

McGill University  
Department of Economics  
**Political Economy of Trade Policy (ECON223 001)**  
**Fall 2024**

**Instructor Contact Information:**

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**Office hours:** (Office hours will start on September 2<sup>nd</sup> 2024)

- Mondays and Fridays 11:30am-12:30pm
- Additional office hours will be offered before and after exams for review sessions. The schedule for these will be announced on MyCourses.

**Email Policy:** Due to the large number of students enrolled in the course, it is challenging to respond individually to all emails. To make the most of our communication and to address your queries effectively, please read the following policies carefully:

1. **In-Class and Office Hours Queries:** The primary mode of communication will be through in-class questions and office hours. This allows for immediate clarification and benefits other students who may have similar concerns.
2. **Course Resources:** Before emailing, please check the course materials on MyCourses and any announcements made during class. Many common questions are addressed there.
3. **Class-Wide Concerns:** Emails that address issues relevant to the entire class will be discussed in the next class session. This ensures that all students receive the same information and clarifications.

**Regular classes:**

**Times:** Wednesdays and Fridays 1:05pm-2:25pm

**Location:** LEA26

**Course Overview:**

This course offers a comprehensive foundation in the principles and tools necessary for analyzing international trade policy. We will explore the economic theories, political dynamics, and institutional frameworks that shape global trade. Through this lens, the course addresses the major issues and challenges currently facing the international trading system.

Students will engage with key questions central to understanding international trade, such as why nations trade, what goods and services are exchanged, and who benefits from these exchanges. We will delve into the causes and consequences of trade, examining the factors that drive countries to engage in or restrict international trade. Additionally, we will study the motivations behind trade regulations and restrictions, analyzing their impact on global economic welfare.

Throughout the course, our discussions will be anchored in current policy debates, ensuring that the theoretical insights gained are directly applicable to real-world scenarios. By the end of the course, students will have a thorough understanding of the complexities of international trade and the tools to critically evaluate trade policies and their implications on both national and global scales.

### **Teaching Assistants:**

[tresor.kayangalihoua@mail.mcgill.ca](mailto:tresor.kayangalihoua@mail.mcgill.ca)

[wenmei.tu@mail.mcgill.ca](mailto:wenmei.tu@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.*

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### **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

The textbook for this course is **required**; however, you do not need to purchase the newest edition. Previous editions are also acceptable, as the core content remains largely the same. Please ensure that whichever edition you choose provides sufficient coverage of the topics discussed in class.

The textbook provides a solid foundation in the key concepts and theories we will explore in class. It is essential for deepening your understanding of the subject matter and will serve as a crucial resource for both in-class discussions and assessments.

### **MyLab and TA conferences:**

If you encounter any technical issues or have questions regarding MyLab or the textbook, please contact Pearson customer service, which is available 24/7. Please note that the instructor does not have access to provide support for these technical issues, and emails regarding such matters will not be replied to.

The teaching assistants are responsible for explaining the homework on MyLab Pearson and for answering any questions you may have related to the MyLab content. They will also provide weekly in-person conferences to go over the homework on MyLab in detail. Students are highly encouraged to participate in these TA conferences, as they offer valuable opportunities to deepen your understanding of the course material.

However, please note that the TAs are not responsible for providing technical support for MyLab. For any technical issues, you should contact Pearson customer service directly.

**Additionally, all homework on MyLab is optional and does not contribute to your final course grade.**

### **Course Evaluation:**

Written project .....20%  
Midterm Exam .....30%  
Final examination .....50%

### **Written Project Overview:**

For this project, you will explore a current topic related to international trade. In recent years, international trade has become increasingly significant, especially in the context of ongoing conflicts and trade wars between large economies. Understanding these dynamics is crucial as they shape global economic relationships and policies.

### **Project Requirements:**

#### First Submission:

- Select a current article that addresses a topic related to international trade.
- Write a short critique of the article (within 500 words) that discusses the relevance of the topic and its implications for international trade.
- The first submission will not be graded. If you do not receive any notice of required revisions, your topic and article are considered approved.
- The first submission, including the article (as a reference) and the short critique, must be submitted **no later than 5:00 PM on September 14th, 2024, via MyCourses.**

#### Final Submission:

- After your topic is approved, you will develop a more comprehensive critique.
- The final version should be no less than 1000 words and no more than 1500 words, excluding the appendix.
- A detailed Critique Guidance and grading criteria can be found on MyCourses to assist you in preparing your final submission.

- The final critique will be graded and must be submitted by **5:00 PM on December 2nd, 2024, via MyCourses.**

For additional details and guidance, please refer to the Critique Guidance document available on MyCourses. If you have any questions, feel free to reach out during office hours or via email.

Students are strictly prohibited from using AI engines, such as ChatGPT, to write or generate any portion of their critique. All work must be original and reflect the student's own analysis and understanding.

### **Examinations:**

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

The midterm exam is scheduled on **Oct. 30th, 2024**. It will be an in-class exam. The location of the exam will be updated on MyCourses if a larger exam room becomes available.

**There will be no deferred exam for the midterm exam.**

With valid proof of illness or other legitimate reasons for missing the midterm exam, the grading scheme for the affected student will be adjusted. The weight of the missed midterm exam will be shifted to the final exam, thereby increasing its overall percentage in the final grade calculation.

The final exam will be scheduled by the university during the final exam period.

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/](http://www.mcgill.ca/students/srr/honest/) for more information).

# Preliminary Course Outline<sup>1</sup>

## Part I Introduction to Current International Trade Issues

1. Introduce the concept of global trade and its importance in today's interconnected world
2. How trade shapes economies, influences policies, and impacts daily life.
3. Highlight the importance of understanding current trade issues for both developed and developing economies.

## Part II Models of International Trade

### WHY TRADE?

1. Ricardian Model (K&O chapter 3)
  - Comparative Advantage and Trade
  - Wage and Labour Productivity
2. 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
3. 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?

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<sup>1</sup> Please Note: The course content, schedule, and readings may be subject to change as the semester progresses. These adjustments may be made to better align with the pace of the class, address emerging topics, or incorporate relevant current events. Any changes will be communicated promptly via MyCourses and during class sessions. It is important to stay updated with any announcements to ensure you are aware of any modifications.

4. 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**

5. 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
  
6. Free Trade or Protectionism? (K&O chapter 10)
  - Case for Free Trade
  - Arguments against Free Trade
  - International Trade Negotiations – GATT/WTO – Preferential Trading Agreements
  
7. 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