

Graduate School of International Studies
Seoul National University

International Trade Issues in Comparative Perspective (to be updated)

Semester: Spring 2016

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COURSE DESCRIPTION

To properly draw a picture of the world trade today, one needs to study causes and consequences of various changes in the current international trade environment. The current international trade environment has three broad characteristics: 1) Proliferation of regionalism, 2) FDI (i.e. global production network), and 3) the role of emerging economies, (BRICs) especially China. In particular, the emergence of China had strong impact on most of the economies. The characteristics of the impact may differ across regions and countries, and the difference will be analyzed in the course.

The course will provide a forum for discussions on issues of trade effects in relation with economic growth, development issues, free trade agreements, technology development, development cooperation, trade policy, and disputes.

COURSE PREREQUISITES:

This theory course is targeted at students with basic international economics. On the economics side, basic knowledge of trade-related international economics, development economics, and/or political economics is helpful to understand the course. On the empirical side, it would be helpful for the students who took the *Research Methodology & Skills* course or the *Comparative Methodology* course to understand empirical studies in the reading list

TEACHING METHODS:

1. Lectures by the professor (50%)
2. Presentations by the students (20%)
3. Discussions (30%)

COURSE REQUIREMENTS:

1. Attendance and Class Participation: 20%

: Students are recommended to actively participate in discussion and present the results of their assignments. Giving constructive criticisms for other students' opinions and presentations are strongly encouraged as it is counted as a bonus point on your final grade.

2. Assignments (Two Group Presentations) & Literature Review Paper: 30%

: You can find brief explanations on the assignments in the Course Schedule. Assignments will be fully explained in class.

- You should select two group assignments out of six assignments (one before the mid-term and the other one before the final) and present as a group.
- You will be asked to write six literature review papers based on one (or more) of the readings assigned the weeks. This review paper will include a brief summary and some of your own analysis and comments on the articles (no more than 2 pages).

*This review paper ultimately helps out for your unit research work that should submit the end of the semester.

3. Final Term Paper (One Unit Research Presentation): 40%

: Students present their unit (or individual) assignments based on their own research agenda related to trade issues covered in the course and submit their research paper (No more than 12 pages including title and reference pages). The format of the work will be explained in detail in the Week 1~2.

4. Peer & Self Evaluation Report: 10%

: You will be asked to submit peer review and self-evaluation reports.

EVALUATION SYSTEM:

Setting aside of less subjective grading elements (i.e. attendance and class participation), in order to be more objective to the evaluation, the course uses peer evaluation system.

1. Peer-Evaluation

: You will be asked to evaluate other classmates' research presentations on a number of criteria.

2. Self-Evaluation:

: You will be asked to evaluate yourself on a number of criteria.

3. Evaluation by the instructor

: Instructor will also evaluate the research presentations.

You would be able to receive the full portion of your assignments grade (30%) if your assignments are highly evaluated by all - yourself, your peers, and instructor in concord.

Peer & Self Evaluation Reports themselves will be counted as 10% of your semester grade. This will be submitted on the e-TL, and it would be not be disclosed to others (confidential). This evaluation system and its criteria (e.g. novelty, structure, literature review, and soundness of methodology) will be briefly explained on the first day of class. From the second class to the mid-term, students will be able to learn about it again and again in more detail. Make sure that you should be attentive to the other students' presentation and their research works.

REQUIRED TEXTS

There is no textbook required for this course. All readings will be available through JSTOR; Google Scholar (when accessed on campus), or will be posted online.

e-RESOURCES

The course will use e-Resources. Copies of the syllabus and assignments will be posted and other information, including course updates and articles on the current issues of international trade, will be posted as well. Students are expected to check for messages in our e-TL regularly. The e-TL should be used by all members of the class to raise questions and exchange information.

COURSE SCHEDULE OVERVIEW

Week	Date	Contents	Remarks	Assignment
Week 01	3/2	<ul style="list-style-type: none"> Changes of World Trade Environment Evolution of Trade Theories I 	Class O.T.	
Week 02	3/9	<ul style="list-style-type: none"> Trade and FDI: Global Production Network Evolution of Trade Theories II 	*Assignment 1 is given (Group Assignment)	LRP 1
Week 03	3/16	<ul style="list-style-type: none"> The Emergence of China and World Trade 		Group PPT *Group 1
Week 04	3/23	<ul style="list-style-type: none"> Characteristics and Effects of China's Trade 	*Assignment 2 is given (Group Assignment)	LRP2
Week 05	3/30	<ul style="list-style-type: none"> The Emerging Economies and its Impact on Regional Economies 	*Assignment 3 is given (Group Assignment)	Group PPT *Group 2
Week 06	4/6	<ul style="list-style-type: none"> Product Technology and Export Diversification 		LRP 3
Week 07	4/13	<ul style="list-style-type: none"> Mid-term 		Group PPT
Week 08	4/20	<ul style="list-style-type: none"> Trade and Multilateral Trading System (WTO) 		LRP4
Week 09	4/27	<ul style="list-style-type: none"> Trade and Regionalism (Free Trade Agreements) 		LRP5
Week 10	5/4	<ul style="list-style-type: none"> Trade Policy Effect I: Trade Remedy 	*Assignment 4 is given (Group Assignment)	LRP6
Week 11	5/11	<ul style="list-style-type: none"> Trade Policy Effect II: Dispute 		Group PPT
Week 12	5/18	<ul style="list-style-type: none"> Trade and Development I: Trade and Growth 	*Assignment 5 is given (Group Assignment)	Unit PPT
Week 13	5/25	<ul style="list-style-type: none"> Trade and Development III: Trade and Poverty 		Group PPT
Week 14	6/1	<ul style="list-style-type: none"> Trade and Development II: Trade Cooperation 		Unit PPT
Week 15	6/8	<ul style="list-style-type: none"> Final Term 	Unit Research Paper Submission	Unit PPT

*Note: Topics and organization (of presentation and assignment) are subject to change according to class size
LRP indicates "Literature Review Paper": a summary paper with your critical comment

WEEKLY SCHEDULE STRUCTURE (To be Updated.....)

WEEK 1 Changes of World Trade Environment (Evolution of Trade Theories)

- 1. Class Overview (Goal of the course)**
- 2. Class Structure**
- 3. Logistics and Evaluation System**

Paul Krugman (1998), *Pop Internationalism*, MIT Press: “Ricardo’s difficult idea: Why intellectuals don’t understand comparative advantage”.

WEEK 2 1. Trade and FDI: Global Production Network

UNCTAD, (2006), "FDI from Developing and Transition Economies: Implications for Development" World Investment Report 2006, Chapter 4.

Irwin, Douglas A. (2009). “Free Trade Under Fire.” Princeton University Press. chapter 2 (“The Case for Free Trade: Old Theories, New Evidence”)

2. “New” Trade Theories

Helpman, E. (2011). “Understanding Global Trade”. Harvard University Press. 2011. Chapter 2~6.

Bernard, Andrew, Bradford Jensen, Stephen Redding, and Peter Schott. (2007). “Firms in International Trade”. *Journal of Economic Perspectives*, 21(3): 105-130.

Group Assignment 1

1. Select (whatever you think) the most (or some of) important features of current world economy that directly relates to or change trade (e.g. climate change, regionalism, technology development, the advent of trade agreement (GATT/WTO), financialization, protectionism, Neo-liberalism, the end of cold war,)
2. Explain why (using case studies or empirical data) with cross-country comparison.
3. Do you think that that features and your reason can be generalized or only partially explained?

The following is an example of research questions (hypothesis).

FDI has spread to become a global phenomenon and reshape the world trade environment.

FDI was primarily concerned by the development in the past, but now, it has become a great concern of the developing countries.

To demonstrate above argument,

- 1) one of useful exercises is to show some trend of South Korean (or any other country) net outward investment (total or sectoral) position with respect to US (or any other country)

- 2) by reproducing the Figure IV.1.(p.144) of World Investment Report 2006 (or similar ones), but for the case of Korea with respect to the US.
- 3) Try both stock and flow.

*Data sources: UNCAD, Korea Exim Bank & MOTIE, OECD

WEEK 3 The Emergence of China and World Trade

UNCTAD, (2005), "Income Growth and Shifting Trade Patterns in Asia," and "Evolution in the Terms of Trade and Its Impact on Developing Countries" Trade and Development Report 2005, Ch. 2 & 3.

Rodrik, Dani. (2010) "Making Room for China in the World Economy." American Economic Review 100(2): 89-93.

UNCTAD, (2002), "Export Dynamism and Industrialization in Developing Countries," and "Competition and the Fallacy of Composition," Trade and Development Report 2002, Ch. 3 & 4.

Haddad, Mona (2007), "Trade Integration in East Asia: The Role of China and Production Networks", World Bank Policy Research Working Paper 4160.

Group Assignment 2

Find any two characteristics of Chinese trade, and show evidence. Examples of the questions you may answer are following:

- How has China's export (import) structure changed?
- Is China's comparative advantage in labor intensive products increasing?
- Is China getting competitive in high technology and skill intensive products?
- Is China becoming competitive in intermediate inputs?
- Is China net importer of food?
- Compared to other countries, is China exporting (importing) more to (from) developing countries than industrialized countries?
- Has the export sector become more specialized, focusing on particular types of goods, or has it diversified as it has grown?
- Are China's export products of low price and quality?
- Are China's exports becoming more skill intensive?
- How important are new goods in export growth?
- etc.

WEEK 4 Characteristics of China's Trade

Amiti, Mary, and Caroline Freund, (2008), "The Anatomy of China's Export Growth," World Bank, Policy Research Working Paper 4628.

Rodrik, Dani, (2006), "What's so Special about China's Exports?" *China & World Economy*, Vol. 14, No. 5, pp. 1-19.

Van Assche, Ari, Chang Hong, and Veerle Sloomackers, (2008), "China's International Competitiveness: Reassessing the Evidence," LICOS Discussion Paper Series 205/2008.

WEEK 5 The Emerging Economies and its Impact on Regional Economies

1. Chindia (and BRICs) Export Performance

Lederman, Daniel, Marcelo Olarreaga, and Eliana Rubiano (2007), "Specialization and Adjustment during the Growth of China and India: The Latin American Experience", World Bank, Policy Research Working Paper 4318.

Castro, Lucio, Marcelo Olarreaga, and Daniel Saslavsky, (2007) "The impact of trade with China and India on Argentina's manufacturing employment" World Bank Policy Research Working Paper 4153.

Jorge Blázquez-Lidoy, Javier Rodríguez and Javier Santiso, (2006), "Angel or Devil? China's Trade Impact on Latin American Emerging Markets" OECD Development Centre, Working Paper No. 252.

Lederman, Daniel, Marcelo Olarreaga, and Isidro Soloaga, (2007), "The Growth of China and India in World Trade: Opportunity or Threat for Latin America and the Caribbean?" World Bank, Policy Research Working Paper 4320

2. Trade Reform and Export Performance of Africa

IMF. 2011. "Sub-Saharan Africa's Engagement with Emerging Partners: Opportunities and Challenges," Chapter 3, *Regional Economic Outlook: Sub-Saharan Africa* (October 2011). [Full report]

UNCTAD. 2008. *Economic Development in Africa: Export Performance Following Trade Liberalization: Some Patterns and Policy Perspectives*. [Ch.1~4]

Rodrik, D. 1998. "Why is Trade Reform so Difficult in Africa?" *Journal of African Economies* 7(suppl 1): 10-36.

Rodrik, D. 1998. "Trade Policy and Economic Performance in Sub-Saharan Africa." National Bureau of Economic Research Working Paper Series No. 6562.

World Bank. 2000. "Diversifying Export, Reorienting Trade Policy, and Pursuing Regional Integration." *Can Africa Claim the 21st Century?*: 208-233.

Group Assignment 3

Analyzing Emerging Economies (such as BRICs, East European countries, ASEAN countries, or one particular country of these regional groups)

- 1) Review of the existing literature and theories
- 2) Short description of the region (or country), which is relevant for the analysis.
- 3) Impact on exports, imports, prices, terms of trade, employment by industry, sectoral production, primary commodities, durable goods, non-durable goods, FDI, etc.
- 4) Conduct quantitative and/or qualitative analysis
* Methodologies or measures can be used in the analysis will be explained throughout the Week 1~5.

WEEK 6, 7 Product Space and Export Diversification

Hummels, D. and P. J. Klenow (2005). "The Variety and Quality of a Nation's Exports." *The American Economic Review* 95(3): 704-723.

Hausmann, R., Hwang, J., & Rodrik, D. (2007). What you export matters. *Journal of Economic Growth*, 12(1), 1-25.

Samen, S. (2010) "A Primer in Export Diversification: Key Concepts, Theoretical Underpinnings and Empirical Evidence." Growth and Crisis Unit of the World Bank Institute, Blog.

Hidalgo, C. A., et al. (2007). "The Product Space Conditions the Development of Nations." *Science* 317(5837): 482-487.

Hidalgo, C. A. 2011. "Discovering Southern and East Africa's Industrial Opportunities." *Economic Policy Paper Series 2011*. The German Marshall Fund of the United States.

Abdon, A. and J. Felipe. 2011. "The Product Space: What Does It Say about the Opportunities for Growth and Structural Transformation of Sub-Saharan Africa?" *Levy Economics Institute Working Papers No. 670*. Levy Economics Institute.

Collier, P. and A. J. Venables. 2007. "Rethinking Trade Preferences: How Africa Can Diversify its Exports." *World Economy* 30(8): 1326-1345.

Songwe, V. and D. Winkler. 2011. "Exports and Export Diversification in Sub-Saharan Africa: A Strategy for Postcrisis Growth." In M. Haddad & B. Shepherd (Eds.), *Managing Openness: Trade and Outward-Oriented Growth after the Crisis*: 247-258.

WEEK 8 Trade and World Trade Organization (WTO) and Multilateralism

Lawrence, Robert (2012). "Competing with Regionalism by Revitalizing the WTO." Excerpt from *The Future and the WTO: Confronting the Challenges*.
Irwin, Douglas A. (2009) "Free trade under fire" (pp 219-244)

Rose, A. K. (2002). *Do we really know that the WTO increases trade?* : National bureau of economic research: <http://www.nber.org/papers/w9273>

Bagwell, K., & Staiger, R. W. (2011). What do trade negotiators negotiate about? Empirical evidence from the World Trade Organization. *The American Economic Review*, 101(4), 1238-1273.

WEEK 9 Trade and Regionalism (Free Trade Agreements)

Ricardo Melendez-Ortiz, Mega-Regionals: What is going on? In *Mega-Regional Trade Agreements: Game-Changers or Costly Distractions for the World Trading System*. World Economic Forum. 2014.

Richard Trumka. "Will the TPP Really Protect Workers?" *Washington Post*. May 2015.

Roger C. Altman and Richard N. Haas. "Why the Trans-Pacific Partnership Matters." *New York Times*. April 2015.

Baier, S. L., & Bergstrand, J. H. (2007). Do free trade agreements actually increase members' international trade? *Journal of International Economics*, 71(1), 72-95.

Limão, N. (2006). Preferential Trade Agreements as Stumbling Blocks for Multilateral Trade Liberalization: Evidence for the United States. *American Economic Review*, 96(3), 896.

WEEK 10 Trade Policy Effect I: Trade Remedy

Blonigen, B. A., & Bown, C. P. (2003). Antidumping and retaliation threats. *Journal of International Economics*, 60(2), 249-273.

Ahn, D., & Shin, W. (2011). Analysis of anti-dumping use in free trade agreements. *Journal of World Trade*, 45(2), 431-456.

Blonigen, B. A. (2002). Tariff-jumping antidumping duties. *Journal of International Economics*, 57(1), 31-49.

Blonigen, B. A. (2005). The effects of NAFTA on antidumping and countervailing duty activity. *The World Bank Economic Review*, 19(3), 407-424.

WEEK 11 Trade Policy Effect II: Dispute

The Economist: "Economics focus: Trade disputes", Sep 16th 2004.

Bown, C. P. (2004). Developing countries as plaintiffs and defendants in GATT/WTO trade disputes. *World Economy*, 27(1), 59-80.

Bown, C. P. (2004). On the Economic Success of GATT/WTO Dispute Settlement. *The Review of Economics and Statistics*, 86(3), 811-823.

Bown, C. P. (2013). Emerging Economies and the Emergence of South-South Protectionism. *Journal of World Trade*, 47(1), 1-44.

WEEK 12 Trade and Development I: Trade and Growth

Down, I. (2007). Trade openness, country size and economic volatility: The compensation hypothesis revisited. *Business and Politics*, 9(2).

Frankel, J. A., & Romer, D. (1996). *Trade and growth: An empirical investigation* (No. w5476). National Bureau of Economic Research.

WEEK 13 Trade and Development II: Trade and Poverty

1. Natural Resource Curse and Dutch Disease

Assignment 4: "Dutch Disease"

Analyze the relationship between the international price of copper and the real exchange rate of Chile.

Data source: KITA.net

Variables: CPI(Chile and US), copper price, exchange rate

Mehlum, Halvor, Karl Moene and Ragnar Torvik. 2006. "Institutions and the Resource curse," *The Economic Journal* 116, January: 1–20. Royal Economic Society.

Sala-i-Martin, Xavier, and Arvind Subramanian, (2003) "Addressing the Natural Resource Curse: An Illustration from Nigeria" Columbia University Department of Economics, Discussion Paper Series.

Sachs, Jeffrey D., and Andrew M. Warner, 1995 (revised 1997 and 1999), "Natural Resource Abundance and Economic Growth," National Bureau of Economic Research Working Paper No. 5398 (Cambridge, Mass: NBER).

Korhonen, Iikka (2004), "Does Democracy Cure a Resource Curse?" BOFIT Discussion Papers No. 18.

2. Natural resource boom and Expropriation Risk

Gurievy, Sergei, Anton Kolotilin, and Konstantin Sonin, (2008) "Determinants of Expropriation in the Oil Sector: A Theory and Evidence from Panel Data" Centre for Economic and Financial

Research at New Economic School, CEFIR / NES Working Paper series, Working Paper No 115. (pdf)

Kobrin, Stephen J. (1980), "Foreign Enterprise and Forced Divestment in LDCs," *International Organization* 34(1): 65-88. [link]

Kobrin, Stephen J. (1984), "Expropriations as an Attempt to Control Foreign Firms in LDCs: Trends from 1960 to 1979," *International Studies Quarterly* 28(3): 329-348.

WEEK 14 Trade and Development III: Trade and Cooperation

1. Trade Facilitation and Aid for Trade

ECA (United Nations Economic Commission for Africa). 2013. *Trade Facilitation from an African Perspective*.

ECA. 2013. *Building Trade Capacities for Africa's Transformation: A Critical Review of Aid for Trade*.

Calì, M. and D. W. te Velde. 2011. "Does Aid for Trade Really Improve Trade Performance?" *World Development* 39(5): 725-740.

Burnside, C., & Dollar, D. (2000). Aid, Policies, and Growth. *American Economic Review*, 90(4), 847-868.

Burnside, C., & Dollar, D. (2004). Aid, Policies, and Growth: Reply. *American Economic Review*, 94(3), 781-784.

Cali, M., & Te Velde, D. W. (2011). Does aid for trade really improve trade performance? *World Development*, 39(5), 725-740.

WEEK 15 Final Exam

1. Peer Review & Self-evaluation Report Submission

Data Reference

1. Introduction to Trade and Development Databases and Accessible Sites:

UNCOMTRADE: <http://comtrade.un.org/>

OECD: <http://www.oecd.org/statistics/>

World Bank: <http://data.worldbank.org/>

IMF: <http://www.imf.org/external/data.htm>

UNCTAD: <http://unctad.org/en/Pages/Statistics.aspx>

Penn World Table: https://pwt.sas.upenn.edu/php_site/pwt_index.php

WTO: https://www.wto.org/english/res_e/statis_e/statis_e.htm

World Integrated Trade Solution: <http://wits.worldbank.org/>

WGI Project: <http://info.worldbank.org/governance/wgi/index.aspx#home>

KITA: <http://stat.kita.net/stat/cstat/matrix/MatrixStats.screen>

MOTIE: <http://www.motie.go.kr/motie/py/sa/investstatse/investstats.jsp>

CIA WORLD FACBOOK <https://www.cia.gov/library/publications/the-world-factbook/>

CEPII: http://www.cepii.fr/CEPII/en/bdd_modele/bdd.asp

*Websites highlighted bold will be visited and explained in the class.

Other sites may be explained and used for exercises, assignments, or the other classes.

2. Introduction to Stata and Data Management Using Stata

Baum (2006). *An Introduction to Modern Econometrics Using Stata*. STATA Press

Mitchell (2010). *Data Management Using Stata: a Practical Handbook*. StataCorp LP

United Nations (2009). *Making Data Meaningful*. United Nations Economic Commission for Europe.