

Course title: Applied International Trade

Office

GSISS #810, Phone # 045-339-3539.

- e-mail: parsons-craig-gj@ynu.ac.jp
- <http://www.parsons.ynu.ac.jp/>

Prerequisites

Microeconomics (e.g text by Hal Varian or similar).

If you are not currently taking, or have not taken a graduate Micro course before, then do not take this course.

Also:

- *International Trade*: This course is most definitely a prerequisite (or at least co-requisite) at least at the undergraduate level. If you have not taken such a course, you should brush up your skills by reading Krugman and Obstfeld's International Economics or some other well-known undergraduate international economics text before or during the course.
- *Mathematics*: While most of the discussions and readings will be graphical in nature, on occasion basic differential calculus may be required. A good reference to brush up your skills is Chiang. (See below).
- *Econometrics*: Some of the papers we will read will be econometric (statistics for economists) paper. While an in-depth knowledge of econometrics is not necessary, it will be helpful. See below for some accessible texts.

Course Content (tentative, may change)

The course will cover a number of issues both theoretical and empirical in international trade. The fundamental theories of trade and trade policies will be reviewed and empirical studies of some of these theories will be critically examined. Some empirical methods in trade will also (hopefully) be covered, namely Gravity models and estimating Import Demand functions.

Course Requirements

Take-home midterm (30%); final, in-class, open book exam (40%) (short essay/answer); two (2) in-class quizzes (30%)

Attendance is not mandatory, but expected. You should read all assigned material before class and participate in class discussions. The entire class will be conducted in English only. Required readings are in the schedule below. I may decide to skip some material in the list or assign other readings as the course progresses, however. All quiz and exam times will be announced ahead of time. Please contact me if you are in doubt. If you miss any quizzes or exams, you will *not* be able to make them up unless you have written documentation for a medical emergency or other serious crisis.

Readings

Readings for the course will be taken from the two main texts, journal articles and several other texts. Articles and chapters that we will discuss will be distributed by me in class.

The main texts will be:

- J. Markusen, J. Melvin, W. Kaempfer, and K. Maskus, (1995), International Trade: Theory and Evidence, McGraw Hill. (**MMKM** in readings; available for free online at: <https://mpra.ub.uni-muenchen.de/21989/>)
- J. Bhagwati, P. Krishna, and A. Panagariya, eds. (1999), Trading Blocs : Alternative Approaches to Analyzing Preferential Trading Agreements, MIT Press. (**BKP** in readings.)

Other general texts which may be useful are:

- Feenstra, R. C., (2004), Advanced International Trade: Theory and Evidence, Princeton University Press.
- Bowen, H. P., Hollander, A. and J-M Viaene (1998), Applied International Trade Analysis, Michigan University Press, Ann Arbor.
- Hill, Griffiths, and Judge (2001), Undergraduate Econometrics, 2nd Edition. John Wiley and Sons. This is a fairly accessible econometrics textbook for students with a basic statistical background.
- Chiang, Alpha C. (1984, 2004 edition with Wainwright as co-author), Fundamental Methods of Mathematical Economics, McGraw-Hill is suggested reading for any student who is serious about doing Ph.D level work. (Simon and Blume's (1994) Mathematics for Economists is also popular.)

The following undergraduate texts and books may be useful references:

- Krugman, P.R. and M. Obstfeld, International Economics: Theory and Policy, 5th ed., HarperCollins (2000). (Any edition is fine.)

- Salvatore, D. International Economics, any edition.

There are many fine books out there. Please consult with me if you find another one you like.

Course Schedule (subject to change)

	Topic	Readings
Part I: Trade Theory and the Gains from Trade		
Lecture 1	Intro to International Economics; Ricardian Comparative Adv.	Chapter 1 and Chapter 2; Deardorff and Stern (2002)
Lecture 2	Intro continued; absolute advantage/comparative advantage (mock quiz)	MMKM, Chapter 1, Bowen et al, Chap 1
Lecture 3	Supply side and Demand sides of Heckscher-Ohlin (H-O) Model	MMKM, Chapter 2, 3.
Lecture 4	Putting the H-O model together	MMKM Chapter 4,5
Lecture 5	The “no-trade model”; QUIZ 1	MMKM 6, 8
Lecture 6	HO model in more detail	MMKM 8 continued
Part II: Tariffs, Quotas, and other Trade Policies and Measuring the Effects of Trade Policy		
Lecture 7	Government Policy and HO; Other trade models (Tech Gap, Product cycle, Melitz models)	MMKM, Chapter 10, 13 other readings
Lecture 8	*(Take Home Due)* Tests of Trade Models	MMKM 14
Lecture 9	Tariffs in General (HO) and Partial Equilibrium Analysis	MMKM 15, 16
Lecture 9	Test of the Gains from Trade (Japan) and Costs of Protection	Feenstra (1992), Huber (1971)
Lecture 10	Antidumping Duties (ADDs)	KO p. 142-147, MMKM ch 20, my notes, Prusa (1999)
Part III: Estimating Gravity Models and Import Demand Functions		
Lecture 11	Gravity Models	Pakko and Wall (2001), my notes
Lecture 12	QUIZ 2	
Part IV: Preferential Trading Arrangements		

Lecture 13	Vinerian Analysis of PTAs (FTAs and Customs Unions)	Viner (1950); BKP (1999) chapters 1 and 2
Lecture 14: lecture if necessary, or review session for final	Are PTAs good or bad, or what?	Lawrence, Bhagwati (in BKP 27, and 28); Anne Krueger (1999)
Feb (must confirm)	FINAL EXAM	

Detailed Reference list

Bhagwati, J., Krishna, P. and A. Panagariya, eds. (1999), Trading Blocs : Alternative Approaches to Analyzing Preferential Trading Agreements, MIT Press. (**BKP** in readings.)

Bowen, H. P., Hollander, A. and J-M Viaene (2012) Applied International Trade 2nd edition. Palgrave MacMillan.

Deardorff, Alan, and Robert Stern (2002), “What you should know about globalization and the World Trade Organization,” *Review of International Economics* 10(3) 404-423.

Feenstra (1992) “How Costly is Protectionism?” *Journal of Economic Perspectives* 6, 159-178.

Huber, J. Richard (1971) article, “Effect on Prices of Japan’s Entry...” *Journal of Political Economy* 614-628.

Irwin, D. (2002) Free Trade Under Fire, Princeton University Press.

Krueger, Anne (1999), “Are Preferential Trading Arrangements Trade-Liberalizing or Protectionist?” *Journal of Economic Perspectives*, 105-124.

Krugman, P.R. and M. Obstfeld (1994, 2003), *International Economics: Theory and Policy*.

Markusen, J. Melvin, W. Kaempfer, and K. Maskus, (1995), International Trade: Theory and Evidence, McGraw Hill. (**MMKM** in readings)

Pakko, M. R. and H. J. Wall, (2001) “Reconsidering the Trade Creating Effects of a Currency Union”, *Federal Reserve Bank of St. Louis Review*, Sept/Oct 2001, p. 37-45.

Prusa, Thomas J. (2001), “On the Spread and Impact of Antidumping,” *Canadian Journal of Economics*, vol. 34 (3) 591-611.

Viner, Jacob (1950), “The Customs Union Issue,” reprinted in BKP chapter 3.