

Freie Universität Berlin
Maria Polugodina
Division of Economics
Institute for East European Studies
maria.polugodina@fu-berlin.de
Winter Semester 2016/2017

International Trade

Time and Location: Tuesdays, 14-16, Garystr. 55, Room 121

Office Hours: Mondays, 12-14, Garystr. 55, Room 104A

Modules:

Master OES: Komparative Wirtschaftssysteme

Master Economics and Public Economics: Aktuelle Forschungsfragen der internationalen Finanzpolitik

The course provides an overview of the most important models in trade theory and their applications. Along with classical Ricardian and Heckscher-Ohlin models of comparative advantage, the course touches upon more advanced topics such as the role of firms in trade or effects of vertical integration. The course also discusses various aspects of trade policy and economic impacts of international trade.

Exam:

Master OES: presentation (approx. 15 min) and essay (5-6 pages)

Master Economics and Public Economics: presentation (approx. 15 min) and research paper (15-20 pages)

Text books:

[Feenstra, 2004] Feenstra, R.C., *Advanced International Trade: Theory and Evidence*, Princeton University Press: 2003.

[GHR, 2014] Gopinath, G., E. Helpman & K. Rogoff (Eds.), *Handbook of International Economics, Volume 4*, Elsevier: 2014.

Course content:

1. Introduction
2. Two-Sector Models

3. The Heckscher-Ohlin Model
4. Many Goods and Factors
5. Trade in Intermediate Inputs and Wages
6. Increasing Returns
7. Gravity Equation
8. Non-Iceberg Trade Costs
9. Ricardian Model with Many Goods and Countries
10. Heterogeneous Firms and Trade
11. Multinational Firms and Trade
12. Gains from Trade and Regional Agreements
13. Trade Imbalances and International Efficiency
14. Import Tariffs and Dumping
15. Import Quotas and Export Subsidies
16. Institutions as a Source of Comparative Advantage
17. Political Economy of Trade Policy

Week 1. Introduction

Weeks 2-3. Two-Sector Models

The Heckscher-Ohlin Model

Feenstra, 2004, Ch. 1, 2

Empirical references:

Bernhofen, D.M. & J.C. Brown (2004), A Direct Test of the Theory of Comparative Advantage: The Case of Japan, *Journal of Political Economy*, 112 (1), 48-67.

Rosefield, S. (1974), Factor Proportions and Economic Rationality in Soviet International Trade 1955-1968, *The American Economic Review*, 64 (4), 670-681.

Weeks 4-5. Many Goods and Factors

Trade in Intermediate Inputs and Wages

Feenstra, 2004, Ch. 3,4

Empirical references:

Davis, D. R. & D. E. Weinstein (2001), An Account of Global Factor Trade, *The American Economic Review*, 91(5), 1423-1453.

Egger, P. & R. Stehrer (2003), International Outsourcing and the Skill-Specific Wage Bill in Eastern Europe, *The World Economy*, 26(1), 61-72.

Rotunno, L., P.-L. Vezina & T. Ito (2015), *Heckscher-Ohlin: Evidence from Virtual Trade in Value Added*, IDE Discussion Paper No. 549.

Weeks 6-7. Increasing Returns & Gravity Equation

Feenstra, 2004, Ch. 5

GHR, 2014, Ch. 3

Anderson, J. E. & E. van Wincoop (2003), Gravity With Gravititas: A Solution to the Border Puzzle, *The American Economic Review*, 93(1), 170-192.

Empirical references:

Aturupane, C., S. Djankov & B. Hoekman (1999), Horizontal and Vertical Intra-Industry Trade between Eastern Europe and the European Union, *Weltwirtschaftliches Archiv*, 135(1).

Sousa, J.d. & O. Lamotte (2007), Does Political Disintegration Lead to Trade Disintegration? Evidence from Transition Countries, *Economics of Transition*, 15(4), 825-843.

Wolf, N. (2005), Path Dependent Border Effects: The Case of Poland's Reunification (1918-1939), *Explorations in Economic History*, 42, 414-438.

Weeks 8-9. Non-Iceberg Trade Costs

Ricardian Model with Many Goods and Countries

Irrarrazabal, A., A. Moxnes & L. D. Oromolla (2010), *The Tip of the Iceberg: Modeling Trade Costs and Implications for Intra-industry Reallocation*, Discussion paper, CEPR DP7685.

Irrarrazabal, A., A. Moxnes & L. D. Oromolla (2015), The Tip of the Iceberg: A Quantitative Framework for Estimating Trade Costs, *Review of Economics and Statistics*, 97(4): 777-792.

Eaton, J. & S. Kortum (2002), Technology, Geography, and Trade, *Econometrica*, 70(5): 1741-1779.

Empirical references:

Hummels D. & A. Skiba (2004), Shipping the Good Apples Out? An Empirical Confirmation of the Alchian-Allen Conjecture, *Journal of Political Economy*, 112 (6), 1384-1402.

Lugovskyy, V. & A. Skiba (2015), How Geography Affects Quality, *Journal of Development Economics*, 1(15), 156-180.

Donaldson, D. (2010), *Railroads of the Raj: Estimating the Impact of Transportation Infrastructure*, NBER Working Paper No. 16487.

Weeks 10-11. Heterogeneous Firms and Trade

Multinational Firms and Trade

Feenstra, 2004, Ch. 11

GHR, 2014, Ch. 1, 2

Melitz, M. J. (2003), The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity, *Econometrica*, 71(6), 1695-1725.

Empirical references:

Bevan, A. A. & S. Estrin (2004), The Determinants of Foreign Direct Investment into European Transition Economies, *Journal of Comparative Economics*, 32, 775-787.

Chen, N., J. Imbs & A. Scott (2009), The Dynamics of Trade and Competition, *Journal of International Economics*, 77, 50-62.

Jindra, B., S. S. Hassan, J. Günther & U. Cantner (2015), European Integration and Outward FDI from Central and Eastern Europe – Is There Any Evidence of Knowledge-seeking?, *Journal of Common Market Studies*, 1-20.

Kancs, A. (2007), Trade Growth in a Heterogeneous Firm Model: Evidence from South Eastern Europe, *The World Economy*, 30(7), 1139-1169.

Weeks 12-13. Gains from Trade and Regional Agreements Trade Imbalances and International Efficiency

Feenstra, 2004, Ch. 6

GHR, 2014, Ch. 4, 6, 9, 10

Empirical references:

Chang, W. & L.A. Winters (2002), How Regional Blocs Affect Excluded Countries: The Price Effects of MERCOSUR, *The American Economic Review*, 92(4), 889-904.

Irwin, D.A. (2005), The Welfare Cost of Autarky: Evidence from the Jeffersonian Trade Embargo, 1807–09, *Review of International Economics*, 13(4), 631–645.

Lane, P.R. & G. M. Milesi-Ferretti (2007), Capital Flows to Central and Eastern Europe, *Emerging Markets Review*, 8, 106–123.

Weeks 14-15. Import Tariffs and Dumping Import Quotas and Export Subsidies

Feenstra, 2004, Ch. 7, 8

Empirical references:

Hausmann, R., J. Hwang & D. Rodrik (2007), What You Export Matters, *Journal of Economic Growth*, 12, 1-25.

Head, K. C. (1994), Infant Industry Protection in the Steel Rail Industry, *Journal of International Economics*, 37(3/4), 141-166.

Ketterer, T. D. (2016), EU Anti-dumping and Tariff Cuts: Trade Policy Substitution?, *World Economy*, 39(5), 576–596.

Week 16. Institutions as a Source of Comparative Advantage Political Economy of Trade Policy

Feenstra, 2004, Ch. 9

GHR, 2014, Ch. 5

Empirical references:

Chor, D. (2010), Unpacking Sources of Comparative Advantage: A Quantitative Approach, *Journal of International Economics*, 82(2), 152-167.

Guiso, L., P. Sapienza & L. Zingales (2009), Cultural Biases in Economic Exchange?, *Quarterly Journal of Economics*, 124(3), 1095-1131.

Brenton, P. & M. Manchin (2003), Making EU Trade Agreements Work: The Role of Rules of Origin, *The World Economy*, 26 (5), 755-769.