INTS 4310
INTERNATIONAL TRADE

Course Description

The subject of this course is the theory, policy, political economy and history of the international organization of trade. Mainstream international trade is based mainly on microeconomic tools of analysis. For this reason, a familiarity with Microeconomic Theory is a prerequisite for this course. At the least, all students must have successfully completed at the undergraduate level a course in Introductory Microeconomics or International Economics.

The field of international trade ranges from abstract theoretical modeling to policy controversies. In this course we will examine both—we will take care to explore neoclassical and heterodox trade theory, while also paying attention to important empirical, political economy and policy-issues.

Following the examination of trade theory we will explore four contemporary debates in international trade. I have provided readings for eight topics here, for your future reference. The four issues are: 1. the debate over free vs. fair trade; 2. trade and gender; 3. trade, growth, poverty and inequality; and one of the following: trade and the environment; wages and outsourcing; China and global trade; the political economy of the WTO; and terms of trade and unequal exchange vis-à-vis developing countries.

Course Materials

The following book will be used extensively in the course and is available at the bookstore:

Paul Krugman and Maurice Obstfeld, International Economics, Addison Wesley, 6th edition, 2003, 7th edition, 2005, 8th edition, 2009. (Note: you may also use older editions of the text. We will not be using the “access kit” that is sold with newer editions of the text. Chapter numbers below refer to the 2009 edition; if you’re using an older edition, be sure that you are reading the correct chapters.)

You can find the other required readings for the course in a few different venues. Most readings are in Blackboard (these are in the “Course Documents” folder and are marked on the syllabus with BB). You can also find many of the readings on your own by using Jstor, Goldrush, Google, or Google Scholar. Note that optional readings are not available through Blackboard.
Data Sources on International Trade

World Bank's World Development Indicators (import and export duties, trade volumes, other cross-national data).

NBER Data Sets, including detailed trade statistics
- http://www.nber.org/data/

The Center for International Data at UC Davis.
- http://cid.econ.ucdavis.edu/

World Bank Trade Data, including the international trade and production database.
- http://go.worldbank.org/K2LPHKB0M0

United Nations COMTRADE data base
- http://comtrade.un.org/

UNCTAD Trade Analysis and Information System (TRAANS):

US Census Bureau Foreign Trade Statistics:
- http://www.census.gov/foreign-trade/www/

Detailed US and Canada imports by source (6-digit HS) from Industry Canada:

Jon Haveman’s International Trade Data:
http://www.macalester.edu/research/economics/page/haveman/trade.resources/tradedata.html

Office of the United States Trade Representative National Trade Estimate Report on Foreign Trade Barriers:

Inter-American Development Bank's Trade and Integration Databases:

U.S. Department of State Country Commercial Guides:
Link: www.state.gov/r/pa/ei/bgn/

World Trade Organization’s Trade Policy Reviews. These are up-to-date reviews of commercial policies in member countries.

Tuck Trade Agreements Data Base. Comprehensive, searchable collection of the text of RTAs.

Trade polls. Conveniently collected results from recent polls covering globalization-related questions.
- http://www.pollingreport.com/trade.htm

WorldTradeLaw.net. An online source for world trade law, including WTO dispute settlement.
- http://www.worldtradelaw.net/
Grading

Course grades will be determined as follows: two take-home exams (85% of grade) and participation in class discussions (15% of grade). The exams will be distributed in class (see course outline below for dates). Extensions will not be given. You may use your own notes in preparing this exam, but you may not talk with any of your colleagues (or others) about the exam. Assessment of class participation will depend on your demonstrated preparation for class each week, and on the quality (and not primarily the quantity) of your contributions to class discussion.

Preparation for class each week

Please read the required materials in the order presented on the syllabus. I will expect that you have completed all assigned readings prior to the class meeting. Many of the materials are demanding; be sure to allocate sufficient time to read them carefully and, if necessary, repeatedly.

COURSE OUTLINE

INTRODUCTION TO THE GLOBAL TRADE SYSTEM: AN OVERVIEW OF THE KEY ISSUES, DEBATES, AND PROBLEMS
(Tues, Sept. 14)

There are no required readings for the first meeting of the course. In order to set the context for our study this term, I will present an overview of the key challenges confronting the global trade system. The Coughlin piece listed below presents a wonderful summary of many of the themes that will appear in this course.

Optional:
Krugman, Paul. 1993. “What Do Undergrads Need to Know About Trade?” The American Economic Review, Papers and Proceedings 83(2): 23-26. (Don’t worry: this is also relevant to graduate students, though the reading is nevertheless optional.)

I. THE EVOLUTION OF THE INTERNATIONAL TRADE SYSTEM: AN HISTORICAL OVERVIEW
(Sept. 21)

A. The Pre-GATT World
Required:


(Note: focus on the historical discussion rather than on the prescriptions that are discussed toward the end of the article. This article draws from Chang’s book, *Kicking away the ladder*—see optional readings below for full citation.)


Optional:


Williamson, Jeffrey, “Winners and Losers Over Two Centuries of Globalization,” *WIDER Annual Lecture 6*, World Institute for Development Economics Research, 2002. (This paper is also relevant to the discussion of unequal exchange theory in part III of the course.)


**B. The Post-GATT World: The WTO and the Rise of Bi- and Multilateral Trade Regimes**

Required:

John Barton, Judith Goldstein, Timothy Josling, and Richard Steinberg, *The evolution of the trade regime: Politics, law and economics of the GATT and the WTO*, Princeton and


Optional:
Arvind Panagariya, “The Regionalism Debate: An Overview,” World Economy, June 1999, 477-511. (Note: do not get distracted by the technical discussion in part 2 of the article. This is also a reading where you should focus on the “big picture.”)


II. CORE TRADE THEORIES AND EMPIRICAL TESTS THEREOF (4 sessions)

A. Ricardian/Classical Model of Trade (Sept. 28)

Required:


Krugman and Obstfeld, International Economics, chapters 2-3. (Note: you can skip the discussion of the gravity model in chapter 2-we will discuss that in a few weeks.)


Optional:


B. Heckscher-Ohlin, Specific Factors & Empirical Tests
(Oct. 5)

Required:

Optional:

C. New Trade Theories #1: Strategic Trade Theory: Does it Matter What You Export?
(Oct. 12)

Required:

Optional:
Anna Maria Mayda and Dani Rodrik, “Why are Some People (and Countries) More
Protectionist than Others?” European Economic Review 49, no. 6 (2005), pp. 1393-1430.

D. New Trade Theories, #2: Increasing Returns, Geography, Intra-industry Trade, Monopolistic Competition, Technology Gaps & the Gravity Model
(Oct. 19)

Required:
Krugman & Obstfeld, International Economics, ch. 6 (skip appendix) and sub-section of chapter 2 on the gravity model, pp. 15-18.

NB: the "monopolistic competition model" presented in Krugman and Obstfeld is not worth the effort. So I won't take you through this section, and won't expect you to have mastered it. If, however, you have an unquenchable thirst for neoclassical modeling, or if you just don't have a life, feel free to read it carefully and come see me to discuss any parts that are confusing to you. FOR THE REST OF YOU: Here's what I'd like you to do:

1. Read pp. 114-120 top. This will take you through the basic ideas that we discussed last week. Have your lecture notes from last week on hand as you go through this. Stop reading when you get to the heading "Monopolistic Competition."

2. Resume reading on p. 129, at the heading "Economies of Scale and Comparative Advantage." Pay close attention to the lessons (the four enumerated points) on p 131, where Krugman
summarizes the findings of the preceding pages. Read the rest of the chapter (129-149). Pay particular attention to the intuition behind "dumping," "external economies" (QUICK: what is the difference between internal economies and external economies? Is the clustering of firms in one industry--say, software development in Silicon Valley, an example of the former or the latter?); external economies and trade, and interregional trade and geography. All of this is intuitively accessible, thankfully, but also important in understanding how economists make sense of contemporary trade patterns.


Optional:


**EXAM 1:** Distributed on Tuesday, October 19. Exam (hard copy) is due in my office on Monday, October 25th, at 1:00 pm. No Exceptions.

**III. CONTEMPORARY DEBATES IN TRADE THEORY AND POLICY**

**EXAM 2:** Distributed on Tuesday, November 9. Exam (hard copy or email) is due on Monday November 22nd, at Noon. No Exceptions.

The Debate over Free Trade versus Fair Trade
Required:
Krugman, Paul. See Blackboard for list of articles and links. Incorporate here…


Optional:

Gitterman, Daniel P. A race to the bottom, a race to the top or the march to a minimum floor? 2002. UCIAS Edited volume 1, Dynamics of regulatory change.

Trade Liberalization, Growth, Poverty and Inequality
(November 2)

Required:
Pinelopi Koujianou Goldberg and Nina Pavcnik, “Distributional Effects of Globalization in
Developing Countries,” *Journal of Economic Literature* 45, no. 1 (March 2007), pp. 39-82.

Optional:


**Trade and Gender**
(November 9)

Required:

Optional:


OTHER ISSUES:

**Trade, Wages & Outsourcing: Empirical Evidence. Is Outsourcing Different From Regular Trade?**

Required:


Optional:


Trade and the Environment


Bhagwati, Jagdish. 1993 (November). “The case for free trade.” Scientific American. pp. 41-57 (these pages include the Daly article below).


Shrybman, Steven. 1991 (Winter). Trading away the environment. World Policy Journal. 9(1),
China and Global Trade

Rodrik, Dani. 2006. “What’s so special about China’s exports?”

Optional:

The Political Economy of the WTO


Optional:
Aadity Mattoo and Arvind Subramanian, “The WTO and the Poorest Countries: The Stark
Terms of Trade and Unequal Exchange vis-à-vis Developing Countries

Required:

Optional:
Prebisch, R. 1962. “The Economic Development of Latin America and Its Principal Problems.” Economic Bulletin for Latin America. (This is a “classic” article.)

*Note: PhD students planning to take the comprehensive exam in International Political Economy should be sure to read the material on this topic.*