

International Trade
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Office #C406

Class: Monday and Thursday 10:10-12

Office Hours: Monday and Thursday 1-2
SUBJECT TO REVISION

Course Objectives:

1. Understand the issues relating to international trade that you will face as managers or investors.
2. Provide you the tools, skills, and back ground to become the leaders of China and the world.
3. Improve critical thinking and creative problem solving skills to be able to analyze international trade problems in the work place and arrive at well reasoned solutions to problems faced in the work place.

Expectations of the Student:

1. Come to class COMPLETELY prepared. This means having completed and studied all readings, being prepared to discuss the readings, ask questions, of presenters, and answer questions when called upon.
2. All work must be turned in on time. Any assignments turned in late will receive an automatic zero. There will be no extensions granted. If you know you will be absent then arrange to turn the assignment in early.
3. Students must be able to critically analyze and present independent thought about the material covered in class. Simply regurgitating the material will not earn the student a good grade.
4. The student MUST perform their own work. Any student caught cheating, plagiarizing, or using others work will receive a failing grade for the course automatically. No exceptions.

Class Readings:

You are expected to have completed the reading, prepared questions, and be ready to engage in discussion about the material before attending class.

Finally, in each class session, we will study two case studies that will place the student in a real life situation that illustrates some aspect of international trade. The student is expected to have read **AND** reviewed the case study prior to class in order to be able to critically analyze the problems.

Merely being able to restate the facts will not give the student a good grade!!

Class Presentations:

Every class will have a 2 presentations. **Each student is required to give one presentation . The presentation will count for 15% of your final grade.**

The presentation must present a critical analysis of the text and not simply restate what was written. Everyone is coming to class having read the text, the student giving the presentation must be able to provide additional information or analysis in their presentation. Poor presentations will simply restate what the text states without providing critical analysis.

Case studies should be presented as if the presenter were making a presentation to a board of directors or management team faced with a decision. The presenter may state the key facts and cover the generalities of the case, as they would with a business decision, but the presenter should not spend excessive time on the details. The presenter should assume that everyone has already completed the readings and knows the facts of the case.

The presenter should do things such as recommending a course of action, how a situation could have been handled better and why, what would be recommendations to avoid future problems, or discussing the problems of international trade.

Students are encouraged to use computer resources such as PowerPoint, hand outs, or other materials in making their presentations.

Writing Assignments:

Students will have 2 writing assignments one will be 3-5 pages while the second will be approximately 15 pages. The first will require them to critically analyze a case study with a theoretical framework. The second will be to write a case study of a business or industry. More information on both assignments will be given in class.

The student must analyze the case study or situation provided by the professor and critically analyze the fundamental problem, strengths and weaknesses, and recommend a course of action and defend the recommendation made. In preparing the writing assignment, the student should assume that the reader has already read the case study and not waste time covering the facts.

Students are encouraged to think like managers and act as if they have been given an assignment and must make a recommendation about how to handle a specific situation and defend their choice to the board of directors.

Students must present a hard copy of the written assignment at the **beginning** of class. Students must also upload an electronic copy to the class website before the **beginning** of class.

Written assignments will not be given to the students no more than 1 class session prior to the due date and as little as one day before being due.

Written assignments will comprise a total of 50% of the final grade.

Class Participation:

Class participation will count for 10% of your final grade. Class participation is very important and you are expected to arrive at class prepared to work through the foundational readings and case studies presented.

You are required to prepare three questions for each class session. You should be prepared to ask these questions in class so we can work through the ethical questions and so you gain a better understanding of the material being presented. You should prepare the questions though you may decide not to ask questions, though participation is strongly encouraged. I will not make a habit of collecting questions and grading them. However, if I do not feel that students are coming to class prepared, ready to ask questions, and discuss the material I will collect and grade questions.

When discussing the foundational literature, students should attempt to make sure the readings and the strengths and weaknesses of each. Students are encouraged to ask the presenters about contradictions, strengths or weaknesses of the readings, how it relates to other readings, or why one was better than another for instance.

When discussing the case studies, students are encouraged to think as if they are in a business meeting and a colleague is making presentation about a problem he/she has in their division or unit. Students must be prepared to ask question about facts that would help them make an informed decision about how to act or make recommendations about a course of action. Just as in a business meeting, students should question the presenter to make sure they have considered all the facts and are making the best decision possible.

Midterm and Final:

The midterm and the final will each cover one half of the class and focus on ethical questions taken from the reading. To succeed on the exams, the student will need to have completed all readings.

The exams will account for 40% of the final grade.

Grading:

Writing Assignment #1:	15%
Writing Assignment #2:	35%
Presentation:	15%
Midterm:	20%
Class Participation:	15%

Class Structure:

The first 20-30 minutes will consist of a general lecture about the theme of the class session and covering any basic information. During the first part of class, I will answer any basic questions about the reading assignment, broad themes, and language questions. In depth questions about the case studies and foundational readings should be saved for the presenters.

Next we will have a student presentation of approximately 10-20 minutes about the a case study for the week with approximately 10-15 minutes of questions and discussion on the readings. The presenter should work to analyze the case study and not simply restate what the reading covers. The presenter should not simply restate the readings and assume that everyone is familiar with the reading.

There will be a second presentation with additional discussion about the specifics of that case. We will then conclude the class with approximately 20-30 minutes of case study discussion to be led by the professor analyzing the common elements of the case studies and answering any final questions.

Section 1: Comparative Advantage, the Ricardo, and the Neoclassical Model (February 13 and 15)

Rudiger Dornbusch, Stanley Fischer, & Paul Samuelson, "Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods," *American Economic Review* 67 (1977): 823-39.

Bernhofen, D. and J. Brown (2004), "A Direct Test of the Theory of Comparative Advantage: The Case of Japan" *Journal of Political Economy*, 112: 48-67.

Deardorff, A. (1980), "The General Validity of the Law of Comparative Advantage," *Journal of Political Economy*, 88: 941-957.

Chapter 1: *Advanced International Trade: Theory and Evidence*, Robert Feenstra

Section 2: The Heckscher-Ohlin Model (February 20 and 22)

Deardorff, A. (1982), "The General Validity of the Heckscher-Ohlin Theorem," *American Economic Review*, 72: 683-694.

Dornbusch, R., S. Fisher, P. Samuelson (1980), "Heckscher-Ohlin Theory with a Continuum of Goods," *Quarterly Journal of Economics*, 95, 203-224.

Deardorff, A. (1994), "The Possibility of Factor Price Equalization, Revisited," *Journal of International Economics*, 36: 167-175.

Debaere, P., and Demiroglu, U., "On the Similarity of Country Endowments," *Journal of International Economics*, pp. 101-136, 59, 2003.

Feenstra: Chapters 2 and 3

Section 3: International Trade and Investment: Spillovers and Business Plans (February 27 to March 16)

Amiti, Mary and Katharine Wakelin, 2003, "Investment Liberalization and International Trade", *Journal of International Economics*, Vol. 61, No. 1, pp. 101-126

Helpman, Elhanan, Marc Melitz, and Stephen Yeaple, 2004, "Export versus FDI with Heterogeneous Firms", *The American Economic Review*, Vol. 94, No. 1, pp. 300-316

IMF Working Paper, *FDI Flows to Low Income Countries: Global Drivers and Growth Implications*

IMF Working Paper, *FDI Flows to Asia: Did the Dragon Crowd Out the Tigers?*

"Costs of Adopting a Hazard Analysis Critical Control Point System: Case Study of a Chinese Poultry Processing Firm" *Review of Agricultural Economics*, 31(3): 574-588, Zhigang Wang, Huina Yuan, and Fred Gale

"Openness and Industrial Response in a Wal-Mart World: A Case Study of Mexican Soaps, Detergents and Surfactant Producers", *World Economy*, Beata Javorcik, Wolfgang Keller, and James Tybout

"The Chilean Wine Industry: New International Strategies for 2020", *Emerald Emerging Markets Case Studies*, Christian Felzensztein

"Assessing the future challenges in strategic sourcing commodity from China: a case-study analysis", *Asia Pacific Business Review*, 16(4): 527-544, Neil Towers and Yi Song

Goldman Sachs Global Market Institute: *The New Geography of Global Innovation*

OECD, *Main Determinants and Impacts of Foreign Direct Investment on China's Economy*

OECD *Investment Policy Reviews: China 2008*

Section 4: International Trade, Trade Policy, and Exchange Rates (Mar 20-Apr 13)

Yuqing Xing, "The Yuan's Exchange Rates and Pass Through Effects on the Prices of Japanese and US Imports", *ADB Working Paper*

Mario Marazzi and Nathan Sheets, "Declining Exchange Rate Pass Through to US Import Prices: The Potential Role of Global Factors", *Federal Reserve Board Working Paper*

Morgan Stanley Blue Paper, *The China Files: The Chinese Economy through 2020*

Robert Vigfusson, Nathan Sheets, and Joseph Gagnon, "Exchange Rate Pass Through to Export Prices: Assessing Some Cross Country Evidence", *Federal Reserve International Finance Discussion Paper*

JP Morgan, "Enter the Dragon: Private Equity Opportunities for Accessing the Asian Growth Story"

Jose Manuel Campa and Linda Goldberg, "Pass Through of Exchange Rates to Consumption Prices: What has Changed and Why?"

"Exchange Rate and Export Behavior of Indian Textiles & Clothing Sector: An Enquiry for Major Destination Countries", PL Beena and Hrushikesh Mallick

"The Impact of Real Exchange Rate Movements on Firm Performance: A Case Study of Taiwanese Manufacturing Firms", *Japan and the World Economy*, Loretta Fung and Jin-Tan Liu

"Import Elasticity of Tea: A Case of Pakistan", *Interdisciplinary Journal of Contemporary Research in Business*, Rana Ejaz Ali Khan and Tanveer Hussain

Morgan Stanley Blue Paper, "The China Files: US Corporates and China's Megatransition"

Yuqing Xing, "Processing Trade, Exchange Rates, and China's Bilateral Trade Balances"

Morgan Stanley Blue Paper, "The China Files: The European Corporates and China's Megatransition"

Morgan Stanley Blue Paper, "The China Files: Asian Corporates and China's Megatransition"