

UNIVERSITY OF BASEL
Faculty of Business and Economics

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

Prof. Rolf Weder

FS 2023

Thu 8-10, Fr 8-10

Location: S15, Faculty of BUS & ECON

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?”, “Do we observe ‘De-Industrialization’ in Switzerland and other industrial countries?”, “How is 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 and chapters of books.

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. I also plan two guest lectures towards the end which will allow us to digest, apply and extend what we have learnt throughout the course. Note that the guest lecture by Prof. Gene Grossman (Princeton University) takes place on Friday May 19 (after the Ascension Day).¹

¹ Prof. Gene Grossman (Princeton University) is here at our faculty from May 15 to May 19 and agreed to give a lecture in this class. I am very pleased about this. Prof. Grossman is a renowned trade economist. I sincerely hope all students can participate in the Friday class (8-10) on May 19 despite the “long weekend” offered by the university. The day will, of course, be compensated.

2. Literature

We will cover a number of chapters from the book published 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. Here is the link: <https://ub.unibas.ch/de/find-e-book/>. 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. I also will use some material from a current research project about the Swiss innovation landscape (the “Innoscape Project”). Some of this material can be found on the homepage of the Center of International Economics and Business (CIEB) at our faculty on the following link: <https://cieb.unibas.ch/de/>.

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, international organizations and governments to solve problems which are important in practice.
6. to contribute to the current sometimes oversimplified 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.
7. to get a better understanding of the possible effects of globalization together with technological changes (such as digitization) on individuals, firms, industries and countries--and also the environment. All of what we do in this course can and will be deepened in further courses and scientific papers.

4. Prerequisites

I expect that students have accomplished courses in “Principles in Economics” and “Intermediate Microeconomics”. If they have been exposed to a master-level Microeconomics course (in particular general equilibrium theory), 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 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 will put some handouts on ADAM in the evening before class which will serve us as background to be complemented in class by you (notes) and myself (lecture). 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 office hours on Thursdays from 16:00 to 17:00 (in my office on the 4th floor, faculty building). There are a few days when I can not be there because of other meetings. Access to my office hours is also possible by Zoom. In any case, please send me an email in advance in order to make sure I will be there and/or will be online on Zoom. The link will be provided on ADAM.

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 2024. The paper can be written during summer and the autumn term. The deadline for applications is beginning of July 2023. More information about the seminar can be found on the homepage of the Summer School in Law, Business and Economic Policy (Link: <https://wwz.unibas.ch/de/studium/summer-school/>). I am happy to advise you regarding topics—just contact me during the term.

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 unter "Teaching". But you are encouraged also to contact me regarding current topics that are related to my own research and that of my team. Regarding Master Theses supervised by other colleagues in the area of international trade and international business, see Section 9 below.

8. Grade

The grade is based on a written exam at the end of the course as well as three accomplishments, two of which are optional. The questions of the written exam are based on

the material presented and discussed in class. The first and second accomplishments (two assignments) are optional and consist of a problem set which can be submitted and will be marked. The grade obtained in each assignment will count 10% in the final grade if the final exam is lower than the grade achieved in an assignment. Thus, you can only gain regarding your final grade. The third 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 international trade and business strategy.

The Mini-Conference includes a short presentation and a one-page summary you hand in 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.² Thus, you basically answer two questions in your short essay and presentation: (1) what is the main argument in the paper or chapter? and (2) is the insight we gain important and convincing? The focus is on the intuition. 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 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 accomplishments (if not, the weight of the final exam increases to 60% or 70%):

1st Assignment (10%) -- Optional

2nd Assignment (10%) -- Optional

Mini-Conference (30%) -- Mandatory

Final exam (50%) -- Mandatory

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

9. Closely Related Courses on the Master Level and Writing a Master Thesis

There are at least five courses offered by the faculty of Business and Economics on the Master level 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 enroll in these additional courses. Thereby, you can exploit considerable synergies. These are the courses:

Prof. M. Scott Taylor (University of Calgary): International Trade, Resources and the Environment (3 CP, as part of the Guestprofessorship in Globalization, May 2 to May 12, 2023).

² Line spacing: 1.5. Font: Times Roman 12.

Prof. Jeffrey T. Macher (Georgetown University): Competitive Strategy (3 CP, as part of the Summer School in Law, Business and Economic Policy, July 3 to July 13, 2023).

Note that my own course and all of these courses are part of the Major “International Business, Trade and the Environment”, newly launched in autumn 2022 (HS 22) as part of the Master of Science (MSc) in Business and Economics. Particularly those students who intend to graduate with this new Major are welcome to write a Master Thesis supervised by myself and/or (jointly) by the professors mentioned above. If you plan to do so, a good strategy is to enroll also in the U.S. Seminar of Law, Business and Economic Policy to write a seminar paper as a first step towards the Master Thesis. I am happy to give advice.

10. Programme

In the following, I describe the planned topics for each week or appointment. It is expected that the students have a look at 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, published together with Ronald W. Jones in 2017.

23.2.23 Introduction: Current Issues and the Roots of Trade Theory

24.2.23 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; Extracts from Rutzler and Weder (2021); material on Innoscape.ch.

2.3.23 Basler Fasnacht Holidays

3.3.23 Basler Fastnach Holidays

9.3.23 The Standard Ricardian Trade Model: 2x2, NT Goods, Higher Dimensions

10.3.23 JW (2017), Chapters 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.

16.3.23 The Ricardian Trade Model: Implications, Applications and Extensions

17.3.23 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).

23.3.23 The Heckscher-Ohlin Model: Its Hypotheses and Their Empirical Analyses

24.3.23 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); Helpman (2011), Chapter 3; Leamer (1996); Econ Talk (Autor 2016).

24.3.23 **First Optional Assignment is available on ADAM at 17:00**

The assignment 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 5, (Wednesday), 12:00. Send as PDF to augustin.ignatov@unibas.ch. We will not answer questions about the contents. If some problems are unclear from your point of view, make clear how you interpret the question and answer it.

30.3.23 **The Specific Factors Model: Its Distributive Effects and Applications**

31.3.23 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); Econ Talk (Glaeser 2018).

6.4.23 **Easter-Holidays**

7.4.23 **Easter-Holidays**

13.4.23 **Increasing Returns and Home-Market Effects**

14.4.23 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.

20.4.23 **Fragmentation, Trade in Tasks and in Intermediates**

21.4.23 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); Rutzler and Weder (2021)

21.4.23 **Second Optional Assignment is available on ADAM at 17:00**

The assignment 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: May 3, (Wednesday), 12:00. Send as PDF to augustin.ignatov@unibas.ch. We will not answer questions about the contents. If some problems are unclear from your point of view, make clear how you interpret the question and answer it.

27.4.23 **Firm Heterogeneity, Productivity Improvement and Innovation**

28.4.23 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; Video with Paul Romer (Innoscape Talk #2); Melitz and Redding (2021); Video with Erik Brynjolfsson (Innoscape Talk #3); Ing, Grossman and Christian (2022).

4.5.23 Competitive Advantage and Multinational Companies

5.5.23 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; Rutzler and Weder (2021); Video with Severin Schwan (CEO Roche) (Innoscape Talk #1); (...).

11.5.23 Mini-Conference “Recent Readings in International Trade and Business”

12.5.23 (see special announcement)
 Short Presentations of Short Essays

18.5.23 Ascension Day: No Lecture

19.5.23 Guest Lecture I:
“Selected Topic in International Trade Theory”
 PROF. GENE GROSSMAN (PRINCETON UNIVERSITY)

25.5.23 Review and Presentation of Own Current Research (RW)

26.5.23 Guest Lecture II:
“Process Mining and the Optimization of International Value Chains”
 REPRESENTATIVE OF THE COMPANY CELONIS (PIONEER IN PROCESS MINING)

1.6.23 No Lecture (Compensation for Friday May 19)

2.6.23 Final Exam

Bibliography (including some Further Reading)

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