International Trade Theory (Economía Internacional)
Centro de Investigación y Docencia Económicas
February – June, 2016

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Day/Time	Tuesday, 11:20-12:50 and 14:30-16:00
Office hours	By appointment

Objective

The objective of this course is to introduce to the students the theory of international trade. We will be focusing on two main issues. First, are there gains from trade, i.e., why do countries would engage in international trade? Moreover, what explains the patterns of international trade, i.e., who exports (imports) what to (from) whom? Second, what are the implications of various trade policies such as import tariff, export subsidy, etc.

Prerequisites

Basic microeconomic theory including the theory of general equilibrium, industrial organization and differential calculus.

References

We will follow the following basic text books. Additional references will be given to you opportunely.

1. Richard E. Caves, Jeffrey A. Frankel and Ronald W. Jones (2002), *World Trade and Payments: An Introduction*, 9th edition, Addison-Wesley.

2. Robert C. Feenstra (2004), *Advanced International Trade: Theory and Evidence*, Princeton University Press.

3. Paul R. Krugman and Maurice Obstfeld (2009), *International Economics: Theory and Policy*, 8th edition, Pearson Addison-Wesley.

4. William A. Kerr and James D. Gaisford (2007), *Handbook of International Trade Policy*, Edward Elgar Publishing, Northampton, MA.[1]

Grading

There will be three mid-term exams, which will account for 25%, 25% and 35%, respectively. Students will also be given a number of problem sets which are to be returned on the due dates. The problem sets will account for the remaining 15% of the final grades. Please note that 5% of the final grades will be deducted for each problem set not submitted to the teaching assistant.

[1] Selected papers.

Syllabus

1. The neoclassical trade theory (Kaniṣka Dam):
   (a) Gains from Trade.
   (b) Differences in technology - the Ricardian trade model.
   (c) Differences in endowments (long run) - the Heckscher-Ohlin model.
   (d) Differences in endowments (short run) - The specific factors model.
2. International trade under imperfect competition (Kaniṣka Dam):
   (a) Imperfect competition as a determinant of trade
   (b) Trade under increasing returns to scale and monopolistic competition.
   (c) The Gravity Equation.
3. The political economy of international trade (Kimberly Nolan):
   (a) Trade policy: main instruments.
   (b) Sectoral trade policy preferences.
   (c) Individual trade policy preferences.
   (d) State's preferences in international trade relations.
   (e) The political economy of the multilateral trade system.
   (f) The political economy of regional trade agreements.