

Writing Project: Econ 4431W International Trade

Tianyi Li

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Overview

- **Assignment:** Conduct an economic analysis of a trade issue or policy.
- **Objectives:**
 - i Apply analytic skills and economic concepts to examine an interesting trade issue
 - ii Learn how to write a formal report in economics using data and statistical techniques
- **Main Deadlines for Each Part of the Assignment (Steps):**
 - i **Topic** - due February 7th
 - ii **Outline** - due March 13th
 - iii **First Draft** - due April 10th
 - iv **Final Draft** - due April 24th

Plan for today

- 1 Go through the structure of the writing project
- 2 (While doing task 1) Explain the requirement and details of each assignment
- 3 Make sure you read the slides again before doing each part (topic, outline, first draft, final draft)—the slides contain helpful advice that will facilitate the paper-writing process

What makes a research paper in Economics?

- 1 Research Question
- 2 Introduction and Motivation Section
- 3 Theory Section and Literature Review
- 4 Data Section
- 5 Analysis Section
- 6 Results/Interpretation Section
- 7 Conclusion

The goal of this class is to help you build up to writing the full paper in small chunks!

Research Question

- A question is the heart of any research project. What do you want to know?
 - How did NAFTA impact US Dairy producers? What were its impacts on consumer welfare/prices?
- Broad enough to be interesting. Specific enough to answer in 15 pages
- Related to international trade
 - Consider testing a theory or relationship that you are learning about in class
 - Ricardian Theory of Comparative Advantage? Or Heckscher-Ohlin?
 - Read Chapter 4 of your textbook for nice examples of how to construct empirical tests of Ricardian Theory, and Chapter 8 for empirical tests of Neoclassical theories of trade

What do successful research projects look like?

• Event Studies

- Use a policy change (like a trade liberalization or an imposition of tariffs) to evaluate its impact on an industry.
- Can you say something about its welfare implications?
- Are the observed outcomes consistent with the predictions of theory?

- **Test a Theory:** One of the theories you're learning about in class predicts some empirical relationship in the data. Does it actually hold up to scrutiny?
 - Are there relationships which the theory says should hold up in the cross section? (i.e, looking at many different countries)
 - Can you construct an empirical test?

Many of these projects will be "replicate and extend" papers

Introduction

- What is the topic you will be writing about and why is it interesting?
- What is the specific research question you will be trying to answer?
- How will you go about using the data to answer your research question? Give an overview of what you plan to do in the rest of the paper!

- **Preview your findings!**

E.g., “I find that NAFTA lead to an $[X]\%$ increase in Dairy exports from the US to Mexico, and a $[Y]\%$ decrease in prices. This [is/is not] consistent with the theory because...”

Assignment 1: Topic Description (Topic Proposal)

- **Due Date:** February 7th; counts for **5 percent** of your total grade for the writing project.
- **Assignment:** A one page paper carefully explaining the chosen topic and the countries involved.
- Start by writing a thesis statement. One sentence (write it in **bold**) describing clearly the question or topic you want to analyze.
 - E.g., This paper studies the impact of NAFTA on Mexico's export volume of cars to the United States.

Topic

Topic should answer following questions:

- What is the trade issue/problem I am trying to examine?
- Why is this interesting? Motivate why the reader should care!
- Is data available for 20-years or more? Is it from a reliable source?
 - i Want to see 5 years of data before the policy, and 20 years after.
 - ii Consider policies that happened in 1995 or earlier!
 - iii Document that the data is available!

Examples of good topic proposals

Example 1

- **What is the goal of your Topic?**

- To analyze the effects of NAFTA on Mexican and Canadian trade relations. I will be specifically focusing on the automotive industry, comparing the growth of the industries and their effects on one another to see, after the ratification of NAFTA, if there was any changes in the relative proportion of automotive imports over the course of time.

- **What variables do you plan to use for empirical analysis?**

- I plan on using empirical trade data of Canadian and Mexican automotive exchange as my indicator for my analysis on the trade relationship.

- **Source of these variables/data?**

- I will be using the UN Comtrade (<https://comtrade.un.org/data/>) website to extract my data that I desire. I could also use the World Bank site for control variables such as a GDP growth and population.

Examples of good topic proposals

Example 2

- **What is the goal of your Topic?**

- My goal is to examine the effects of the Andean Trade Preference Act (ATPA) on Peru's copper industry, specifically addressing how imports from Peru as a proportion of US total imports have increased, how a greater proportion of exports of copper are shipped from Peru to the US, and how Peru's producers have been affected by the free trade agreement.

- **What variables do you plan to use for empirical analysis?**

- Peruvian Copper Exports to USA, US Copper Imports from Peru.

- **Source of these variables/data?**

- comtrade.un.org/data, HS Code = 74 (copper and articles thereof).

Examples of bad topic proposals

Example 1

- **What is the goal of your Topic?**
 - Does the 2003 US-Chile FTA positively affect US wheat producers?
- **What variables do you plan to use for empirical analysis?**
 - US wheat export
- **Source of these variables/data?**
 - <https://comtrade.un.org/data>

Examples of bad topic proposals

Example 2

- **What is the goal of your Topic?**

- This paper will assess the effects of the trade agreement about the reimport of American beef to China between this two countries. Specifically addressing four points: how beef imports from U.S as a proportion of China's total beef imports have increased, how a greater proportion of exports of beef from U.S are shipped to China, how producers of U.S have been or will be affected by this trade agreement and how the market of beef in China will be affected.

- **What variables do you plan to use for empirical analysis?**

- U.S. beef exports (i.e., China's beef import, US trade deficit with China, the proportion of beef imports in China, the proportion of beef exports in America

- **Source of these variables/data?**

- <http://edition.cnn.com/2017/05/11/politics/china-us-beef-imports-trade-deal/>

Unacceptable topics

Below are examples of **UNACCEPTABLE** topics because they are either vague, not related to trade, or too broad:

- ❶ China/Russia and WTO
- ❷ Asian Financial Crisis or Trade and the Current World Recession
- ❸ A history of automobile trade between the US and Japan
- ❹ Role of WTO in the world trade
- ❺ Multinational corporations and FDI
- ❻ A trade survey is not acceptable. (e.g. US trade with UK, pros or cons of including Chile in NAFTA, steel trade between US and Korea, CAFTA and its implications).
- ❼ Please do not pick illegal goods or countries which do not have reliable data
- ❽ NO forecasting- please do not work on finding future effects of any recent trade agreement or problem.

Topic Proposal—Final Points

- Potential topics will be listed on Canvas in the days to come.
- If you use one make sure you sign up for it! i.e., Put your name next to the topic of your choice.
- If someone else has already signed up, you must pick a different topic!
- Questions?

Theoretical Framework

- Describe the theoretical framework that informs your research: This will often involve giving a description of a theory (such as comparative advantage, Heckscher-Ohlin, etc...) that has been used to study your research question.
- Clearly articulate the link between the theory and data. What does the theory predict? What things are observable, and what can infer through the lens of the theory?
- How does all of this fit in with the existing literature on your question?
- You're not going to write this section in the first week of class, but it's never too early to read ahead in the textbook, and start reading the relevant literature!

Data Section

- Describe clearly the data you have collected

Provide enough detail that the reader could replicate your work!

- What exactly are you measuring?
 - What sources does it come from?
 - What years/countries does it cover?
 - What complications (if any) did you encounter that the reader should know about?
- Summarize and plot the data - what does it look like qualitatively?
- Why is the data well suited to answer your research question?

Analysis

- You should describe the analytical framework that you will use in order to answer your question using the data that you have collected.
- This will almost certainly take the form of a linear regression (or several linear regressions)
- You should write down the empirical specification of the regression (i.e, a regression equation) that makes clear exactly what linear model you are estimating.
- You should clearly identify what source of exogenous variation allows you to estimate the regression without bias. For most of you, this will be the assumption that the policy change that you are studying was an exogenous event.
- Tell us how your estimated coefficients will answer your research question.

Analysis: Example

- Example: You are estimating a regression of the form

$$\Delta \log(y_t) = \beta_0 + \beta_1 D_t + X_t \cdot \gamma + \epsilon_t$$

where y_t is the outcome variable of interest, $D_t = \begin{cases} 1 & \text{after policy change} \\ 0 & \text{before policy change} \end{cases}$
and X_t is a vector of controls.

- You interpret the estimated coefficient $\hat{\beta}_1$ as the change in the growth rate of y_t that is attributable to the policy change, holding all of your control variables constant.
- This means that if y_t is a measure of exports, you will say that if $\hat{\beta}_1$ is positive and statistically significant, the trade liberalization caused an increase in the growth of exports.

Assignment 2: Outline and Data Description

- **Due Date:** March 13th
- **Assignment:** 2-3 page outline of your paper
- Outline counts **15 percent** of grade for writing assignment.

Outline and Data requirements

Your assignment should have:

- A clear introduction describing the trade issue you chose and the way you have decided to analyze it. Remember that your research question should be included in your introduction and it should clearly state what you are trying to learn from your empirical work.
- A description of your theoretical framework:
 - How does economic theory inform the way you approach answering your research question?
 - Does it suggest that certain variables/relationships will be relevant or informative?
 - Does it make predictions about what you should expect to see in the data? Are you going to test those predictions?

Outline and Data requirements (cont)

- A draft of your data section
- A description of any empirical work that you have done so far. Example:
 - Report the effects of the trade liberalization that you are studying on different countries
 - Plot your data over time
- What regressions do you intend to run?
 - You should include a formal regression specification (i.e, write out the regression equations that you intend to estimate in the data)
 - How will you interpret the results? How do they help you answer your question?

Results/Interpretation

- You should discuss the interpretation of your regression results.
- Are your results statistically significant? What does it mean if they are? What does it mean if they are not?
- What do your estimates mean in terms of answering your question?
- How convincing are your estimates? Are there things you think should be improved in future work? Be honest in your assessment.
- How do your estimates fit in with the theory? Are they consistent with it? If not, how do you think we should weigh one versus the other? Are there other theories that could explain your results?

Conclusion

- Discuss briefly what you have done, and reiterate your overall findings. Is your empirical work able to give an answer to your research question? If so, what answer is it?
- Take a moment to reflect back on what you have done. How strong/convincing is the empirical evidence that you have presented? What can/should be improved in future work?
- You can also discuss possible extension of your current paper: explain what else needs to be done, and if you have more data, how you want to improve your research.
- Don't forget to include a works cited at the end, with in-text citations as needed. Refer to APA Manual of Style for details on how to do this properly.

Assignment 3: First Draft (Full Draft)

- **Due Date:** April 10th
- **Assignment:** A 10-15 page version of your paper containing all the necessary components.
 - Examine the impact of the trade issue (or policy) on different groups, such as consumers, producers, workers.
 - Provide a complete list of references (only list what you use and make sure they're credible).
 - We will run final copy through plagiarism software.
- First draft counts **30 percent** of grade for writing assignment.

Assignment 4: Final Draft

- **Final Draft Due Date:** April 24th
- **Assignment:** Submit a final, polished version of your paper.
 - Take into account the comments made on previous assignments!
 - You should not need to add new material at this stage, although you are allowed to if you have discovered elements that would substantially alter the logic or the conclusions of your paper.
- Final draft counts **50 percent** of grade for writing assignment.

Additional Resources

- Make sure to check writing assignment syllabus on Canvas before each part is due.
 - Includes links to resources about topic selection, writing a bibliography, etc.
- Your writing assistant (me)
 - Office Hours: Thursday 3-5pm (I will email you in case of changes)
- Student English Language Support (SELS)
 - Offers free, 45-minute consultations to international undergraduate students to help develop their English skills.
For more info:
<https://ccaps.umn.edu/minnesota-english-language-program/student-english-language-support>

Final Notes on Format

- Font 12, Double Space
- Include a title page for each of your submissions: write your name, course number, your research topic/question, etc.
- Have clear demarcations of different subsections of your paper: e.g., introduction, theory and literature review, data section, etc. This makes it easier to understand what's the purpose of each paragraph.
- Good luck! Hope you do well on the writing assignments!