

Seminars on Strategic Trade Theory

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This course aims to provide students with knowledge and techniques to formulate models on strategic trade theory. Emphasis will be placed on firms' FDI and merger behaviors and their impacts on welfare. Students are expected to make several presentations based on papers from the following reading list and write a term paper on a topic pre-approved by the instructor.

Reading list:

1. Antràs, P., 2003, "Firms, Contracts, and Trade Structure," *Quarterly Journal of Economics* 118 (4), 1375-1418.
2. Antràs, P. and E. Helpman, 2004, "Global Sourcing," *Journal of Political Economy* 112 (3), 552-80.
3. Baldwin, R.E., and P.R. Krugman, 1989, "Persistent Trade Effects of Large Exchange Rate Shocks," *Quarterly Journal of Economics* 104 (4), 635-54.
4. Bernard, A.B., J. Eaton, J.B. Jensen, and S. Kortum, 2003, "Plants and Productivity in International Trade," *American Economic Review* 93 (4), 1268-90.
5. Bernard, A.B., and J. B. Jensen, 2004, "Why Some Firms Export," *Review of Economics and Statistics* 86 (2), 561-69.
6. Bhagwati, J., A. Panagariya, and T. N. Srinivasan, 2004, "The Muddles over Outsourcing," *Journal of Economic Perspectives* 18 (4), 93-114.
7. [Blonigen, B.A.](#) and Y. [Ohno](#), 1998, "Endogenous Protection, Foreign Direct Investment and Protection-Building Trade," *Journal of International Economics* 46 (2), 205-27.

8. Campbell, J.R., and H.A. Hopenhaya, 2005, "Market Size Matters," *Journal of Industrial Economics* 53(1), 1-25.
9. Clerides, S.K., S. Lach, and J.R. Tybout, 1998, "Is Learning by Exporting Important? Micro-Dynamic Evidence from Colombia, Mexico, and Morocco," *Quarterly Journal of Economics* 113(3), 903-47.
10. [Cheng, L.K.](#), L.D. [Qiu.](#) and G. [Tan, 2005.](#) "Foreign Direct Investment and International Trade in a Continuum Ricardian Trade Model," *Journal of Development Economics* 77 (2), 477-501.
11. Eaton, J., S. Kortum, and F. Kramarz, 2004, "Dissecting Trade: Firms, Industries, and Export Destination," *American Economic Review* 94 (2), 150-54.
12. [Eicher, T.](#) and J.W. [Kang.](#) 2005, "Trade, Foreign Direct Investment or Acquisition: Optimal Entry Modes for Multinationals," *Journal of Development Economics*, 77 (1), 207-28.
13. Feenstra, R.C., and G.H. Hanson, 2005, "Ownership and Control in Outsourcing to China: Estimating the Property-Rights Theory of the Firm," *Quarterly Journal of Economics* 120(2), 729-61.
14. [Greenaway, D.](#), and R. [Kneller.](#) 2007, "Firm Heterogeneity, Exporting and Foreign Direct Investment," *Economic Journal* 117, 134-61.
15. Grossman, G.M., and E. Helpman, 2002, "Integration versus Outsourcing in Industry Equilibrium," *Quarterly Journal of Economics* 117(1), 85-120.
16. Grossman, G.M., and E. Helpman, 2005, "Outsourcing in a Global Economy," *Review of Economic Studies* 72(1), 135-59.
17. Grossman, G.M., E. Helpman, and A. Szeidl, 2005, "Complementarities between Outsourcing and Foreign Sourcing," *American Economic Review* 95(2), 19-24.
18. Hanson, G.H., R.J. Mataloni Jr., and M. J. Slaughter, 2005, "Vertical Production Networks in Multinational Firms," *Review of Economics and Statistics* 87(4),

664-78.

19. Hart, O.D., and J. Moore, 1990, "Property Rights and the Nature of the Firm," *Journal of Political Economy* 98(6), 1119-58.
20. [Harris, R.G.](#), and N. [Schmitt](#), 2001, "Strategic Export Policy with Foreign Direct Investment and Import Substitution," *Journal of Development Economics* 64 (1), 293-312.
21. Helpman, E., 1981, "International Trade in the Presence of Product Differentiation, Economies of Scale and Monopolistic Competition: A Chamberlin-Heckscher-Ohlin Approach," *Journal of International Economics* 11(3), 305-40.
22. Helpman, E., M.J. Melitz, and S.R. Yeaple, 2004, "Export versus FDI with Heterogeneous Firms," *American Economic Review* 94(1), 300-316.
23. Hopenhayn, H.A., 1992, "Entry, Exit, and Firm Dynamics in Long Run Equilibrium," *Econometrica* 60(5), 1127-50.
24. Hummels, D., J. Ishii, and K. M. Yi, 2001, "The Nature and Growth of Vertical Specialization in World Trade," *Journal of International Economics* 54(1), 75-96.
25. Konishi, H., K. Saggi, and S. [Weber](#), 1999, "Endogenous Trade Policy under Foreign Direct Investment," *Journal of International Economics* 49 (2), 289-308.
26. [Mattoo, A.](#), M. [Olarreaga](#), and K. [Saggi](#), 2004, "Mode of Foreign Entry, Technology Transfer, and FDI Policy," *Journal of Development Economics* 75 (1), 95-111.
27. Melitz, M.J., 2003, "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica* 71(6), 1695-1725.
28. Montagna, C., 2001, "Efficiency Gaps, Love of Variety and International Trade,"

Economica 68(269), 27-44.

29. Ottaviano, G.I.P., T. Tabuchi, and J-F Thisse, 2002, "Agglomeration and Trade Revisited," *International Economic Review* 43(2), 409-35.
30. Qiu, L.D., and B.J. Spencer, 2002, "Keiretsu and Relationship-Specific Investment: Implications for Market-Opening Trade Policy," *Journal of International Economics* 58(1), 49-79.
31. [Raff, H., and S. Krishna](#), 1998, "Tax Incentives for Import-Substituting Foreign Investment: Does Signaling Play a Role?" *Journal of Public Economics* 67 (2), 167-93.
32. Rauch, J.E., and V. Trindade, 2003, "Information, International Substitutability, and Globalization," *American Economic Review* 93(3), 775-91.
33. Spencer, B.J., 2005, "International Outsourcing and Incomplete Contracts," *Canadian Journal of Economics* 38(4), 1107-35.
34. Spencer, B.J., and L.D. Qiu, 2001, "Keiretsu and Relationship-Specific Investment: A Barrier to Trade?" *International Economic Review* 42(4), 871-901.
35. Yeaple, S.R., 2003, "The Complex Integration Strategies of Multinationals and Cross Country Dependencies in the Structure of Foreign Direct Investment," *Journal of International Economics* 60(2), 293-314.
36. Yeaple, S.R., 2005, "A Simple Model of Firm Heterogeneity, International Trade, and Wages," *Journal of International Economics* 65(1), 1-20.