

# International Trade Theory and Policy

**Economics 300a, Fall 2005**

MW 9:00-10:15 AM

LUCE 202

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**Section:** TBA

**Office Hours:** TBA

## **Course Description**

This course provides an introduction to the basis, consequences and policies of international trade and to the multilateral trading system and institutions such as the World Trade Organization. It also will cover the ongoing Doha Round of multilateral trade negotiations and its implications for the future of the global trading system. Adequate knowledge of intermediate microeconomics is required.

## **Required Text** [Available at the Yale Bookstore]

Paul Krugman and Maurice Obstfeld (2003) International Economics: Theory and Policy, 6<sup>th</sup> Edition, Boston, MA, Addison Wesley. (Denoted KO.)

Irwin, Douglas (2005) Free Trade Under Fire, Princeton, Princeton University Press. (Denoted I)

## **Recommended Books**

Richard Caves, Jeffrey Frankel and Ronald Jones (2004) World Trade and Payments: An Introduction, Addison Wesley.

Jagdish Bhagwati, Arvind Panagariya and T.N. Srinivasan (1998) Lectures on International Trade, Cambridge, MA, the MIT Press.

World Trade Organization (2004) International Trade Statistics. Available at [http://www.wto.org/english/res\\_e/statis\\_e/its2004\\_e/its04\\_toc\\_e.htm](http://www.wto.org/english/res_e/statis_e/its2004_e/its04_toc_e.htm).

### **Additional Books on Reserve**

- Bhagwati, Jagdish (2002) Free Trade Today, Princeton, Princeton University Press.
- Bhagwati, Jagdish (2004) In Defense of Globalization, New York, Oxford University Press.
- Bradford, Scott and Lawrence, Robert (2004) Has Globalization Gone Far Enough?, Washington, D.C., Institute for International Economics.
- Cline, William (2004) Trade Policy and Global Poverty, Washington, D.C., Institute for International Economics.
- Frieden, Jeffry, Pastor Jr., Manuel and Tomz, Michael (2000) Modern Political Economy and Latin America, Boulder, CO, Westview.
- Feenstra, Robert (2003) Advanced International Trade: Theory and Evidence, Princeton, NJ, Princeton University Press.
- Hoekman, Bernard and Martin, Will (2001) Developing Countries and the WTO: A Pro-Action Agenda, London, Blackwell Publishing.
- Hoekman, Bernard, Mattoo, Aaditya and English, Philip (Eds.) (2002) Development, Trade and the WTO, Washington, D.C., World Bank.
- Jackson, John (1997) The World Trading System, 2nd Edition, Cambridge, MA, the MIT Press.
- Rodrik, Dani (1997) Has Globalization Gone too Far?, Washington, D.C., Institute for International Economics.
- Sampson, Gary (Ed.) (2001) The Role of the World Trade Organization in Global Governance, Tokyo, United Nations University Press. (Available Online)
- Srinivasan, T.N. (1998) Developing Countries and the Multilateral Trading System, Boulder, CO, Westview Press.
- Krugman, Paul (1997) Pop Internationalism, Cambridge, MA, the MIT Press.
- Stiglitz, Joseph (2002) Globalization and Its Discontents, New York, Norton.
- Wolf, Martin (2004) Why Globalization Works, New Haven, Yale University Press.
- World Bank (2002) Globalization, Growth and Poverty, Washington, D.C., World Bank.
- WTO (2005) World Trade Report 2005. Available at [http://www.wto.org/english/news\\_e/pres05\\_e/pr411\\_e.htm](http://www.wto.org/english/news_e/pres05_e/pr411_e.htm)

The required and recommended books will be placed on reserve at CCL. All readings from KO and I are required. Additional required reading assignments will be assigned throughout the course (and either placed on reserve or distributed in class). Note that the readings from Bhagwati, Panagariya and Srinivasan (1988) and Feenstra (2003) are at the level of a graduate course.

### **Class Web Page**

A web page has been set up for this class on the classes server (<http://classes.yale.edu> ). Materials, such as problem sets, will be uploaded to the web page as necessary.

### **Course Grading**

There will be a midterm exam emphasizing problem solving and working with theoretical models that will account for 40% of the grade. There will be a final term paper accounting for 30% of the grade (see below). Participation in class debates will account for 10% of the grade (see below). The remaining 20% of the grade will consist of weekly problem sets.

### **Class Debates**

We will hold a series of debates over the last four classes (Nov. 14, 16, 28, 30). Students will be divided into a pro- and con- position and asked to debate the issue. Possible topics include:

- I. Is there a need for a Multilateral Trading System?
- II. Globalization: Is it good or bad?
- III. Agricultural liberalization.
- IV. Services liberalization.

### **Final Term Paper**

Choose preferably one of the four debate topics or its subtopics. If you prefer to write a paper on a different topic, you should do so in consultation with Professors Srinivasan and Zedillo early in the term. Evaluate your chosen topic analytically from an economic perspective. The paper should not exceed 5,000 words in length. It is due December 16 at 5pm. Please send it by e-mail to both Professor Zedillo ([ernesto.zedillo@yale.edu](mailto:ernesto.zedillo@yale.edu)) and Professor Srinivasan ([t.srinivasan@yale.edu](mailto:t.srinivasan@yale.edu)).

### **Public Lectures**

Students are encouraged to attend some public lectures on trade-relevant topics which will take place on campus during the semester. The information for these lectures will be announced in class.

### **Course Outline**

**Lecture 1 (8/31):** Introduction.

KO 1

**Lectures 2 & 3 (9/5, 9/7):** The Ricardian Model.

KO 1 & 2

I 1

**Lecture 4 (9/12):** Review of Basic General Equilibrium Model.

KO 3

I 2

**Lecture 5 (9/14):** Specific Factors Model.

KO 3

**Lectures 6-8 (9/19, 9/21, 9/26):** The Heckscher-Ohlin-Samuelson Model.

KO 4 & 5

I 3

**Lecture 9 & 10 (9/28, 10/3):** Imperfect Competition, Scale Economies and Trade.

KO 6

I 4

**Lecture 11 (10/5):** Trade and Growth.

KO 5

I 5

**Lecture 12 (10/10):** Trade and Factor Mobility.

KO 7

**Lectures 13-15 (10/12, 10/17, 10/19):** Trade Policy.

KO 8-11

I 6-7

**Lecture 16 (10/24):** Midterm Examination.

**Lectures 17 (10/26):** Preferential Trade Agreements.

Readings, TBA

**Lectures 18 (10/31):** Trade and Development.

Readings, TBA

**Lectures 19 (11/2):** The Multilateral Trading System.

Readings, TBA

**Lecture 20 (11/7):** The Doha Round.

Readings, TBA

**Lectures 21 (11/9):** Globalization and Other Trade Issues.

Readings, TBA

**Lectures 22-25 (11/14, 11/16, 11/28, 11/30):** Class Debates.

**Term Paper Due 12/16 at 5pm.**