

Topics in International Trade

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This is the 2nd graduate course in the International Economics sequence. In contrast to the 1st course in this sequence, which provides a perspective on how the field has evolved and has an emphasis on theory, this course primarily covers very recent contributions to both the theories and empirics of international trade. It aims to consolidate the tools and models learned in the introductory course. By the end of the semester, students are expected to know the big picture of the most recent development of literature and modern approaches. Students should also have a better understanding of what a good trade paper should be and how to identify and start their own research.

Prerequisites

This course is targeted at second-year (and higher) graduate students in economics. Students are expected to have completed first-year micro and macro theory courses and have good knowledge in the core trade theories.

Grading

Classes will consist of lectures by myself, student presentations, and discussion. Students' grade will be computed based on the following:

1. Paper presentation (25%): Roughly from the third week of class on, there will be student presentations in class, in the form of a short seminar. The paper can either be chosen from the syllabus on a topic of your interest or you can suggest a paper. You need to discuss your choice with me.
2. Class participation (20%): Those who are not presenting should carefully read the paper that will be presented that day and write-up 3 slides for class discussion.
3. Referee report (15%): You are required to write a 2-4 page referee report on one of the recent job market papers in international economics or one recent NBER working paper.
4. Research proposal and in-class presentation (40%): The proposal should motivate a question related to the course and discuss existing research that is related to that question. It is also expected to include strategy and approach, and potential data sources. The presentations will take place during the last 2 weeks of class.

Reading list (tentative)

Part I. Multinationals, Offshoring, and Fragmentation

(1) Horizontal FDI

- **Helpman, Elhanan, Marc J. Melitz, and Stephen R. Yeaple. "Export versus FDI with heterogeneous firms." *AER* 94.1 (2004): 300-316.
- Brainard, S.L. (1997). "An Empirical Assessment of the Proximity-Concentration Trade-off between Multinational Sales and Trade". *AER* 87(4): 520-544.
- Irarrazabal, A., Moxnes, A., & Opmolla, L. D. (2013). The margins of multinational production and the role of intrafirm trade. *JPE*, 121(1), 74-126.
- Markusen, James R., and Anthony J. Venables. "The theory of endowment, intra-industry and multi-national trade." *JIE* 52.2 (2000): 209-234.

(2) Vertical Specialization & Offshoring

- **Grossman, G., and E. Rossi-Hansberg (2008). "Trading Tasks: A Simple Theory of Offshoring". *AER* 98(5): 1978-1997.
- **Yi, K. (2003) Can Vertical Specialization Explain the Growth of World Trade? *JPE* 111(1): 52-102.
- *Hanson, G. H., Mataloni Jr, R. J., & Slaughter, M. J. (2005). Vertical production networks in multinational firms. *RESTAT*, 87(4), 664-678.
- *Ramondo, N., Rappoport, V., & Ruhl, K. J. (2016). Intrafirm trade and vertical fragmentation in US multinational corporations. *JIE*, 98, 51-59.
- Timmer, M. P., Erumban, A. A., Los, B., Stehrer, R., & De Vries, G. J. (2014). Slicing up global value chains. *Journal of economic perspectives*, 28(2), 99-118.
- Rodriguez-Clare. 2009. "Offshoring in a Ricardian World," *AEJ: Macroeconomics*
- Baldwin, R., & Venables, A. J. (2013). Spiders and snakes: offshoring and agglomeration in the global economy. *JIE*, 90(2), 245-254.
- Grossman and Rossi-Hansberg. 2012. "Task Trade between Similar Countries", *Econometrica*

(3) Firm Boundaries and Trade

- **Antràs, P. (2003). Firms, contracts, and trade structure. *QJE*, 118(4), 1375-1418.
- **Grossman, G. M., & Helpman, E. (2002). Integration versus outsourcing in industry equilibrium. *QJE*, 117(1), 85-120.
- *Costinot, A., L. Oldenski, and J.E. Rauch, "Adaptation and the Boundary of Multinational Firms," *RESTAT*, 93(1): 298-308, 2011.
- *Fernandes, Ana P., and Heiwai Tang. "Determinants of vertical integration in export processing: Theory and evidence from China." *JDE* 99.2 (2012): 396-414.
- Antras, P., Fort, T. C., & Tintelnot, F. (2017). The margins of global sourcing: theory and evidence from US firms. *AER*, 107(9), 2514-64.
- Bernard, Jensen, Redding, and Schott (2010). "Intra-firm Trade and Product Contractibility." *AER P&P*
- Grossman, G. M., E. Helpman, and A. Szeidl, "Complementarities between Outsourcing

and Foreign Sourcing,” AER P&P 2005.

- Head and Mayer (2015): “Brands in Motion: How frictions shape multinational production,” Working Paper
- Markusen, J. R. (1984). “Multinationals, Multi-Plant Economies, and the Gains from Trade”. JIE, 16: 205-226

(4) Spillover of multinationals

- **Javorcik, B., Does Foreign Direct Investment Increase the Productivity of Domestic Firms? In Search of Spillovers Through Backward Linkages, AER 2004
- Keller, W., & Yeaple, S. R. (2009). Multinational enterprises, international trade, and productivity growth: firm-level evidence from the United States. ReSTAT, 91(4), 821-831.
- Aitken and Harrison (1999): “Do Domestic Firms Benefit from Direct Foreign Investment? Evidence from Venezuela,” AER
- Greenstone, Hornbeck, and Moretti (2010): “Identifying Agglomeration Spillovers: Evidence from Winners and Losers of Large Plant Openings ,” JPE
- Haskel, J. E., Pereira, S. C., & Slaughter, M. J. (2007). Does inward foreign direct investment boost the productivity of domestic firms?. ReSTAT, 89(3), 482-496.

Part II. Trade and Labor Market

(1) Labor market effects in developed countries

- **Autor, David and David Dorn and Gordon Hanson (2013), “The China Syndrome: Local Labor Market Effects of Import Competition in the United States,” AER
- *Pierce, J. R., & Schott, P. K. (2016). The surprisingly swift decline of US manufacturing employment. AER, 106(7), 1632-62.
- Acemoglu, D., Autor, D., Dorn, D., Hanson, G. H., & Price, B. (2016). Import competition and the great US employment sag of the 2000s. JLE, 34(S1), S141-S198.
- Autor, D. H., Dorn, D., & Hanson, G. H. (2015). Untangling trade and technology: Evidence from local labour markets. EJ 125(584), 621-646.
- Autor, D. H., Dorn, D., Hanson, G. H., & Song, J. (2014). Trade adjustment: Worker-level evidence. QJE, 129(4), 1799-1860.
- Keller, W., & Utar, H. (2016). International Trade and Job Polarization: Evidence at the Worker-Level. NBER Working Paper, (w22315).
- Burstein and Vogel (2017), "International Trade, Technology, and the Skill Premium, " JPE.

(2) Labor market effects in developing countries

- **Verhoogen, Eric A. "Trade, quality upgrading, and wage inequality in the Mexican manufacturing sector." QJE, 123.2 (2008): 489-530.
- **Goldberg, P. K., & Pavcnik, N. (2007). Distributional effects of globalization in developing countries. JEL, 45(1), 39-82.
- * Dix-Carneiro, R., & Kovak, B. K. (2017). Trade liberalization and regional dynamics. American Economic Review, 107(10), 2908-46.
- *Bustos (2011), “The Impact of Trade Liberalization on Skill Upgrading: Evidence from Argentina,” manuscript.

- Dix-Carneiro, R., & Kovak, B. K. (2015). Trade liberalization and the skill premium: A local labor markets approach. *AER*, 105(5), 551-57.
- Amiti, M., & Cameron, L. (2012). Trade liberalization and the wage skill premium: Evidence from Indonesia. *JIE*, 87(2), 277-287.
- Attanasio, O., Goldberg, P. K., & Pavcnik, N. (2004). Trade reforms and wage inequality in Colombia. *JDE*, 74(2), 331-366.
- Edmonds, Pavcnik, Topalova, 2010, "Trade adjustment and human capital investments: Evidence from Indian tariff reform", *AEJ: Applied economics*

(3) Impacts of Offshoring & Outsourcing

- **Goos, M., Manning, A., & Salomons, A. (2014). Explaining job polarization: Routine-biased technological change and offshoring. *AER* 104(8), 2509-26.
- *Hummels, D., Jorgensen, R., Munch, J., & Xiang, C. (2014). The wage effects of offshoring: Evidence from Danish matched worker-firm data. *American Economic Review*, 104(6), 1597-1629.
- Burstein and Monge. 2009. "Foreign Know-How, Firm Control, and the Income of Developing Countries," *Quarterly Journal of Economics*
- Firpo, S., Fortin, N. M., & Lemieux, T. (2013), "Occupational Tasks and Changes in the Wage Structure" Working Paper, University of British Columbia
- Hummels, D., Munch, J. R., & Xiang, C. (2018). Offshoring and labor markets. *JEL*, 56(3), 981-1028.

(4) Labor market frictions

- ** Davis, D. R., & Harrigan, J. (2011). Good jobs, bad jobs, and trade liberalization. *JIE*, 84(1), 26-36.
- ** Helpman, E., & Itskhoki, O. (2010). Labour market rigidities, trade and unemployment. *RES*, 77(3), 1100-1137.
- *Święcki, Tomasz. "Intersectoral distortions and the welfare gains from trade." *JIE* 104 (2017): 138-156.
- Davidson, C., Matusz, S. J., & Shevchenko, A. (2008). Globalization and firm level adjustment with imperfect labor markets. *JIE*, 75(2), 295-309.
- Fajgelbaum (2013), "Labor Market Frictions, Firm Growth, and International Trade," NBER, WP.
- Felbermayr, G., Prat, J., & Schmerer, H. J. (2011). Globalization and labor market outcomes: Wage bargaining, search frictions, and firm heterogeneity. *JET*, 146(1), 39-73.
- Helpman, Itskhoki, and Redding (2011), "Inequality and Unemployment in the Global Economy," Ecma.
- Brussevich, M. (2018). Does trade liberalization narrow the gender wage gap? The role of sectoral mobility. *European Economic Review*, 109, 305-333.
- Cosar (2013): "Adjusting to Trade Liberalization: Reallocation and Labor Market Policies," Working Paper
- Dix-Carneiro, R. (2014). Trade liberalization and labor market dynamics. *Econometrica*, 82(3), 825-885.