

Freie Universität Berlin
Maria Polugodina
Department of Economics
Institute of East European Studies
maria.polugodina@fu-berlin.de
Winter Semester 2015/2016

Selected Topics in International Trade

Time and Location: Seminar: Tuesdays, 14-16, Garystr. 55/B Seminarraum
(Tutorial: Wednesdays, 14-16, Garystr. 55, Room 105)

Office Hours: Mondays, 16-18, Garystr. 55, Room 104A

Master OES: Seminar: Methoden der Wirtschaftsgeschichte und der Ressourcenökonomie
Tutorial: Komparative Wirtschaftssysteme

Master Economics and Public Economics: Aktuelle Forschungsfragen der internationalen
Finanzpolitik

The course provides an overview of the most important models in trade theory and their applications. Along with classical Ricardian and Heckscher-Ohlin models of comparative advantage, the course touches upon more advanced topics such as the role of firms in trade or effects of vertical integration. The course also discusses various aspects of trade policy and economic impact of international trade.

Exam: presentation (approx. 10 min) and research paper (15-20 pages)

Text books:

[Feenstra, 2003] Feenstra, R.C., *Advanced International Trade: Theory and Evidence*, Princeton University Press: 2003.

[GHR, 2014] Gopinath, G., E. Helpman & K. Rogoff, *Handbook of International Economics, Volume 4*, Elsevier: 2014.

Course content:

1. Introduction
2. Two-Sector Models
3. The Heckscher-Ohlin Model
4. Many Goods and Factors
5. Trade in Intermediate Inputs and Wages
6. Increasing Returns

7. Gravity Equation
8. Non-Iceberg Trade Costs
9. Heterogeneous Firms and Trade
10. Multinational Firms and Trade
11. Gains from Trade and Regional Agreements
12. Import Tariffs and Dumping
13. Import Quotas and Export Subsidies
14. Trade Imbalances and International Efficiency
15. Institutions as a Source of Comparative Advantage
16. Political Economy of Trade Policy

Week 1. Introduction

Week 2. Two-Sector Models

Feenstra, 2003, Ch. 1

Week 3. The Heckscher-Ohlin Model

Feenstra, 2003, Ch. 2

Rosefield, S. (1974), Factor Proportions and Economic Rationality in Soviet International Trade 1955-1968, *The American Economic Review*, 64 (4), 670-681.

Week 4. Many Goods and Factors

Feenstra, 2003, Ch. 3

Davis, D. R. & D. E. Weinstein (2001), An Account of Global Factor Trade, *The American Economic Review*, 91(5), 1423-1453.

Week 5. Trade in Intermediate Inputs and Wages

Feenstra, 2003, Ch. 4

Egger, P. & R. Stehrer (2003), International Outsourcing and the Skill-Specific Wage Bill in Eastern Europe, *The World Economy*, 26(1), 61-72.

Week 6. Increasing Returns

Feenstra, 2003, Ch. 5

Krugman, P. (1990), Increasing Returns and Economic Geography, *Journal of Political Economy*, 99(3), 483-499.

Aturupane, C., S. Djankov & B. Hoekman (1999), Horizontal and Vertical Intra-Industry Trade between Eastern Europe and the European Union, *Weltwirtschaftliches Archiv*, 135(1).

Week 7. Gravity Equation

Feenstra, 2003, Ch. 5

Anderson, J. E. & E. van Wincoop (2003), Gravity With Gravitas: A Solution to the Border Puzzle, *The American Economic Review*, 93(1), 170-192.

Sousa, J.d. & O. Lamotte (2007), Does Political Disintegration Lead to Trade Disintegration? Evidence from Transition Countries, *Economics of Transition*, 15(4), 825-843.

Wolf, N. (2005), Path Dependent Border Effects: the Case of Poland's Reunification (1918-1939), *Explorations in Economic History*, 42, 414-438.

Week 8. Non-Iceberg Trade Costs

Irrazabal, A., A. Moxnes & L. D. Opmolla (2010), *The Tip of the Iceberg: Modeling Trade Costs and Implications for Intra-industry Reallocation*, Discussion paper, CEPR DP7685.

Irrazabal, A., A. Moxnes & L. D. Opmolla (2015), The Tip of the Iceberg: A Quantitative Framework for Estimating Trade Costs, *Review of Economics and Statistics*, Just Accepted MS.

Lugovskyy, V. & A. Skiba (2015), How Geography Affects Quality, *Journal of Development Economics*, 1(15), 156-180.

Week 9. Heterogeneous Firms and Trade

GHR, 2014, Ch. 1

Melitz, M. J. (2003), The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity, *Econometrica*, 71(6), 1695-1725.

Kancs, A. (2007), Trade Growth in a Heterogeneous Firm Model: Evidence from South Eastern Europe, *The World Economy*, 30(7), 1139-1169.

Week 10. Multinational Firms and Trade

Feenstra, 2003, Ch. 11

GHR, 2014, Ch. 2

Bevan, A. A. & S. Estrin (2004), The Determinants of Foreign Direct Investment into European Transition Economies, *Journal of Comparative Economics*, 32, 775-787.

Jindra, B., S. S. Hassan, J. Günther & U. Cantner (2015), European Integration and Outward FDI from Central and Eastern Europe – Is There Any Evidence of Knowledge-seeking?, *Journal of Common Market Studies*, 1-20.

Week 11. Gains from Trade and Regional Agreements

Feenstra, 2003, Ch. 6

GHR, 2014, Ch. 4

GHR, 2014, Ch. 6

Ottaviano, G. I. P. (2014), *European Integration and the Gains from Trade*, CFS Working Paper No. 470.

Week 12. Import Tariffs and Dumping

Feenstra, 2003, Ch. 7

Head, K. C. (1994), Infant Industry Protection in the Steel Rail Industry, *Journal of International Economics*, 37(3/4), 141-166.

Week 13. Import Quotas and Export Subsidies

Feenstra, 2003, Ch. 8

Hausmann, R., J. Hwang & D. Rodrik (2007), What You Export Matters, *Journal of Economic Growth*, 12, 1-25.

Week 14. Trade Imbalances and International Efficiency

GHR, 2014, Ch. 9

GHR, 2014, Ch. 10

Lane, P.R. & G. M. Milesi-Ferretti (2007), Capital Flows to Central and Eastern Europe, *Emerging Markets Review*, 8, 106-123.

Week 15. Institutions as a Source of Comparative Advantage

GHR, 2014, Ch. 5

Anderson, J. E. & D. Marcouiller (2002), Insecurity and the Pattern of Trade: An Empirical Investigation, *The Review of Economics and Statistics*, 84(2), 342-352.

Week 16. Political Economy of Trade Policy

Feenstra, 2003, Ch. 9

Brenton, P. & M. Manchin (2003), Making EU Trade Agreements Work: The Role of Rules of Origin, *The World Economy*, 26 (5), 755-769.