

## INTERNATIONAL TRADE (Module 43739)

SPRING 2019

**Lectures:** Room 3.1.13; Thursday 3:00 - 5:00 pm (13 lectures)

**Lecturer:**

Silvio Esteve

Office: 4F10, Faculty of Economics

E-mail: [sesteve@uv.es](mailto:sesteve@uv.es)

Office Hours: Wednesday, 9:30-12:30

**Required text:**

- Paul Krugman, Maurice Obstfeld, and Marc Melitz (KOM, hereafter): International Economics: Theory and Policy, 9<sup>th</sup> edition, Addison Wesley, 2012.

- Elhanan Helpman: Understanding global trade. Cambridge, MA: Harvard University Press, 2011.

In each topic, there are additional readings. In addition, some additional reading may be provided during the course.

**Course description:** This course will analyse the causes and consequences of international trade and investment. In particular, we will study why nations trade, what they trade and the gains from trade. Firm decision to export and/or to invest abroad will also be examined. The course will use extensively micro-economic tools.

Topics covered include basic models of international trade and its extensions, the study of multinationals, foreign direct investment, and some trade policy tools.

**Course evaluation:**

The final mark in this subject will arise from two main sources:

First, there will be two short presentations (5-6 minutes long) throughout the course (30% of final mark) on a list of topics provided by the lecturer.

Second, there will be an official final exam that will cover all the lecture materials and all the assigned readings (70% of final mark).

**Course outline:**

[What follows is a tentative schedule for the course, which might be subject to change]

## **PART I. INTRODUCTION**

### **Topic 1. Basic facts and issues in international trade. Gains from trade**

[lectures 1-2]

- KOM, chapters 1,2
- Helpman, chapter 1
- Ricardo, David (1817). On the Principles of Political Economy and Taxation, [Chapter 7: "On Foreign Trade"](#)
- WTO: World Trade Statistical Review 2017  
[https://www.wto.org/english/res\\_e/statis\\_e/wts2017\\_e/wts17\\_toc\\_e.htm](https://www.wto.org/english/res_e/statis_e/wts2017_e/wts17_toc_e.htm)

## **PART II. A REVISION OF NEOCLASSICAL MODELS OF INTERNATIONAL TRADE**

### **Topic 2. The standard trade model**

[lecture 3]

- KOM, chapter 6.
- Helpman, E. (1999): The Structure of foreign trade, *Journal of Economic Perspectives*, 13(2): 121-144.

### **Topic 3. Ricardian model**

[lectures 4-5]

- KOM, chapter 3.
- Helpman, chapter 2.
- Helpman, E. (1999): The Structure of foreign trade, *Journal of Economic Perspectives*, 13(2): 121-144.
- Frédéric Bastiat: "[Petition of the Candle Makers](#)", *Economic Sophism*, 1845.
- Costinot, Arnaud and Donaldson, Dave (2012): "[Ricardo' Theory of Comparative Advantage: Old Idea, New Test](#)", *American Economic Review Papers and Proceedings*.

### **Topic 4. Heckscher-Ohlin model**

[lectures 5-6]

- KOM, chapter 5.
- Helpman, chapter 3.
- Freeman, Richard (1995), "Are Your Wages Set in Beijing?" *Journal of Economic Perspectives*, 9: 15-32.
- Helpman, E. (1999): The Structure of foreign trade, *Journal of Economic Perspectives*, 13(2): 121-144.

## **PART III. "NEW TRADE THEORY"**

### **Topic 5. Increasing returns to scale and international trade**

[lecture 8]

- KOM, chapters 7,8.
- Helpman, chapter 4.

## **PART IV. “NEW NEW TRADE THEORY”. FIRMS IN INTERNATIONAL TRADE**

### **Topic 6. The firm decision to export.**

[lectures 9-10]

- KOM, chapter 8.
- Helpman, chapter 5.
- Bernard, A., Jensen, J. B., Redding, S. and Schott, P. (2007): Firms in international trade, *Journal of Economic Perspectives*, 21(3): 105-130.
- Bernard, A., Jensen, J. B., Redding, S. and Schott, P. (2009): The margins of US Trade, *American Economic Review, Papers & Proceedings*, 99: 487-493.
- Bernard, A., Jensen, J. B., Redding, S. and Schott, P. (2018): Global firms, *Journal of Economic Literature*, 56: 565-619.
- Mayer, T. and Ottaviano, G. (2008): The happy few, CEPR.
- Melitz, M.J. and Redding, S.J. (2014), Heterogeneous firms and trade, chapter 1 in Gopinath, G., Helpman, E. and Rogoff, K. (Eds.) *Handbook of International Economics*, vol. 4.
- Melitz, M. J. and Trefler, D. (2012), “Gains from trade when firms matter”, *Journal of Economic Perspectives*, 26: 91-118.

### **Topic 7. Multinational firms, Foreign Direct Investment (FDI), and offshoring**

[lectures 11-12]

- KOM, chapter 8.
- Helpman, chapter 6.
- Antràs, P. And Yeaple, S. R. (2014), Multinational firms and the structure of international trade, chapter 2 in Gopinath, G., Helpman, E. and Rogoff, K. (Eds.) *Handbook of International Economics*, vol. 4.
- Brainard, Lael S. (1997), “An Empirical Assessment of the Proximity-Concentration Trade-off Between Multinational Sales and Trade,” *American Economic Review*, 1997: 520-544.
- Helpman, E. (2006): Trade, FDI and the Organization of Firms, *Journal of Economic Literature*, XLIV: 589-630.
- Helpman, E., Melitz, M.J. And Yeaple, S.R. (2004), “Export versus FDI with heterogeneous firms”, *American Economic Review*, 94: 300-316.

## **PART V. TRADE POLICY**

### **Topic 8. Trade policy. Export promotion policies.**

[lecture 13]

- KOM, chapters 9, 10.
- Porter, M. (2008): The five competitive forces that shape strategy, *Harvard Business Review*: 78-93.
- Volpe, C. (2012): Is export promotion effective? (keynote lecture), Workshop on Economic Diplomacy, The Hague, Netherlands.