

## **CAFRAL Live Lecture Series on Advanced International Trade**

**August 17-20, 2020 | 2PM – 5PM**

**Mumbai**

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**Register Here:** [https://www.cafral.org.in/Lecture\\_series\\_Advanced\\_Trade\\_Finance](https://www.cafral.org.in/Lecture_series_Advanced_Trade_Finance)

### **Goals of the series**

The goal of the series is to provide participants with a detailed understanding of key policy issues in international trade and how theory helps understand them.

- Why does India export textile products, the US export aircraft and China export electronics?
- Why is there such passionate debate over trade agreements like the RCEP (Regional Comprehensive Economic Partnership)?
- What implications will trade wars between countries have on welfare?
- These are types of questions we will tackle in this series. The relevance of international trade theory is best understood through empirical exploration and application to real world issues. Hence, the series will have an empirical component.

### **Structure**

The series will consist of four lectures of three hours each (with a break midway).

### **Content**

<b>Lecture</b>	<b>Topic</b>
1	Theories of comparative advantage: Ricardian model
2	Factor Endowment Models, Trade and Imperfect Competition (Krugman, 1979), Trade with Heterogeneous Firms (Melitz, 2003)
3	Empirical exploration of trade theory and implications for policy (this session will involve use of STATA, a statistical software package)
4	Trade policy (tariffs, quotas and export subsidies) and welfare

## Sources and Readings

### Texts:

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

Dixit, Avinash K. and Victor Norman (1980), *Theory of International Trade*. Cambridge, U.K.: Cambridge University Press.

Jagdish N. Bhagwati, Arvind Panagariya, and T. N. Srinivasan (1998), *Lectures on International Trade*, 2<sup>nd</sup> edition, Cambridge, MA: MIT Press.

Markusen, Melvin, Kaempfer and Maskus (1995). *International Trade: Theory and Evidence*, McGraw Hill, 1995.

### Readings (by topic):

#### Topic 1: Comparative Advantage and the Ricardian Model

Dornbusch, R., Fischer, S., and Samuelson, P.A. 1997. "Comparative advantage, trade and payments in a Ricardian Model with a Continuum of Goods." *American Economic Review* 65 (5): 823-839 (focus on sections I & II).

Carlin, W., Glyn, A. and Van Reenen, J., 2001. "Export market performance of OECD countries: An empirical examination of the role of cost competitiveness." *The Economic Journal*, 111 (January): 128-162.

Eaton, J., & Kortum, S. 2002. "Technology, Geography, and Trade". *Econometrica*, 70(5), 1741-1779.

Samuelson, Paul A. 2004. "Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization." *Journal of Economic Perspectives*, Vol. 18, Number 3, pp. 135-146.

#### Topic 2: Factor Endowment Models, Trade and Imperfect Competition, Trade with Heterogeneous Firms

Jones R W and J A Scheinkman (1977), 'The Relevance of the Two-Sector Production Model in Trade Theory', *Journal of Political Economy*, 85, 909-935.

Neary J P (1978), 'Short Run Capital Specificity and the Pure Theory of International Trade', *Economic Journal*, 88, 488-510.

Krugman, Paul R (1979), "Increasing returns, monopolistic competition, and international trade," *Journal of International Economics*, 9(4), 469-479.

Deardorff (...), 'Introduction to the Lerner Diagram', 'Introduction to the Two Cone HO Equilibrium', mimeos Michigan.

Deardorff A D (1982), 'Weak Links in the Chain of Comparative Advantage', *Journal of International Economics*, 9, 197-209.

Deardorff A D (1994), 'The Possibility of Factor Price Equalization Revisited', Journal of International Economics, 36,167-175.

Davis D R. and D E Weinstein (2001), 'An Account of Global Factor Trade', American Economic Review, 91(5), 1423-1453.

Melitz, M.J. (2003), "The Impact Of Trade On Intra-Industry Reallocations And Aggregate Industry Productivity", Econometrica, 71 (6): 1695-1725.

Melitz, M.J. and G. Ottaviano (2006), "Market Size, Trade and Productivity", Review of Economic Studies, 75(1), 295-316.

Autor D H, Dorn D and G H Hanson (2013), 'The China Syndrome: Local Labor Market Effects of Import Competition in the United States', American Economic Review, 103(6), 2121-2168.

Ravallion M (2018), 'Inequality and Globalization: A Review Essay', Journal of Economic Literature, 56(2), 620-642.

### **Topic 3: Empirical Exploration of Trade Theory**

#### **Choice of (based on participant interests):**

#### **Gravity Models in International Trade**

Anderson J E and Eric van Wincoop (2003), "Gravity with Gravitas: A Solution to the Border Puzzle," American Economic Review, American Economic Association, vol. 93(1), 170-192.

Helpman E, Melitz M and Yona Rubinstein (2008), "Estimating Trade Flows: Trading Partners and Trading Volumes," The Quarterly Journal of Economics, MIT Press, vol. 123(2), 441-487, 05.

OR

#### **Productivity and Mark-ups - Estimation**

Harrison A (1994), "Productivity, Imperfect Competition and Trade Reform : Theory and Evidence", Journal of International Economics, 36, 53-73.

Krishna P and D Mitra (1998), "Trade Liberalization, Market Discipline and Productivity Growth: New Evidence from India", Journal of Development Economics, 56(2), 447-462.

Pavcnik, Nina (2002) "Trade Liberalization, Exit, and Productivity Improvement: Evidence from Chilean Plants," Review of Economic Studies, 69(1): 245-276.

De Loecker, J and F Warzynski (2012), "Markups and Firm-Level Export Status", American Economic Review, 102 (6): 2437-71.

De Loecker, J, Goldberg P K, Khandelwal A K and N Pavcnik (2016), "Prices, Markups and Trade Reform", Econometrica, 84(2): 445-510.

**Topic 4: Trade Policy**

Khandelwal A, Schott P and S J Wei (2013), "Trade Liberalization and Embedded Institutional Reform: Evidence from Chinese Exporters", *The American Economic Review*, 103(6), 2169-95.

Brambilla I, Khandelwal A and Peter Schott, "China's Experience under the Multifiber Arrangement and the Agreement on Textile and Clothing," in *China's Growing Role in World Trade*, edited by Robert Feenstra and Shang-Jin Wei. NBER Working Paper 13346.

Bown, C. P. (2012), "Taking Stock of Antidumping, Safeguards and Countervailing Duties, 1990--2009", *The World Economy*.