

**Course Outline****Course ID: EE451****INTERNATIONAL TRADE THEORY AND POLICY****Semester 1/2022 (August 8<sup>th</sup> – November 26<sup>th</sup>, 2022)****Number of Credit: 3****Prerequisite: EE311****Course Description:**

Study on international trade and specialisation based on the principles of comparative cost, relative factor endowment, market structure, and returns to factor. Also covered are international trade policies and measures, international economic integration, theory and policy of international investment, international trade and economic development. An examination of problems, policies and strategies on international trade of developing countries and Thailand.

**Class Time and Logistics****Class day: Wednesday & Friday****Class time: 08:00 – 09:30am****Venue: Room 101, Faculty of Economics****Teaching Materials Platform: Google Classroom****Instructor:****Name: Dr. Nitinant Wisaweisuan****Office Hours: by Appointment****Email: nitinant@econ.tu.ac.th**

## Main Text:

(AF) Appleyard, D.R. and A.J. Field, Jr. (2017) *International Economics*. 9<sup>th</sup> ed. McGraw-Hill: Singapore.

## Suggested Readings:

World Trade Organization. *World Trade Statistics Review 2018*

[https://www.wto.org/english/res\\_e/statis\\_e/wts2018\\_e/wts2018\\_e.pdf](https://www.wto.org/english/res_e/statis_e/wts2018_e/wts2018_e.pdf)

Baldwin, R. (2013). *Lessons from the European Spaghetti Bowl*. ADBI Working Paper 418. Tokyo: Asian Development Bank Institute.

Bgagwati, J.N. (1969) "Optimal Policies and Immiserizing Growth" *American Economic Review*. 59(5): 967-970 <https://www.jstor.org/stable/1810699>

Baldwin, R. (2008), The Development and Testing of Heckscher-Ohlin Trade Models: A Review. the Ohlin Lectures No.11 MIT Press, Cambridge.

Chacholiades, M. (1990) *International Economics*. Mc-Graw Hill: New York.

Corden, W. M. (1966), 'The Structure of a Tariff System and the Effective Protective Rate', *Journal of Political Economy*, 74 (3) :221–37.

Corden, M. (1997), *Trade Policy and Economic Welfare* (2nd edition), Oxford University Press: New York.

Feenstra, R.C. and A.M. Taylor (2012), *International Economics*, Worth Publishers, New York.

Greenaway, D. and Milner, C. (2003), "Effective Protection, Policy Appraisal and Trade Policy Reform" *World Economy*, 26: 441-456. <https://doi.org/10.1111/1467-9701.00531>

Helble, M. and B. Shepherd, eds (2018) *Win-Win: How International Trade can Help Meet the Sustainable Development Goals*. Asian Development Bank Institute (ADBI) Press: Tokyo.

Krugman,P.(1997), 'What Should Trade Negotiators Negotiate About?', *Journal of Economic Literature*, 35(1): 113-120

Laursen, K. (2015) "Revealed Comparative Advantage and the Alternatives as Measures of International Specialization" *Eurasian Business Review*. 5: 99-115 DOI 10.1007/s40821-015-0017-1

## Grading Criteria:

Quiz	10%	
Presentation	10%	
Term Paper	15%	
Lecture summary	15%	
Midterm Exam	20%	Friday, 30 Sept 2022; 09.00 – 11.00 AM
<i>(no lectures will be given during the Mid-term week of September 26 - October 1, 2022)</i>		
Final Exam	30%	Thursday, 8 Dec 2022; 09.00 AM - noon

## Tentative Class Schedule:

1. Introduction 10 Aug  
1.1. What is international trade about?  
1.2. General figures of world trade  
Read: AF ch. 1,

2. Explanations of Trade: Classical Theory 17, 19 Aug  
2.1. Mercantilism  
2.2. Adam Smith's Absolute Advantage  
2.3. David Ricardo's Comparative Advantage  
    (a) Assumptions  
    (b) Production Possibility Frontiers  
    (c) Gains from Trade  
2.4. Measuring trade advantage: The Balassa Index  
2.5. Extensions and Tests of the Classical Trade Model  
Read: AF ch. 2-4

24 August 2022 (1.5 hours)

Special Lecture I: World Economic Challenges and Trade

Dr. Kirida Bhaopichitr

Director, TDRI Economic Intelligence Service (EIS)

3. Neoclassical Trade Theory 26 Aug (online), 31 Aug  
3.1. Basic Tools  
    (a) The Theory of Consumer Behaviour  
    (b) The Production Theory  
    (c) The Edgeworth Box Diagram and The Production Possibility Frontier  
3.2. Gains from Trade in Neoclassical Theory  
    (a) Autarky Equilibrium  
    (b) Production and Consumption Gains from Trade  
    (c) Some Important Assumptions  
3.3. Offer Curves and Terms of Trade  
Read: AF ch. 5-7

2 and 7 September 2022 (3 hours) *tentative*

Special Lecture II: Current Issues in International Trade and the WTO Responses

Dr. Nat Tharnpanich

Minister Counsellor,

Permanent Mission of Thailand to the WTO and WIPO

4. Factor Endowments and the Heckscher-Ohlin Model 9, 14, 16, 21, 23 Sept  
4.1. Assumptions  
4.2. Factor Abundance  
4.3. Commodity Factor Intensity  
4.4. The Heckscher-Olin Theorem  
4.5. The Factor Price Equalization Theorem  
4.6. Specific-Factors Model  
4.7. Empirical Tests of the Heckscher-Ohlin Theorem

- (a) The Leontief Paradox
  - (b) Suggested Explanations for The Leontief Paradox
- Read: AF ch. 8-9
  
- 5. Economic Growth and International Trade 5, 7, 12 Oct
  - 5.1. Classifying the Trade Effects of Economic Growth
  - 5.2. Sources of Growth and the Production-Possibilities Frontier
  - 5.3. Factor Growth, Trade and Welfare
    - (a) The Small-Country Case and the Rybczynski Theorem
    - (b) The Large-Country Case
- Read: AF ch. 11
  
- 6. International Factor Movement 14, 19 oct
  - 6.1. Capital Movement
  - 6.2. Labour Movement
- Read: AF ch. 12
  
- 7. Alternative Theories and Intra-Industry Trade 21, 26, 28 Oct
  - 7.1. Intra-Industry Trade
  - 7.2. The Imitation Lag Hypothesis and The Product Cycle Theory
  - 7.3. The Linder Theory
  - 7.4. The Kemp Model and External Economies of Scale
  - 7.5. The Krugman Model and Internal Economies of Scale with Monopolistic Competition
- Read: AF ch. 10
  
- 8. Trade Policy 2, 4, 9, 11 Nov
  - 8.1. Import Tariffs
    - (a) Measurement of Tariffs and Effective rate of protection
    - (b) The impact of an import tariff
    - (c) Stolper-Samuelson Theorem and distribution of income
    - (d) The large country case
  - 8.2. Production Subsidy
  - 8.3. Export Taxes and Subsidies
  - 8.4. Nontariff Trade Barriers
  - 8.5. Arguments for Protection
- Read: AF ch. 13-16
  
- 9. Economic Integration 16, 18, 23 Nov
  - 9.1. Types of Economic Integration
  - 9.2. The Static Effects
    - (a) Trade Creation and Trade Diversion
    - (b) The Second Best Theory
  - 9.3. The Dynamic Effect
- Read: AF ch. 17
  
- 10. Student Presentation & Course Conclusion 25 Nov