



Korea University International Summer Campus (KU ISC) 2018

Embark on a unique summer

June 26, 2018 ~ August 2, 2018

ISC302A – International Trade and Finance

I . Instructor

Professor : Do Won Kwak
E-mail : dwkwak@korea.ac.kr
Home Institution : Korea University
Office : ARI(아세아문제연구소) Room 112
Office Hours : M-W 3:30-4:30pm or appointment

II. Textbook

Required Textbook : International Economics 10th Edition by Paul Krugman, Maurice Obstfeld, and Marc Melitz (K)
ISBN-13: 978-0133423648



Recommended : International Economics 4th Edition by Robert Feenstra and Alan Talyor (FT)
Additional Readings

III. Course Description and Objectives

The study of international trade and finance has never been as important as it is now. These days, nations are more closely integrated through trade in goods and services, investment in each other's economies. The global economy created by these growing real economic and financial linkages has given potential opportunities to participants in the world market as well as it has thrown up many challenges such as unprecedented series of financial crisis. Thus, it is important for future business leaders to understand what drives this real linkage across countries. By doing so, they cope with the global challenges and look for potential opportunities in the global market.

The first part is about the theory of international trade and the impact of trade policy. We will study various economic models that will give insights into causes and consequences of international trade among countries. Specifically, this course first introduces basic principles and theories of international trade and investment: Ricardian, Neoclassical trade model, New trade theory (monopolistic competition model of trade), other modern theories of international trade and the theories of foreign direct investment. We will also analyze why many countries actually restrict

trade across borders and what are the pros and cons of such restrictions. Some real-world issues and examples regarding trade policy will be discussed as well.

The second part of the course is about learning basic tools to understand international financial markets and analyzing the current issues of international financial markets. To this end, the course will introduce the model of interest rate parity, simple Mundell-Fleming model, the concept of purchasing power parity, and the regimes of exchange rate. We use the theoretical frameworks to understand various topics in international economy, such as global imbalance, the effects of a rise in U.S. interest rate on the other economies among others.

In this course, besides listening to the lectures, the primary method of learning is by working on problem sets. I will distribute weekly problem sets that will not be marked but will be tested in the exams. The solution will be posted in the course website at the weekly basis.

Note: Intermediate Microeconomics and Introduction Level Macro are prerequisites.

IV. Grading

Attendance : 10%
 2 Midterm Exams : 60% (30% each)
 Final Exam : 30%

V. Class Outline

Date	Topic	Chapter	Remarks
June 26 (Tue)	Orientation Day		
June 27 (Wed)	Overview Trade on International Trade		
June 28 (Thu)	Trade and Technology: The Ricardian Model I	K. Ch3, FT. Ch2	
June 29 (Fri)	Trade and Technology: The Ricardian Model II	K. Ch3, FT. Ch2	
July 2 (Mon)	Specific-Factors and Income Distribution I	K Ch4, FT. Ch3	
July 3 (Tue)	Trade and Resources: The HO Model	K. Ch5, FT. Ch4	
July 4 (Wed)	Review		
July 5 (Thu)	Mid-term Exam 1		Exam 1
July 9 (Mon)	External Economies of Scale I	K. Ch7, FT. Ch6	
July 10 (Tue)	Firms in the Global Economy: Export Decisions, Outsourcing, and Multinational Enterprises	K. Ch8	
July 11 (Wed)	The Instrument of Trade Policy I	K. Ch9	
July 12 (Thu)	The Instrument of Trade Policy II	K. Ch9	
July 16 (Mon)	The Political Economy of Trade Policy	K. Ch10	
July 17 (Tue)	Trade Policy in Developing Countries	K. Ch11	
July 18 (Wed)	Review		

July 19 (Thu)	Mid-term Exam 2		Exam 2
July 23 (Mon)	National Income Accounting	K. Ch13	
July 24 (Tue)	Exchange Rates and Foreign Exchange Market	K. Ch14	
July 25 (Wed)	Money, Interest Rates, and Exchange Rates I	K. Ch15	
July 26 (Thu)	Money, Interest Rates, and Exchange Rates II	K. Ch15	
July 30 (Mon)	Price Levels and the Exchanges rate	K. Ch16	
July 31 (Tue)	Output and the Exchange rate	K. Ch17	
Aug 1 (Wed)	Final Exam	K. Ch9-18	
Aug 2 (Thu)	Graduation		

The schedule is subject to change by the instructor according to the progress of students.