

### **International Trade: Theory and the Mexican case**

In this course we aim to explain the theoretical economic effects that are expected from an incurring in international trade. Those results will be confronted with empirical evidence, focusing on the Mexican case. We will start with the classical Ricardian and Heckscher-Ohlin models and extend to more complex environments, by introducing more goods, qualitatively differentiating them through the consideration of intermediate goods, and factors.

We will confront the theoretical predictions with the trade patterns. We will discuss empirical factors that affect international trade and approach the tools that are used to estimate them, such as the gravity equation; this way, we will be able to discuss the effects of scale economies and/or transportation costs. We will analyze the effect of specific considerations, such as monopolistic competition, and relate them to the Mexican reality.

In addition, we will analyze the expected theoretical effect of foreign direct investment, which have been regulated through free trade agreements, as well as explain the relationship between both of them. As it has been of greater importance during last years, study trade in tasks and its implications on trade of services and inequality.

Last, from a political economy point of view we will study free trade agreements as a commitment tool, both from the theoretical and empirical perspectives.

#### **Evaluation**

All students are required to attend to 80% of the sessions.

Option A. An essay on a specific topic on Mexican international trade (1,500 words) making references to one/several concepts analyzed in class.

Option B. A critical review (1,500 words) of one of the articles on the Mexican trade referred in class. Alternatively, you can select a scientific paper on Mexican international trade; in that case, you will need my previous approval.

## **Themes**

Class 1. Comparative advantage and the Ricardian Model of trade

Class 2. Trading resources: The Heckscher-Ohlin Model and the Standard Trade Model

Class 3. A Neoclassical macroeconomic approach to international trade

Class 4. A Keynesian macroeconomic approach to international trade

Class 5. An empirical approach to International Trade: The Gravity Model

Class 6. Political implications of international trade: Rodrik's trilemma

Class 7. The negotiation of FTAs

Class 8. International trade and human rights

## **References**

Choi, E. and J. Harrigan. Handbook of International Trade. Blackwell.

Feenstra, R. Advanced International Trade: Theory and Evidence. Princeton University Press.

Krugman, P., M. Obstfeld and M. Melitz International Trade Theory and Policy. Pearson.

Mankiw, G. Macroeconomics. Harvard University