

**International Agricultural Trade**  
**AEB 4931 Section 7472**  
**Spring 2015**

**Instructor:** Dr. Jaelyn D. Kropp, Assistant Professor  
**Office:** 1157 McCarty Hall A  
**Phone:** 352-294-7631  
**Email:** [jkropp@ufl.edu](mailto:jkropp@ufl.edu)  
**I do not utilize the e-mail tools within E-Learning Sakai**

**Location:** Tuesdays period 4 (10:40am – 11:30am) MCCA 2186  
Thursdays periods 4 & 5 (10:40am – 12:35pm) MCCA 2186

**Office Hours:** Tentatively Tuesday 2:00pm-3:00pm, Wednesdays 1:30pm-3:00pm or by appointment

**TA:** TBA  
**TA Office Hours:** TBA

**Administrative Assistant:** Kathy Green ([kagreen1@ufl.edu](mailto:kagreen1@ufl.edu))  
Office: 1170 McCarty Hall A

**Credits:** 3

**Prerequisites:**

AEB 3103 and AEB 3510 or the equivalent. It assumed that students are familiar with basic microeconomic analysis and elementary calculus.

**Required Textbook:**

*International Economics, 8<sup>th</sup> Edition* by Dennis R. Appleyard and Alfred J. Field, Jr. McGraw-Hill/Irwin Publishers. 2014. ISBN: 978-0-07-802167-1.

\*Older editions of the book may suffice. However, students are responsible for ensuring that they are studying the correct material.

Houck, J. *Elements of Agricultural Trade Policies*, Waveland Press (1992). Note: This book is out of print. I have a copyright release and will provide you with a pdf version of the relevant chapters.

**E-Learning:**

There is an E-Learning Sakai web-page for this course. To access E-Learning Sakai, you will need your Gatorlink username and password. E-Learning Sakai can be accessed via <https://lss.at.ufl.edu/>. If you are having difficulties accessing E-Learning Sakai, please contact the UF Computing Help Desk directly by calling (352) 392-HELP or via e-mail [helpdesk@ufl.edu](mailto:helpdesk@ufl.edu). You will need your UFID when contacting them.

**Course Description:**

An examination of the economic forces associated with trade in food and agricultural products between the U.S. and other countries. Economics principles and analytical techniques are applied to international trade and multi-national markets. Consideration is also given to international commercial policy as it relates to agriculture and international economic integration.

This course is intended to provide a *senior-level capstone experience* for students pursuing the International Food and Resource Economics specialization within the major. As such, the course will be taught with the assumption that students are highly motivated, diligent, have a level of economic sophistication expected of a senior within the major. The course culminates with the completion of comprehensive integrated research project, required of all students (see Term Project).

**Format:**

Since AEB4931 is an *analytical* course, it will be delivered via traditional lectures. Theories and frameworks will be presented in class and we will discuss their *derivations* as well as *applications* to the ‘real world.’ Quantitative reasoning and analytical methods are used extensively. Therefore, basic knowledge of economic principles and concepts is necessary. Keeping up with news, in general, and economic news, in particular, is imperative to get the most out of your experience in this course.

This course will proceed at a fairly rapid pace. Therefore, it is expected that students keep up with reading the textbook, preferably before coming to class. Furthermore, the class will be designed such that classroom participation (not only attendance but also active participation) and individual study and preparation outside the classroom are necessary for learning and performing well in the exams. Lectures will cover the major points of assigned readings. However, unless otherwise told, students are required to read and understand all assigned readings.

**Course objectives:**

We are living in an increasingly globalized world; international linkages affect virtually all aspects of our everyday lives. No business enterprise – no matter how small or comprehensive, or no matter how local or global in scope – is unaffected by international economic forces. Therefore, as budding economists, future business leaders, and prospective policy makers, it is imperative that students have an understanding of, and an appreciation for, the global economy and international economic issues. To this end, AEB 4931 has eight main course objectives.

After the successful completion of this course, students should be able to:

1. Access economic news with greater sophistication;
2. Relate international economic events to the operations of a firm;
3. Appreciate the interrelatedness of national economies;
4. Explain why international economic interactions fluctuate;
5. Understand why international trade is often regulated;
6. Evaluate the impact of trade policies;
7. Explain the nature and roles played by international organizations and trade agreements;
8. Use the analytical tools of the discipline to illustrate the theories governing international economic relationships and to analyze outcomes.

These objectives are accomplished by developing an understanding of...

- ... the economic foundations governing the analysis of international trade;
- ... the nature (and shortcomings) of early trade theories and approaches to international commerce;
- ... the insight gained from the classical model of international trade;
- ... the insight gained from the neo-classical model of international trade;
- ... the effects of international trade on an economy;
- ... the determinants of trade patterns between nations;
- ... the determination of prices in international markets;
- ... the gains from international trade;
- ... the winners and losers from international trade;
- ... the interaction and interdependence of national economies;
- ... the dynamics of international factor movements;
- ... the economic analysis of trade policy;
- ... the arguments for and against protectionism;
- ... the motivation behind enacting trade agreements and treaties;
- ... the process and implications of international economic integration;
- ... the roles of the World Bank, The International Monetary Fund, and the World Trade Organization in the global economy.

#### **Attendance Policy:**

I accept students to attend all classes. Regular and punctual attendance at all classes is the responsibility of each student. In the event of an absence, it is the responsibility of the student to make up any resulting deficiencies.

I will inform the class in advance if I will not attend a particular class, in which case arrangements will be made for a substitute instructor or other alternatives. However, in case of an absence for which no advance arrangements have been made, students are authorized to leave after a 10-minute wait.

#### **Grading:**

Two in-class exams (20% each)	40%
Final (Friday, May 1, 12:30 - 2:30 pm)	20%
Participation	5%
Term Project	15%
Presentation	5%
Homework	<u>15%</u>
	100%

**In general, late assignments will NOT be accepted. The instructor reserves the right to determine if a student shall be permitted to submit an assignment late (see excused absences and late assignment policy below).**

**In-class Exams:**

There will be two in-class exams. The exams will consist of short-answer, essays, and analytical problem-solving questions.

**Exam 1: Thursday, Feb. 12, 2014**

**Exam 2: Thursday, April 2, 2014**

**Final Exam:**

A mandatory cumulative final exam will be given during the scheduled final examination period. The exam will consist of short-answer/essay and analytical problem-solving questions.

**Final Exam: Friday, May 1, 12:30pm – 2:30pm.**

**Closed Book Exams:**

All exams are closed book and closed notes. No formula sheets or any other aids are allowed. A simple calculator may be used. However, graphing calculators, cell phones, touch screen devices, tablets, laptops, or other devices with the capability to store formulae are not allowed. Sharing calculators during an exam is not allowed.

**Exam day policy:**

It is expected that all students be on time to exams. Please arrive early, if possible, to get seated and get your books/bags stowed away so that the exam can be started at the stated time.

**Make-up Exams:**

- Make-up exams are not given.
- Individuals absent in any exam will receive a score of **zero** (0) on that test unless there is a valid, medically related, excuse for missing the test.
- In order to be excused from an exam, you **must** notify the instructor in advance and secure instructor's permission. Only acceptable reasons to request an excuse are:
  - Medical emergency (ordinary doctor's visit is not acceptable) that renders the student unable to take the test (proper documentation justifying the excuse will be required).
  - Significant personal or professional commitment (eligibility depends on instructor's judgment, and hence prior permission is a must).
  - Genuine family emergency (again, proper documentation/verification from parent/guardian will be needed).
- If a student is excused from an exam, the comprehensive final exam will count in its place after adjusting for overall class performance (and will consequently count twice in the determination of your final course grade).
- Any student **will not** be excused from more than one exam.
- University athletes are allowed make-up exams missed due to official university sporting events pending ample WRITTEN notification in advance (at least 7 days prior to a scheduled exam). Club/recreational sports are not granted the same courtesy.

The proposed exam dates are presented in this course syllabus, so please plan your semester accordingly.

### **Class Participation:**

Part of your grade is based on participation. Occasionally, at the beginning of each class you will be asked to answer a short question/quiz regarding the previous class. However, the majority of your participation grade will be based on active class participation. I expect you to actively participate in class discussions. Contributing to conversations in other classes and on the job is a critical skill.

You can take steps to improve your participation. If you tend to be a non-participant, I encourage you to prepare questions or jot down a few key points before class and make an effort to speak up in class. If you tend to 'dominate' discussions, learn to let other people contribute.

### **Term Project and Presentation:**

Each student will be required to complete a 10 page typed (double spaced, 12pt font, one-inch margins throughout) term paper on an international trade topic of their choice (you may exceed 10 pages if you prefer). The paper must be properly referenced and cited (MLA-style – please consult a style manual if you are unsure how to properly reference a term paper) and must relate to the topics we have covered in class. Students are encouraged to use numerical data in analyzing their topic. While data and figures will enrich your paper, the 10 pages do NOT include lengthy data tables and figures; these would be in addition to the 10 pages. The title page does not count as part of the 10 page requirement. Project citations should include only credible sources (not Wikipedia or other open source websites or blogs).

The purpose to this paper is for you to display your mastery of the material covered in this course and how well you can synthesize these concepts via an independent research project. Students are welcomed to take an interdisciplinary approach to their topic by incorporating concepts from other Food and Resource Economics courses into their paper and relating these concepts to the material covered in this course.

Please make arrangements to meet with Dr. Kropp to select a topic. Only one student per topic as these papers are individual assignments; thus, once a topic is taken, no other student can pursue the same topic. It is entirely Dr. Kropp's discretion to determine whether a topic is taken or whether a proposed topic is 'sufficiently different' from an already spoken for topic. Further details and guidelines will be provided in class.

### **The paper will be graded as follows:**

<b>Two-page summary of topic*</b>	<b>10 points</b>
<b>Proper referencing throughout (MLA style)</b>	<b>10 points</b>
<b>List of References (at the end of the paper)</b>	<b>5 points</b>
<b>Literature Review</b>	<b>20 points</b>
<b>Economic analysis and synthesis</b>	<b>35 points</b>
<b>Grammar</b>	<b>10 points</b>
<b>Readability/organization</b>	<b>10 points</b>

\*You must turn in a two-page summary (typed, 12pt font, one inch margins throughout) of your proposed topic no later than Thursday, Feb. 26. The two-page summary does not count towards

the 10 pages of the final paper. Students must outline their topic, research method, and how the topic relates to the class and how it contributes to the learning experience for the class as a whole. In addition to a summary of the topic, you also need to include a tentative list of references used for the final paper, properly referenced and cited, including journal articles, articles from the popular press, books, databases, web-pages, etc. Note that Wikipedia or blogs are NOT considered references and may not be used.

Each student will be required to give a 10 minute presentation of their paper to the class. The presentation should be professional in nature and should utilize PowerPoint. The 10 minutes should incorporate a couple of minutes for questions and answers from the class. Presentations will be given during April 9, April 14, April 16, and April 22, tentatively.

Attendance at all presentations is required. Out of courtesy and respect to your fellow classmates and students making presentation, arriving late on presentation days is not allowed and will result in the loss of all attendance points allocated for that day.

**The final term paper is due no later than Thursday, April 9. Late papers will not be accepted.** Students are encouraged to submit completed projects in advance

#### **Homework:**

There will be several homework assignments (approximately 4) to assist learning. Homework must be turned in by the due date. Homework turned in after the due date will not be accepted. Homework will not be accepted once the solutions have been posted. Student will generally have one week to complete assignments.

#### **Re-grades:**

If you feel that an error has been made in the grading of an assignment/exam you are encouraged to submit the assignment/exam for a re-grade. Please note that the **entire** assignment/exam will be reviewed for accuracy.

Re-grade requests must be submitted no more than one week after the assignment/exam in question was returned to you. Please put the assignment in an envelope along with a typed explanation of the issue in question.

#### **Text Messaging, Instant Messaging, Facebook, Smokeless Tobacco, Etc.:**

Students caught engaging in these activities during class will receive a one percentage point penalty on their final class participation grade for **each** offense.

#### **Excused absences and late assignment policy:**

In order to be excused from class or be allowed to submit an assignment late, you **must** notify Dr. Kropp in advance and secure my permission. The only acceptable reasons to request an excuse are:

- Medical emergency (ordinary doctor's visit is not acceptable; proper documentation justifying the excuse will be required).
- Significant personal or professional commitment (e.g., field trip for another course; military duty; religious holidays; participation in official university activities such as music

performances, athletic competition or debate; court-imposed legal obligations). Eligibility depends on instructor's judgment, and hence prior permission is a must. Students will not be excused from group presentations for such activities.

- Genuine family emergency (again, proper documentation/verification from parent/guardian will be needed).

**Documentation must be submitted no later than the first day you return to class.**

Should you experience a significant hardship/illness (e.g. diagnosis of a terminal/chronic disease of you or a close family member; e.g., depression; Crohn's disease, cancer, etc.) during the semester that negatively affects your performance in the course or has the potential to negatively affect your performance in the course, you must inform me as soon as possible such that we can make the appropriate accommodations.

### **Final grades:**

<u>Grade</u>	<u>Range</u>
A	95 - 100
A-	90 - 94.99
B+	87 - 89.99
B	83 - 86.99
B-	80 - 82.99
C+	77 - 79.99
C	73 - 76.99
C-	70 - 72.99
D+	67 - 69.99
D	63 - 66.99
D-	60 - 62.99
E	0 - 59.99

If necessary, a curve may be added when calculating final grades. The curve will be determined based on current semester's students' performance.

Final grades will not be posted on the course website. Students may obtain their final course grade once grades have been posted by the University Registrar. I will not respond to emails or other inquiries regarding grades between the final presentations and when final grades are posted by the registrar.

### **Grades and Grade Points:**

For information on current UF policies for assigning grade points, see <https://catalog.ufl.edu/ugrad/current/regulations/info/grades.aspx>

**Academic Honesty:**

As a student at the University of Florida, you have committed yourself to uphold the Honor Code, which includes the following pledge: “We, the members of the University of Florida community, pledge to hold ourselves and our peers to the highest standards of honesty and integrity.” You are expected to exhibit behavior consistent with this commitment to the UF academic community, and on all work submitted for credit at the University of Florida, the following pledge is either required or implied: "On my honor, I have neither given nor received unauthorized aid in doing this assignment."

It is assumed that you will complete all work independently in each course unless the instructor provides explicit permission for you to collaborate on course tasks (e.g. assignments, papers, quizzes, exams). Furthermore, as part of your obligation to uphold the Honor Code, you should report any condition that facilitates academic misconduct to appropriate personnel. It is your individual responsibility to know and comply with all university policies and procedures regarding academic integrity and the Student Honor Code. Violations of the Honor Code at the University of Florida will not be tolerated. Violations will be reported to the Dean of Students Office for consideration of disciplinary action. For more information regarding the Student Honor Code, please see: <http://www.dso.ufl.edu/sccr/process/student-conduct-honor-code>.

**Software Use:**

All faculty, staff and students of the university are required and expected to obey 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. Because such violations are also against university policies and rules, disciplinary action will be taken as appropriate.

**Campus Resources:**

Students experiencing crises or personal problems that interfere with their general well-being are encouraged to utilize the university’s counseling resources. The Counseling & Wellness Center provides confidential counseling services at no cost for currently enrolled students. Resources are available on campus for students having personal problems or lacking clear career or academic goals, which interfere with their academic performance.

- *University Counseling & Wellness Center, 3190 Radio Road, 352-392-1575, [www.counseling.ufl.edu/cwc/](http://www.counseling.ufl.edu/cwc/)*
  - Counseling Services
  - Groups and Workshops
  - Outreach and Consultation
  - Self-Help Library
  - Wellness Coaching
- *Career Resource Center, First Floor JWRU, 392-1601, [www.crc.ufl.edu/](http://www.crc.ufl.edu/)*

**Student with Disabilities Act:**

The Disability Resource Center coordinates the needed accommodations of students with disabilities. This includes registering disabilities, recommending academic accommodations within the classroom, accessing special adaptive computer equipment, providing interpretation

services and mediating faculty-student disability related issues. Students requesting classroom accommodation must first register with the Dean of Students Office. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the Instructor when requesting accommodation

0001 Reid Hall, 352-392-8565, [www.dso.ufl.edu/drc/](http://www.dso.ufl.edu/drc/)

**Online Course Evaluation Process:**

Student assessment of instruction is an important part of efforts to improve teaching and learning. At the end of the semester, students are expected to provide feedback on the quality of instruction in this course using a standard set of university and college criteria. These evaluations are conducted online at <https://evaluations.ufl.edu>. Evaluations are typically open for students to complete during the last two or three weeks of the semester; students will be notified of the specific times when they are open. Summary results of these assessments are available to students at <https://evaluations.ufl.edu/results>.

## **Tentative Course Outline:**

The instructor reserves the right to change this outline as appropriate. Some chapters will be covered in their entirety, while we are only covering selected portions from others.

### **I. Introduction to the Field of International Economics: Preliminaries and Current Trends (0.5 week)**

#### Chapter 1: The World of International Economics

- Overview of scope and methods of international economics
- Overview of current trade data
- Trends in international trade and international economic relations

### **II. Early Approaches and Classical Trade Theory (1.5 weeks)**

#### Chapter 2: Early Trade Theories

- Mercantilism
- The challenge to Mercantilism by Classical Economics
  - David Hume: Price-Specie-Flow mechanism
  - Adam Smith: Laissez faire and Principle of Absolute advantage

#### Chapter 3: The Classical World of David Ricardo and Comparative Advantage

- The contribution of David Ricardo to the classical analysis of international trade
- Principle of Comparative advantage: The Ricardian model
- Classical trade model
  - Determination of terms of trade and trade patterns
  - Gains from trade
  - Complete versus incomplete specialization

### **III. Neoclassical Trade Theory (5 weeks)**

#### Chapter 5: Introduction to Neoclassical Trade Theory

- Microeconomic foundations
- Indifference curve analysis
  - Consumer behavior: utility maximization
- Production possibilities frontiers
  - Firm behavior: profit maximization

#### Chapter 6: Gains from Trade in Neoclassical Theory

- General equilibrium in a closed economy
- General equilibrium in an open economy
- Neo-classical trade model
- Terms of trade and trade patterns
- Gains from trade
  - Gains from specialization versus Gains from exchange
- Consumption versus production choices
- Differences across countries

- Differences in consumption patterns
- Differences in production structures

Chapter 7: Offer Curves and the Terms of Trade

- Offer curve analysis
  - Derivations and analytics
  - Offer curves and a country's willingness to trade
  - Determination of international prices
- Terms of trade and trade volume determination

Chapter 8: The Basis for Trade

- Factor intensities and abundance
- Heckscher-Ohlin theorem
  - Foundations and predictions
- International factor prices
- Factor Price Equalization theorem
- Stolper Samuelson theorem
  - Distributional effects of trade

Chapter 9: Empirical Tests of the Factor Endowments Approach

- Leontief's paradox
  - Possible explanations for the paradox
- Other empirical assessments of the Heckscher-Ohlin model

**IV. International Commercial Policy (4 weeks)**

Introduction to the WTO

Chapter 13: Instruments of Trade Policy

- Definition of policy instruments
  - Tariffs, quotas, subsidies, etc.
- Tariffs: Specific/ad-valorem
- Effective rate of protection
- Preferential duties
- Generalized system of preferences
- Normal trade relations/most favored nation
- Effective rate of protection

Chapter 14: The impact of Trade Policies

- Partial equilibrium analysis of trade restrictions
- Tariffs
  - Welfare implications of tariffs
  - Partial equilibrium analysis vs. general equilibrium analysis
  - Offer curve analysis
- Quotas
  - Welfare implications of quotas

Chapter 15: Arguments for Interventionist Trade Policies

- Traditional (and non-traditional) arguments for and against protectionism
- The Role of International Organizations and Institutions
  - Bretton Woods Conference and the structure of the global economy
  - General Agreements of Tariffs and Trade
  - World Trade Organization
  - The World Bank
  - The International Monetary Fund

**V. Extension: Economic Integration (0.5 week – time permitting)**

Chapter 17: Economic Integration

- Forms of economic integration
- Experiences of economic integration
- Welfare effects of economic integration
  - Trade creation vs. trade diversion
- Economic integration and trade patterns
- The evolution of the European Union (EU)
- North American Free Trade Agreement (NAFTA)

*The above schedule, policies, procedures and assignments in this course are subject to change in the event of extenuating circumstances, by mutual agreement, and/or to ensure better student learning.*