**(M2190.001300)**

**Theory of International Trade and Commerce[[1]](#footnote-1)**

**Instructor: Ahn, JaeBin**

**Class hours: Tuesday 13:30-16:30 (140-1, #102)[[2]](#footnote-2)**

**Office hours: by appointment only (140-1; #602)**

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**Course Description[[3]](#footnote-3):**

This course introduces the main “theoretical” concepts and methodologies of frontier research in international trade, with a goal to be able to better understand current issues in international commerce—such as gains and losses from trade; globalization, economic growth and income inequality; tariff and non-tariff barriers to trade, etc.—using an economic model framework. Throughout the course, all the necessary “mathematical” tools will be introduced, but students are expected to have some background on basic calculus.

**Target Students**

Current or prospective Ph.D. students who consider a professional economist career in the future are expected to get the most out of this course. Unless you have basic background on calculus or strong interest in a mathematical model of the economy, this will not be the right course for you.

**Prerequisite Course:**

Although there are no official course requirements, it is strongly recommended to have taken “International Economic Relations” (875.512) and “Research Methodology and Skills” (875.810) in advance.

**Materials and Reference:**

Recommended readings

[*Economics Rules (Dani Rodrik; Norton)*](https://primoapac01.hosted.exlibrisgroup.com/primo-explore/fulldisplay?docid=82SNU_INST21603192030002591&context=L&vid=82SNU&lang=en_US&search_scope=ALL&adaptor=Local%20Search%20Engine&tab=all&query=any,contains,economics%20rules%20dani%20rodrik&offset=0) *(for motivation)*

[*Fundamental Methods of Mathematical Economics (Chiang and Wainwright; McGraw-Hill/Irwin)*](https://primoapac01.hosted.exlibrisgroup.com/primo-explore/fulldisplay?docid=82SNU_INST21409372210002591&context=L&vid=82SNU&lang=en_US&search_scope=ALL&adaptor=Local%20Search%20Engine&tab=all&query=any,contains,fundamental%20methods%20of%20mathematical%20economics%20by%20alpha%20c.%20chiang) *(for mathematics)*

*[International Economics](https://primoapac01.hosted.exlibrisgroup.com/primo-explore/fulldisplay?docid=82SNU_INST21602223320002591&context=L&vid=82SNU&lang=ko_KR&search_scope=ALL&adaptor=Local%20Search%20Engine&tab=all&query=any,contains,International%20Economics%20(Krugman,%20Obstfeld%20%26%20Melitz;%20Pearson))* [(Krugman, Obstfeld & Melitz; Pearson)](https://primoapac01.hosted.exlibrisgroup.com/primo-explore/fulldisplay?docid=82SNU_INST21602223320002591&context=L&vid=82SNU&lang=ko_KR&search_scope=ALL&adaptor=Local%20Search%20Engine&tab=all&query=any,contains,International%20Economics%20(Krugman,%20Obstfeld%20%26%20Melitz;%20Pearson))

[*International Trade* (Feenstra and Taylor; Worth publishers)](https://primoapac01.hosted.exlibrisgroup.com/primo-explore/fulldisplay?docid=82SNU_INST21620187560002591&context=L&vid=82SNU&lang=ko_KR&search_scope=ALL&adaptor=Local%20Search%20Engine&tab=all&query=any,contains,International%20Trade%20(Feenstra%20and%20Taylor;%20Worth%20publishers))

[*Advanced International Trade* (Feenstra; Princeton University Press)](https://primoapac01.hosted.exlibrisgroup.com/primo-explore/fulldisplay?docid=82SNU_INST21556380960002591&context=L&vid=82SNU&lang=ko_KR&search_scope=ALL&adaptor=Local%20Search%20Engine&tab=all&query=any,contains,Advanced%20International%20Trade%20(Feenstra;%20Princeton%20University%20Press))

Students are recommended to read materials posted or distributed in class.

**Evaluation Method:**

* Class attendance and participation: 10%
* Problem sets/Assignments (individual): 30% (10% per each)
* Mid-term exam (open book; in-class): 30%
* Final exam (open book; in-class) 30%

**Lecture Plan (subject to changes):**

Week 1 (Mar.8): Introduction and Overview: Why do we need an economic model?

Week 2 (Mar.15): Warming up (I): Basic calculus review

Week 3 (Mar.22): Warming up (II): Basic calculus review & Optimization

Week 4 (Mar.29): A classical trade model: Ricardian Model

Week 5 (Apr.5): A classical trade model: Heckscher-Ohlin Model

Week 6 (Apr.12): Applications in classical trade model frameworks

Week 7 (Apr.19): A theory of trade policy

Week 8 (Apr.26): **Midterm Exam**

Week 9 (May.3): A new trade theory: Monopolistic competition model

[Krugman, Paul, 1980, “Scale Economies, Product Differentiation, and the Pattern of Trade”, *American Economic Review*, 70(5), pp. 950-959](https://www.jstor.org/stable/1805774?seq=1#metadata_info_tab_contents)

Week 10 (May.10): A new new trade theory: Heterogeneous firms trade model

[Melitz, Marc, 2003, “The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity”, *Econometrica*, 71(6), pp. 1695-1725](https://www.jstor.org/stable/1555536?seq=1#metadata_info_tab_contents)

Week 11 (May.17): Armington model and Gravity equation

[Baier, Scott, Amanda Kerr, and Yoto Yotov, 2018, “Gravity, Distance, and International Trade”, Chapter 2 in *Handbook of International Trade and Transportation*, pp. 15-78.](https://ideas.repec.org/p/ris/drxlwp/2017_005.html)

Week 12 (May.24): Firm’s location decision: Horizontal FDI vs. Trade

[Helpman, Elhanan, Marc Melitz, and Stephen Yeaple, 2004, “Export versus FDI with Heterogeneous Firms”, *American Economic Review*, 94(1), pp. 300-316.](https://www.jstor.org/stable/3592780?seq=1#metadata_info_tab_contents)

Week 13 (May.31): Global value chains (GVCs) and value-added in exports.

[Johnson, Robert and Guillermo Noguera, 2012, “Accounting for Intermediates: Production Sharing and Trade in Value Added”, *Journal of International Economics*, 86, pp. 224-236.](https://www.sciencedirect.com/science/article/pii/S002219961100122X)

[Johnson, Robert and Guillermo Noguera, 2017, “A Portrait of Trade in Value-Added over Four Decades”, *Review of Economics and Statistics*, 99(5), pp. 896-911.](http://wrap.warwick.ac.uk/85502/7/WRAP-portrait-trade-value-added-Noguera-2017.pdf)

Week 14 (Jun.7): **Final Exam**

Week 15 (Jun.14): Other topics (e.g., Firm boundaries: Vertical FDI vs. Outsourcing)

[Antras, Pol and Elhanan Helpman, 2004, “Global Sourcing”, *Journal of Political Economy*, 112(3), pp. 552-580](https://www.jstor.org/stable/10.1086/383099?seq=1#metadata_info_tab_contents)

1. The syllabus is subject to change in accordance with the change in SNU academic policy. Last updated on Jan.24, 2022. [↑](#footnote-ref-1)
2. Lectures may be conducted via a real-time online lecture per University’s policy. [↑](#footnote-ref-2)
3. This course had been previously titled as “Workshop in International Commerce 1: Advanced Topics in International Economics (8751.515)” before 2021. [↑](#footnote-ref-3)