



Agnes Scott College
ECO 351-A: International Trade - Fall 2011
Mondays & Wednesdays 11:30 – 12:45 a.m.
Dr. Patricia Higinio Schneider

"I am not an Athenian or a Greek, but a citizen of the world."
Socrates, from Plutarch, Of Banishment (469 BC - 399 BC).

1. Background & Motivation:

“For years, Indian technology firms heard anti-outsourcing rhetoric coming out of Washington. There were election-time speeches promising to crack down on firms that “ship jobs overseas” and periodic accusations that foreign firms were abusing work visa programs. That’s all it was—rhetoric. But now the U.S. isn’t just making threats—it’s cracking down hard. The latest move: The government is probing whether Indian software services giant Infosys Technologies Ltd. abused a temporary business visa program to get an unknown number of employees into the country. That follows enactment of a U.S. law last August that jacked up fees for skilled employment visas—striking at the very heart of the Indian tech services business model. Combined, the moves have put the Indian tech industry’s way of doing business under unprecedented scrutiny. (...) The issuing of work visas to Indian tech firms has become an increasingly touchy matter for the U.S. and India. In recent months Indian firms have complained of new restrictions in the H-1B program—not just increased fees but delays in getting approvals and much tougher interviews. India’s outsourcers feel they’re being punished despite having helped American companies greatly cut their costs and improve their profits over the years. Some Indian officials have even labeled the U.S. moves unfair trade practices. In the U.S., stubbornly high unemployment has given new fuel to long-standing concerns about outsourcing and new scrutiny to the business models of Indian companies, who use onsite workers in the U.S. to coordinate with their clients.(...)” *Excerpts from “U.S. Moves from Rhetoric to Action on Visas” by Meghan Bahree and Amol Sharma, The Wall Street Journal, May 25, 2011.*

“The World Trade Organization has sided with Mexico in a two-decade long trade battle with the U.S. over whether Mexico's tuna fish is "dolphin safe," Mexican officials said Tuesday. The U.S. can appeal the decision, taken this month, but the ruling means Mexico is likely to win the appeal by September, Mexico's National Aquaculture and Fishing Commission said. The ruling, which had not been made public until Tuesday, brings Mexico one step closer to being able to export yellow-fin tuna again after the U.S. essentially barred imports in 1991. Since 1991, Mexico's tuna exports to the U.S. have been limited because the U.S. Commerce Department won't label Mexican tuna as dolphin-safe. But Mexico maintains that although its tuna-catching practices and regulations aren't as strict as those in the U.S., they do meet international standards. (...) Both the U.S. and Mexico require onboard inspectors on their tuna vessels during fishing trips and are members of the Inter-American Tropical Tuna Commission, which helps enforce international dolphin-protection standards. But unlike in the U.S., Mexican fleets catch tuna by locating and encircling dolphins, with which yellow-fin tuna often swim. The practice can lead to dolphin deaths. Environmentalists in Mexico have said large U.S. tuna companies like StarKist and Bumble Bee won't buy tuna that was caught in association with dolphins, which means that even if Mexico can use the "dolphin-safe" label, the country's tuna won't make much headway in the U.S. market. "It's more of a political and a trade issue than it is an environmental issue," said Alejandro Olivera, coordinator of the Oceans Campaign for Greenpeace Mexico. Mr. Olivera said information regarding diminishing populations of tuna in the Pacific has led Greenpeace Mexico to become concerned about the overfishing of tuna rather than that of dolphins.” *Excerpts from “WTO Sides With Mexico in Tuna Battle With U.S.” by Jean Guerrero, The Wall Street Journal, July 20, 2011.*

These recent events highlight two issues currently debated in the United States and around the world. The first is the rise of international outsourcing (or offshoring) of service activities and jobs from the United States and other industrialized countries to India and other developing countries. It is interesting to note that business activities that would be normal and almost unnoticed if they occur within a country can become prominent political issues when they cross national boundaries. The second is the controversy over national standards regarding environmental protection.

These issues emphasize the importance of studying International Economics, and in particular International Trade. National boundaries are important in Economics: some resources do not move freely between countries. Either because they are essentially immobile (like land or haircut services) or because national governments can and do adopt policies that restrict the flow of international trade. And even though international trade is often about emotional issues like unemployment and the environment, we must do our best to use economic analysis to think objectively about actual economic effects.

2. Course Objectives and Pre-requisites:

The aim of this course is to acquaint you with the subject matter of international trade theory and policy; and with its history since the age of mercantilism. The relevance of historical aspects follows from the fact that the theory of international trade is the oldest branch of economics. An equally important aim of the course is to allow you to understand and argue about current issues relating to international trade, as reported in newspapers and periodicals such as *The Wall Street Journal*, *The New York Times*, *The Financial Times*, *Business Week* or *The Economist*.

I will assume that students know the basic principles of economics taught in the *Economic Issues and Policy* (ECO 101) course. Posted on moodle, you will find a list of economic concepts you should review before starting each chapter.

3. Course Readings:

The required textbook for the class is Thomas Pugel's *International Economics*, 14th edition, McGraw-Hill-Irwin, 2009 (ISBN: 978-0-07-337575-5). The book should be available for purchase in the bookstore. Students must buy the book and should buy this edition. Not having a copy of the book or having the wrong edition is not an excuse for not having done the problem sets or being prepared for class.

This course has a website at moodle.agnesscott.edu. Additional readings are listed at the end of this document and will be posted on moodle in advance of the day they are covered. The class sessions will assume that you have read the related material and done the assignments in advance of class.

There is a website to accompany the book at www.mhhe.com/pugel14e. This website (from the publisher) offers a complimentary Study Guide and Online Quizzes, as well as downloadable Power Points and book-level glossary for each chapter.

International Trade is a very dynamic subject and trade issues take an important place in the political and economic debate. At times, there might be noteworthy economic events that you want to discuss in class. In that case, you are welcome to let me know at the beginning of class (or preferably e-mail me in advance), and I will try to shed some light on the issue. By reading a

publication such as *The New York Times* or *The Wall Street Journal* regularly, you will know what these issues are.

4. Professor Contact Information

Office: Buttrick G-29A
Office hours: Mondays and Wednesdays 1:30-3:00 and by appointment; if my door is open, please feel free to come in
Email address: pschneider@agnesscott.edu
Phone number: 404-471-6139

5. Course Requirements and Grading

Grades for this course are based on the following:

Two midterm exams 40% (20% each)
Final exam (not comprehensive) 20%
Eight problem sets 20% (2.5% each)
Four out of five trade forums 20% (5.0% each)

Grading Scale:

Numerical Grade	Letter Grade
93-100	A
90-92	A-
87-89	B+
83-86	B
80-82	B-
75-79	C+
65-74	C
60-64	C-
57-59	D+
53-56	D
50-52	D-
Below 50	F

Due dates for the problem sets and exam dates are given below. In addition to the two midterm exams and the final exam, there will be an optional test given with the final exam that draws from the all the material covered in class. If a student chooses to take this exam, I will drop the lower of the two midterm scores.

Problem sets: Students are encouraged to work on the problem sets with classmates. However, simply copying someone else's answers is in violation of the spirit of the college's honor code. Each student must turn in her own answer set and indicate on it which student(s) she worked with, if any. I suggest first trying the questions on your own and then working with a classmate or two. Students are encouraged to visit me for help on the problem sets after making a good faith effort on their own.

Exams: The midterms will be administered in class on September 28 and on November 02. The final and optional exams will be administered using the self-scheduled system (December 08 – 13).

If you think a mistake was made in grading your exam, please discuss it with me outside of class during office hours or by appointment as soon as possible. Always check that your points were added up correctly. I reserve the right to re-grade your entire exam, not just the problem in dispute.

If you require accommodation on exams, please have the Office of Academic Advising let me know as soon as possible. Students requiring extra time must schedule their exams with the Office of Academic Advising.

Trade Forums: For each forum, students must turn in a written assignment. Students' written responses are due at the beginning of class. Students are also expected to engage in an oral discussion during class time. Students are to remain polite during classroom discussions. Even during heated debates, you must treat your classmates with respect. For example, you should not make derogatory remarks about your classmates' ideas. Instead, explain why you think they are wrong, backing up your viewpoint with sound economic analysis and refraining from personal attacks. Another example is being quiet while someone else (including your instructor!) has the floor.

Students' written responses and participation in the trade forums will be evaluated according to the rubric posted on moodle. Students should bring two hard copies of their written assignment, one for the instructor and one for their personal use during classroom discussion. Further guidelines and details regarding each trade forum will also be posted on moodle.

6. Lateness and Absences

Lateness: Students should make every possible effort to be on time for class. If a student is late, she should come in quietly and sit in the back. She should wait until the end of class to receive any materials that were returned or given out at the beginning of class. The student is responsible for any missed information. I take attendance at the beginning of each class. Students who arrive after that but within the first half of the class period are considered late. Three late arrivals equals one absence.

Absences: Students are expected to attend all class sessions. Each student gets 3 "free" absences; after that, the final grade will be lowered by 5 percentage points for each absence. I reserve the right to fail any student who misses more than 6 class sessions regardless of the reason for the absences. There are no "excused absences." Students are responsible for any information covered in classes they miss.

Late Assignments: Problem sets are to be turned in at the beginning of class on the date that they are due or earlier. There are no excuses for late assignments to receive full credit. The usual penalty for late assignments is that they receive at most half credit. After 3 days late (if I do not receive it by Monday for a problem set due on Friday), no credit will be given. Students who must miss a class when a problem set is due should turn it in early or arrange for another student to turn it in. The written assignments for the trade forums will not be accepted after the forum has occurred. However, I will drop the lowest score among those 5 assignments. If you do not complete a written assignment by the specified deadline, that missed paper will count as your lowest score. If a student misses more than one forum without an extraordinary reason, her final grade will be reduced proportionately. There is no opportunity to make up participation in a missed trade forum.

Missed Exams: Only under extraordinary circumstances should students miss a scheduled exam. Minor illness does not prevent a student from taking an exam. A student should contact me at the earliest opportunity if she must miss an exam. If a student must miss an exam because of an athletic or academic event or a religious holiday, she may take the exam early; under no circumstance may any student take an exam late. If a student does miss a midterm, the make-up exam will be the optional exam given with the final. If a student misses more than one exam without an extraordinary reason, her final grade will be reduced proportionately. There are no make-up tests.

7. Tips and Suggestions

- ★ Courtesy toward your instructor and your fellow students is expected. This includes not disrupting class by being late, having your cell phone go off or talking to other classmates during lecture. Please do not text message, or eat during class. Having a beverage is fine.
- ★ I advise against using laptops during lecture. You cannot take good lecture notes for international trade by typing them. Instead, I suggest that you bring a few colored pencils (for graphs with many different lines) to aid your note taking. One of the most frequent problems of students who are struggling in this course is sloppy lecture notes.
 - ☞ I post handouts on Moodle for material that is more challenging. However, you should not rely on my handouts as a substitute for taking your own notes.
- ★ Stay current with the assigned material and seek help when you need it. If you have a question, ask it as soon as possible. Ask questions in class, in my office, or in the Economics Learning Center.
- ★ Read the relevant sections of the textbook prior to class, as well as after class. I will not be able to cover all the examples developed in each chapter; it is up to you to be prepared on all the assigned chapter material. I will assume that students know the basic principles of economics taught in Economics 101. As I mentioned before, you will find a list of economic concepts you should review before starting each chapter posted on moodle. Make sure that you review the relevant concepts as we move through the course. If you need, refer back to the material from your introductory courses prior to coming to lecture.
- ★ This is a course of analysis and explanations rather than memorization. In particular, memorization is an extremely ineffective tool for studying economics, and students who memorize material are very prone to confusion and “drawing a blank” on exams. A much better approach is to press for understanding. And understanding usually comes only through active engagement with the material, both in class and out. The problems in the homework and the textbook, as well as the additional problems available online and in the Study Guide are designed to help you achieve a solid *understanding* of the material.
- ★ Please write clearly (or preferably type) your answers and staple the pages of your problem set together. Make sure your graphs are clearly labeled.
- ★ Finally, I cannot stress enough how much I support ASC's honor code and frown on cheating on exams and on plagiarism. Doing so will result in my full pursuit of ASC's honor court process. Students should pledge all of the work for this course.

8. Teaching Evaluations: Your feedback on the course is extremely valuable to me, the department, and the administration. In particular, I take your comments very seriously and use them to improve the course the next time I teach it. You are responsible for completing an evaluation of the course at the end of the semester. I will provide more details later.

Tentative Schedule (any revisions will be posted on Moodle) – Students are responsible for checking the course website frequently.

Day	Date	Chapter(s)	Readings	Topic
Wed	Aug 24	1		Introduction to the course & to International Economics
Mon	Aug 29	2		A Supply & Demand Approach to Trade Theory
Wed	Aug 31	2, 3	*	A Supply & Demand Approach to Trade Theory; Absolute & Comparative Advantage
Mon	Sept 5	<i>No class</i>		<i>Labor Day</i>
Wed	Sept 7	3		Absolute & Comparative Advantage PS 1 due
Mon	Sept 12	3, 4	*	Trade Forum 1: Trade & Wages; Heckscher-Ohlin Theory
Wed	Sept 14	4		Heckscher- Ohlin Theory; PS 2 is due
Mon	Sept 19	4		Heckscher- Ohlin Theory
Wed	Sept 21	5		Free-Trade: Winners and Losers; PS 3 is due
Mon	Sept 26	5		Free Trade: Winners & Losers
Wed	Sept 28			MIDTERM 1
Mon	Oct 03			Trade Forum 2: Country Assignment, Scale Economies & Imperfect Competition
Wed	Oct 05	6		Scale Economies & Imperfect Competition
Mon	Oct 10	6		Scale Economies & Imperfect Competition
Wed	Oct 12	7	*	Growth & Trade, PS 4 is due
Mon	Oct 17	7,8		Growth & Trade; Tariffs
Wed	Oct 19	8	*	Tariffs, PS 5 is due
Mon	Oct 24	8, 9	*	Tariffs, Non-Tariff Barriers
Wed	Oct 26	8, 9	*	The WTO, PS 6 is due
Mon	Oct 31	10	*	Arguments for and against protection
Wed	Nov 02			MIDTERM 2
Mon	Nov 07	10	*	Arguments for and against protection; Trade Forum 3: Trade Adjustment Assistance
Wed	Nov 09	11		Dumping, Export Subsidies, Strategic Trade Policy
Mon	Nov 14	11	*	Dumping, Export Subsidies, Strategic Trade Policy, PS 7 is due
Wed	Nov 16		*	Trade Forum 4: Case Study – US – Vietnam Cat Fish Trade Dispute.
Mon	Nov 21	13		Trade and the Environment
Wed	Nov 23	<i>No class</i>		<i>Thanksgiving</i>
Mon	Nov 28	13	*	Trade and the Environment
Wed	Nov 30	13	*	Trade Forum 5: Is the WTO good for the environment?
Mon	Dec 05			Conclusion; PS 8 is due
Dec 08-13			FINAL & OPTIONAL EXAMS	

* Indicates that additional reading is required for class, as described below.

Other Required Readings (posted on moodle):

Aug. 31: "David Ricardo and the Cry for Free Trade", Chapter 4 (pp.69-91) in *New Ideas From Dead Economists: An Introduction to Modern Economic Thought* by Todd G. Buchholz, Second Revised Edition, April 2007.

Sep. 12: "Does Trade with Low-Wage Countries Hurt American Workers?" By S.Golup - Business Review, Federal Reserve Bank of Philadelphia, March/April 1998.

Oct. 12: "The Marmite Effect", *The Economist*, September 25, 2010.

Oct. 19: "How Costly is Protectionism?" by Robert Feenstra, *Journal of Economic Perspectives*, v.6, n.3, p.159-178, 1992.

Oct.19: "An Orange Grove Illustrates Japan's Economic Woe" by James Brooke, *The New York Times*, January 27, 2002.

Oct.19: "Goodbye, Free Trade?" by Douglas Irwin, *The Wall Street Journal*, October 09, 2010.

Oct. 24: "Rocks Below the Surface", *The Economist*, November 23, 2006.

Oct. 24: "International Trade: Why we don't have more of it?" by Edith Ostapik and Kei-Mu Yi, Federal Reserve Bank of Philadelphia.

Oct. 26: "The World Trade Organization," by R. Blackhurst, in The Princeton Encyclopedia of the World Economy, Vol. II, pp. 1185 -1191, 2009.

Nov. 07: "Strengthening Trade Adjustment Assistance," by Howard F. Rosen, "Policy Brief Number PB08-2, Peterson Institute for International Economics, January 2008.

Nov. 07: "Trade Adjustment Assistance," by Katherine Baicker and M. Marit Rehavi, *Journal of Economic Perspectives*, Volume 18, Number 2, Spring 2004, pages 239-255.

Nov. 07: "Offshoring: The Next Industrial Revolution?," by Alan Blinder, *Foreign Affairs*, Volume 85, Number 2, pages 113-28

Nov. 07: "'Fear' and Offshoring: The Scope and Potential Impact of Imports and Exports of Services," by J. Bradford Jensen and Lori G. Kletzer, Policy Brief Number PB08-1, Peterson Institute for International Economics, January 2008.

Nov.09: "Grain Drain: The Hidden Costs of U.S. Rice Subsidies", by Daniel Griswold, Trade Briefing Paper N0.25, The Cato Institute, November 16, 2006.

Nov. 16: "Delta Blues: US-Vietnam Catfish Trade Dispute (A)", by Regina Abrami, *Harvard Business School Case Study* 9-706-003, 2005.

Nov.21: "Bridging the Trade-Environment Divide," by Daniel C. Esty, *The Journal of Economic Perspectives*, Vol. 15, No. 3