

# International Trade

## Higher School of Economics

### Fall 2014

**Lectures:** Fridays 15:10-18:00 in room 4307

**Course website:** <https://sites.google.com/site/celiklev/teaching/trade>

**Lecturer:** Levent Celik

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Office hours: Wednesday 14-16:00 or by appointment

**Teaching Assistant:** Olga Zyuzina

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#### **Main textbooks:**

- (1) McLaren, John: *International Trade*, Wiley, 2012.
- (2) Feenstra, Robert: *Advanced International Trade*, Princeton University Press, 2004.

#### **Other suggested textbooks:**

- (3) Feenstra, Robert and Alan Taylor: *International Trade* (2<sup>nd</sup> edition), Worth Publishers, 2011.
- (4) Krugman, Paul, Maurice Obstfeld, and Marc Melitz: *International Economics: Theory and Policy* (9th edition), Addison Wesley, 2011.
- (5) Markusen, James, James Melvin, William Kaempfer and Keith Maskus: *International Trade: Theory and Evidence*, McGraw Hill, 1995 (more technical – available online)

#### **Helpful non-technical reading (more will be added throughout the course):**

- (6) Krugman, Paul: *Pop Internationalism*, MIT Press, 1997.
- (7) Irwin, Douglas: *Free Trade under Fire* (3<sup>rd</sup> edition), Princeton University Press, 2009.
- (8) Helpman, Elhanan: *Understanding Global Trade*, Belknap Press, 2011.

#### **Course description:**

This course is an introduction to the economics of international trade. We will analyze the causes and consequences of international trade, and investigate why nations trade, what they trade, and who gains from trade. We will then analyze the motives for countries or organizations to restrict or regulate international trade and study the effects of such policies on economic welfare

We will rely on formal economic modeling and will extensively use micro-economic tools to study the above questions. It is important that you be familiar with these tools and models.

#### **Grading:**

- (1) There will be an in-class midterm exam (counting for 30% of the final course grade) and a final exam (counting for 45% of the final course grade). The exams will cover all

the lecture materials (including any extensions covered in the exercise sessions), and all of the assigned textbook readings.

- (2) There will be three graded problem sets throughout the semester. Each will count for 5% of the final course grade). Olga will provide suggested answers in the exercise sessions after the problem sets are due.
- (3) I expect attendance and participation in the lectures as well as in the exercise sessions. Altogether, this will count for 10% of the final course grade.

**Tentative Course Outline** (will be updated throughout the course)

- (1) Basic facts and issues in trade.  
McLaren, chp. 1
- (2) Review of consumer and producer theory  
Markusen et al, chp. 2-4  
[Another useful source: Varian, Hal: Intermediate Microeconomics]
- (3) Ricardian model and its extensions  
McLaren, chp. 2  
Feenstra, pp. 1-4.
- (4) Specific-factors model  
McLaren, chp. 5  
Feenstra, pp. 72-75.
- (5) Heckscher-Ohlin model and its variants  
McLaren, chp. 6  
Feenstra, pp. 4-29, chp. 2, 3.
- (6) Increasing-returns-to-scale models  
McLaren, chp. 3, 9  
Feenstra, chp. 5
- (7) Oligopoly models  
McLaren, chp. 4
- (8) Outsourcing (offshoring)  
McLaren, chp. 11
- (9) Trade policy under perfect and imperfect competition  
McLaren, chp. 7, 10  
Feenstra, chp. 7,8
- (10) International agreements, trade creation and trade diversion  
McLaren, chp. 15  
Feenstra, chp. 6
- (11) International trade and immigration  
McLaren, chp. 12
- (12) Political economy of trade policy  
Feenstra, chp. 9
- (13) WTO and the environment  
McLaren, chp. 8, 13