



Sungkyunkwan University (SKKU) International Summer Semester (ISS) 2023

## The Present and Future of International Trade

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### SHORT COURSE DESCRIPTION

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This course examines theories of international trade in goods and services, as well as international flows of labor and capital, and analyzes trade policies. The course presents the classic trade theory, i.e., the principle of comparative advantage and its income redistribution effects. Moreover, modern trade theories on intra industry trade, factor movements are analyzed. Based on these understanding of the gains from trade in various contexts, the welfare effects of trade policies are examined. In addition to the political economic analysis of each trade policy instrument, the welfare implications of diverse trade interventions are discussed including the international trade policy coordination mechanism.

### READING MATERIALS

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1. Krugman, P, M. Obstfeld and M. Melitz, 2022, International Economics: Theory and Policy, Pearson
2. Additional weekly reading materials will be suggested in the class. Topics of reading materials mainly cover current issues of international trading systems and international policy coordination.

### COURSE REQUIREMENTS AND GRADING

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This course is offered as an on-line course with pre-recorded lectures. However, we are supposed to communicate 24 hours on-line at our I-campus course site with lively discussions with each other. You're supposed to take each class within a due time each day, while you are free to contact me anytime you have questions or comments 24 hours. All students are expected to take the final exam on the basic issues of international economics and international trade which will be discussed in the class. Final grade will be based on students' performances in the performance in the final exam (80%) and the active class participation throughout the semester (20%). SKKU regulations require students to attend at least 80% of all classes to pass the course. Grade will be given as Pass or Fail with a percentage scale of the performance.

### COURSE SCHEDULE

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#### – WEEK I –

Monday (26 June) Introduction of the current international economic issues and the role & goal of international economics:

- The chaos of international trading systems and what can be done with international economics?

Questions for Discussions:

- Global Economy & Global Economic Order: A phantom or reality?
- What is Border?
- Is Cross-Border Transaction really different from domestic transaction?

Tuesday (27 June) The basics of international trade theory I:

- The source of gains from international trade starting with Classical trade theories: Ricardian model, specific factor model, and Heckscher-Ohlin model

Questions for Discussions:

- What is the source of gains from international trade?
- What determines the comparative advantage?
- Technological Asymmetry? Asymmetry in Factor Endowments?

Wednesday (28 June) The basics of international trade theory II: Income redistribution effect of international trade

(Classical trade theories): Specific factor model, and Heckscher-Ohlin model)

Questions for Discussions:

- No loser from international trade, Really?
- Labor as a perfectly mobile production factor, Really?
- Specific factor for import industries: Source of all tragedy?

Thursday (29 June) The basics of international trade theory III: International Labor Movement and International Capital Movement

Questions for Discussions:

- Trumpian Border Wall: Savior for American Workers?
- Who are the losers from Trumpian Border Wall?
- Does free capital movement really benefits developing economies?
- \* The class will be finished earlier than usual (roughly by 2:30 pm).

**– WEEK II –**

Monday (3 July) New Trade Theory

- Economies of Scale Effects and Intra-Industry Trade

Questions for Discussions:

- Infant Industry Protection policies: Right Approach?
- Intra-industry trade: Do we really benefit from IIT?
- Economies of Scale: The path towards 'Winner Takes All' system?

Tuesday (4 July) The welfare effects of trade policies

Questions for Discussions:

- Trade policies, different from other economic policies?
- Can trade policy intervention improve social welfare?
- Tariff, quota, which is better?

Wednesday (5 July) Political economy of trade policies

Questions for Discussions:

- Why politicians choose stupid policies?
- Are policy makers social welfare maximizers?
- Who are influential interest groups?

- Thursday (6 July) International Trading systems:
- i) Bretton Woods system, the very first international system that can prevent the trade war and the world war
  - ii) Is WTO system working or perishing away?
  - iii) Preferential Trade Systems (FTA and Economic Union): What's wrong?

– WEEK III –

- Monday (10 July) Trade policies and development policies:
- i) Can infant industry protection policies bring economic development?
  - ii) What's wrong with Latin American policies of infant industry protection policies?

- Tuesday (11 July) Strategic trade policies for advanced economies
- i) Why export subsidies for firms in the advanced economies?
  - ii) Can strategic trade policies provide economic leadership of the advanced economy?

- Wednesday (12 July) The future of international trading regime:
- i) Is WTO dead?
  - ii) The US-China trade war: The age of the savage?
  - iii) Multilateralism or Hegemonic conflicts?

- Thursday (13 July) Apocalypse of the global economy?:
- i) Will the current trade war and currency war bring another round of global conflicts and economic collapses?
  - ii) Is there no exit from the current vicious circle of protectionism by populist politicians and increasing global conflicts?
  - iii) Can inclusive trade policies make differences?

– WEEK IV –

- Monday (17 July) What can we expect on international trade?
- i) International trade as a highway for economic development?
  - ii) International trade as a channel deepening the global inequality?
  - iii) Hegemonic conflicts and international trade

- Tuesday (18 July) From here to where?
- i) Geopolitical conflicts and international trade
  - ii) Can we go back to the old good days of Bretton Woods system, ever?
  - iii) What should be done now?

- Wednesday (19 July) The final wrap up of the courses and the final exam