

# Econ 340

## Lecture 3

### Comparative Advantage and the Gains from Trade

# News: Jan 11-19

- US Congress fails to approve increased funds for IMF -- FT: [1/14](#) | [CTools](#)
  - In 2010, led by the US, G20 had agreed that advanced economies would increase the role of emerging economies in IMF and also increase its funding.
  - The US budget package agreed Jan 13 did not include increased funds for IMF, in spite of intense lobbying by US Treasury and the White House.
  - This breaks the "contract" that the US had with other countries and will prevent reform that would have made IMF governance fairer for emerging economies.
- Indonesia bans mineral exports -- NYT: [1/12](#) | [Proquest](#) | FT: [1/12](#) | [CTools](#)
  - Indonesia announced a ban on unprocessed mineral exports, effective Jan 12 2014, but not actually binding for major exporters until 2017. Indonesia is a major producer of the world's gold, nickel, copper, tin and thermal coal. It produces more than 15% of global nickel supply.
  - Purpose is to push mineral companies to process minerals inside Indonesia, increasing the "value added" there. Companies are required to build smelters to convert ore into pure minerals by 2017.
  - Government claims this will promote industrial development. Mining companies and economists say it will cause mass lay-offs and reduce export revenues.
- US Democrats are critical of Trans-Pacific Partnership (TPP) -- WSJ: [1/15](#) | [Proquest](#) | NYT: [1/15](#) | [Proquest](#)
  - White House wants "fast track" rules for passing trade agreements, but Democrats fear that TPP will reward countries with poor records on human rights and environment.
  - Documents leaked by WikiLeaks show that the environmental chapter of what is being negotiated looks like US is giving in to the other 11 TPP countries, allowing environmental protections to be not legally binding.
  - USTR Froman says "We have worked closely with the environmental community from the start and have made our commitment clear." But the other 11 countries argue that strong enforceable environmental rules would hurt their growing economies.

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