

McGill University
Department of Economics
Political Economy of Trade Policy (ECON223 001)
Fall 2023

Instructor Contact Information:

Dr. Lingling Zhang

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Office : LEA434

Office hours: There are online and in-person instructor's office hours this semester. (office hours will start on September 4th)

- Mondays 1:00pm-2:00pm: in-person office hours (LEA434).
- Fridays 9:00am-10:00am: **online** office hours (the links will be posted on MyCourses).
- Extra office hours will be offered before and after exams for reviews. Time is TBA and will be posted on MyCourses.

Regular classes:

Times: Mondays and Wednesdays 2:35pm-3:55pm Location: MAASS 112

All classes will be offered in-person and will be automatically recorded if the room is well equipped. Note that the instructor is not responsible for any recording technical problems. Recordings will be posted on MyCourses and will serve as a complement to the lectures only. Attending classes is highly recommended. Please be aware that providing an equal online version of this course is not allowed at McGill.

Teaching Assistants:

1. Guy Arnold Djolaud kili.djolaud@mail.mcgill.ca
2. Amirhossein Rafati Sahneh Saraei amirhossein.rafatisahnehsaraei@mail.mcgill.ca

TA office hours and conference sessions: TBA

The TA conferences and office hours schedules will be posted on MyCourses as soon as they become available.

Textbooks:

Paul r. Krugman and Maurice Obstfeld: "International Economics: Theory & Policy", the 12th edition.

MyLab Economics with Pearson eText -- Access Card -- for International Economics: Theory and Policy 12e 9780135766880

Course ID: zhang78150

The TAs are responsible for explaining the homework on MyLab pearson and answering your MyLab questions.

All homework is optional with a weight of zero to your final course grade.

Course Overview: This course provides the fundamental principles and tools for analyzing international trade policy. It covers international trade economics, politics, and institutions. It provides discussion to the major issues and challenges that the current global trading system is facing. The cause and consequences of international trade will be analyzed; We will find answers to questions as why nations trade, what they trade, and who gains from this trade; The motives for countries or organizations to restrict or regulate international trade will also be analyzed and the effects of such policies on economic welfare will be studied. All topics in this course will be discussed with current policy issues.

Supplementary Readings: I will supplement the textbook with readings from newspapers (such as Wall Street Journal and New York Times), magazines (such as economist) or academic journals.

Examinations:

There will be **two in-person** exams.

The midterm exam is scheduled on **Oct. 25th, 2023**. It will be an in-class exam.

The final exam is in-person and will be scheduled by the university during the final exam period.

Your grade on the midterm exam will make up **40%** of your final course grade.

Your grade on final exam will make up **60%** of your final course grade.

There will be no deferred exam for the midterm exam.

There will be a supplemental examination which will be worth 100% of your final grade.

McGill University values academic integrity. Therefore, all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures (see www.mcgill.ca/students/srr/honest/ for more information).

Preliminary Course Outline

Part I Global Imbalances

1. Balance of payments Accounting
2. The US Current account
3. Imbalances in international trade
4. Carbon Leakage and Carbon Border Adjustment Mechanism (CBAM)

Part II Models of International Trade

WHY TRADE?

5. Ricardian Model (K&O chapter 3)
 - Comparative Advantage and Trade
 - Wage and Labour Productivity
6. Heckscher-Ohlin Model (K&O chapter 5)
 - Endowments and Trade
 - The Impact of Trade on Factor Prices
 - i. How Trade Hurt unskilled workers
 - Case study: China vs. India
7. International Trade does not Benefit All
 - Trade: Winners and Losers
 - i. Paul Krugman, "Trouble with Trade," The New York Times, December 29, 2007.
 - Trade and Jobs
 - i. Derek Scissors, "The trade deficit does not cost us jobs", American Enterprise Institute, March 16, 2015.
 - ii. Chris Isidore, "Will free trade create or kill U.S. jobs?", CNN Money, August 15, 2011.

WHY PROTECT?

8. Economies of Scale, Imperfect Competition and International Trade (K&O chapter 7)
 - Economies of Scale
 - Monopolistic Competition and Trade (Simplified Version)
 - Dumping
 - Fair Trade: Anti-Dumping and Subsidies
 - Case study: Standing up for Steel
 - External Economies and International Trade

Part III International Trade Policy

9. The Instruments of Trade Policies (K&O chapter 9)

- Tariffs
- Import Quotas and Voluntary Export Restraints
- Export Subsidies
- Case study: Europe's Common Agriculture Policy

10. Free Trade or Protectionism? (K&O chapter 10)

- Case for Free Trade
- Arguments against Free Trade
- International Trade Negotiations – GATT/WTO – Preferential Trading Agreements

11. Regionalism vs. Globalization

- Regional Trade Agreements
- Economic Challenges of Globalization
 - i. Mike Collins, "The Pros and Cons of Globalization", Forbes, May 6, 2015.
 - ii. Globalization and Inequality