

UNIVERSITY OF BASEL
Faculty of Business and Economics

Advanced International Trade and Business
(No. 10625-01)

Prof. Rolf Weder

FS 2020

Thu 8-10, Fr 8-10

Location: S14, S15, Faculty of
BUS & ECON, Peter Merian-Weg 6
6 CP

1. Contents

This course deals with the effects that arise from the globalization of (an increasing number of) markets. We derive challenges for economic policy and strategic management of international firms. International trade theory offers an excellent framework in this respect. We deal with questions such as: “Who gains and who loses from selective integration of markets?”, “Which impacts arise from technological changes abroad and at home?”, “Why do multinational firms exist and what strategies should they follow in different circumstances?”, “How can we explain outsourcing and offshoring, what are the effects, how can international firms react?”, “What are some important challenges of globalization and how could they be met?”, “How is the digitization likely to affect the global economy?”.

The course not only provides answers to these questions, but also introduces the concepts which current research in international trade and business is based on and constantly is using. We present and discuss the fundamental contributions of the “traditional” and “new” trade theory, also referring to current research in the field—empirical and theoretical. Research has always been very dynamic in this field. Thus, there is a huge amount of literature of which we can only select and discuss a small set. This requires that chapters from textbooks on the graduate level as well as prominent papers in scientific journals are used in the course. A selection of the most recent texts will be discussed in form of a “Mini-Conference”, the content of which can be influenced by the students through the choice of papers.

One of the challenges of this course--and of economics in general--is to constantly ask and answer the question in which way the insights can be useful for policy making and strategic management in companies. Each week that question will be discussed, one time possibly also in connection in terms of a guest lecture.

2. Literature

We will cover a few chapters of the book edited by Ronald W. Jones and myself that came out in December 2017 on *200 Years of Ricardian Trade Theory. Challenges of Globalization*, Cham: Springer International. The book is also available at our library that has a licence for the e-book version (Link: <https://baselbern.swissbib.ch/Record/507541626>) Additional literature is coming from various scientific papers published in international journals and (small) extracts from other books (including the textbook *Advanced International Trade* by Robert Feenstra

(2016)). I will put those papers and extracts on ADAM which can not easily be found on the internet or downloaded from *EconLit* of the UB Wirtschaft. Note that for some chapters or papers, I only expect you to read *extracts* of them, as precisely indicated in the outline.

3. Learning Objectives

These are the learning objectives:

1. to know the scientific discussion in international trade and international business regarding „Globalization“ and „Outsourcing“,
2. to understand the major contributions of the classical, neoclassical and new trade theories, and how these insights are used in the current literature,
3. to get a flavour, how trade economists simplify international relationships in order to analyze and answer the questions posed above,
4. to gain insight into the current lively research in international trade and business,
5. to get to know and be able to apply concepts which allow international companies and international organizations to solve problems which are important in practice.
6. to contribute to the current sometimes oversimplified, detached and superficial discussion about the effects of “Globalization” on the basis of a good understanding of trade theory as well as the “mechanics” of international trade and business.

4. Prerequisites

I expect that students have accomplished a “Principles in Economics” and “Intermediate Microeconomics” course. If they have been exposed to a master-level Microeconomics (in particular general equilibrium theory) and Econometrics course, they will find the technicalities of the course quite straightforward. Thus, this helps but is not a prerequisite. I also expect that students have been confronted with a course or some material in international trade or international business on the BA level. If the latter is not the case, students may need more time to, first, get used to the way of thinking in international trade and, second, to read the material covered in class. The most important ingredient for success is, however, the interest of students in the topic and their willingness to read and regularly participate in class.

5. How to Attain the Learning Objectives

Students should have a look at the *required reading in advance of each session*. Some of this reading is very short. I have reduced the required reading to the minimum. However, I will often go beyond this material and integrate further aspects into the lecture from the (additional) reading mentioned with an asterisk (*). Thus, I mention this literature to myself, but also as an aid for students’ further readings and, for example, for writing a Master’s Thesis. I do not expect you to look at this additional material if you regularly come to class. If you miss classes, the additional reading may be helpful to close gaps. I usually will bring some handouts to the class (or put them on ADAM) which will serve you as a background to be complemented in class. Thus, an active participation in the course is important for your own learning process, but also for the discussions we plan to have in class.

6. Office Hours

I am available per email rolf.weder@unibas.ch and have got official office hours on Thursdays from 16-17 (Office 4.50, Faculty of Business and Economics, Peter Merian Weg 6).

7. Term Papers (Seminararbeiten) and Master Thesis

Students are welcome to write term papers (Seminararbeiten) or their Master Thesis on topics covered in class.

Term Papers: An interesting possibility is to write and present a paper as part of the Master seminar in “Law, Business and Economic Policy” (6 CP) which is offered by Prof. Jeffrey Macher (Georgetown University) and myself and held at Georgetown University and New York University in February 2021. The paper can be written during the autumn term. The deadline for applications is beginning of July 2020. More information about the seminar can be found here: <https://wwz.unibas.ch/de/masterseminar-1072/>.

Master Thesis: I am also happy to supervise Master theses of students who have completed this course. Some ideas of topics can be found on my homepage (<https://wwz.unibas.ch/en/internationaltrade/teaching/recent-thesis-topics/>). But you are encouraged also to contact me regarding current topics that are related to the research of my team.

8. Grade

The grade is based on a written exam at the end of the course as well as two accomplishments one of which is optional. The questions of the written exam are based on the material presented and discussed in class. The first accomplishment is optional and consists of a problem set in the first part of the course which can be handed in and will be marked. The grade obtained will count 20% of the final grade if the final grade is lower than the marks achieved in the problem set. Thus, you can only gain regarding your final grade. The second accomplishment is mandatory and is related to a “Mini-Conference on Recent Readings in International Trade and Business” I organize with you on recent publications in trade and strategy.

The Mini-Conference includes a short presentation and a one-page summary you bring to class when you give your presentation. You are expected to pick a text from a reading list I provide in the third week of the course. You write an essay of one page and also give a short presentation about it. Both the essay and the presentation include (i) a short summary of what you read and (ii) a short discussion on the background mainly (but not only) of what you have learnt in the course.¹ Thus, you basically answer two questions in your essay and presentation: (1) what is the main argument in the paper? and (2) is the insight we gain important and convincing? In principle, your task is to write a short assessment (some would say a referee report) of the paper and present it in class. Note that it is always helpful if your discussion is related or based on what we will already have learnt by then in class.

The target of this mandatory accomplishment is that you develop your skills of writing and speaking and, at the same time, deepen your knowledge in the field of international trade and business. The requirement that the essay should not be longer than one page is made on

¹ Line spacing: 1.5. Font: Times Roman 12.

purpose: “in real life”, you will very often be expected to write short essays with a precise and concise argument. This accomplishment counts 30% in your final grade (presentation and essay each have a weight of 50% within this 30%).

This is thus the distribution of the weights in the final grade if you choose to use also the optional accomplishment (if not, the weight of the final grade increases to 70%):

Assignment (20%)

Mini-Conference (30%)

Final exam (50%)

If students read, regularly come to class, do the assignment and are interested in the paper they present at the Mini-Conference they are optimally prepared for the final exam and will just do well in the course.

9. Closely Related Courses in FS 2020

There are three courses offered by the faculty of Business and Economics on the Master level in FS 2020 which are related to and build on “Advanced International Trade and Business”. Thus, there is a *great opportunity* for students interested in the field of international trade and business at the University of Basel to enrol in these additional courses. Thereby, you can exploit considerable synergies. These are the courses:

Prof. M. Scott Taylor (University of Calgary): International Trade, Environment and Renewable Resources (3 CP, offered from May 4 to May 15, 2020, as part of the Guestprofessorship in Globalization).

Prof. Jeffrey T. Macher (Georgetown University): Competitive and Corporate Strategy (3 CP, offered from July 13 to July 23 as part of the Summer School).

10. Programme

In the following, I describe the planned topics for each week or appointment. It is expected that the students read the required literature in advance of the class. Additional literature, not required to be read but *partly* integrated in class by me, is mentioned below (*in small font with an asterisk (*)*). I may marginally adjust the programme as we go through. Note that JW refers to my textbook edited together with Ronald W. Jones in 2017.

20.2.20 Introduction: Current Issues and the Roots of Trade Theory

21.2.20 JW (2017), Chapters 20 and 3

JW (2017), Chapter 2, pp. 19-25

* Amiti and Wei (2005); Leamer (2007), pp. 83-106; Econ Talk (Leamer 2007); James (2009), Chapter 1; Feenstra (2010), Chapter 1; Helpman (2011), Chapters 1 and 2; Leamer (2012), Chapter 1; Desmet, Nagy and Rossi-Hansberg (2016); Antràs (2016), Chapter 1; Baldwin (2016), Introduction and Chapter 1; JW (2017), Extracts from Preface and Chapters 2, 9, 10, 11 and 16. Baldwin (2019), Chapters 1 and 10.

- 27.2.20 The Standard Ricardian Trade Model: 2x2, NT Goods, Higher Dimensions**
28.2.20 JW (2017), Chapter 4 and 1
 JW (2017), Chapter 6, pp. 101-107
 * Feenstra (2016), Chapter 1, pp. 1-3; Dornbusch, Fischer, Samuelson (1977), *AER*, pp. 823-826; JW (2017), Chapter 7.
- 5.3.20 Basler Fasnacht (No Classes)**
6.3.20 Basler Fasnacht (No Classes)
- 12.3.20 The Ricardian Trade Model: Implications, Applications and Extensions**
13.3.20 JW (2017), Chapters 5 and 19
 * Samuelson (2004), pp. 135-146; Jones and Ruffin (2008); Ohta and Nakagawa (2015); Jones (2000), Chapter 2; Costinot and Donaldson (2012); JW (2017), Chapter 12; Bernhofen and Brown (2018).
- 19.3.20 The Heckscher-Ohlin Model: Its Hypotheses and Their Empirical Analyses**
20.3.20 Feenstra (2016), Chapter 1, pp. 4-21
 Feenstra (2016), Chapter 2, pp. 25-30
 JW (2017), Chapter 6, pp. 107-111
 * Stolper and Samuelson (1941); Feenstra (2016), Chapter 2, pp. 30-49; Feenstra (2016), Chapter 3; Dornbusch, Fischer, Samuelson (1980); Krugman (2000); Helpman (2011), Chapter 3; Leamer (1996); Econ Talk (Autor 2016).
- 26.3.20 The Specific Factors Model: Its Distributive Effects and Applications**
27.3.20 Feenstra (2016), Chapter 3, pp. 57-60
 Caves, Frankel, Jones (2007), Supplement of Chapter 5
 JW (2017), Chapter 15
 * Jones (2000), Chapter 3; Wood (1995); Bombardini, Kurz and Morrow (2012); Autor et al. (2014); Mohler, Weder and Wyss (2018); Autor et al. (2016); Econ Talk (Autor 2016); Weder (2018).
- 2.4.20 Increasing Returns and Home-Market Effects**
3.4.20 Feenstra (2016), Chapter 5, pp. 119-125
 Krugman (1980), *AER*, pp. 950-959
 * Krugman (1979); Weder (1995); Weder (2003); Feenstra (2016), Chapter 5, pp. 125-152; Ethier (1982); Helpman (2011), Chapter 4.
- 3.4.18 Optional Assignments are available on ADAM at 17:00**
 These assignments can be solved and submitted individually or in a group of a maximum of two. If submitted works are identical, we will not grade them. Please type your answers. Deadline of submission: April 15th (Wednesday), 12:00. Send as PDF to thomas.gerber@unibas.ch. We will not answer questions. If some assignments are unclear from your point of view, make clear how you interpret the question and answer it.
- 9.4.20 Easter-Holidays**
10.4.20 Easter-Holidays
- 16.4.20 Fragmentation, Trade in Tasks and in Intermediates**
17.4.20 Jones (2000), Chapter 7
 JW (2017), Chapter 6, pp. 111-112
 Grossman and Rossi-Hansberg (2008), pp. 1978-1980
 Baldwin (2006), pp. 9-35
 * Sanyal and Jones (1982); Timmer et al. (2014); Grossman and Rossi-Hansberg (2006); Feenstra (2016), Chapter 3; Benarroch and Weder (2006); Helpman (2011), Chapter 6; Autor (2013); Acemoglu and Autor (2011).

23.4.20 Firm Heterogeneity and Productivity Improvement**24.4.20** Bernard et al. (2007), pp. 105-116

Melitz and Trefler (2012), pp. 98-104

JW (2017), Chapters 17 and 18

* Eaton and Kortum (2002); Melitz (2003); Bernard et al. (2003); Feenstra (2016), Chapter 5, 155-183; Greenaway and Kneller (2007); Baldwin and Forslid (2010); Helpman (2011), Chapter 5; Desmet, Nagy and Rossi-Hansberg (2018); Lewrick, Mohler and Weder (2018); Noussair, Plott and Riezman (1995); Hart (2017); Antràs (2016), Chapter 2.

30.4.20 Presentation of Current Own Research or Guest Lecture²**1.5.20 Labour Day (No Classes)****7.4.20 Competitive Advantage and Multinational Companies****8.4.20** Porter (1990), *HBR*, pp. 73-93; Head (2008), Chapter 7; Antràs and Rossi-Hansberg (2009)

* Krugman (1991b), Chapter 1; Helpman (2011), Chapter 6; Helpman (2014); Nunn and Trefler (2013); Antràs (2014); Aghion and Holden (2011); Baldwin and Venables (2013); Enright and Weder (1996), Owens, Rossi-Hansberg and Sarte (2018); Baldwin (2016), Chapter 10.

14.5.20 Mini-Conference “Recent Readings in International Trade and Business”**15.5.20** (see special announcement)

Short Presentations of Short Essays

21.5.20 Ascension Day-Holidays**22.5.20 Ascension Day-Holidays****28.5.20 Review and Looking Ahead****29.5.20 Final Exam (90 minutes)**

² I currently think of presenting the «Shark Hunting» paper, the “Experimental Trade” paper or some new research on «De-Industrialization and Digitization»; the latter includes the idea of leapfrogging (see, e.g., Brezis, Krugman and Tsiddon (1993) or Ohyama and Jones (1995)).

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