

Course title: Trade and the environment				
Course code: MPE 192		No. of credits: 3	L-T-P: 42-0-0	Learning hours: 42
Pre-requisite course code and title (if any): None				
Department: Department of Policy Studies				
Course coordinator: Dr..Seema Sangita			Course instructor: Dr.Seema Sangita	
Contact details: seema.sangita@terisas.ac.in				
Course type: Elective			Course offered in: Semester 3	
<p>Course description: One of the most interesting developments in trade policy in recent years has been the emergence of trade liberalisation as an environmental issue. Skeptics of free trade point out numerous environmental consequences of trade liberalisation. This course is therefore designed to give students an overview of the issues surrounding the complex interplay between trade and the environment.</p> <p>Before, exploring the link between trade and environment, the first part of this course will cover various theories various theories of international trade. We will address the questions of why countries trade, what they trade, how and if they benefit from trade, whether some groups can be the losers of trade. We will also study the various instruments of trade policy (tariffs, quotas, anti-dumping and countervailing duties etc) and the principles of WTO. Finally we will explore the link between trade and the environment.</p>				
<p>Course objectives: What are the advantages of trade and free trade? Should a country pursue free trade or protect its domestic industry and employment from foreign competition? What are the arguments in favour and against free trade? What are the environmental consequences of trade liberalisation? What is the WTO doing to the environment? How do policies affect interest groups? There are countless questions surrounding a nation in the international economy, with a diversity of arguments and opinions.</p> <p>The goal of this course is to deepen students' understanding of various theories of international trade as well as the linkage between trade and the environment. Therefore the purpose of this course is to equip students with the ability to objectively analyse the issues in international trade. The course will help students to improve their knowledge both on the importance as well as the limitations of free trade. In addition to this, the students will be able to critically analyse the various instruments of trade policies.</p>				
Course contents				
S.No	Topic	L	T	P
1	Introduction Gains from Trade (Ref. Chapter 19, Bhagwati (1998)) 1.1 Overview of theories Ref: Overview of theories will based on the lecture notes.	2	Will be done in class	
2	Traditional Trade Theory Ricardian Model (Chapter 3) -trade caused by difference in production technology of countries -how a country gains from trade -assessments of some of the common statements concerning trade Heckscher-Ohlin Model (Chapter 4) -A model of Two factor economy - effect of trade on domestic income distribution and interest group politics (Heckscher-Ohlin model as theory appropriate for the long-run period) Standard Trade Model (Chapter 5) -effect of economic growth on trade and a country's welfare - effect of trade intervention (such as tariff and export subsidy) on the country and its trading partner	5		
3	Imperfect Competition and Increasing Returns	8		

	<p>Helpman, Elhanan, and Paul R. Krugman. 1985. Market Structure and Foreign Trade. MIT Press. (HK85)</p> <p>Krugman, Paul R. 1979. Increasing return, monopolistic competition and international trade. Journal of international economics: 9 469-479.</p> <p>Chapter 6 to 8 of Market structure and foreign trade by Helpman and Krugman, 1990. MITpress.</p> <p>Chapter 5 of Advanced international trade: theory and evidence by Robert C. Feenstra, Princeton University Press 2004.</p> <p>Paul R. Krugman, Rethinking International Trade (Cambridge, MA: MIT Press, 1990).</p> <p>Paul R. Krugman, Is Free Trade Passe?, Journal of economic literature.</p>			
4	<p>Trade, Money and the Balance of Payments Chapters 7&8 from Dixit and Norman (2002), Theory of International Trade, Cambridge University Press</p>	6		
5	<p>Trade, Technological Progress, and Environment References Trade Induced Technological Change: Analysing economic and environmental Outcomes</p> <p>Marina, C.D, Smulders, S.A (2004), Trade Pessimists vs. technology optimists: Induced Technical change and pollution havens, Advances in Economic Analysis and Policy 4:2.</p>	5		
6	<p>Theory and Empirics of International Trade Environment interface</p> <p>Environmental Policy and Comparative Advantage in International Trade</p> <p>Reference: Pethig, Rüdiger (1976) "Pollution, Welfare, and Environmental Policy in the Theory of Comparative Advantage", Journal of Environmental Economics and Management, 2: 160-169.</p> <p>Environmental Quality and International Trade</p> <p>Reference: Carlo Perroni and Randall M. Wigle (1994), "International Trade and Environmental Quality: How Important are the linkages", Canadian Journal of Economics, 27:3</p> <p>Environment and Trade Linkages</p> <p>The environmental Effects of Trade</p> <ul style="list-style-type: none"> o Cole, Matthew and Robert J. R. Elliott (2003) "Do Environmental Regulations Influence Trade Patterns: Testing Old and New Trade Theories", The World Economy: 1163-86. o Stevens, Candice (1993) "The Environmental Effects of Trade" The World Economy, 16(4): 439-451. o Handbook on Trade and the Environment, Edited by Kevin P. Gallagher, Edward Elgar Publishing Limited, 2008. o Busse, Matthias (2004) "Trade, Environmental Regulations and the World Trade Organization: New Evidence", World Bank Policy Research Working Paper No. 3361. 	10		

7	<p>Multilateral Environmental Agreements, International Trade and Political Economy of Environmental Standards</p> <p>International Treaties and Global Pollution</p> <p>The Committee on Trade and Environment</p> <p>The General Agreement on Tariffs and Trade, 1994</p> <p>The Agreement on Technical Barriers to Trade</p> <p>The Agreement on Application of Sanitary and Phytosanitary Measures (SPS)</p> <p>Current International Negotiations in Climate Change</p> <p>Kyoto Protocol</p> <p>Game theoretical model</p> <p>Dispute Settlement</p> <p>Reference:</p> <ol style="list-style-type: none"> 1. Trade related measures and multilateral environmental agreements, UNEP, 2007. 2. Chander, Parkash & Khan, M. Ali, 2001. "International treaties on trade and global pollution," International Review of Economic & Finance, Elsevier, vol. 10(4), pages 303-324, December. 3. Chander, Parkash & Tulkens, Henry & Ypersele, Jean-Pascal van & Willems, Stephane, 1999. "The Kyoto Protocol: An Economic and Game Theoretic Interpretation," CESifo Working Paper Series CESifo Working Paper No. , CESifo Group Munich. 	6												
	Total	42												
<p>Evaluation criteria:</p> <table border="0"> <tr> <td>1. Minor Test</td> <td>20%</td> </tr> <tr> <td>2. Second Minor Test</td> <td>20%</td> </tr> <tr> <td>3. Major Test</td> <td>40%</td> </tr> <tr> <td>4. Class Participation (Discussions, Debates, class presentation etc)</td> <td>10%</td> </tr> <tr> <td>5. Assignments</td> <td>10%</td> </tr> </table>					1. Minor Test	20%	2. Second Minor Test	20%	3. Major Test	40%	4. Class Participation (Discussions, Debates, class presentation etc)	10%	5. Assignments	10%
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4. Class Participation (Discussions, Debates, class presentation etc)	10%													
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<p>Learning outcomes:</p> <ol style="list-style-type: none"> 1. Students will be able to deepen their understanding of the linkages between trade and the environment. [all evaluation criteria] 2. Students will be able to strengthen their analytical skills in critically analysing various issues with respect to trade and the environment [all evaluation criteria] 														
<p>Materials:</p> <p>Suggested readings</p> <p>Recommended Book</p> <p>Paul Krugman and Maurice Obstfeld International Economics: Theory and Policy, 8th Edition Addison Wesley Longman, 2000</p> <p>B. Copeland and M.S. Taylor (2003): Trade and the Environment: Theory and Evidence, Princeton University Press.</p>														

E.Helpman and P.R.Krugman (1994). Trade Policy and Market Structure. The MIT Press, Cambridge, Massachusetts (ch. 5-7).

Feenstra, R., [F], 2003, Advanced International Trade: Theory and Evidence, Princeton:Princeton University Press.

Paul R. Krugman, Rethinking International Trade (Cambridge, MA: MIT Press, 1990).

Recommended Journal articles

Krugman , Is Free Trade passé?

Brian R. Copeland & M. Scott Taylor, 2004. "**Trade, Growth, and the Environment**," **Journal of Economic Literature**, American Economic Association, vol. 42(1), pages 7-71, March.

Werner Antweiler & Brian R. Copeland & M. Scott Taylor, 2001. "**Is Free Trade Good for the Environment?**," **American Economic Review**, American Economic Association, vol. 91(4), pages 877-908, September

Copeland, Brian R & Taylor, M Scott, 1994. "**North-South Trade and the Environment**,"**The Quarterly Journal of Economics**, MIT Press, vol. 109(3), pages 755-87, August.

Brian R. Copeland & M. Scott Taylor, 2009. "**Trade, Tragedy, and the Commons**," **American Economic Review**, American Economic Association, vol. 99(3), pages 725-49, June

Additional Readings:

Bhgwati, Jagdish (1987) International Trade: Selected Readings, Second edition, The MIT Press.

Bhgwati, Jagdish, Arvind Pangariya and TN Srinivasan (1998), Lectures on International Trade, Second Edition, MIT Press, Chapter 11, 19 &30.

Environment and Trade, (2000), A Handbook, The United Nations Environment Programme, IISD. 1st and 2nd edition (2005)

M. Rauscher (1997): International Trade, Factor Movements, and the Environment, Oxford University Press..

J.R. Markusen (1975): International externalities and optimal tax structures, *J. Int. Economics* 5, 15-29.

S. Barrett (1994): Strategic environmental policy and international trade, *Journal of Public Economics* 54, 325-338.

B. Copeland (1994): International trade and the environment: Policy reform in a polluted small open economy, *Journal of Environmental Economics and Management* 26, 44-65.

Copeland and M.S. Taylor (1994): North-South Trade and the Environment, *QJE* 109, 755-787.

B. Copeland and M.S. Taylor (1995): Trade and transboundary pollution, *American Economic Review* 85, 716-737.

A. Brander and M.S. Taylor (1997): International trade and open access renewable resources: The small open economy case, *Canadian Journal of Economics* 30, 526-552.

W. Antweiler, B.R. Copeland, and M.S. Taylor (2001): Is free trade good for the environment? *AER*

Werner Antweiler, Brian R. Copeland, M. Scott Taylor (2001), Is Free Trade good for the environment, *AER*. 91:4

Additional information (if any):
Student responsibilities: Attendance, feedback, discipline: as per university rules.

Course reviewers: