

International Trade: Basics

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course overview

This course is dedicated to a refreshment of trade basics. It is intended to help Students (especially the ones with no background in Trade economics) to benefit from the advanced trade- related courses which will be taught later in October and November.

In this course, we are going to :

- Review basic facts on international trade
- Review basic trade theories
- Introduce some current “hot” debates related to trade

Learning outcomes

At the end of the class, the student is expected to be able to:

1. Recognize any type of modelling in trade theory
2. Know basic concepts, theorems and mechanisms in trade theory
3. Have a clear view about historical data on trade
4. Can list some current hot debates related to international trade

Pre-requisite

Intermediate Micro (including competitive general equilibrium modelling and Dixit Stiglitz (1977) monopolistic competition model)

Basic Economic Growth would be a “plus”.

Organization of the lectures

The course is organized on a single day with two sessions: morning session and afternoon session.

The content of each session is as follows

Morning Session

1. International trade in historical perspective
2. A broad overview of the evolution of trade theories
3. Key traditional trade models: Ricardian models/Factor Proportion models (HOS)

At the end of the morning session:

- 1- Students have a clear view about the evolution of trade flows since the industrial revolution and about the (changing) relative importance of trade flows compared to capital, labor and knowledge flows from 1950 to date.
- 2- Students know the typology of the different classes of trade theories (and models within each theory)
- 3- Students know the basic concept, mechanisms, and theorems of the traditional theory of trade i.e: the principle of comparative advantage, the Ricardian model of trade, the HOS model of trade, the Stopler-Samuelson theorem, the Rybcynski theorem.

Afternoon session

4. Key new trade models (The Krugman model and derivatives)
5. The trade and growth relationship
6. Some current “hot” debates related to trade

At the end of the afternoon session:

- 1- Students have been taught the Krugman (1980) model of trade and have learned about the “Home Market Effect”. They know a little bit about the related New Economic Geography models and received a short focus on the Krugman and Venable (1995) model on trade and the inequality of Nations.
- 2- Students know the typology of models of economic growth and trade, especially, Romer and Rivera Batiz (1991), Grossman and Helpman (1991), Baldwin, Martin and Ottaviano (2001)
- 3- Students have been introduced to some important current debates related to trade, specifically: What is the impact of trade liberalization on domestic labor markets? What is the relationship between trade and technological change? How to evaluate the welfare impact of trade? Is there a new case in favor of Protectionism?

Advised complementary readings.

In support of the morning Session:

For relevant broader views on globalization: Baldwin, R (2016) Krugman (2016), Rodrik, Dani (2017)
For a learning/understanding of traditional trade models: Krugman, Obstfeld and Melitz (2018, 11ième edition, Chapter 1 to 6), Samuelson (2004)

In support of the afternoon session:

For a learning/understanding of modern trade models: Obstfeld and Melitz (2018, 11ième edition, Chapter 7), Chaney’s lectures note on the Krugman’s model, Kehoe (2017) and Ottaviano (2016) on the new quantitative general equilibrium trade models

Except for the books & manuals (i.e Baldwin 2016 and Krugman, Obstfeld and Melitz (2018), the advised complementary readings are available [here](#)

Evaluation

No evaluation for this course. Students will be evaluated on their assignments for the two next advanced trade related courses.

Basic Books

Krugman, P. M. Obstfeld and M. Melitz (2018): *International Economics: Theory and Policy*, Pearson eds.

Baldwin, R (2016), *The great convergence: information technology and the new globalization*, Harvard University Press.