

Course Outline

EE451 INTERNATIONAL TRADE THEORY AND POLICY

Semester 2/2023

Class Time and Logistic

Class day: Wednesday

Class time: 9.00-12.00

Venue: Room 303

Teaching Materials Platform: <https://meet.google.com/ubv-feba-sjs>

Instructor:

Name: Associate Professor Archanun Kohpaiboon

Office Hours: 13.00-14.30 Wednesday

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Number of credits: 3 credits (3-0-6)

Prerequisites: EE311

Course description:

This course aims to lay down foundation of basic international trade theories and its applications. In the theoretical part, international trade theory is emphasized. It aims to gain better understanding on the following questions; (1) when two countries trade with each other, what products should be exported and what to be imported; (2) gain from trade countries benefit; and (3) can a government play a role in nurturing certain products/industries.

In the application part, many current issues will be brought to the class. It includes trade protection, economic integration and global production sharing (alternatively known as global value chains), and foreign direct investment. In this part, issues relevant to developing countries are emphasized, using Thailand and other East Asian countries as the case study.

Course Objectives:

- To lay down analytical framework on international trade to students so that they can understand contemporary debates on international trade locally and worldwide.
- To enable students to properly apply the knowledge to current situations.
- To help students to formulate empirical questions to do research in international economics especially those who will enroll in international economic seminar (EE 459).
- To give better prospects to students especially those who want to pursue economics in graduate level on research areas.

Method of Instruction:

Class activities include lectures, discussions and homework. Students are expected to read before the class, and participate in class discussions.

Reading List and Textbooks:

The textbook is optional but strongly recommended.

Main textbooks:

Krugman, P., Obstfeld, M., and Melitz, M. (2018), *International Economics: Theory and Policy*, (11th Global ed), Pearson Education Ltd: Harlow UK.

Kohpaiboon, A. (2018), *International Economics for Development*, Thammasat University Press (in Thai)

The following is entirely optional but would be useful...

- 1 Feenstra, R.C. and A.M. Taylor (2012), *International Economics*, Worth Publishers, New York.(2nd edition), Palgrave-Macmillan (Alternative Textbook)
- 2 Krugman, P. (1997), 'What Should Trade Negotiators Negotiate About?', *Journal of Economic Literature*, 35(1): 113-120
- 3 Corden, M. (1986), 'Why Trade is not Free: Is There a Clash between Theory and Practice?', in H. Giersch (ed.) *Free Trade in the World Economy: Towards an Opening of Markets*, Kiel, J.C.B. Mohr Tübingen.
- 4 Corden, M. (1997), *Trade Policy and Economic Welfare* (2nd edition), Oxford University Press, New York.
- 5 Jongwanich, J. and A. Kohpaiboon (2007), 'Determinants of Protection in Thai Manufacturing', *Economic Papers*, 26(3), 276-94.
- 6 Kohpaiboon, A. (2006), *Multinational Enterprises and Industrial Transformation*, Edward Elgar, Cheltenham.
- 7 Baldwin, R. (2008), *The Development and Testing of Heckscher-Ohlin Trade Models: A Review: the Ohlin Lectures No.11*, MIT Press, Cambridge.
- 8 Jongwanich, J., & Kohpaiboon, A. (2017). Exporter Responses to FTA Tariff Preferences: Evidence from Thailand. *Asia Pacific Economic Literature*, 55 (2), 130-157
- 9 Kohpaiboon, A., & Jongwanich, J. (2019). The Use of FTAs: the Thai Experience. In L. Ing, M. Richardson, & S. Urata (Eds.), *East Asian Integration: Goods, Services and Investment*. New York: Routledge

- 10 Krugman, P. (1996), 'Making Sense of the Competitiveness Debate', *Oxford Review of Economic Policy*, 12(3): 17-25.
- 11 Kohpaiboon, A. and J. Jongwanich (2013), 'International Production Network, Clusters and Industrial Upgrading: Evidence from Automotive and Hard Disk Drive Industries', *Review of Policy Research* 30(2): 211-239
- 12 Corden, W. M. (1966), 'The Structure of a Tariff System and the Effective Protective Rate', *Journal of Political Economy*, Vol.74, No.3, pp.221-37.
- 13 Krueger, A. (2020). *International Trade: what everyone needs to know*. Oxford: Oxford University Press.
- 14 Levinson, M. (2016), *The Box: How the shipping container made the world smaller and the world economy bigger*, Princeton, Princeton University Press.
- 15 Rodrik, D. (2018), 'What do trade agreements really do?', *Journal of Economic Perspectives* (2): 73-90.
- 16 Pham, T., & Riedel, J. (2013). An empirical analysis of comparative advantage dynamics. FREIT Working Paper. California.
- 17 Grossman, G.M. (1981), 'The theory of domestic content protection and content preference', *Quarterly Journal of Economics*, 96(4): 586-603.
- 18 Kohpaiboon, A. and J. Jongwanich (2021), 'The Effect of the COVID-19 Pandemic on Global Production Sharing in East Asia', ERIA Discussion Paper
- 19 Rajanakanoksak, K. (2014), 'Revisit of determinant of antidumping: Exporters' viewpoint', MA Thesis, Faculty of Economics, Thammasat University
- 20 Kohpaiboon, A. and J. Jongwanich (2013), 'Vertical and horizontal FDI technology spillovers: evidence from Thai Manufacturing', *Thailand and the World Economy*, 31(1): 60-108.
- 21 Navaretti, G. and A. Venables (2004), *Multinational Firms in the World Economy*, Princeton University Press, Princeton and Oxford.

Assessment:

Assessment task	Value	Due date
Final exam	50%	15 May 2024 (13.30-16.30)
Mid-term exam	30%	28 Feb. 2024 (9.00-11.00)
HW/ Quiz I	10%	
HW/ Quiz II	10%	
Total	100%	

Grading Criteria:

Grading will be based on each student's total scores and relative scores within the class. The minimum score to pass the course is 45 (out of 100) whereas grade A will be given to students who obtain a score of at least 85 (out of 100).

Score	Grade
A	85 and over
B+	Based on the distribution of students' scores
B	
C+	
C	
D+	Less than 45
D	
F	

Tentative Class Schedule:

Lecture	Topics	Readings/materials
1	1. Importance of international economics	<i>Lecture Note based on Kohpaiboon (2018: Ch 1).</i> ;
1-4	2. INTERNATIONAL TRADE THEORY 2.1 Classical Trade Theory (Market-driven) 2.1.1 Mercantilism 2.1.2 Comparative Advantage 2.1.3 Specific factor model 2.1.4 The Heckscher-Ohlin trade model	Krugman et al. (2015: Ch.3)
5-7	2.2 Role of government in trade patterns; 2.2.1 New Trade Theory 2.2.2 Competitive Advantage concept (M. Porter's concept) 2.2.3 Latent Comparative Advantage (J. Lin's concept) 2.2.4 Flying geese hypothesis 2.3 Firm Heterogeneity 2.4 Empirical evidence of international trade theory	Krugman et al. (2015: Ch.4); <i>Lecture Note based on Kohpaiboon (2018: Ch 2); Pham, T., & Riedel, J. (2013)</i>
Mid term exam 28 February 2023 from 9.00 to 11.00 am.		
(9-12)	3. Trade Policy 3.1. Tariffs 3.2. Non-tariffs 3.2.1. Import quota 3.2.2. Export subsidy 3.2.3. Dumping 3.2.4. Local content requirements 3.3. Effective rate of protection: 3.4. Political economy in protection	Krugman (1997); Corden (1986); Krugman et al. (2015: Ch.9); <i>Lecture Note based on Kohpaiboon (2018: Ch 3); Corden (1966); Grossman (1981); Jongwanich and Kohpaiboon (2007); Rajanakanoksak, K. (2014)</i>
(13-14)	4. Economic Integration 4.1 Type of economic integration 4.2 Free trade agreement (FTA): Impact and debate 4.3 Empirical issues on FTAs in East Asia	<i>Kohpaiboon (2018: Ch 4); Kohpaiboon and Jongwanich, 2015); Kohpaiboon and Jongwanich, 2017); Rodrik (2018)</i>
(22)	Quiz II (1 st April 2022)	<i>*Topics 2.8-3.1.3</i>

(15)	5. Global Production Sharing		<i>Kohpaiboon (2018: Ch 6);</i>
	5.1	Intra-industry vs intra-product trade	<i>Kohpaiboon and</i>
	5.2	Motivation of sharing (Costs and benefits	<i>Jongwanich (2013);</i>
	5.3	Debate on developmental implications	<i>Kohpaiboon, and</i>
			<i>Jongwanich (2021)</i>
	5.3.1	Footloose development	
	5.3.2	Trapped into the low-end segments	
	5.3.3	FTAs and GPS participation	
	5.3.4	Supply chain resilience	
(16)	6. Foreign Direct Investment (FDI)		<i>Kohpaiboon (2018: Ch 5);</i>
	6.1	Pre-requisite for investing abroad	<i>Kohpaiboon (2006);</i>
	6.2	Motivation to invest abroad	<i>Kohpaiboon and</i>
	6.3	Host country effect	<i>Jongwanich (2013),</i>
	6.4	Home country effect	<i>Navaretti and Venables (2004: Ch 6-9)</i>

Final exam 8 May 2023 from 13.30 to 16.30

Expected Learning Outcomes:

1. Students understand and can contribute to debates of international trade
2. Students can formulate relevant empirical questions related to international trade.
3. Students gain more understanding about tools in international trade.