



International Trade

International Academic Camp Course Syllabus
Fudan Campus, 2019 December

Study Term:
Winter, 09/12/2019 - 27/12/2019

Study Level:
Postgraduate

Class hours:
8:55 - 11:35

Location:
No.220 Handan Rd, Shanghai, China.

Course Description:

The purpose of this course is to help students understand the basics of international trade and the effects of various international economic policies on domestic and world welfare, with an empirical focus on China trade and foreign direct investment. The course will highlight sources of comparative advantage, gains and losses from trade, the impact of trade on economic growth, and effects of trade policy interventions such as tariffs, quotas, voluntary export restraints, and export subsidies. In doing so, it will emphasize both theoretical (analytical) models as well as empirical studies of how well

those models fit “real world” data. Moreover, the course will frequently compare and contrast alternative theories/conceptions of the nature of international trade and the gains or losses thereof. Understanding the economic intuitions behind the technically demanding models as well as thinking critically about the assumptions behind the theories and how well they fit actual trading economies will be a major focus. I will try to strike a balance between the “extensive” and the “intensive” margins of the course materials: the extensive margin refers to an overview of various topics in the field of international trade, while the intensive margin means technical training and empirical real-life cases in China on selected topics.

Required Texts:

Author	Title	Publisher	Publishing time
Robert C. Feenstra and Alan M. Talor	International Trade	Worth Publishers	2011.3
James R. Markusen and Keith E. Maskus	International Trade: Theory and Applications	Wiley	2002
Paul R. Krugman, Maurice Obstfeld and Mark Melitz	International Economics: Theory and Policy	Prentice Hall	2011.1
Robert C. Feenstra	Advanced International Trade: Theory and Evidence	Princeton University Press	2015.10
Masahisa Fujita, Paul Krugman and Anthony J. Venables	The Spatial Economy	The MIT Press	1999.6
Avinash K. Dixit and Victor D. Norman	Theory of International Trade	Cambridge University Press	1980.7
Elhanan Helpman and Paul Krugman	Market Structure and Foreign Trade	The MIT Press	1987.2



Assessment:

Students are required to attend class, participate in class and finish all in-class assignments, which accounts for about 20% of the final grade. The rest 70% is based on one group project (import/export industry analysis), 30%, and 50% for the final exam.

In-class Assignments -- 20%: due in class

Project: Industry Trade Analysis -- 30%: group work, due last week of class Final Exam -- 50%: Time and place to be determined, closed book

Course Schedule (Tentative):

Arrangement	Contents	Text/reference	Assignment	Outcome
Day 1	Overview of the World Economy	Feenstra and Taylor, Chapter 1		Know the basics of international trade.
Day 2	Ricardian Model	Feenstra and Taylor, Chapter 2 Dornbusch, Fischer & Samuelson (1977) Eaton and Kortum (2002)	In-class assignment 1	Understand the first source of comparative advantage: technology. Understand the second source of comparative advantage: endowments.
Day 3	Ricardian Model Heckscher- Ohlin Model	Feenstra and Taylor, Chapter 2, Chapter 4 Trefler (1993, 1995)	In-class assignment 2	
Day 4	Heckscher- Ohlin Model	Feenstra and Taylor, Chapter 4 Davis and Weinstein (2001)		Understand the second source of comparative advantage: endowments.



Day 5	The Specific Factor Model	Feenstra and Taylor, Chapter 3	In-class assignment 3	Understand the combination of technology and endowments as a source of comparative advantage.
Day 6	Trade in Factors of Production and Trade in Goods	Feenstra and Taylor, Chapter 5		Understand the substitutability/ complementarity between trade in factors of production and trade in goods.
Day 7	Increasing Returns to Scale and Trade	Feenstra and Taylor, Chapter 6 Krugman (1979, 1980)	In-class assignment 4	Understand the third source of comparative advantage: IRS.
Day 8	Heterogenous Firms and Trade	Melitz (2003) Bernard, Eaton, Jensen & Kortum (2003) Chaney (2008)	In-class assignment 5	Understand how firm-level heterogeneity plays a role in the international trade.
Day 9	Trade Protection Policies	Feenstra and Taylor, Chapter 8, 9		Know different trade protection policies and their pros and cons.
Day 10	Strategic Trade Policy	Feenstra and Taylor, Chapter 10	In-class assignment 6	Understand the mechanism of strategic trade policies from oligopolistic competition.
Day 11	Guest speaker Presentation			Trade War
Day 12	Foreign Direct Investment	Feenstra and Taylor, Chapter 7 Chen, Horstmann & Markusen (2012)	In-class assignment 7	Understand the importance of FDI in the global economy.
Day 13	Final Exam Review		In-class assignment 8	
Day 14	Final Exam			Closed book!
Day 15	Group Project Presentation			Import/Export Industry Analysis

Reading List:

1. Dornbusch, Fischer & Samuelson, "Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods," AER 1977.
2. Eaton and Kortum, "Technology, Geography, and Trade," ECA 2002.
3. Trefler, "International Factor Price Differences: Leontief Was Right!" JPE 1993.
4. Trefler, "The Case of Missing Trade and Other HOV Mysteries," AER 1995.
5. Davis and Weinstein, "An Account of Global Factor Trade," AER 2001.
6. Krugman, "Increasing Returns, Monopolistic Competition, and Trade", JIE 1979.
7. Krugman, "Scale Economies, Product Differentiation, and the Pattern of Trade", AER 1980.
8. Melitz, "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," ECA 2003.
9. Bernard, Eaton, Jensen and Kortum, "Plants and Productivity in International Trade," AER 2003.
10. Chaney, "Distorted Gravity: The Intensive and Extensive Margins of International Trade," AER 2008.
11. Chen, Horstmann and Markusen, "Physical capital, knowledge capital, and the choice between FDI and outsourcing," CJE 2012.