

**Hong Kong University of Science and Technology
Department of Economics**

Spring 2026
This version: January 30, 2026

Econ 6121F: Advances in International Trade

Lectures: Tuesday, Thursday, 15:00 – 16:50
LSK 1027

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LSK 6079

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Content

This class will cover trade theory, beginning with the gains from trade, the sources of comparative advantage, the effects of trade on income distribution, trade under imperfect competition, trade and heterogeneous firms, and economic geography.

The second part includes extensions and applications of central models, and it will also address key recent questions in international trade.

Course Objective and Intended Learning Outcomes

Students are to acquire broad based knowledge of advances in the field of international trade. They are also expected to learn to apply knowledge of international trade to address economic questions in their graduate studies in trade or other fields of specialization.

Books

There are no required textbooks. The following books are cited in the reading list by the abbreviations indicated. Some of these books are available for purchase at the bookstore. If you want to do graduate work in international trade you may want to buy some of them for your personal library.

Robert Feenstra, *Advanced International Trade: Theory and Evidence*, 2nd edition, 2015, Princeton University Press (F)

Elhanan Helpman and Paul Krugman, *Market Structure and Foreign Trade*, 1985, MIT Press (HK)

Avinash Dixit and Victor Norman, *Theory of International Trade*, 1980, Cambridge University Press (DN)

Requirements

1. Referee report on a recent paper in international trade (20 percent):
Marczinek, Max, "[Labour Scarcity and Productivity: Insights from the Last Nordic Plague](#)", Job market paper, Oxford University, 2025.

Your referee report should be 1-2 pages single-spaced. The report should start off with a one paragraph summary of the main argument of the article. You should describe your main 3-4 points in detail as if you were writing directly to the author. Conclude the report with more minor comments. A good referee report not only clearly states the shortcomings of the work, but also lays out clear, constructive and realistic suggestions for improvement.

2. Research question: 1-2 single spaced pages and discussion with instructor. Due mid-semester (20 percent)
3. Research proposal & presentation: last week of class (50 percent)

Research question and research proposal: Same goal—writing an original research paper—but research proposal is further along compared to research question. Start with a brief survey of an existing literature and then describe a planned research project. It should include: the question you want to address; why you think it is important; why you think the answer of the previous literature is unsatisfactory; and how you plan to improve it.

4. Class participation (10 percent):
The quantity & quality of classroom comments will be taken into account in assigning grades.

Rubrics for Final Grade

Excellent Performance (A range): Demonstrates a deep understanding of the international trade materials covered in the course. Knows very well how to apply the knowledge learned in the course to address economic questions.

Good Performance (B+, B): Show a solid grasp of the materials covered in the course. Demonstrates good skills in applying the knowledge learned in the course to address economic questions.

Marginal Performance (B-, C+, C): Has basic knowledge of the materials covered. Demonstrates reasonable skills in applying the knowledge learned in the course to address economic questions.

Fail: Demonstrates no understanding of the course materials. Not able to apply any knowledge learned in the course to address economic questions.

Organization

The following is the program for the course. Often, there is one topic per week, but we will go longer or shorter as needed. We may add or (more likely) leave out topics depending on time. Papers marked with an * will be summarized by a randomly selected student (lottery with replacement) at the beginning of each class in a presentation with a maximum of 6 slides. Your slides should include the objective of the paper, its contribution to the literature, its strategy, main results, and your

comments if any. Please make sure you can present in 10 minutes. The slides will be submitted to Canvas before class.

Course Outline and Reading List

(Number of citations in [x])

1. The Gains from Trade and Comparative Advantage

Deardorff, Alan (1980), "[The General Validity of the Law of Comparative Advantage](#)", Journal of Political Economy, 941-957 [435]

Bernhofen, D. and J. Brown (2005), "[An Empirical Assessment of the Comparative Advantage Gains from Trade](#)", American Economic Review, 208-225 [250]

Bernhofen, D. and J. Brown (2004), "[A Direct Test of the Theory of Comparative Advantage: The Case of Japan](#)", Journal of Political Economy, 48-67 [197]

DN pp. 65-79

F pp. 186-196

2. Technology Differences: Ricardian Trade Theory

Dornbusch, R., S. Fischer and P. Samuelson (1977), "[Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods](#)", American Economic Review, 823-839. [2401]

3. Factor Proportions Theory: Specific Factors, 2 x 2 Model, Integrated Equilibrium

Jones, R. (1965), "[The Structure of Simple General Equilibrium Models](#)", Journal of Political Economy, 73(6), 557-572. [2166]

F pp. 1-33, 51-82

DN, Chapters 2, 4

HK, Chapter 1

* Trefler, D. (1995), "[The Case of the Missing Trade and Other Mysteries](#)", American Economic Review Vol. 85(5), pp.1029-1046. [1668]

4. Trade and Imperfect Competition

Krugman, P.R. (1980), "[Scale Economies, Product Differentiation, and the Pattern of Trade](#)", American Economic Review, 70, 950-959. [9847]

Krugman, P. R. (1979), "[Increasing Returns, Monopolistic Competition, and International Trade](#)", Journal of International Economics Vol. 9, pp. 469-479. [7849]

HK, chs. 1, 6-8

F, Chapter 5

* Evenett, Simon, and Wolfgang Keller (2002), "[On Theories Explaining the Success of the Gravity Equation](#)", Journal of Political Economy Vol. 110(2), pp. 281-316. [1542]

5. Firm Heterogeneity

Melitz, M. J. (2003), "[The Impact of Trade on Intra-Industry Reallocation and Aggregate Industry Productivity](#)", Econometrica 71, 1695-1725. [21284]

Chaney, T. (2008), "[Distorted Gravity: The Intensive and Extensive Margins of International Trade](#)", American Economic Review, 98(4), 1707-1721. [3301]

Tybout, J. R. (2001), "[Plant- and Firm-Level Evidence on 'New' Trade Theories](#)", in J. Harrigan (ed.), Handbook of International Economics, Basil-Blackwell; also NBER # 8418.

Bernard, A., J.B. Jensen, S. J. Redding, and P. K. Schott (2007), "[Firms in International Trade](#)", Journal of Economic Perspectives Vol. 21(3), pp. 105-130.

Van Biesebroeck, J. (2005), "[Exporting raises productivity in sub-Saharan African manufacturing firms](#)", Journal of International Economics vol 67, pp. 373-391 [1606]

* Pavcnik, Nina (2002), "[Trade Liberalization, Exit, and Productivity Improvements: Evidence from Chilean Plants](#)", Review of Economic Studies Vol. 69(1), pp. 245-276 [3073]

6. Foreign Direct Investment

Brainard, S. L. (1997), "[An Empirical Assessment of the Proximity-Concentration Trade-off Between Multinational Sales and Trade](#)", American Economic Review Vol. 87(4), pp. 520-544 [2837]

Helpman, E., M. Melitz, and S. Yeaple (2004), "[Export versus FDI with Heterogeneous Firms](#)", American Economic Review Vol. 94(1), pp. 300-316. [6697]

Keller, W., and S. R. Yeaple (2013), "[The Gravity of Knowledge](#)", American Economic Review Vol. 103(4), pp. 1414-44. [464]

* Helpman, E. (1984), "[A Simple Theory of International Trade with Multinational Corporations](#)", Journal of Political Economy Vol. 92(3), pp. 451-71. [3713]

7. Economic Geography

Krugman, P. (1991), "[Increasing Returns and Economic Geography](#)", Journal of Political Economy, 99(3), 483-99. [22975]

Krugman, P. and A. Venables (1995), "[Globalization and the Inequality of Nations](#)", Quarterly Journal of Economics, 857-80. [4738]

Fujita, M., P. Krugman, and A. Venables (1999), *The Spatial Economy: Cities, Regions and International Trade*, MIT Press, Chapters 4, 5 and 14.

Ellison, G., E. Glaeser, and W. Kerr (2010), "[What Causes Industry Agglomeration? Evidence from Coagglomeration Patterns](#)", American Economic Review Vol. 100(3), pp. 1195-1213. [2439]

* Ellison, G., and E. Glaeser (1997), "[Geographic Concentration in U.S. Manufacturing Industries: A Dartboard Approach](#)", Journal of Political Economy Vol. 105(5), pp. 889-927.

8. Trade Effects: Regional, Firm, and Worker Incidence Approaches

Topalova, P. (2010), "[Factor immobility and regional impacts of trade liberalization: Evidence on poverty from India](#)", American Economic Journal: Applied Economics Vol. 2(4), 1-41. [1268]

Autor D. H., D. Dorn, and G. Hanson (2013), "[The China Syndrome: Local Labor Market Effects of Import Competition in the United States](#)", American Economic Review Vol. 103(6), pp. 2121-68. [6883]

Keller, W., and Hale Utar (2022), "[Globalization, Gender, and the Family](#)", Review of Economic Studies Vol. 89(6), pp. 3381-3409. [110]

Pierce, J., and P. Schott (2016), "[The Surprisingly Swift Decline of U.S. Manufacturing Employment](#)", American Economic Review Vol. 106(7), 1632-62. [2116]

Bloom, N., M. Draca, and J. van Reenen (2016), "[Trade Induced Technical Change? The Impact of Chinese Imports on Innovation, IT, and Productivity](#)", Review of Economic Studies Vol. 83(1), pp. 87-117 [2504]

Autor, D., D. Dorn, and G. Hanson (2021), "[On the Persistence of the China Shock](#)", NBER # 29401. [345]

* Autor, D., D. Dorn, G. Hanson, G. Pisano, and P. Shu (2020), "[Foreign Competition and Domestic Innovation: Evidence from US Patents](#)", American Economic Review: Insights Vol. 2(3), pp. 357-74. [894]

9. Multi-Country Ricardo & Gains from Trade II

Eaton, J., and S. Kortum (2002), "[Technology, Geography, and Trade](#)", Econometrica Vol. 70(5), pp. 1741-1779. [7485]

Dekle, R., J. Eaton, and S. Kortum (2008), "[Global Rebalancing with Gravity: Measuring the Burden of Adjustment](#)", IMF Staff Papers Vol. 55(3), pp. 511-540. [691]

Arkolakis, C., A. Costinot, and A. Rodriguez-Clare (2012), "[New Trade Models, Same Old Gains?](#)", American Economic Review Vol. 102(1), pp. 94-130. [2652]

Frankel, J., and D. Romer (1999), "[Does Trade Cause Growth?](#)", American Economic Review Vol. 89(3), pp. 379-399. [9575]

Donaldson, D. (2018), "[Railroads of the Raj: Estimating the Impact of Transportation Infrastructure](#)", American Economic Review Vol. 108, pp. 899-934. [2875]

* Feyrer, J. (2019), "[Trade and Income—Exploiting Time Series in Geography](#)", American Economic Journal: Applied Economics Vol. 11(4), pp. 1-35. [635]

10. Increasing Returns Empirics: Market Access, Path Dependence, and Persistence

Davis, D. and D. Weinstein (2002), "[Bones, Bombs, and Break Points: The Geography of Economic Activity](#)", American Economic Review, 92(5), 1269-1289. [1868]

Redding, S. and D. Sturm (2008), "[The Costs of Remoteness: Evidence from German Division and Reunification](#)", American Economic Review, 98(5), 1766-1797. [1052]

Bleakley, H., and J. Lin (2012), "[Portage and Path Dependence](#)", Quarterly Journal of Economics Vol. 127(2), pp. 587-644. [920]

Ahlfeldt, G., S. Redding, D. Sturm, and N. Wolf (2015), "[The Economics of Density: Evidence from the Berlin Wall](#)", Econometrica Vol. 83(6), pp. 2127-2189. [1388]

Greenstone, M., R. Hornbeck, and E. Moretti (2010), "[Identifying Agglomeration Spillovers: Evidence from Winners and Losers of Large Plant Openings](#)", Journal of Political Economy Vol. 118(3), pp. 536-598. [1684]

* Faber, B. (2014), "[Trade Integration, Market Size, and Industrialization: Evidence from China's National Trunk Highway System](#)", Review of Economic Studies Vol. 81(3), pp. 1046-1070. [1461]

11. FDI and Outsourcing: Technology Diffusion and Labor Market Effects

Alfaro-Urena, A., I. Manelici, and J. Vasquez (2022), "[The Effects of Joining Multinational Supply Chains: New Evidence from Firm-to-Firm Linkages](#)", Quarterly Journal of Economics Vol. 137(3), pp. 1495-1552 [379]

Keller, W., and S. Yeaple (2009), "[Multinational Enterprises, International Trade, and Productivity Growth: Firm Level Evidence from the United States](#)", Review of Economics and Statistics Vol. 91(4), pp. 821-831. [1803]

Hsieh, C., and K. Woo (2005), "[The Impact of Outsourcing to China on Hong Kong's Labor Market](#)", American Economic Review Vol. 95(5), pp. 1673-1687 [302]

Hummels, D., R. Jorgenson, J. Munch, and C Xiang (2014), "[The Wage Effects of Offshoring: Evidence from Danish Matched Worker-Firm Data](#)", American Economic Review Vol. 104(6), pp. 1597-1629. [1013]

* Jiang, K., W. Keller, L. Qiu, and W. Ridley (2024), "[International joint ventures and internal technology transfer vs. external technology spillovers: Evidence from China](#)", Journal of International Economics Vol. 150, July 103939 [17]

12. Intangibles & Firm Structure in Space

Alvarez, V., J. Cravino, and N. Ramondo (2023), "[Firm-Embedded Productivity and Cross-Country Income Differences](#)", Journal of Political Economy Vol. 131(9) [21]

Hsieh, C., and E. Rossi-Hansberg (2023), "[The Industrial Revolution in Services](#)", Journal of Political Economy Macroeconomics Vol. 1(1) [290]

Keller, W., and S. Yeaple (2025), "Firm Concentration in Product and Geographic Space: A View Through the Lens of U.S. Multinationals", working paper

* Sadun, R., R. Schuh, J. Hartley, J. Van Reenen, and N. Bloom (2025), "[Management and Firm Dynamics](#)", NBER # 33765 [1]

13. Methodology

Adao, R., A. Costinot, and D. Donaldson (2025), "[Putting Quantitative Models to the Test: An Application to the U.S.-China Trade War](#)", Quarterly Journal of Economics Vol. 140(2), pp. 1471-1524. [12]

Lai, H., and D. Trefler (2002), "[The Gains from Trade with Monopolistic Competition: Specification, Estimation, and Mis-Specification](#)", NBER # 9169 [154]