

Syllabus (v.3)

Econ 6120R: Topics in Advanced International Trade and Investment

Hong Kong University of Science and Technology
School of Business and Management
Department of Economics
Spring 2021

Number of credits: 2

Pre-requisites: Econ 5210 and Econ 5220

Exclusions: Econ 6120C, Econ 6120D, Econ 5560, Econ 613F.

Classroom: TBA

Class meeting time: Th 4:30-6:20PM.

Instructor: Prof. Edwin L.-C. LAI, Department of Economics

Office: LSK Room 6079; Office Hours: Tu 3:00PM - 5:00PM or by appointment

Office Phone: 2358-7611; E-mail: elai@ust.hk

Teaching Assistant: Paul Wang

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Office hours: We 10:30AM – 12:00PM or by appointment

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Course Description and Objectives

This is an advanced (PhD level) course on the economics of international trade and foreign direct investment (FDI). The aim is to facilitate students to carry out research in the area of trade and macroeconomics. New developments in the field will be discussed.

Course Objectives and Learning Outcome

Upon completing the course, students should be able to:

1. Have an in-depth understanding of some recent path-breaking papers in international trade.
2. Be familiar with the recent literature in international trade so that they can begin to carry out independent research in the areas of international trade and macroeconomics.

Teaching Approach

This course is delivered through lecture, problem sets and class presentation.

Teaching and Learning Activities	Roles in the Course	Course Learning Outcome addressed
Lectures with in-class	Discussion of path-breaking	1

discussions	papers	
Homework assignments	In-depth understanding of the path-breaking papers	1
Class presentation	Be familiar with the recent literature	2

Examination and Assessment:

There is no examination. Assessment is based on performance in problem sets (30%), class presentation (50%) and participation (20%).

Problem sets:

There will be two problem sets given to you as the course proceeds. The TA will grade them and answer keys will be distributed.

Class Presentation

Each student is required to present two papers in class.

Undergraduate level material

Students are required to self-study Chapters 3 to 12 (especially Chapters 3, 5 and 6) of the following undergraduate textbook:

Krugman, Obstfeld and Melitz, *International Trade: Theory and Policy*, eleventh edition, Pearson Publisher (abbreviated as KOM)

The book should be available in the university library.

Useful graduate level textbook:

Robert C. Feenstra, Advanced International Trade, Princeton University Press (abbreviated as F)

Papers that may be covered in the lectures

Eaton, J. and S. Kortum, "[Technology, Geography, and Trade](#)," *Econometrica* (Sept. 2002).

Melitz, M.J., "[The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity](#)," *Econometrica* (Nov. 2003).

R. Dornbusch, S. Fischer and P. Samuelson, "[Comparative advantage, trade, and payments in a Ricardian model with a continuum of goods](#)," *American Economic Review* 1977, 823-839. (Main results are discussed without going into the detail of the proofs.)

P. Krugman, "[Scale economies, product differentiation and the pattern of trade](#)," *American Economic Review* 1980. (Main results are discussed without going into the detail of the proofs.)

Anderson, James and Eric Van Wincoop, "[Gravity with Gravitas: A Solution to the Border Puzzle](#)," American Economic Review 2003, 93: pp.170-192. (Main results are discussed without going into the detail of the proofs.)

Arkalokis, Costas; Costinot Arnaud and Rodriguez-Clare Andres, "[New Trade Models, Same Old Gains](#)," American Economic Review, 2012. (Main results are discussed without going into the detail of the proofs.)

Robert Koopman, Zhi Wang, and Shang-Jin Wei (2014), "[Tracing Value-Added and Double Counting in Gross Exports](#)" American Economic Review, 104(2): 459–494. (Main results are discussed without going into the detail of the proofs.)

Papers that students can choose for class presentation

(Note: For some of the papers, you only need to present part of it, as the paper is too long.)

F. Alvarez and R. E. Lucas (2007), "[General Equilibrium Analysis of the Eaton-Kortum Model of International Trade](#)," Journal of Monetary Economics, 54(6), pp.1726-1768.

Chor, Davin (2010) "[Unpacking Sources of Comparative Advantage: A Quantitative Approach](#)", Journal of International Economics, Vol. 82, No. 2, pages 152-167.

Costinot, Arnaud. (2009) "[On the Origins of Comparative Advantage](#)", Journal of International Economics, Vol. 77, No. 2, pages 255-264.

Costinot, Arnaud, David Donaldson and Ivana Komunger, "[What goods do countries trade: A quantitative exploration of Ricardo's ideas](#)," Review of Economic Studies 2012.

*Melitz, Marc and Gianmarco Ottaviano, "[Market Size, Trade, and Productivity](#)," Review of Economic Studies, 2008, vol. 75, pp.295-316.

*Chaney, Thomas. 2008. "[Distorted Gravity: The Intensive and Extensive Margins of International Trade](#)." The American Economic Review, Vol. 98, No. 4 (Sep., 2008), pp. 1707-172

Andrew Bernard, Bradford Jensen, Stephen Redding, and Peter Schott, "[Comparative Advantage and Heterogeneous Firms](#)," Review of Economic Studies 73(1), pp.31-66, 2007

*Andrew Bernard, Jonathan Eaton, Bradford Jensen, Samuel Kortum, "[Plants and Productivity in International Trade](#)," AER, 2003 93(4):1268-1290.

R. Johnson and G. Noguera (2017) "A Portrait of Trade in Value-added over Four Decades," The Review of Economics and Statistics, 99 (5).

Caliendo, Lorenzo and Fernando Parro. 2015. "Estimates of the Trade and Welfare Effects of NAFTA." *Review of Economic Studies*.

Simonovska, Ina and Michael Waugh. 2014. "The Elasticity of Trade: Estimates and Evidence." *Journal of International Economics*, 92(1), 34-50.

Andrei Levchenko and Jing Zhang. 2016. The evolution of comparative advantage: Measurement and welfare implications. *Journal of Monetary Economics*, [Volume 78](#), April 2016, Pages 96-111.

Eaton, J., Kortum, S., 1999. International technology diffusion: theory and measurement. *International Economic Review* 40, 537–570.

Papers listed in "[Papers that may be covered in the lectures](#)" but not covered in the lectures.

Papers that are useful references but not covered in the lectures nor suitable for class presentation as they are too difficult, too simple, too long or too short

ARKOLAKIS, C., A. COSTINOT, D. DONALDSON, AND A. RODRIGUEZ-CLARE (2012): "The Elusive Pro-Competitive Effects of Trade," *Review of Economic Studies*.

Melitz, Marc J. and Stephen J. Redding. 2014. "Missing Gains from Trade?", *American Economic Review Papers and Proceedings* 104(5), 317-321.

*Melitz, Marc J. and Stephen J. Redding. 2015. "New Trade Models, New Welfare Implications." *American Economic Review*, 105(3), 1105-1146.

Antras, Pol and Alonso de Gortari. 2020. "On the Geography of Global Value Chains." *Econometrica*, [Volume 88, Issue 4](#), July 2020, Pages 1553-1598.

COSTINOT, A. and RODRIGUEZ-CLARE, A. (2014), "Trade Theory with Numbers: Quantifying the Consequences of Globalization", in Gopinath, G., Helpman, E. and Rogoff, K., (eds), *Handbook of International Economics*, vol. 4, chapter 4 (Amsterdam: Elsevier).

Head, Keith and Thierry Mayer. 2014. "Gravity Equations: Workhorse, Toolkit, Cookbook." in Gopinath, G., Helpman, E. and Rogoff, K., (eds), *Handbook of International Economics* Vol. 4, Elsevier Publisher, pp.131-195.

Armington, P. 1969. "A theory of demand for products distinguished by place of production." *International Monetary Fund Staff Paper*, **XVI** (1969), pp. 159–178.

ECON6120R Spring 2021 Schedule

Session	Month	Day of month	Day of week	Topic
1	Feb	4	Th	Lecture: Eaton and Kortum (2002)
2		11	Th	ditto
3		18	Th	Lecture: Melitz (2003)
4		25	Th	ditto
5	Mar	4	Th	Lecture: Anderson and Van Wincoop (2003)
6		11	Th	Lecture: Koopman, Wang and Wei (2014)
7		18	Th	Lecture: Dornbusch, Fisher and Samuelson (1977)
8		25	Th	Student presentation
9	Apr	8	Th	Student presentation
10		15	Th	Student presentation
11		22	Th	Student presentation
12		29	Th	Student presentation
13	May	6	Th	Student presentation