

**Fulbright Economics Teaching Program  
Master in Public Policy 6  
Academic Year 2013 - 2014  
Spring 2014 (10<sup>th</sup> Feb. – 2<sup>nd</sup> April, 2014)**

**SYLLABUS  
Trade Policy**

**Teaching Team**

Instructors: James Riedel and Dinh Cong Khai  
Tutor: Mai Hoang Chuong  
Interpreter: Nguyen Quy Tam

**Class Sessions**

Monday, Wednesday and Friday: 08:30 -10:00;

**Office Hours**

Dinh Cong Khai: TBA or by email appointment  
James Riedel: TBA or by email appointment  
Mai Hoang Chuong: TBA or by email appointment

**Course Objectives and Description**

To provide students with the basic theories of international trade in order to explain trade patterns between developed and developing countries, and among developed countries. This course emphasizes an understanding of the institutional environment for international trade, both at the global, regional, and national level and the role of economic integration and GATT/WTO in removing trade barriers. Particular emphasis is placed on the analysis of trade policies used in developed and developing countries and the movement from trade policy to industrial policy to gain comparative advantages. This course also examines Vietnam's trade performance and policies to promote them.

**References**

- Krugman and Obstfeld, *International Economics*, 9<sup>th</sup> ed., Addison-Wesley. (Abbreviation **KOM**) (available in Vietnamese in FETP library)
- World Bank (2002), *Development, Trade and the WTO: A Handbook*, World Bank, Washington, DC. (**WB-02**)

**Sources of Information**

This includes major organizations such as The World Bank, International Monetary Fund, Organization for Economic Cooperation and Development, European Commission, ASEAN, Asia-Pacific Economic Cooperation Forum (APEC), Asian Development Bank, African Development Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, United Nations (including UNIDO, UNCTAD, FAO, UNESCO, WIPO, WHO, etc), and WTO. The U.S. government also publishes numerous studies about trading partners; see especially the *International Economic Review* of the U.S. International Trade Commission and *National Trade Estimate Annual Report on Foreign Trade Barriers* of the US Trade Representative's Office.

Here are some useful websites:

<a href="http://www.worldbank.org">www.worldbank.org</a>	<a href="http://www.asean.org">www.asean.org</a>
<a href="http://www.imf.org">www.imf.org</a>	<a href="http://www.apecsecretariat.org">www.apecsecretariat.org</a>
<a href="http://www.oecd.org">www.oecd.org</a>	<a href="http://www.adb.org">www.adb.org</a>
<a href="http://www.sourceoecd.org">www.sourceoecd.org</a>	<a href="http://www.idb.org">www.idb.org</a>
<a href="http://www.europa.int">www.europa.int</a>	<a href="http://www.ebrd.org">www.ebrd.org</a>
<a href="http://www.unido.org">www.unido.org</a>	<a href="http://www.unctad.org">www.unctad.org</a>
<a href="http://www.fao.org">www.fao.org</a>	<a href="http://www.unesco.org">www.unesco.org</a>
<a href="http://www.wipo.org">www.wipo.org</a>	<a href="http://www.who.org">www.who.org</a>
<a href="http://www.wto.org">www.wto.org</a>	<a href="http://www.usitc.gov">www.usitc.gov</a>
<a href="http://www.ustr.gov">www.ustr.gov</a>	<a href="http://www.bea.gov">www.bea.gov</a>

You will also be able to find websites for individual countries through a websearch. Trade and investment data can be found from the IMF, the World Bank, the UN, and other sources.

Generally, there is less information on foreign direct investment (FDI) than there is on trade. Two sources for FDI data that you should consider are the annual *World Investment Reports* by UNCTAD ([www.unctad.org](http://www.unctad.org)), as well as the FDI data held by the U.S.' Bureau of Economic Analysis ([www.bea.gov](http://www.bea.gov)) in its International section.

## Teaching Methods

Formal lectures, class discussion, reviews, problem sets and an essay.

## Course Requirements

Participants are expected to attend class regularly, participate in class discussions, do all problem sets and an essay, and take the final exam. Participants are expected to read the assigned literature before class.

## Course Assessment

Class participation	20%
Class assignments	20%
Essay	20%
Final exam	40%

## Course Schedule

### Week 1

☐ Monday 10<sup>th</sup> Feb., 2014

James Riedel

### Introduction

### Labor Productivity and Comparative Advantage: The Ricardian Model

- KOM: Chapter 3
- Krugman, "Ricardo's Difficult Idea"

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☐ **Wednesday 12<sup>th</sup> Feb, 2014**

**James Riedel**

**Income Distribution Effects of Trade in the Specific Factors Model**

- KOM: Chapter 4

*PS1*

*distributed*

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☐ **Friday 14<sup>th</sup> Feb, 2014**

**Dinh Cong Khai & Mai Hoang Chuong**

**Review on the Ricardian Model and the Specific Factors Model**

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**Week 2**

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☐ **Monday 17<sup>th</sup> Feb, 2014**

**Dinh Cong Khai**

**Resource Endowment and Factor Proportions in the Heckscher-Ohlin model**

- KOM, Chapter 5

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☐ **Wednesday 19<sup>th</sup> Feb, 2014**

**James Riedel**

**Growth and Terms of Trade**

- KOM: Chapter 6
- Athukorala and Riedel, “Export Growth and the Terms of Trade: The Case of the Curious Elasticities”

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**Week 3**

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☐ **Monday 24<sup>th</sup> Feb, 2014**

**James Riedel**

**External Economies of Scale and Trade**

- KOM: Chapter 7
- Krueger and Tuncer, “An Empirical Test of the Infant Industry Argument”

*PS1 due, PS2 distributed*

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☐ **Wednesday 26<sup>th</sup> Feb, 2014**

**James Riedel**

**Internal Economies of Scale, Imperfect Competition and Trade in Differentiated Goods**

- KOM: Chapter 8

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☐ **Friday 28<sup>th</sup> Feb, 2014**

**Dinh Cong Khai & Mai Hoang Chuong**

**Review**

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## Week 4

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☐ **Monday 3<sup>rd</sup> Mar, 2014**

**James Riedel**

### **Instruments of Trade Policy**

- KOM: Chapter 9
- Feenstra, “How Costly is Protection”

*PS 2 due, PS 3 distributed*

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☐ **Wednesday 5<sup>th</sup> Mar., 2014**

**James Riedel**

### **Political Economy of Trade Policy: Optimal Trade Taxes**

- KO9: Chapter 10
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## Week 5

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☐ **Monday 10<sup>th</sup> Mar, 2014**

**James Riedel**

### **Political Economy of Trade Policy: Theory of the Second Best**

- KO9: Chapter 10
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☐ **Wednesday 12<sup>th</sup> Mar, 2014**

**James Riedel**

### **Trade and Economic Growth in Developing Countries**

- *KOM Chapter 11*
  - Lucas, “Trade and the Diffusion of the Industrial Revolution”
  - Pham and Riedel, “An Empirical Assessment of Comparative Advantage Dynamics”
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☐ **Friday 14<sup>nd</sup> Mar, 2014**

**Dinh Cong Khai & Mai Hoang Chuong**

### **Review**

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## Week 6

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☐ **Monday 17<sup>th</sup> Mar., 2014**

**Dinh Cong Khai**

### **Global Trade Institutions and Regional Approaches to Integration**

- WB-02: Chapters 6, 7, 8 and 9
- Hill C., International Business, 7ed, 2009. *Chapter 8: Regional Economic Integration*
- WB-02: Benefiting from Regional Integration
- Antras and Foley, *Regional Trade Integration and Multinational Firm Strategies*

*PS 3 due*

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☐ **Wednesday 19<sup>th</sup> Mar., 2014**

**Dinh Cong Khai**

**From Trade Policy to Industrial Policy**

- Ohno K., *Vietnam's Industrial Policy Formulation: To Become a Reliable Partner in Integral Manufacturing*, Vietnam Development Forum and National Graduate Institute for Policy Studies, 2006.
- *Vietnam's New Industrial Policy – The Role of Sub-national Business Environment in Facilitating FDI*, Record R., Institute for Development Policy and Management, a presentation at the 12<sup>th</sup> EADI General Conference Global Governance for Sustainable Development.
- *Who's Afraid of Industrial Policy*, Asia-Pacific Trade and Investment Initiative, UNDP Regional Centre in Colombo, UNDP, 2008.
- Altenburg T., *Industrial Policy in Vietnam*, presented at the conference on “Industrial Policy for Developing Countries” dated 18<sup>th</sup> -19<sup>th</sup> Nov. 2009.

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**Week 7**

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☐ **Monday 24<sup>th</sup> Mar., 2014**

**Dinh Cong Khai**

**Trade Policy in Vietnam**

- Athukorala P. (2005), *Trade Policy Reforms and Structure of Protection in Vietnam*.
- Auffret P. (2003), *Trade Reform in Vietnam: Opportunities with Emerging Challenges*, Policy Working Paper 3076, World Bank
- Nguyễn Thị Hà Trang, Nguyễn Ngọc Anh, Nguyễn Đình Chúc, Current Account Deficit: Causes and Solutions In “When the Dragon Feels Awake”.

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☐ **Wednesday 26<sup>th</sup> Mar., 2014**

**Guest lecture**

**Trans – Pacific Partnership (TPP)**

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**Week 8**

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☐ **Wednesday 2<sup>nd</sup> Apr., 2014**

**James Riedel & Dinh Cong Khai**

**Final exam**