

ECON 473
Topics in International Trade

Professor Kar-yiu Wong
Winter 2016

Classes: MW 1:30-3:20 pm., SMI 307

Office: Savery 352

Office Hours: Tuesdays 10:00 a.m. – 12:00 noon

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Holidays: January 18, Martin Luther King Day
February 15, Presidents' Day

This is an advanced undergraduate course on the theory of international trade. Students taking this one are supposed to have taken a course on the theory of international trade such as ECON 471. If you have not taken ECON 471, you need to check with me to make sure that you have the required background for this class.

This course will extend and apply some of the theories of international trade you learned before. In particular, it will have an emphasis on some of the current trade issues such as international factor mobility, trade wars, trade protection, and economic integration.

To get a credit in this class, you are required to write a term paper and take an examination. There are extra requirements for the term paper if you want to earn a “W” credit.

Problem sets will be assigned after each section. They have to be handed in by the due day, or they will not be counted toward the final grade. The weights given to the problem sets, term paper, and examination are 10%, 45%, and 45%, respectively.

You are welcome to send your questions related to this course to my e-mail address. Check my homepage on this course regularly to find out any latest news.

General References:

Appleyard, Dennis R. and Alfred J. Field, (A&F), *International Economics*, 8th Edition, McGraw-Hill, 2014. (Earlier editions may be used instead.)

Bhagwati, J. N. (ed.), *International Trade: Selected Readings*, 2nd, 1987.

Bhagwati, J. N., A. Panagariya, T. N. Srinivasan, *Lectures on International Trade*, MIT Press, 1998. (BPS)

Caves, Richard E., Jeffrey A. Frankel, and Ronald W. Jones (CFJ), *World Trade and Payments*, Ninth Edition, 2002.

Chacholiades, M., *International Trade Theory and Policy*, McGraw-Hill. 1978.

Ethier, Wilfred, *Modern International Economics*, W. W. Norton. 1995.

Markusen, James, James Melvin, William Kaempfer, and Keith Maskus, *International Trade: Theory and Evidence*, 1995. (MMKM)

Krugman, Paul R., Maurice Obstfeld, Marc J. Melitz (K&O), *International Economics*, 10th edition, Addison Wesley, 2015.

Wong, Kar-yiu, *International Trade in Goods and Factor Mobility*, Cambridge, Mass.: MIT Press, 1995.

Newspapers and magazines such as *Wall Street Journal*, *New York Times*, and *Economist*.

(1) Basic Theories

(a) The Neoclassical Framework

*Any trade textbook.

(b) Theory of Monopoly and Duopoly

Any microeconomics textbook.

(2) International Trade in Goods and Factor Movement

(a) *General Theory*

*A&F, Chapter 11-12.

*K&O, Chapter 7.

*Mundell, Robert, "International Trade and Factor Mobility," in Bhagwati, 1987.

(b) *Multinational Corporations and Foreign Direct Investment*

Edward Graham and Paul Krugman, *Foreign Direct Investment in the United States*, Washington, D.C.: Institute for International Economics, 1995.

*MMKM, Chapter 22.

United Nations, *World Investment Report*, (one issue for each year).

- *Wong, Kar-yiu, "The Japanese Challenge: Japanese Direct Investment in the United States," in Kozo Yamamura (ed.), *Japanese Investment in the United States: Should We Be Concerned?*, Seattle: Society for Japanese Studies, 1989, 63--96.
- *Wong, Kar-yiu, and Kozo Yamamura, "Japanese Direct Investment in the United States," in Ramon H. Myers (ed.) *Integrating the World Economy: Japanese Foreign Direct Investment, 1972--1990*, Stanford: Hoover Institution Press, 1995, 1 – 46.

(c) International Labor Migration

- *Bhagwati and Rodriguez, "Welfare-Theoretical Analyses of the Brain Drain," *Journal of Development Economics*, Vol. 2, 1975, 195--221.
- Philip Martin, *Trade and Migration: NAFTA and Agriculture*, Washington, D.C.: Institute for International Economics, 1993.
- Horst Siebert (ed.), *Migration: A Challenge for Europe*, Kiel, Germany: Institut für Weltwirtschaft, 1994.
- *Wong, pp. 625 – 636.

(3) Economic Integration

(a) Regionalism: General Theory

- *A&F, Chapter 17.
- *CFJ, Chapter 14.

(b) Multilateral Trade Negotiations

- *K&O, pp. 226 – 249.
- *King, Chapters 6, 9, 10, 18.

(4) Increasing Returns and Imperfect Competition

(a) General Theory

- *K&O, Chapter 7.

(b) Oligopoly and Trade

- *Brander, J. and P. Krugman, "A 'Reciprocal Dumping' Model of International Trade," *Journal of International Economics*, Vol. 15, 1983, 313-323.

(c) Differentiated Products and Increasing Returns

*Krugman, P. "Increasing Returns, Monopolistic Competition, and International Trade," in Bhagwati, 1987.

(5) Theory of Distortions and Welfare

*Bhagwati, "The Generalized Theory of Distortions and Welfare," in Bhagwati, 1987.

*BPS, Chapters 17, 28-29.

Corden, in *Handbook of International Economics*, (edited by R. Jones and P. Kenen, Vol. I, pp. 77-96.

(6) Strategic Trade Policies

Bhagwati, J., *Protectionism*, MIT Press, 1988.

*Brander, J. A., and B. J. Spencer, "Export Subsidies and International Market Share Rivalry," *Journal of International Economics*, 1985, 83-100.

*Dixit, A., "How Should the United States Respond to Other Countries' Trade Policies?" in Stern, R. (ed.), *U.S. Trade Policies in a Changing World Economy*, 1988.

*Grossman, G., "Strategic Export Promotion: A Critique," in Paul R. Krugman (ed.), *Strategic Trade Policy and the New International Economics*, MIT Press, 1986.

R. Z. Lawrence & C. L. Schultze (eds.), *An American Trade Strategy*, Brookings, 1988.

Items with an asterisk (*) are more important and should be read as soon as possible.