



University | Business  
of Glasgow | School

**CENTRE FOR DEVELOPMENT STUDIES**

**INTERNATIONAL TRADE**

**2010-2011**

**SEMESTER ONE**

**COURSE COORDINATOR: Dr. Nicola D. Coniglio (University of Bari)**  
**COURSE LECTURERS: Dr Nicola D Coniglio and Professor John J Struthers**  
**(University of the West of Scotland)**

**TIMETABLE: will be taught in a one-week block, times to be arranged**

**Total number of teaching hours:** 20 hours lectures

**Course credits:** 20

**Course code:** 9MPS

**Prerequisites:** None

### **Course description**

The course provides a sound theoretical and analytical basis for examining and evaluating the causes and consequences of international trade and factors mobility. The course will be structured around a set of topics which include: the determinants of international trade (technological differences; differences in factor endowments; economies of scale and market structure; differences in preferences across countries); international labour mobility; foreign direct investment and multinational enterprises; international fragmentation of production (offshore outsourcing); international trade policies (with a focus on developing countries); problems of trade in primary commodities.

On successful completion of the course, students should be able to explain why all countries can benefit from international trade, despite differences in production technologies and factor endowments; understand the role of differences and similarities between countries in explaining international trade flows; predict the pattern of trade between countries and discuss the distributional effects within countries; discuss the implications of less-than-perfectly competitive market structures for trade between countries; explain the different trade policy instruments available to policy makers and discuss the arguments in favour of, and against, protection; analyze and critically assess the options of economic integration available to a country, in terms of free-trade and multilateral agreements; and understand the causes and consequences of more recent phenomena such as the international fragmentation of production.

### **Learning and teaching methods**

Ten 2-hour lectures

### **Course text**

The recommended text is:

- Markusen, James R., Melvin, James R., Kaempfer, William H. and Maskus, Keith E. (1995). *International Trade: Theory and Evidence*, International edition, New York: McGraw-Hill. (MMKWM)

It is also possible to study other advanced textbooks available on the market.

The textbook will be integrated with additional compulsory readings (see below).

### **Assessment**

- Coursework (25%) and examination (75%).
- Coursework: 1 essay.
- Examination: two-hour written examination taken at the **April/May** examination diet.

## Penalty for lateness

Penalties for late submission of coursework apply. Please refer to the MSc handbook, section 'In-course assessment'.

## Detailed programme

**Note:** compulsory readings are marked with \*

### Part 1 Trade Theory

**Lecture 1.** International trade and factor mobility: the main facts

*Main reading from MMKWM:*

- Introduction to trade theory and policy (ch. 1)
- Review of partial and general equilibrium analysis (chs. 2, 3 and 4)
- Gains from trade (ch. 5)

*Suggested readings:*

- World Trade Report 2010 (available on line: [www.wto.org](http://www.wto.org))

**Lectures 2 and 3.** Technology, factor endowments and trade

*Main reading from MMKWM:*

- The Ricardo model of comparative advantages (ch. 7)
- The Heckscher-Ohlin model and the specific factor model (chs. 8 and 9)

*Reading list:*

- Bernhofen, D.M. and Brown, J.C. (2004). 'A direct test of the theory of comparative advantage: the case of Japan', *Journal of Political Economy*, vol. 112 (1), pp. 48-67.
- Deardorff, A.V. (1979). 'Weak links in the chain of comparative advantage', *Journal of International Economics*, vol. 9, pp. 197-209.
- Debaere, P. and Demiroglu, U. (2003). 'On the similarity of country endowments', *Journal of International Economics*, vol. 59, pp. 101-136.
- Dornbusch, Rudiger, Fischer, Stanley and Samuelson, Paul (1977). 'Comparative advantage, trade and payments in a Ricardian Model with a continuum of goods', *American Economic Review*, vol. 67, pp. 823-839.
- Golub, S. and Hsieh, C. (2000). 'Classical Ricardian theory of comparative advantage revisited', *Review of International Economics*, vol. 8(2), pp. 221-234.
- Trefler, Daniel (1993). 'International factor price differentials: Leontief was right!', *Journal of Political Economy*, vol. 101, pp. 961-987.
- Trefler, Daniel (1995). 'The case of missing trade and other mysteries', *American Economic Review*, vol. 85, pp. 1029-1046.
- Chiquiar, D. (2008). 'Globalization, regional wage differentials and the Stolper-Samuelson Theorem: evidence from Mexico', *Journal of International Economics*, vol. 74, pp. 170-93.
- Freeman, R.A. (1995). 'Are your wages set in Beijing?', *Journal of Economic Perspectives*, vol. 9 (3), Summer.
- \*Slaughter, M.J. (1999). 'Globalization and wages: a tale of two perspectives', *World Economy*, vol. 22, pp. 609-630.
- \*Wood, A. (1995). 'How trade hurt unskilled workers', *Journal of Economic Perspectives*, vol. 9 (3), Summer.

## **Lectures 4 and 5.**

Part A) Imperfect competition and trade

Part B) Trade, specialization and economic growth

*Main reading from MMKWM:*

- Imperfect competition and international trade (ch. 11)
- Increasing returns to scale and international trade (ch. 12)
- Alternative theories of international trade (ch. 13)

*Reading list:*

- Feenstra, Robert C. (2006). 'New evidence on the gains from trade', *Review of World Economics/Weltwirtschaftliches Archiv*, December.
- Helpman, Elhanan (1999). 'The structure of foreign trade', *Journal of Economic Perspectives*, Spring, pp. 121-144.
- \*Hausmann, Ricardo, Hwang, Jason and Rodrik, Dani (2007). 'What you export matters', *Journal of Economic Growth*, vol. 12(1), pp. 1-25.
- Hummels, David and Levinsohn, James (1995). 'Monopolistic competition and international trade: reconsidering the evidence', *Quarterly Journal of Economics*, pp. 799-836.
- Hummels, David and Klenow, Peter J. (2005). 'The variety and quality of a nation's exports', *The American Economic Review*, vol. 95(3), June, pp. 704-723 (20).
- Krugman, P. (1983). 'New theories of trade among industrial countries', *The American Economic Review*, vol. 73(2), *Papers and Proceedings*, May, pp. 343-347.
- \*Melitz, M. (2008). International Trade and Heterogeneous Firms, *The New Palgrave Dictionary of Economics Online*.

## **Lectures 6 and 7.** Factor mobility and outsourcing

*Main reading from MMKWM:*

- International trade in production factors: migrations and FDI (chs. 21 and 22)

*Reading list:*

- Baldwin, Richard (2006). Globalisation: the great unbundling(s), Economic Council of Finland, September.
- \*Bhagwati, Jagdish, Panagariya, Arvind and Srinivasan, T.N. (2004). 'The muddles over outsourcing', *Journal of Economic Perspectives*, vol. 18(4), pp. 93-114.
- Blinder, Alan S. (2006). 'Offshoring: the next industrial revolution?', *Foreign Affairs*, vol. 85(2), pp. 113-128.
- Levy, F. and Yu, K. (2006). 'Offshoring radiology services to India', manuscript.
- \*Samuelson, Paul (2004). 'Where Ricardo and Mill rebut and confirm arguments of mainstream economists supporting globalization', *Journal of Economic Perspectives*, vol. 18(3), Summer, pp. 135-146.

## **Part 2 Trade Policy**

**Lecture 8** Trade policy (and development)

**(This topic will be taught jointly with the class in Globalization, Trade and Economic Development).**

*Main reading from MMKWM:*

- Tariffs (ch. 15)
- Quotas and Non-Tariff-Barriers (ch. 16)

*Reading list:*

- \*Greenwald, Bruce and Stiglitz, Joseph (2006). 'Helping infant economies grow: foundations of trade policies for developing countries', *American Economic Review*, May, pp.141-146.
- Edwards, S. (1993). 'Openness, trade liberalization, and growth in developing countries', *Journal of Economic Literature*, vol. 31(3), pp. 1358–1393.
- Harrison, A. (1996). Openness and growth: a time-series, cross-country analysis for developing countries, *Journal of Development Economics*, vol. 48(2), pp. 419–447.
- Winters, Alan (2004). 'Trade liberalization and economic performance: an overview', *Economic Journal*, vol. 114, February, pp. 4-21.

### **Lectures 9 and 10 Trade and industrialization strategies**

**(Please note that these topics will be taught jointly with the Globalization, Trade and Economic Development class - lecture times for these topics will be notified in due course).**

Main contents: Stages of import substitution; model of successful import substitution; political economy of tariffs; export-oriented industrialisation. Recent Trade Policies, the WTO, Tariffs and Non-Tariff Barriers to Trade.

*Main reading:*

Krugman, Paul R. and Obstfeld, Maurice (2009). *International Economics: Theory and Policy*, 7th edition, Boston: Addison-Wesley, Chapter 10.

Ray, Debraj (1998). *Development Economics*, Princeton, NJ: Princeton University Press, Chapter 17.

Williamson, John and Milner, Chris (1991). *The World Economy*, Hemel Hempstead, Herts: Harvester Wheatsheaf, Chapter 15.