

D0M42  
Fall 2008

KU Leuven  
Gerald Willmann

## Advanced International Trade Theory: Syllabus

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### **Course description:**

Our goal in this class is to provide you with a thorough knowledge of modern trade theory. Starting from classical trade models, we will cover new trade theory based on increasing returns as well as trade policy questions, and introduce you to currently active research areas. This class is meant to enable you to start doing your own research on topics in international trade, and we hope to achieve this objective by concentrating on workhorse models of trade theory and giving you an overview of active research areas.

### **Prerequisites:**

Good knowledge of microeconomics will be helpful, and prior exposure to international trade is a plus.

### **Readings:**

The required textbook for this class is *Advanced International Trade: Theory and Evidence* by Robert C. Feenstra, Princeton University Press, 2004. Additional readings will be provided as we go along, at the rate of approximately 2 articles a week. These will be handed out in class and/or (depending on class size) linked to on the class webpage if they are available online.

### **Coursework and grading:**

- 3 problem sets: 30% of overall grade (10% each)
- Final exam: 70% of overall grade

Note: please feel encouraged to work on the problem sets in small groups; the answers, however, have to be written up individually.

**Logistics:**

- The class meets on Tuesdays, 16:00–18:00, in HOGM 01.85
- You find the class website online at <http://willmann.com/~gerald/trade> where I will post most of the class material.

**Outline:**

1. Old trade: Ricardo, Heckscher-Ohlin, Specific Factors (Feenstra, Ch 1-3)
2. "New" trade theory: increasing returns (Feenstra, Ch 5)
3. Trade Policy (Feenstra, Ch 7+8)
4. Gains from trade and PTAs (Feenstra, Ch 6)
5. Political Economy of Trade Policy (Feenstra, Ch 9)
6. The gravity equation (Feenstra, Ch 5)
7. New new trade: heterogeneous firms
8. Multinational enterprises (Feenstra, Ch 11)
9. Factor flows: FDI and migration