INTERNATIONAL TRADE POLICY
Prof. Jan Jakub Michalek

Lecture; 30 hours
Spring semester

Course objective:
The course is the graduate lecture in international trade policy. Its focus will be on new trends in the theory of trade policy. The course is offered in English in the winter term. The objective of the course is to acquaint participants with international trade policy issues. The topics covered will include analysis of instruments of trade policy under perfect and imperfect competition, and the political economy of trade policy. Another objective of the course is to help students explore potential thesis topics in these areas.

Course outline:
The list of topics and papers is intended to provide a guide into several research areas. The course will cover only some of the papers and students are not required to read all the papers listed. The readings have been divided according to their importance, with two ** indicating the most important, one * indicating the next most important, and no stars indicating that the reading is for pleasure or adventure!

The course covers the following topics:

No. 1. Trade policy under perfect competition: tariffs
Basic tariff analysis: partial equilibrium approach: small and large country, general equilibrium effects, optimal tariff, effective rate of protection, infant-industry protection.

Helpman E., Krugman P., 1998, Trade policy and market structure, chap. 2*

No. 2. Trade policy under perfect competition: non-tariff measures (QRs and VERs)
Non-tariff measures: Comparison of tariffs with quantitative restrictions (QR’s) under perfect competition; import licensing, voluntary export restraints (VER’s).

Background reading: J, Markusen et all., 1995, International Trade Theory and Policy, chap. 16: Quotas and other non-tariff measures, p. 268-288*
E. Helpman, P. Krugman, 1989, Trade Policy and Market Structure, chap. 3**
No. 3: Trade policy instruments under perfect competition: subsidies and anti-dumping
Dumping and A-D procedures, Reasons for dumping, production and export subsidies and countervailing duties.
Background reading: Marrewijk: chap. 11;
chap. 14.3**

No. 4: The impact of technical standards on trade flows
The role of standards in international trade, standardization union, empirical estimates
Moenius, J. (1999), "Information versus Product Adaptation: The role of Standards in Trade",
working paper no. 11/2499, University of California, San Diego.

No. 5: Import tariffs and monopolistic markets
Tariff against foreign monopoly, market equilibrium under domestic monopoly, rent extraction.
BHV, chap. 10.1. Trade policy under imperfectly competitive markets, p. 393-298**
Rivera-Batiz, Oliva M., 2003, chap. 13.8*

No. 6: Reciprocal dumping and import protection under oligopoly
Reciprocal dumping, impact on market structure, welfare analysis

No. 7: Strategic trade policy: competition under Cournot
Background reading (for classes 7 & 8):
Rivera-Batiz L., Oliva M. (2003), International Trade, Theory, Strategies and Evidence, chap.: Competition and rivalry (7**);

No. 8: Strategic trade policy: competition under Bertrand
Strategic trade policy depending on mode of competition (Bertrand competition);
Rivera-Batiz L., Oliva M. (2003), International Trade, Theory, Strategies and Evidence, chap.: Strategies and Mode of Competition (8**);

No. 9: Strategic trade policy: competition and R&D rivalry

**No. 10. Applied Trade Policy Analysis**
Estimating trade effects, The Armington model (products differentiated according to the place of production), Framework for analysis under partial and general equilibrium
BHV, 1998, chap. 5.3*
Francois J. Reinhert: *Applied Methods for Trade Policy Analysis*, chap. 5**

**No. 11: Political economy: neo-classical approach and systematization**
Krueger A., 1974, *The Political Economy of Rent Seeking Society.*, AER 64, no. 3 *

**No. 12: Political economy: probabilistic approach**
Probabilistic approach to political economy, Protection for sale, endogenous lobbies.

**No. 13. Rules of international trading system**
The principle of non-discrimination and reciprocity as the best rules for international trade negotiations.
Rivera-Batiz L, Oliva M., 2003, *International Trade …*, chapters 18.5-18.6**

**No. 14 Multilateral trading system: the role of GATT/WTO**
Advantage of international negotiation, basic principle of non-discrimination and reciprocity, “bound” tariffs, the role of GATT/WTO system in post war trade liberalization.

**Suggested readings:**

**Background reading:**
Those who did not attend undergraduate lectures on international trade are advised to consult selected chapters from:


The important advanced textbooks, which will be used during the course (some chapters will serve as a main reading) are:


**Assessment:**
Grading will be based on the final exam that will count for 50% of the final grade and the research paper will count for the remaining 50% (The outline and the first paper draft count a combined 20%, and the final version counts 30% towards the final grade). Sample areas to be covered by research papers include: specific aspects trade regulations under WTO; empirical evidence; tariffs vs. quantitative restrictions; VER and their economic importance: comparison with other trade policy instruments; subsidies vs. strategic subsidies: economic and legal evaluation of dumping, technical barriers to trade: standards and veterinary regulations; political economy: modeling process of political bargaining; empirical evidence of political economy modeling.