

**AGECE 4623/5223: International Agricultural Trade and Commercial Policy**

Spring Term 2021: January 11 – April 29

3 Credit Hours

Tuesdays 9:30–10:45 AM

Thursdays 9:30–10:45 AM

Classroom: Poultry Science Auditorium 0A211

**Instructor Information**

|              |                                                                                                                          |
|--------------|--------------------------------------------------------------------------------------------------------------------------|
| Instructor   | Subir Bairagi                                                                                                            |
| Office       | 215 AGRI, Department of Agricultural Economics and Agribusiness (AEAB)<br>University of Arkansas, Fayetteville, AR 72701 |
| Phone        | +1(479) 575-5226                                                                                                         |
| Email        | <a href="mailto:skbairag@uark.edu">skbairag@uark.edu</a>                                                                 |
| Office hours | Tuesday and Thursday: 1:00 – 3:00 PM (in-person)<br>Wednesday and Friday: 10:30 – 11:30 AM (virtual)                     |

In-person office hours are limited due to the on-going COVID-19 pandemic. The department's COVID policy is strictly followed ([mandatory face mask is required to attend the classes and meet in-person](#)). Monday and other hours are exclusively reserved for administrative duties, preparing for classes, and research activities. However, if the posted office hours are not convenient, please feel free to e-mail me in advance for a virtual appointment.

**General course information****Learning goals**

This course will analyze agricultural market competition and performance in a global economy. We will investigate the welfare impacts of domestic and international agricultural policies on domestic and international markets (who gains and losses due to these policies), and explore why a country restricts or regulates international trade. Finally, we will learn an in-house trade model, the Arkansas Global Rice Model (AGRM), and will do a hands-on exercise on how to model the impact of a tariff and minimum support price in a context of the three-country trade model (U.S., China, and the ROW). Prerequisite: (AGECE 1103 or ECON 2023) and (AGECE 2103 or ECON 2013).

**Learning outcomes**

After successfully completing this course, students should be able to understand News and journal articles that use the concepts and methods introduced in the course. Students should also understand the interconnectedness of national economies and relate the international events to a firm's operation. Finally, students are expected to assess the impact of proposed international economics policies, which can be part of your Master's thesis or own academic work (e.g. project reports and journal articles).

## Readings

### A. Textbooks

- (a) International Trade in Agricultural Products by Reed, Michael, Pearson Education Inc. ([Required](#)).
- (b) International Economics by Appleyard, Dennis R., Field, Alfred J., and Cobb, Steven L. (**hereafter AFC**) McGraw-Hill/Irwin Publishers, 2010. ([Required](#)).
- (c) Global Agricultural Trade and Developing Countries by Aksoy, M. A., and Beghin, John C. A free copy is available at <https://openknowledge.worldbank.org/handle/10986/7464?locale-attribute=es>. (Optional).
- (d) International Trade: Theory and Policy, by Krugman, Paul R., Obstfeld, Maurice, and Melitz, Marc. (Optional).

### B. Additional readings (optional)

#### (a) Online resources

- International Trade, <https://ocw.mit.edu/courses/economics/14-54-international-trade-fall-2016/>
- International Trade Policy, <http://www-personal.umich.edu/~alandear/courses/541/syllabus.html#questions>
- Trade Policy and Trade Indicators, <https://www.cepal.org/en/courses/workshop-trade-policy-and-trade-indicators>.

#### (b) Journals (good place to find research topics)

- Food Policy, Agricultural Economics, The International Trade Journal, Applied Economic Perspectives and Policy, Foreign Trade Review, The Journal of International Trade & Economic Development, Journal of International Trade Law and Policy, and Journal of International Economics.

#### (c) Podcasts

- The library of economics and liberty: <https://www.econtalk.org/>
- Freakonomics: <https://freakonomics.com/>
- Trade Talks: <https://www.piie.com/experts/podcasts/trade-talks>
- Let's Talk Trade: [https://www.wto.org/english/res\\_e/webcase/ltt\\_e/ltt\\_e.htm](https://www.wto.org/english/res_e/webcase/ltt_e/ltt_e.htm)

## Course outline

Week 1 (01/12, 14): Introduction to agricultural trade

### Day 1: Icebreakers

- I will introduce myself and ask each of you to introduce yourselves. Tell the class: Who you are, What program and year you are in, Where you are from, and Why are you interest in this course?
- Logistic: I will go over the syllabus and answer any questions you may have.

Day 2: The basics (why should we study international trade? We will draw some supply and demand graphs, and identify consumer and production surplus).

## Week 2 (01/19, 21): NO CLASS, BUT ASSIGNMENTS FOR THIS WEEK

Days 3-4: I will engage in Rice Modeling Meltdowns

- Read the book titled “Vermeer’s Hat: The Seventeenth Century and the Dawn of the Global World” by Timothy Brook.
- Listen the following podcast, “Brook on Vermeer’s Hat and the Dawn of Global Trade”, available at <https://www.econtalk.org/brook-on-vermeers-hat-and-the-dawn-of-global-trade/>

## Week 3 (01/26, 28): Trade theories (Ch2-3, AFC)

Day 5: David Hume: Price-Specie-Flow mechanism; Adam Smith: Laissez faire and Principle of Absolute advantage

Day 6: David Ricardo and Comparative advantage

## Week 4 (02/2, 4): Trade theories (Ch5-8, AFC)

Day 7: Heckscher-Ohlin theorem and Factor Price Equalization theorem

Day 8: Theories of consumer and producer behavior and gains from trade.

## Week 5 (02/9, 11): International commercial policies (Ch3, Reed)

Day 9 (Tuesday, February 9, 2021): Quiz-1 (materials covered during weeks 1-4)

Day 10: Import tariffs and tariff-rate quota

## Week 6 (02/16, 18): International commercial policies (Ch4, Reed)

Day 11: Export subsidy and tax

Day 12: Minimum price support (importing and exporting countries’ context)

## Week 7 (02/23, 25): International commercial policies (Ch5, Reed)

Day 13 (Tuesday, Feb 23): Spring break (NO CLASS)

Day 14: Technical barriers to trade (how to measure the nominal and effective rate of protection)

## Week 8 (03/02, 4): Trade negotiations (Ch6, Reed)

Day 15: The role of international organizations (GATT, WTO, World Bank, and IMF)

Day 16: The WTO Agreement on Agriculture (Amber, Blue and Green Boxes)

## Week 9 (03/9, 11): Hands-on Practice

Day 17 (Tuesday, March 9): **Mid-term exam (materials covered during weeks 5-8, followed by a lecture on regression analysis (demand and supply elasticities))**

Day 18: Regression analysis (group practice: download data and run some regression)

## Week 10 (03/16, 18): Hands-on Practice (continued)

Day 19: Partial vs. general equilibrium model to analyze trade policy

Day 20: Case study—the U.S. rice trade model (AGRM)

## Week 11 (03/23, 25): Hands-on Practice (continued)

Day 21: How to build a three-country rice trade model (U.S., China, and the ROW)? (group exercise)

Day 22 (25th March, Thursday): Spring break **(NO CLASS)**

## Week 12 (03/30, 04/01): Hands-on Practice (continued)

Day 23: Shock the model that you developed with an increase/decrease in tariff

Day 24: How to report and interpret the results?

## Week 13 (04/6, 8): Macroeconomic factors and agricultural trade

Day 25 (Tuesday, April 6, 2020): **Quiz-2 (materials covered during weeks 9-12), No quiz for those who are writing a research paper)**

Day 26: Exchange rate models (Ch8, Reed)

## Week 14 (04/13, 15): Foreign Direct Investment (FDI) and Transnational Corporations

Day 27: The role of location and externalities (Ch5, AFC)

Day 28: FDI and economic development (Ch12, Reed)

## Week 15 (04/20, 22): Trade, environment, and immigration

Day 29: International movement of people

Day 30: International trade and environment

## Week 16 (04/27, 29): International trade and development (Ch11 and Ch15, AFC)

Day 31: Trade liberalization, economic growth, poverty, and food security; arguments for interventionist trade policies

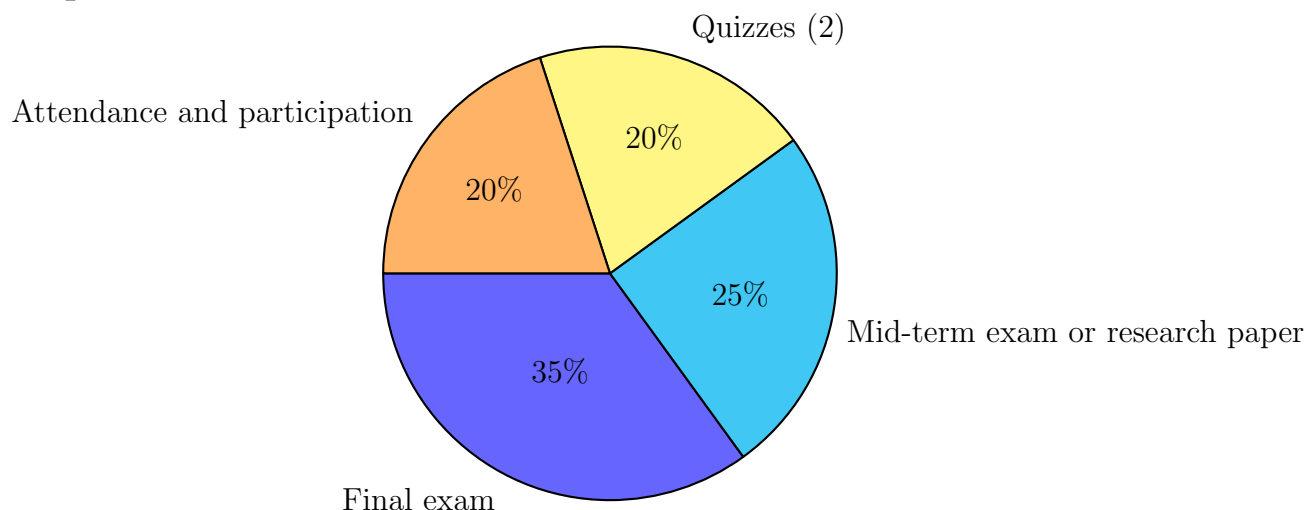
Day 32: **Class debate: Is international trade good or bad?**

Week 17 (05/4, 6): **NO CLASS**

Day 33 (Tuesday, May 4, 2020): **Final exam (materials covered during weeks 1-16)**

Day 34: Final grading

## Required activities



## Attendance and participation

Formal attendance will be taken at the beginning of each class. Regular attendance is a prerequisite for doing well in this course, and those who regularly attend class will be rewarded. Regarding excusable absences, please be familiar with the U of A policy that can be found at <https://catalog.uark.edu/undergraduatecatalog/academicregulations/#attendance>. Finally, there will be some “flip-class” exercises, meaning that I will listen and you all discuss.

## Examination and grading policy

There will be two quizzes (MCQ and short answer types) and a mid-term and final exam. The exams will cover all the lecture material, all of the assigned textbook reading, and hypothetical examples related to trade and the food industry. All exams will be closed-book, so you may not use notes, electronic devices, books, or communicate with other classmates. If you are sick or have another valid reason for not attending the regular exam or if you fail, we can arrange make-up exams. Concerning grades, students will be awarded a grade on a scale from A to F, where A is the best grade and F is a fail. The U of A policy regarding grades and marks can be found at <https://catalog.uark.edu/undergraduatecatalog/academicregulations/#gradesandmarkstext>. However, the exception is that **the grades will be on the full 0–100 scale, not a truncated (60–100) or some such scale, so do not panic if your numerical score is low.**

## Research paper (optional)

This is an optional assignment but mandatory for graduate students. Your research paper can be any topic related to the course content. It should include an abstract, introduction (importance of your research and explanation of why your topic will contribute to the understanding of international economics), a literature review (what has already been done before and what is new with your research), results, and conclusion. I strongly suggest doing it in a group, and it can be published if it is an interesting work. **I will talk about it in a lecture.**

## Other important information

### Professional etiquette

To provide a conducive learning environment, the following guidelines are expected:

- You are expected to be on-time for class, and leaving early for a class is not tolerated.
- You must turn off your CELLULAR PHONES; NO TXT-ing or any other use of cellular phones is permitted in class. So please take a moment to turn off your devices before the class begins.
- Laptops are not allowed to use, except for the group exercises.
- Finally, you can stop me anytime asking questions, but avoid talking among each other once the lectures begin.

### Academic honesty

“As a core part of its mission, the University of Arkansas provides students with the opportunity to further their educational goals through programs of study and research in an environment that promotes freedom of inquiry and academic responsibility. Accomplishing this mission is only possible when intellectual honesty and individual integrity prevail.” Each University of Arkansas student is required to be familiar with and abide by the University’s ‘Academic Integrity Policy’, which can be found at <http://provost.uark.edu/>.

### Diversity, equity, and inclusion

My goal is to create a learning environment that supports a diversity of thoughts, perspectives and experiences, and honors your identities (e.g., race, gender, class, sexuality, and religion). Therefore, if your name differs from those that appear in your official U of A records, and if I pronounce your name incorrectly, please let me know. You can open to express your ideas and bring new perspectives to the classroom. I would like to promote personal growth in each student of my class, so if you feel like your class performance is being impacted by your experiences outside of class, please do not hesitate to come and talk with me. Finally, like many other people, I am still learning about diverse perspectives and identities, so if something was said in class (by anyone) that made you feel uncomfortable, please talk to me about it.

### Students requesting classroom accommodation

The Center for Educational Access (CEA) of the University of Arkansas serves as the central campus resource for helping students with disabilities obtain the accommodations they need for equal access to classroom activity. For further information are available at <https://oeoc.uark.edu/accommodations/adaaccommodations.php>.

### Software use and technology in the class

All faculty, staff, and students of the University of Arkansas are required and expected to follow the laws and legal agreements governing software use. Failure to do so can lead to monetary damages and/or criminal penalties for the individual violator. Policies regarding copyright infringement can be found at <https://its.uark.edu/about/policies/copyright.php>. Concerning the software use in the class, we will mostly use the M.S. Excel and R, but you are welcome to use any other software such as STATA and GAMS to complete the group exercises.

**Student-Instructor consent**

- In this syllabus, any policies and/or dates stated are subject to change at the instructor's discretion. However, any changes will be posted well in advance and disseminated using the class e-mail. It is solely the student's responsibility to remain informed of any changes.
- I contemplate my teaching as a scholarly endeavor, so what I learn from you from this class can help me improve future courses. I may also draw insights from your assignments to create scholarship that can help others wishing to improve their pedagogical (teaching) practices. If I do so, your identity will remain anonymous. If you have concerns, please speak with me.
- By enrolling in this course, you agree to the terms and conditions outlined in this syllabus. Should you have any questions or concerns, please stop by my office or make an appointment for a virtual discussion.

**I wish everyone a great and productive semester!**