

INTERNATIONAL TRADE

Fall 2017

Syllabus

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Course description

This course is the first part of the two-semester “International Economics” sequence. The main goal of the course is to introduce students to both classical and modern theories of international trade in goods and services, as well as empirical research on trade. A substantial fraction of the course is dedicated to examination of efficient trade policies.

The prerequisites for the course are Microeconomics 1-2 and Macroeconomics 1-2.

Methods

The teaching is based on the principle that mathematical models and graphical analysis have value insofar as they allow given economic problems to be analyzed in a coherent and rigorous manner. Thus formal mechanics and geometrical methods are complements to verbal exposition, which is most useful for conveying key insights and discussing empirical evidence. The approach encourages the development of economic intuition as well as some formal skills.

The following methods and forms of study are used in the course:

- lectures
- seminars
- home assignments
- self-study

You are encouraged to work together on homework assignments, but you must write up the assignment individually. Overall, the course includes 66 hours of lectures and 66 hours of classes. Self-study is an extremely important element of the course.

Main reading

Krugman P., Obstfeld M., Melitz M. (KOM) International Economics: Theory and Policy, 2015 (10th edition). The 9th edition is a close substitute.

Other readings

1. Sodersten B., Reed G. (SR) International Economics, 3rd ed. Macmillan, 1994.
2. D. Petropoulou, A. Vanags (UL) International Economics. University of London, Subject Guide, 2011.
3. Feenstra, R. Advanced International Trade. Princeton University Press, 2004.

Grade determination

The final grade consists of the following elements:

- Home assignments (4 per semester) – 4% each

- Class activity (assigned by seminar leaders) – 6%
- Mid-semester evaluation (one per semester) – 28%
- End-of-semester exam (one per semester) – 50%

To receive a passing grade, students should earn at least 36% of the maximum possible final grade, or at least 40% of the maximum possible grade for the final exam.

In May, students take the University of London exam in International Economics that includes problems in International Trade.

Valid excuses

If you have to miss a homework or mid-semester examination due to illness, the weight of the missed assignments will be shifted onto other course elements (other exams, class activity, and homeworks).

Office hours

Roman Zakharenko: Office 2303, Tuesdays 15:00 – 17:00 and by appointment.

Changes to the Syllabus

Any changes to this syllabus will be announced in class.

Tentative course outline

1. Introduction

- Important issues in international trade.
- History and present state of world trade flows
- Russian trade balance
- History of the development of trade theory

2. Essentials: Ricardo and Comparative Advantage

- The Ricardian model of trade
- Empirical evidence and policy results

3. Factor Price Equalization and Trade

- Heckscher-Ohlin model of trade
- Stolper-Samuelson effects
- Rybczynski effects

4. Who Wins and Who Loses from Trade?

- The “Specific Factors” model of trade
- Redistribution aspect of trade policy
- International experience

5. Standard Trade Models and Country Welfare

- Welfare comparisons across countries
- Welfare comparisons within countries

6. An Empirical Evaluation of Trade Patterns

- Problems with the Heckscher - Ohlin model
- Empirical evidence of trade theory

7. Market Imperfections and Trade

- Imperfect Competition and trade
- Externalities and protectionism
- Empirical evaluation of importance

8. International Factor Movements

- International Labor Mobility
- International Capital Flows
- Multinational Firms and Direct Foreign Investment

9. Tariffs and Non-Tariff Barriers to Trade

- Economics of Tariffs
- Economics of Quotas
- Protection and Imperfect Competition

10. Government Intervention in Trade

- Welfare arguments
- Income Distribution
- Optimum Tariff

11. Strategic Trade Policies

- Technology and Externalities
- Imperfect Competition and Protection

12. Development through Trade Policies

- Import Substitution and Infant Industry argument
- Export-oriented development strategies
- The East Asian Miracle?

13. Political Economy of Trade (optional, time permitting)

- Pros and Cons of government intervention
- Strategic trade policy
- Median voter theorem
- Theory of collective action
- Politicians for sale (partial eqm analysis)

14. World Trade Organization, Preferential Trading Arrangements, Custom Unions and Economic Integration

- Free trade agreements, customs unions
- Trade creation vs trade diversion
- Trade policy in developing countries: import substitutions, export promotion
- International negotiations: GATT, WTO, Doha round.