INTERNATIONAL TRADE
Código ECON 3401-1
2017-10

Universidad de los Andes
Facultad de Economía

Lecturer: Hernán Vallejo hvallejo@uniandes.edu.co

Class Schedule: Monday from 9:30 a.m. to 10:50 a.m. (W-503)
Wednesday from 9:30 a.m. to 10:50 a.m. (AU-207)

Office Hours: Wednesday from 2:30 p.m. to 4:30 p.m. or with previous appointment

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1. Objectives

The objective of the course is to present the basic concepts of the classical and neo-classical theories of international trade, along with the basics of the so called new theories of the international trade. The course will explore the predictive power of the theories and their implications for policy making, and will bring them into the context of the latest trade policies in Colombia and beyond in recent years.

2. References

a. Textbook:

Krugman P. R, M. Obstfeld y M. Melitz (2012) "International Economics", ninth edition, Addison Wesley.

b. Other references on International Trade:

Appleyard D. R. y A. J. Field. (2003) "Economía Internacional", Cuarta Edición, McGraw-Hill, Madrid.

Caves, R., J. Frankel y R.W. Jones (2002) "World Trade and Payments: An Introduction", Ninth Edition, Addison Wesley.

Ethier, W. (1995) "Modern International Economics", Third Edition, Norton.

Winters, L. A. (1991) "International Economics", Fourth Edition, Routledge.

c. Articles and academic papers:

Brander y Spencer (2008) "Strategic Trade Policy" http://strategy.sauder.ubc.ca/spencer/strategic%20trade%20-%20Palgrave.pdf

Deardorff, Alan (1996) “An Economist´s Overview of the World Trade Organization” School of Public Policy, University of Michigan, Discussion Paper 388. http://www.spp.umich.edu/rsie/workingpapers/r388.pdf

Greenaway y Milner (1983) “On the Measurement of Intra-Industry Trade” Economic Journal, 93, pp 900-908 (http://www.jstor.org/stable/2232755).

Jones, Ronald W. (1965) “The Structure of Simple General Equilibrium Models” The Journal of Political Economy Vol LXXIII December 1965 No. 6 pp. 557-572 (http://www.jstor.org/stable/1829883).

Krugman (1979) Increasing Returns, Monopolistic Competition and International Trade” Journal of International Economics 9, 469-479. (http://www.princeton.edu/pr/pictures/g-k/krugman/krugman-increasing_returns_1978.pdf)

Vallejo, H. (2006) “International Trade, Migration and Investment with Horizontal Product Differentiation and Free Entry and Exit of Firms”, Revista de Economía del Rosario Vol 9, No. 2. December (http://www.urosario.edu.co/FASE1/economia/documentos/v9n2_vallejo.pdf)

Vallejo, H. (2004) "Some Worrying Theoretical Consequences of the non-Linear Relationship between the Economic Size of Preferential Trade Agreements and Welfare”, Documento CEDE 2004-06, Universidad de los Andes (http://econpapers.repec.org/RAS/pva283.htm).

Vallejo, H (2006) “A Theory of Natural Market Structures: Regulation, R&D, FDI, International Trade and a few Curiosities” Documento Cede 2006-09 (http://econpapers.repec.org/RAS/pva283.htm)

d. Advanced reference on International Trade:

Bhagwati, J. N., A. Panagariya y T. N. Srinivasan (1998) “Lectures on International Trade”, Second Edition, The MIT Press.

Bowen, H. P., A. Hollander y J. M. Viaene (1998) “Applied International Trade Analysis”, Macmillan.

Dixit, A. y J. Stiglitz (1980) “Theory of International Trade”, Cambridge University Press.

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3. Contents

a. Introduction

January 23: Course syllabus.

January 25: Introduction to International Trade.

January 30: The first theories of International Trade (A&F chaps. 1 and 2) and (K&O&M chap. 1 & 2) (Irwin 1996).

b. International Trade: Theory and Evidence

February 1: The Ricardian model and the comparative advantage (K&O&M chap. 3*).

February 6: The Ricardian model with n goods and transportation costs.

February 8: Empirical evidence on the Ricardian model and Specific Factors Model: Autarky equilibrium and Comparative Statics. (K&O&M chap. 3 and 4).

Workshop 1: Introduction, first theories and the Ricardian model.

February 13: The Specific Factors Model: free trade and income distribution (K&O&M cap. 4).

February 15: The Heckscher-Ohlin model: Graphical version (K&O&M chap. 5*●) (Appleyard and Field chap. 8 and analytic framework 5-1).

Workshop 2: Specific Factors.

February 20: The Heckscher-Ohlin model: Graphical version.

February 22: The Heckscher-Ohlin model: Formal version (K&O&M p. 661-664*) (Jones (1965) p. 557-565).

Workshop 3: Heckscher – Ohlin.

February 27: Empirical evidence and factor content of trade (Appleyard y Field cap. 9).

March 1: First Partial Evaluation

Workshop: Correction of First Partial Evaluation.

March 6: The measurement of the patterns of trade (Greenaway y Milner (1983)* ●).

March 8: Monopoly and free trade (K&O&M cap. 7*).

March 13: Oligopoly and free trade (Brander y Spencer (2008)).

March 15: Monopolistic competition and free trade (Krugman (1979)* ●).

March 20: Holiday

March 22: Monopolistic competition and free trade (Vallejo (2006)).

Workshop 4: Monopoly and Oligopoly

March 27: International labour movements

March 29: International capital movement and empirical evidence on the Inter- and Intra-Industry Trade (K&O&M cap. 8*).

Workshop 5: Monopolistic competition.

c. Trade Policy: Theory and applications

April 3: Theory of optimal trade policy: imports.

April 5: Theory of optimal trade policy: exports.

Workshop 6: International factor movements.

April 10 to 14: Academic Recess.

April 17: Theory of trade policy in small countries (K&O&M cap. 9*●).

April 19: Trade liberalization and economic integration (Winters cap.13*).

Workshop 7: Theory of trade policy.

April 24: Controversies on trade policies (K&O&M cap. 12)

April 26: Trade policy in developing countries (K&O&M cap. 11*●).

Workshop 8: Trade liberalization and economic integration.

May 1: Holiday

May 3: Debates on trade theory and policy.

May 8: Debates on trade theory and policy.

May 10: Second Partial Evaluation.

Workshop: Correction of Second Partial Evaluation.

4. Methodology

There will be two one hour and a half classes of theory with the lecturer each week, and eight one hour and a half workshop sessions throughout the semester. Concepts, models and basic instruments will be introduced in the classes, while problems and exercises on the material covered will be solved in the workshop sessions. The schedule of workshop sessions will be discussed in class.

5. Competencies

In this course several competencies are applied and developed, among which, the following can be highlighted:

a. The simplifying role of formalization: the course makes intensive use of formal modelling in different economic contexts, including perfect and imperfect competition, partial and general equilibrium, and economic theory and economic policy.
b. Recognizing the role of Government: More than a third of the course will be dedicated to the study of trade policy and its applications, and to the analysis of the areas in which Government intervention can be beneficial or not, from the welfare point of view.
c. Develop a critical mind: This course deals with hotly debated topics and tries to stimulate the development of critical thinking, making emphasis on the strengths and weaknesses of the economic models, the news and the public opinions on international trade. One session will be devoted to discuss topics that generate heated debates on international trade, presenting the arguments for and against on each subject.

6. Evaluation system

The grades of this course will be obtained from 2 partial evaluations, a final exam, quizzes and debates. For the debates, the class will be divided in groups that should defend or refute a claim about trade theory and policy. There will also be ten quizzes at the beginning of the corresponding lectures signaled with an (*), from which five will be chosen by a draw in the dates signaled with a dot (•). Between the six grades of quizzes and debates the worse will be removed at the end of the semester. The percentages that will be used to obtain the final grade in the course are:

First Partial Evaluation	25%
Second Partial Evaluation	25%
Final Exam:	25%
Quizzes and debates:	25%

Work on workshops will also be graded with four random quizzes in the problem set sessions during the semester. However, such work is optional and will only determine the magnitude of a bonus of up to 0.2 over the total grade of the course (that would correspond to a grade of 5.0 in the workshop sessions).

This course will have minimum grade guarantee as follows: if the average of the final grade of the course (including the workshop bonus) is less than 3.75, all final grades will increase in the same amount so that the average grade of the course is 3.75. If the average grade of the course is more than 3.75, there will be no curve. When the 30% (or more) of the grades is published, if the average of the grades of the course is less than 3.75, all grades will increase in the same amount so that the average grade of the course is 3.75. If the average grade of the course is more than 3.75, there will be no curve.

If there is a mistake in the grades, it will be fixed. But only written complaints will be accepted during eight (8) working days following the date in which graded material is made available to the students and announced in class and/or through e-mail. In the case of partial evaluations, only complaints from students who attend the correction of the partial evaluation questioned will be accepted. In order to avoid unjustified complaints, if a given grade is above the appropriate grade, the grade may be adjusted downwards with regard to the initial grade given.

If a student cannot present a partial evaluation or the final exam, only medical excuses verifiable by the Department of Economics will be accepted. If an excuse is accepted by the Department, the grade in the missed evaluation will be obtained according to the relative performance of the student in the rest of the evaluations of the course.

7. Approximation system for final grade.

The final grades of the course will have no approximations at the end of the semester.

8. Miscellaneous

The use of computers, tablets, cellphones, smartphones and other electronic devices that allow multitasking is not permitted in this class. All electronic devices that fit into this category must be turned off before entering the classroom, and remain off until the class is finished and the student leaves the classroom.