *Pop Internationalism*, Paul Krugman
2. *Free Trade Under Fire*, Douglas Irwin
3. *In Defense of Globalization*, Jagdish Bhagwati
4. *The World is Flat*, Thomas Friedman
5. *Offshoring of American Jobs*, Jagdish Bhagwati and Alan Blinder

## **Marking scheme**

There will be 2 on-line quizzes, each worth 5 percent of the total grade and an assignment worth 10 percent of the total grade. The mid-term, to be held during regular lecture hours, will be worth 30 percent of the total grade. 50 percent of the grade will be based on performance in the Final exam.

## **Important dates**

8th January	First lecture
3rd February	Quiz 1 due
12th February	Midterm
6th March	Assignment due
10th March	Last day to drop course
24th March	Quiz 2 due
2nd April	Last lecture

## **Administrative details**

1. (Missing quizzes, assignments or exams): If you miss a quiz, you lose all the points. The penalty for handing in the assignment late is 20 percent deduction per day. If you miss the midterm for any reason, you must send me an e-mail *before* the exam. You must also meet me in my office afterwards and explain the reason for your absence (and provide supporting documents). If you miss the midterm for health reasons, then you should bring a medical note to the meeting (see below for acceptable medical notes). In the event that

I deem you eligible for accommodation (which is in no way guaranteed), you will be allowed to take a make-up test, which will be held within one week of the original test. If you fail to inform me of your absence before the test, you will get a 0 on the midterm. If you fail to meet me to explain the cause for your absence, you will get a 0 on the midterm. If you miss the make-up test, you will also get a 0 on the midterm.

2. (Medical notes): The only medical note that will be accepted is the University of Toronto Student Medical Certificate (see the Registration Handbook & Timetable for a copy of the certificate). The medical note must be *original* (not scanned, copied, or e-mailed). The doctor's OHIP registration number must be provided on the note. *Retroactive notes will not be accepted* (i.e., notes saying that “student claims to have been sick on the day of the test .....”).
3. (Academic misconduct): *I shall not tolerate any form of academic misconduct*. Punishment for such an offense could range from failing the course to suspension or dismissal from the university. Please review the University's Code of Behavior on Academic Matters regarding what constitutes an academic offense. You should also take a look at the website of the [Academic Success Center](#).
4. (Appealing an exam): Appeals regarding the grading of a test must be submitted to me or to the TA in writing, within one week of your receipt of the graded work. If I find the complaint justified, I (and not the TA) shall re-grade *the entire exam*. Since I am a less lenient grader than the TA, this could lead to your grade going up *or down*. So, think twice before you appeal your grades.
5. (E-mail policy): I shall try my best to respond to e-mail within 48 hours. When you send me an e-mail, always write the course number on the Subject line, i.e., ECO364. Every day I receive numerous e-mails, and if the subject line is not informative, I might inadvertently delete your e-mail. Please use e-mails for appointments, administrative or urgent matters. Note, however, that I shall not reply to e-mails requesting information that can be found on the website or the syllabus; so you should check those places first. For clarification regarding course material, please see me or the TA during office hours.
6. (Attendance): Attendance is not compulsory. Keep in mind, however, that the textbook and the lectures are not substitutes but complements.
7. (Accessibility needs): The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the

course, the classroom or course materials, please contact Accessibility Services as soon as possible: [disability.services@utoronto.ca](mailto:disability.services@utoronto.ca) or [www.accessibility.utoronto.ca/](http://www.accessibility.utoronto.ca/)

## Course outline

### Introduction

- FT Chapter 1
- Paul Krugman, “What Do Undergrads Need To Know About Trade?”, *American Economic Review*, May 1993.

### 1. The Ricardian Model

- FT Chapter 2
- Paul Krugman, “Ricardo’s difficult idea”, mimeo.
- Paul Krugman, “In praise of cheap labor”, *Slate*, March 20, 1997.
- “Finding your niche”, *The Economist*, February 27, 2003.
- “Good times are back for Swiss watchmakers”, *The Globe and Mail*, March 12, 2012.

### 2. The Specific Factors Model

- FT Chapter 3
- Douglas Irwin, “Free trade worriers”, *The Wall Street Journal*, August 9, 2004.
- “Trade talks pit Japanese farmers against industry”, *BBC News*, November 1, 2011.

### 3. The Heckscher-Ohlin Model

- FT Chapter 4
- “Sticking it to China”, *The Economist*, August 13, 2011.
- “With flights grounded, Kenya’s produce wilts”, *The New York Times*, April 19, 2010.

- “More pain than gain”, *The Economist*, September 14, 2006.

#### **4. Monopolistic Competition and Increasing Returns to Scale**

- FT Chapter 6
- Krugman, Obstfeld and Melitz, Chapter 8
- Paul Krugman, “The increasing returns revolution in trade and geography”, Nobel Prize lecture, 2008.
- “The economic value of variety”, *The New York Times*, June 17, 2004.
- “Canada’s wood firms cluster for survival and growth”, *The Globe and Mail*, March 31, 2012.
- “Flaherty calls for clarity on higher prices in Canada”, *The Globe and Mail*, September 7, 2011.

#### **5. Offshoring and Outsourcing**

- FT Chapter 7
- Alan Blinder, “Offshoring: The Next Industrial Revolution?”, April, 2006.
- “Passage to India”, *The Economist*, June 24, 2010.
- “The great unbundling”, *The Economist*, January 18, 2007.
- “Trade disputes”, *The Economist*, September 16, 2004.

#### **6. Trade Policy**

- FT Chapters 8, 9, 10
- “U.S. adds tariffs on Chinese tires”, *The New York Times*, September 12, 2009.
- “New push for free trade with Japan”, *The Globe and Mail*, March 21, 2012.
- “WTO affirms ruling on illegal Boeing subsidies”, *Financial Times*, March 12, 2012.
- “Dead man talking”, *The Economist*, April 28, 2011.