

# INTERNATIONAL TRADE THEORY

## Course Brief Description

Number of credits: 4 ECTS

Course period: 1 semester / 2 classes per week

Language of Instruction: English

Instructor: PhD, Natalia Davidson

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### Course description:

The objective of the course is to give knowledge of the fundamental problems studied within classical, neoclassical and modern theories of international trade and international investments, and to understand the main parameters, assumptions, patterns and conclusions of the models within these theories. By mastering the course students will know fundamental problems of modern international policy, international trade policy, and international migration of production factors in terms of various theories in the framework of different market structures, general equilibrium in closed and open economies, classical, neoclassical and modern theories of international trade, international trade policy, international movement of production factors, and international economic integration. They will be able to analyze international economic relations applying microeconomic instruments.

**Lectures and reading materials.** All lectures are supported with explicit PPT, cases from practice of leading international companies. Students are encouraged to do their own research and work with additional readings to find answers for the discussed problems. Reading of the additional teaching materials is important part of the course.

**Seminars.** At the seminars, students solve problems, learn how to apply theoretical models in practice, discuss the most important problems of modern international trade, work with databases, develop skills of research and analysis.

### Assignments.

Structure of the grade:

- lectures – (attendance: 5%)
- exercise sessions, including discussion of papers – 18 academic hours (20%)
- written mid-term examination – multiple choice test (15%)
- research project (20%)
- written final examination (40% of grade)

Grading:

ECTS Grade	Points	Russian grade
A	100-91 points	“excellent”: 100–80 points
B	90-81	
C	80-71	“good”: 79– 60 points
D	70-61	
F: failed	less than 60 points: failed	“satisfactory”: 59–40 points
		“unsatisfactorily”: failed, less than 40 points

## Structure of the course

### Part I. General equilibrium in closed and open economies.

Topic 1. Issues of modern International trade theory. Technical concepts of International Trade Theory and general equilibrium in closed economy.

Topic 2. General equilibrium in the open (trading) economy.

Topic 3. Gains from free international trade under perfect competition on the markets.

### Part II. Classical, neoclassical and modern theories of international trade.

Topic 4. Technological differences between countries as the reason for international trade: Ricardian model.

Topic 5. Differences between countries in relative endowment of non-specific production factors as the reason for international trade: Heckscher-Ohlin-Samuelson model. Leontief paradox and its possible or impossible solutions.

Topic 6. Differences between countries in relative endowment of specific production factors as the reason for international trade: Ricardo-Viner model.

### Written mid-term examination.

Topic 7. International trade under increasing returns to scale and imperfect competition on the markets. Interregional trade and economic geography. Dixit-Stiglitz-Krugman model.

Models with heterogeneous firms (M.Melitz model; the choice between export and FDI)

The gravity model of international trade.

Brander-Krugman model of reciprocal dumping (Cournot oligopoly in open economies).

### Part III. Normative and positive analysis of international trade policy.

Topic 8. Normative analysis of tariff and non-tariff instruments of international trade policy.

Topic 9. Patterns of international economic integration and political economy of trade policy.

### Part IV. Patterns of international movement of production factors and foreign direct investment.

Topic 10. Patterns of international movement of production factors. International labour migration.

Topic 11. Foreign direct investment as a form of international migration of production factors.

### Final Examination

### Core learning materials

- Feenstra, R., Taylor, A. (2012) International Economics (2<sup>nd</sup> edition). Worth Publishers. – Ch. 1.
- Krugman, P., Obstfeld, M. and M. Melitz (2011) International Economics: theory and policy (9<sup>th</sup> edition). Pearson. – Ch. 1, 2.
- Markusen J.R., Melvin J.R., Kaempfer W.H., Maskus K.E. International Trade: Theory and Evidence. – New York: Harper & Row, 1995. – Ch. 2, 3.
- Гальперин В.М., Игнатьев С.М., Моргунов В.И. Микроэкономика: В 2-х т./ Общая редакция В.М. Гальперина. - СПб.: Экономическая школа, 2006. - Т.2. – Гл. 15.
- Уильямсон О.И. Экономические институты капитализма: Фирмы, рынки, «отношенческая» контракция. – СПб, 1996. – С. 105-111.

### Additional readings

- Varian, H. (2009) Intermediate microeconomics: a modern approach. 8<sup>th</sup> edition. W. Norton and Company/ Вэриан Х. Микроэкономика: промежуточный уровень. – М.: ЮНИТИ, 1997. – Гл. 3, 4, 17, 28, 29.
- Ethier W.J. Modern International Economics. - New York, 1989.- §§ 1.1.–1.6.
- Harry Flam. “Product Markets and 1992: Full Integration, Large Gains?” The Journal of Economic Perspectives (Fall 1992), pp. 7-30. <http://www.jstor.org/pss/2138267>
- Markusen, J. Multinational Firms and the Theory of International Trade, MIT Press, 2002.
- Navaretti, G. B. and A. J. Venables, Multinational Firms in the World Economy, Princeton University Press, 2004.
- Salvatore, D. (2010) International Economics: Trade and Finance 10th Edition. / Сальваторе Д. Международная экономика. – М., 1998. – Гл. 4; С. 52-58.
- Гребенников П.И., Леусский А.И., Тарасевич Л.С. Микроэкономика. – СПб.: Изд-во СПбУЭФ, 1996. – Гл. 6.
- Кадочников С.М., Кулакова Т.В. Прямые зарубежные инвестиции в современной теории институциональной экономики и теории международной торговли: основные подходы и эмпирический анализ. – Екатеринбург: Изд-во Урал. ун-та, 2004. – С. 38-40.
- Кадочников С.М. Прямые зарубежные инвестиции: микроэкономический анализ эффектов благосостояния. – СПб.: Экономическая школа, 2002. – 1.3.\
- Леонтьев В. Использование кривых безразличия при анализе внешней торговли // Леонтьев В. Экономические эссе. - М.: Политиздат, 1990. - С. 138-148.

- Пиндайк Р.С., Рубинфельд Д.Л. Микроэкономика. – М.: Дело, 2002. – Гл.16.
- Улин Б. Международная и межрегиональная торговля / Пер. с англ. – М.: Дело, 2004.