

## **Institut für Weltwirtschaft**

### **Advanced Studies in International Economic Policy Research, 2003-04**

#### ***INTERNATIONAL TRADE***

**25<sup>th</sup> August to 5<sup>th</sup> September, 2003**

**Professor David Greenaway,  
University of Nottingham**

International trade, like cross-border investment and international migration, is a key driver of the globalisation process. Trade expanded at an unprecedented rate in the second half of the twentieth century. Moreover, the growth of trade consistently outstripped the growth of real output, resulting in greater openness, greater interdependence among economies and greater potential for policy conflict. In this course we will review the determinants of international trade and consequences of policy intervention to alter the pattern and composition of trade. The course will involve theory, evidence and policy analysis. Week 1 will focus primarily on the analytical framework and Week 2 on specific applications, as follows:

#### **Week 1 ANALYTICAL FRAMEWORK**

##### **Monday, 25<sup>th</sup> August**

###### *Topic 1 Globalisation Patterns*

Trends in trade. Patterns of specialisation. Drivers of globalisation.  
Future prospects.

###### *Topic 2 The Regulatory Environment*

General Agreement on Tariffs and Trade. GATT and trade liberalisation.  
WTO. Role of Bretton Woods agencies.

##### **Tuesday, 26<sup>th</sup> August**

###### *Topic 3 Determinants of Trade: Factor Proportions*

Structure of the Heckscher-Ohlin-Samuelson model. Gains from trade.  
Extensions to H-O-S.

*Topic 4 Determinants of Trade: Imperfect Competition*

Monopolistic competition, oligopoly and trade. Gains from trade. Geography and trade.

**Wednesday, 27<sup>th</sup> August**

*Topic 5 Empirical Evidence on Trade Patterns*

Testing the H-O-S theorem. Econometric problems and results. Recent evidence.

*Topic 6 Intra-Industry Trade*

Measurement problems. Econometric analyses. Recent evidence.

**Thursday, 28<sup>th</sup> August**

*Topic 7 Theory of Protection*

Economic effects of tariff and non-tariff interventions. Optimal intervention analysis and ranking of instruments.

**Friday, 29<sup>th</sup> August**

*Topic 8 Measurement of Protection*

Nominal and effective protection. Incidence analysis. Evidence for developed and developing countries.

*Topic 9 Political Economy of Protection*

Models of endogenous tariffs. Explaining the pattern of protection. Empirical evidence.

**Week 2 SPECIAL TOPICS**

**Monday, 1<sup>st</sup> September**

*Topic 10 Trade and Firm Level Adjustment*

Models of trade and firm level productivity. Exporting and firm performance. Empirical analysis.

## **Tuesday, 2<sup>nd</sup> September**

### *Topic 11 Trade and Economic Development*

Links between trade and growth. Trade liberalisation and growth. Policy conditionality. Evidence on trade reforms, exports and growth.

## **Wednesday, 3<sup>rd</sup> September**

### *Topic 12 Regionalism and Multilateralism*

Economic effects of regional trading arrangements. Trends in regionalism. Minilateral and multilateral trade reforms.

## **Thursday, 4<sup>th</sup> September**

### *Topic 13 Synthesis and Review of Programme*

The Uruguay Round negotiations and outcomes. Emerging agenda for the Millennium Round. Prospects for further trade liberalisation.

## **Friday, 5<sup>th</sup> September**

*End of course examination.*

## **READING AND REFERENCES**

### **General Texts**

Bowen, H. P., Hollander, A. and Viane, J-M. (1998) *Applied International Trade Analysis* (Macmillan)

Greenaway, D. and Milner, C. R. (1986) *The Economics of Intra-Industry Trade* (Blackwell)

Greenaway, D. and Milner, C. R. (1993) *Trade and Industrial Policies in Developing Countries* (Macmillan)

Helpman, E. and Krugman, P. (1985) *Market Structure and Foreign Trade* (Wheatsheaf)

Krugman, P. (1991) *Economic Geography* (MIT Press)

Markusen, J. et al (1995) *International Trade: Theory and Evidence* (McGraw Hill)

Vousden, N. (1990) *The Economics of Trade Protection* (Cambridge University Press)

### **Collected Readings**

Bhagwati, J. (ed) (1987), *International Trade: Selected Readings* (MIT Press)

Corden, W. M. (1992), *International Trade Theory and Policy* (Edward Elgar)

Greenaway, D. (ed) (1996 2<sup>nd</sup> ed.) *Current Issues in International Trade* (Macmillan)

Greenaway, D. and Winters, L.A. (eds) (1994) *Surveys in International Trade* (Blackwell)

Grossman, G. M. and Rogoff, K. (1995) *Handbook of International Economics*, Vol. 3 (North Holland)

Jones, R. W. and Kenen, P. B. (eds) (1984), *Handbook of International Economics* Vol. 1 (North Holland)

Krueger, A. O. (ed.) (1998) *The WTO as an International Organisation* (University of Chicago Press)

### **REFERENCES BY TOPIC (\* denotes course reading)**

#### **Topic 1**

\*Deardorff, A., 'What Might Globalisation's Critics Believe?', *The World Economy*, Vol. 26, 2003, pp.639-658.

\*Lloyd, P., 'Globalisation and Competition Policies', *Weltwirtschaftliches Archiv*, Vol. 134, 1998, pp.161-187.

WTO, 'International Trade: Trends and Statistics, Geneva, 1999.

Schulze, G. and Ursprung, H., 'Globalisation of the Economy and the Nation State', *The World Economy*, Vol. 22, 1999, pp. 295-352.

## **Topic 2**

\*Blackhurst, R., 'The WTO and the Global Economy', *The World Economy*, Vol. 20, 1997, pp.527-544.

\*Staiger, R. W., 'International Rules and Institutions for Trade Policy', Chapter 29 in Grossman and Rogoff, 1995.

Blackhurst, R., 'The Capacity of the WTO to Fulfil Its Mandate', Chapter 1 in Krueger 1998.

Schott, J. J. (ed), 'Completing the Uruguay Round', Institute for International Economics, Washington, 1990.

## **Topic 3**

\*Falvey, R. E., 'The Theory of International Trade', Chapter 2 in Greenaway and Winters, 1994.

\*Neary, J. P., 'Theory and Policy of Adjustment in an Open Economy' in Greenaway 1996.

Deardorff, A., 'Overview of the Stolper-Samuelson Theorem' in A. Deardorff and R. Stern, *The Stolper-Samuelson Theorem: A Golden Jubilee*, University of Michigan Press, 1994.

## **Topic 4**

\*Krugman, P., 'Increasing Returns, Imperfect Competition and the Positive Theory of International Trade', Chapter 24 in Grossman and Rogoff, 1995.

\*Smith, M. A., 'Imperfect Competition and International Trade', Chapter 3 in Greenaway and Winters, 1994.

Greenaway, D. and Milner, C.R., *The Economics of Intra-Industry Trade*, Blackwell, 1986, Chapters 2-4.

Kierskowski, H., 'Models of International Trade in Differentiated Goods', Chapter 1 in Greenaway, 1996.

## **Topic 5**

\*Leamer, E., 'Testing Trade Theory', Chapter 4 in Greenaway and Winters, 1994.

\*Leamer, E. and Levinson, J., 'International Trade Theory: The Evidence', Chapter 6 in Grossman and Rogoff, 1995.

Evenett, S. and Keller, W., 'On Theories Explaining the Success of the Gravity Model', *Journal of Political Economy*, Vol. 110, 2002, pp.281-316.

Tharakan, P. K. M. and Calfat, G., 'Empirical Analysis of International Trade Flows', Chapter 4 in Greenaway, 1996.

## **Topic 6**

\*Greenaway, D. and Torstensson, J., 'Back to the Future: Taking Stock of Intra-industry Trade', *Weltwirtschaftliches Archiv*, Vol. 133, 1997, pp.249-269.

Greenaway, D. and Milner, C.R., *The Economics of Intra Industry Trade*, Chapters 5-9.

Torstensson, J., 'How Robust are Models of Intra-Industry Trade?', *Oxford Bulletin of Economics and Statistics*, Vol. 58, 1996, pp.507-524.

Ulf-Moller Nielson, J. and Luthje, T., 'Tests of the Empirical Classification of Horizontal and Vertical Intra-Industry Trade', *Weltwirtschaftliches Archiv*, Vol.138, 2002, pp. 587-604.

## **Topic 7**

\*Anderson, J., 'The Theory of Protection' in Greenaway and Winters 1994.

\*Corden, W. M., 'The Normative Theory of International Trade' in Jones and Kenen 1984.

Corden, W. M., *Trade Policy and Economic Welfare*, Oxford University Press, 2<sup>nd</sup> edition.

Vousden, N. (1990) *The Economics of Trade Protection* (Cambridge University Press).

## **Topic 8**

\*Greenaway, D. and Milner, C.R., *Trade and Industrial Policies in Developing Countries*, Chapters 4-9.

\*Feenstra, R., 'Estimating the Effects of Trade Policy', Chapter 30 in Grossman and Rogoff, 1995.

Milner, C. , 'Empirical Analysis and the Welfare Effects of Commercial Policy', Chapter 7 in Greenaway, 1996.

## **Topic 9**

\*Frey, B. and Weck-Hannemann, H. 'The Political Economy of Protection' in Greenaway (1996)

\*Magee, S. 'The Political Economy of Trade Policy' in Greenaway and Winters (1994).

Milner, C., 'Discovering the Truth About Protection Rackets', *The World Economy*, Vol. 19, 1996, pp.517-532.

## **Topic 10**

\*Bernard, A., Jensen, B. and Schott, P., 'Falling Trade Costs, Heterogeneous Firms Industry Dynamics', Institute for International Economics, Working Paper 03/4, 2003.

\*Clerides, S, Lach, S. and Tybout, J., 'Is Learning by Exporting Important?', *Quarterly Journal of Economics*, Vol. 113, 1998, pp.903-948.

Castellani, D., 'Export Behaviour and Productivity Growth: Evidence from Italian Firms', *Weltwirtschaftliches Archiv*, Vol. 138, 2002, pp.605-628.

Girma, S., Greenaway, D. and Kneller, R., 'Does Exporting Increase Productivity: A Microeconometric Analysis of Matched Firms', *Review of International Economics*, 2003.

## **Topic 11**

\*Krueger, A. O., 'Trade Policy and Economic Development: How We Learn', *American Economic Review*, Vol. 87, 1997, pp.1-22.

\*Rodrik, D., 'Globalisation, Social Conflict and Economic Growth', *The World Economy*, Vol. 21, 1998, pp. 143-158.

Edwards, S., Openness, 'Productivity and Growth: What Do We Really Know?' *Economic Journal*, Vol. 108, 1998, pp. 383-398.

Greenaway, D., Morgan, C.W. and Wright, P.W., 'Trade Liberalisation and Growth in Developing Countries', *Journal of Development Economics*, Vol. 67, 2002, pp.229-244.

## **Topic 12**

\*Hine, R. C., 'International Economic Integration', Chapter 9 in Greenaway and Winters, 1994.

\*Hoekman B. (ed), 'Developing Countries and the Next Round of WTO Negotiations', *The World Economy*, Vol. 23, 2000, pp.431-611.

Bhagwati, J., Greenaway, D. and Panagariya, A., 'Trading Preferentially: Theory and Policy', *Economic Journal*, Vol. 108, 1998, pp.1128-1148.

Panagariya, A., 'The Regionalism Debate: An Overview', *The World Economy*, Vol. 22, 1999, pp. 477-512.