



Sungkyunkwan University (SKKU) International Summer Semester (ISS) 2021

The Present and Future of International Trade

Prof. Young-Han Kim (Sungkyunkwan University)

SHORT COURSE DESCRIPTION

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

1. Krugman, P, M. Obstfeld and M. Melitz, 2018, International Economics: Theory and Policy, Pearson
2. Additional weekly reading materials will be announced and distributed in the class. Topics of reading materials mainly cover current issues of international trading systems and international financial systems including the global financial crisis and the path for the global economic recovery.

COURSE REQUIREMENTS AND GRADING

Students are required to actively participate in the class discussions including the following requirements. i) All students are expected to participate in small group research projects and presentation on an issue related to current international economic issue selected by students. The research group will be formed considering the students regional and academic diversity to expand students' perspectives. After 3 weeks' group research activities, each research group is expected to present the research outcomes by the end of the semester. ii) All students are expected to take the final exam on the basic issues of international economics and international trade and financial systems which will be discussed in the class. Final grade will be based on students' performances in a group research project (40%), the performance in the final exam (40%), 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

– WEEK I –

- Monday (27 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 (28 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 (29 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 (30 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?

– WEEK II –

Monday (4 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 (5 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 (6 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 (7 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 (11 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 (12 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 (13 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 (14 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?

- Friday (15 July) The group discussions and presentations of research projects- I

– WEEK IV –

- Monday (18 July) The group discussions and presentations of research projects- II

- Thursday (15 July) The final wrap up of the courses and the final exam