

International Trade

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International trade as a field of economics has changed a lot in the past two decades. Previously, we employ some toy models to understand the principles of international trade. These principles are insightful, but they cannot provide us tools to understand the issues in practice. The recent decades development in international trade has shifted the focus from the earlier intensely discussed principles to more practical, sophisticate observations in international trade. We employ recently available data at firm level or transaction level to understand trade intermediary, finance, R&D, resource allocation, firm dynamics, offshoring, etc. These recent developments in international research is important for us to fully understand how a world with open economies works and how some most important movements of factors, goods and services affect our welfare. The objective of this course is to guide undergraduate students from understanding some basic international economics principles to try to investigate and understand how exactly international trade in practice is conducted and shape the world.

Textbook:

Zhiyuan Li (2024), *International Trade: the Modern Perspective* (国际贸易学: 现代观点), Peking University Press (北京大学出版社)

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

Richard Baldwin (2016), *The Great Convergence: Information Technology and the New Globalization* (B)

Sections:

Section 1, Overview

Section 2, International trade institution and policy

Section 3, International trade in China

Section 4, Ricardian model (the toy model)

Samuelson, P., (2004), "Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization." *Journal of Economic Perspective*, Vol. 18(3)

Section 5, Ricardian model (with multi sectors)

Dornbusch, R., Fischer, S., and Samuelson, P.A., 1977, "Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods", *American Economic Review*, Vol. 67, No.5, pp.823-839.

Section 6, Ricardian model (with multi sectors and multi countries)

Eaton, J. and S. Kortum (1999). International technology diffusion: Theory and measurement. *International Economic Review*, 40(3), 537-570.

Eaton, J. and S. Kortum (2002), "Technology, Geography, and Trade", *Econometrica* 70, 1741-1779.

Eaton, J. and S. Kortum (2012). Putting Ricardo to work. *Journal of Economic Perspectives*, 26(2), 65-90.

Section 7, Heckscher-Ohlin model

Section 8, Firm level trade (monopolistic competition, Krugman model)

Krugman, P. (1979) "Increasing Returns, Monopolistic Competition, and International Trade" *Journal of International Economics*

Krugman, P. (1980), "Scale Economics, Product Differentiation and the Pattern of Trade," *American Economics Review*

Section 9, Firm level trade (monopolistic competition, Melitz model)

Symmetric case: Melitz, M. J. (2003). The impact of trade on intra-industry reallocations and aggregate industry productivity. *Econometrica*, 71(6), 1695-1725.

Asymmetric case: Demidova and Rodriguez-Clare (2011), *The Simple Analytics of the Melitz Model in a Small Open Economy*. NBER WP No. 17521

Empirical Chaney 2008

Chaney, Thomas, (2008) "Distorted Gravity: The Intensive and Extensive Margins of International Trade," *American Economic Review*, 98(4), pp. 1707-1721.

*Eaton, Jonathan, Samuel Kortum, and Francis Kramarz (2011) *An Anatomy of International Trade: Evidence from French Firms*, *Econometrica*, 79(5), 1453-1498.

Melitz Redding Handbook.

Section 10, Firm level trade (monopolistic competition, Melitz-Ottaviano model)

Melitz Redding Handbook.

Melitz, M. and G. Ottaviano (2008). "Market Size, Trade and Productivity." *Review of Economic Studies* 75(1), p.295-316.

Section 11, Firm level trade (market penetration costs)

*Arkolakis, C. (2010) "Market Penetration Costs and the New Consumers Margin in International Trade," *Journal of Political Economy*.

*Helpman, E., Melitz, M. and Y. Rubinstein (2008). "Estimating Trade Flows: Trading Partners and Trading Volumes." *Quarterly Journal of Economics* 123, p.441-87.

Alessandria, George, Choi, Horag, 2007. Do sunk costs of exporting matter for net export dynamics? *Q. J. Econ.* 122 (1), 289-336.

* Dixit, A. (1989a). "Entry and Exit Decision under Uncertainty." *Journal of Political Economy* 97(3), p.620-38.

Dixit, A. (1989b). "Hysteresis, Import Penetration, and Exchange Rate Pass-Through." *Quarterly Journal of Economics* 104(2), p.205-28.

* Roberts, M. and J. Tybout (1997). "The Decision to Export in Colombia: An Empirical Model of Entry with Sunk Costs." *American Economic Review* 87(4), p.545-64.

Das, M., Roberts, M. and J. Tybout (2007). "Market Entry Costs, Producer Heterogeneity and Export Dynamics." *Econometrica* 75(3), p.837-73.

Section 12, Firm level trade (R&D decision)

Paula Bustos, (2011), Trade Liberalization, Exports, and Technology Upgrading: Evidence on the Impact of MERCOSUR on Argentinian Firms, *The American Economic Review*, Vol. 101, No. 1, pp. 304-340

Lileeva, A. and D. Trefler, (2010) "Improved Access to Foreign Markets Raises Plant Level Productivity... for Some Plants," *Quarterly Journal of Economics*, Vol. 125(3), pp. 1051-1099.

*Aw, Roberts, and Xu, "R&D, Exporting, and Productivity Dynamics", *AER*, 2011

Atkeson A & Burstein (2010) Innovation, Firm Dynamics, and International Trade. *Journal of Political Economy* 118: 433-84

Jan De Loecker, 2013, Detecting Learning by Exporting, *American Economic Journal: Microeconomics*, Vol. 5, No. 3, pp. 1-21

De Loecker, J. (2007). "Do Exports Generate Higher Productivity? Evidence from Slovenia." *Journal of International Economics* 73.

Section 13, Firm level trade (multi-nationals)

Multinational Firms and the Structure of International Trade Antras and Yeaple, Handbook chapter 2

Brainard, L. (1997). "An Empirical Assessment of the Proximity-Concentration Trade-off Between Multinational Sales and Trade." *American Economic Review* 87(4), p.520-44.

Helpman, E., Melitz, M., Yeaple, S., 2004. Exports versus FDI with heterogeneous firms. *The American Economic Review* 94 (1), 300–316.

Nocke, V., Yeaple, S., 2007. Cross-border mergers and acquisitions versus greenfield foreign direct investment: the role of firm heterogeneity. *Journal of International Economics* 72 (2), 336–365.

Nocke, V., Yeaple, S., 2008. An assignment theory of foreign direct investment. *Review of Economic Studies* 75 (2), 529–557.

Yeaple, S., 2009. Firm heterogeneity and the structure of U.S. multinational activity: an empirical analysis. *Journal of International Economics* 78, 206–215.

Yeaple, S., 2013. The multinational firm. *Annual Review of Economics* 5, 193–217.

Section 14, Firm level trade (offshoring)

Grossman, G.M., Rossi-Hansberg, E., 2008. Trading tasks: a simple theory of offshoring. *American Economic Review* 98 (5), 1978–1997.

Li, Zhiyuan, 2013, "Task Offshoring and Organizational Form: Theory and Evidence from China," *Journal of Economic Behavior & Organization*

Antràs, P., Garicano, L. and E. Rossi-Hansberg (2006). "Offshoring in a Knowledge Economy." *Quarterly Journal of Economics* 121(1), p.31-77.

Section 15, Firm level trade (finance)

Feenstra, R., Z. Li and M. Yu (2013) "Exports and Credit Constraints under Incomplete Information: Theory and Evidence from China," *Review of Economic Statistics*

*Amiti, M. and D. Weinstein, (2011) "Exports and Financial Shocks" *Quarterly Journal of Economics* Vol:126 (4): 1841-1877.

*Antras, P., and C. Foley. (2015) "Poultry in Motion: A Study of International Trade Finance Practice," *Journal of Political Economy* Vol:123(4) 853-901.

Chaney, David Sraer; and David Thesmar, 2012, "The Collateral Channel: How Real Estate Shocks Affect Corporate Investment" *American Economic Review* (lead article), 102(6): 2381-2409

Manova, Kalina (2008), Credit Constraints, Heterogeneous Firms and International Trade, forthcoming *Review of Economic Studies*.

Manova, Kalina (2008), Credit Constraints, Equity Market Liberalizations and International Trade, *Journal of International Economics*, 76 (2008), p. 33-47.

Antràs, Pol, Mihir Desai, and C. Fritz Foley (2007), Multinational Firms, FDI Flows and Imperfect Capital Markets, Quarterly Journal of Economics, Vol. 124, No. 3, August 2009, pp. 1171--1219.

Section 16, Firm level trade (quality)

*Verhoogen, E. (2008). "Trade, Quality Upgrading and Wage Inequality in the Mexican Manufacturing Sector." Quarterly Journal of Economics 123 (2), p. 489-530.

*Kugler, M. and E. Verhoogen (2012). "Prices, Plant Size and Product Quality." Review of Economics Studies 79(1), p.307-39.

*Hummels, D. and P. Klenow (2005). "The Variety and Quality of a Nation's Exports." American Economic Review 95(3), p. 704-723.

Khandelwal, A. (2010). "The Long and Short (of) Quality Ladders." Review of Economics Studies 77, p.1450-76.

Manova, K. and Z. Zhang (2008). "Export Prices across Firms and Destinations." Quarterly Journal of Economics.

Johnson, R. (2012). "Trade and Prices with Heterogeneous Firms." Journal of International Economics 86(1).

Discussion and Presentation,

This course require students to form groups and present in discussion sessions. All students will be grouped into seven groups (five students for each group). Each group chooses one topic to do research and presentation. The topics includes:

1) commodity trade, 2) cross-border e-commerce, 3) service trade, 4) trade in emission-permission (绿证), 5) trade in electricity, 6) trade along the value chain, and 7) trade within multinationals

Grading Policy:

The grading of the course has four parts: attendance, homework, course short paper and final exam.

The share of each parts is:

attendance:	10%
presentation:	10%
homework:	20%
final exam:	60%