

## **Course Outline**

**2017**

### **ECON 741: TOPICS IN INTERNATIONAL TRADE (15 POINTS)**

#### **Semester 2(1175)**

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#### **Course Description**

- Why does New Zealand export dairy products, the US export aircraft and China export electronics?
- Why is there such passionate debate over the Trans-Pacific Partnership (TPP)?
- Does outsourcing increase wage inequality? Should governments impose taxes on firms that outsource tasks to East-Asia?

These are types of questions we will tackle in this course. We will do this by developing an understanding of selected developments in international trade theory and will also talk about how theory interacts with current trade policy issues.

A guiding principle governing the structure and content of the course is that the relevance of international trade theory is best understood through empirical analysis and application to real world issues. Hence, the course will have a strong theoretical and empirical component, where the latter will involve students analysing real-world data using statistical software.

#### **Programme and Course Advice**

It is assumed that students have successfully completed ECON 341 International Trade. A working knowledge of multivariable calculus and linear algebra is also required. It will also be assumed that students have taken courses in microeconomic theory or have the equivalent background. Students who feel that they lack sufficient background should contact the lecturer before they enrol in the course.

#### **Goals of the Course and Course Structure**

The goal of the course is to provide students with a detailed understanding of the key policy issues and how international trade theory helps understand them.

As a result, the course will consist of lectures on theory, computer-based empirical exercises where we 'test' and explore the theory and seminars

where we debate relevant trade-related questions.

### **Learning Outcomes**

Upon completion of the course, students will

- have a better understanding of why countries trade, who benefits and loses and what trade policies are appropriate for developed and developing countries.
- gain experience in applying their quantitative (econometric and economic tools) and analytical skills to current situations.
- understand the evolution of the trade literature, from classic models to more recent developments.
- have developed the capacity to read and understand the journal literature in the area of international trade.

### **PROVISIONAL Content and Schedule, 2016**

#### Week 1

Theories of comparative advantage: Ricardo model

#### Week 2 & 3

Factor Endowment Models

#### Week 4 & 5

Trade and Imperfect Competition

#### Week 6 & 7

Trade with heterogeneous firms

#### Week 8

Student seminars (topics will be discussed in class and based on current developments in trade and student interest in current issues)

#### Week 9

Trade policy in perfectly competitive markets

#### Week 10

Trade policy in Imperfectly Competitive Markets & Strategic Trade Policy

#### Week 11

Political Economy of Trade Policy

#### Week 12

Review

### **Teaching**

The course will be taught in the second semester. There will be two two-hour lectures per week.

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**Learning Resources***Recommended Text:*

- Feenstra, C. Robert (2004), *Advanced International Trade: Theory and Evidence*, Princeton University Press.

*Readings:*

- A weekly reading list will be posted on CANVAS.

*Additional texts:*

- Dixit, Avinash K. and Victor Norman (1980), *Theory of International Trade*. Cambridge, U.K.: Cambridge University Press.
- Jagdish N. Bhagwati, Arvind Panagariya, and T. N. Srinivasan (1998), *Lectures on International Trade*, 2<sup>nd</sup> edition, Cambridge, MA: MIT Press.
- Markusen, Melvin, Kaempfer and Maskus (1995). *International Trade: Theory and Evidence*, McGraw Hill, 1995.

**Assessment**

The final mark will be based on the following:

- Final 2-hour Examination: 40%
- Coursework: 60% (Two problem sets: 10% each, Empirical Assignment: 20% and Seminar Presentation: 20%)

More details will be provided at lectures and on CANVAS.

**Preparation**

Relevant chapters of Feenstra are a must-read. The best way to prepare is to attend all lectures and intimately know the required readings from the reading list, problem sets and assignments.