List of Topics

Online Module

Topic 1:	Challenges of Emerging Economies: Avoiding the Middle-Income Trap, Managing External Economic Relations
Module 1:	Macroeconomics and Sustainable Development
Topic 10:	The DOMAR Model: Embodiment of Capital Fundamentalism
Topic 11:	A Neoclassical View of Economic Growth: Stylized Facts of Growth in Germany and China
Topic 12:	Overcoming Capital Fundamentalism: "SOLOW's Surprise"
Topic 13:	Various Procedures to Estimate Sources of Growth – Incl. Regression Estimates for China
Topic 14:	New Growth Theory: Contributing to the Explanation of Inter-Country Income Differentials, Convergence once more, and the "Middle-Income Trap" (China, Vietnam, and other Asian countries from an international perspective)
Topic 15:	International Trade as a Source of Growth: Dynamics of Comparative Advantage, Industrial Policy and Legal Constraints (WTO)
Topic 16:	Measuring Border Protection: Methods and Applications
Topic 17:	FDI as a Source of Growth: A Basic Approach to Economic Evaluation of Foreign Direct Investment
Topic 18:	Growth Performance in China, Vietnam, and other Asian Countries: How to Overcome the "Middle-Income Trap"
Topic 19:	The "Asian Development State" and the Export-led Growth Hypothesis
Topic 20:	Some Basic Features of System Transformation and Development Strategies in China and Vietnam
Topic 21:	Macroeconomic Stability for Growth: The "Impossible Trinity" and its Management by Asian Countries
Topic 22:	Effectiveness of Exchange Rate Policy: Economic Modelling and some Empirical Results (China and Vietnam)

Module 4: Trade Policy and Economic Integration

Topic 2:	Fundamentals of the Orthodox Theory of International Trade (Comparative advantage as a source of trade)
Topic 3:	International Distribution of Gains from Trade
Topic 4:	A Basic Model of the "New Trade Theory" and Dynamics of Comparative Advantage
Topic 5:	Trade and Monetary Economics: Translation of Real Comparative Advantages into Nominal Price Differentials
Topic 6:	Economics of GATT Principles
Topic 7:	Political Economy of the GATT: A Prisoner's Dilemma
Topic 8:	The Core of GATT Measures: Tariff Reduction (Art. XXVIII and II) and Prohibition of Quotas (Art. XI)
Topic 9:	The Most Important Exception to the MFN Principle: Regional Integration (EU, ASEAN)

Note 1: Topics include supplementary literature.

Note 2: Due to the time restriction only a selection of topics can be discussed in class. However, the rest of the topics will be available for you online.

List of Topics (2009 - 2012)

Module 3, II: Theories of International Trade: Basic Concepts and Empirical Results

- Topic 1: Challenges of Emerging Economies: Avoiding the Middle-Income Trap, Managing External Economic Relations
- Topic 2:Fundamentals of the Orthodox Theory of International Trade $(\rightarrow$ Comparative advantage as a source of trade)
- Topic 3: International Distribution of Gains from Trade
- Topic 4: A Basic Model of the "New Trade Theory"
- Topic 5: Trade and Monetary Economics: Translation of Real Comparative Advantages into Nominal Price Differentials

Module 3, IV: The World Trade Organization: Fundamentals, Relevance to Asian Countries

- Topic 6: Economics of GATT Principles
- Topic 7: Political Economy of the GATT: A Prisoner's Dilemma
- Topic 8: The Core of GATT Measures: Tariff Reduction (Art. XXVIII and II) and Prohibition of Quotas (Art. XI)
- Topic 9: The Most Important Exception to the MFN Principle: Regional Integration (\rightarrow EU, **ASEAN**)

Module 4, II: Foundations: Economics of Growth and Development

- Topic 10: The DOMAR Model: Embodiment of Capital Fundamentalism
- Topic 11: A Neoclassical View of Economic Growth: Stylized Facts of Growth in Germany and **China**
- Topic 12: Overcoming Capital Fundamentalism: "SOLOW's Surprise"
- Topic 13: Various Procedures to Estimate Sources to Growth Incl. Regression Estimates for **China**
- Topic 14: New Growth Theory: Contributing to the Explanation of Inter-Country Income Differentials, Convergence once more, and the "Middle-Income Trap" (\rightarrow **China, Vietnam,** and other **Asian** countries from an international perspective)
- Topic 15: International Trade as a Source of Growth: Development Strategies, Applications in **Asian** countries
- Topic 16: Measuring Border Protection: Methods and Applications
- Topic 17: FDI as a Source of Growth: A Basic Approach to Economic Evaluation of Foreign Direct Investment

Module 4, III: Economic Development, Development Strategies, and System Transformation

- Topic 18: Growth Performance in **China, Vietnam,** and other **Asian** Countries: How to Overcome the "Middle-Income Trap"
- Topic 19: The "Asian Development State" and the Export-led Growth Hypothesis

- Topic 20: Some Basic Features of System Transformation and Development Strategies in **China** and **Vietnam**
- Topic 21: Macroeconomic Stability for Growth: The "Impossible Trinity" and its Management by **Asian** Countries
- Topic 22: Effectiveness of Exchange Rate Policy: Economic Modelling and some Empirical Results (**China** and **Vietnam**)

Note: Topics include supplementary literature

MODULE 3, CHAPTERS II and IV: READING MATERIAL

Module 3: International Trade and Economic Integration

- II Basic Theories of International Trade
 - 1 Development Strategies: A Decisive Role for Theories of International Trade
 - 2 The Orthodox Theory: Models Based on Comparative Advantage
 - 2.1 Gains from Trade: A Small Country's Perspective
 - 2.2 Causes of Comparative Advantage, Trade and Factor Prices: An Introduction
 - 2.2.1 Factor Endowments and Directions of Trade
 - 2.2.2 International Trade and Factor Prices
 - 2.2.3 Mitigating Factor Scarcity by Trade
 - 2.2.4 Model Extensions: Diverging Technologies
 - 2.3 The Four Core Theorems
 - 2.3.1 The HECKSCHER-OHLIN and the RYBCZINSKY Theorems
 - 2.3.2 The Factor-Price Equalization and the STOLPER-SAMUEL-SON-Theorems
 - 2.4 International Distribution of Gains from Trade: Endogenous Terms of Trade
 - 2.5 Extensions of the Orthodox Theory
 - 2.5.1 External Economies
 - 2.5.2 Intermediate Goods and Effective Protection
 - 3 The New Trade Theories and Their Policy Consequences
 - 3.1 Introduction
 - 3.2 A Model of Monopolistic Competition
 - 3.3 Monopolistic Competition and International Trade
 - 3.4 Comparative Advantage and New Trade Theories: A Synthesis Approach
 - 3.5 Summary: Orthodox versus New Trade Theories
 - 4 Trade Structures, Nominal Prices and the Exchange Rate
 - 4.1 Comparative Advantage and Nominal Prices
 - 4.2 Nominal and Real Exchange Rates
 - 4.2.1 Basic Concepts
 - 4.2.2 Impact of the Nominal on the Real Exchange Rate
 - 4.2.3 Trade Structure and the MARSHALL-LERNER Condition
 - 4.2.4 Tariffs, the Long-Run Exchange Rate and "Net Protection"

Basic Literature

Krugman, Paul R. and Maurice Obstfeld (2007): International Economics – Theory and Policy, Boston (MA).

Gandolfo, Giancarlo (1998): International Trade. Theory and Policy, Berlin. Samuelson, Paul A. (2004): Where Ricardo and Mill rebut and confirm arguments of mainstream economists supporting globalization, in: *Journal of Economic Perspectives*, Vol. 18(3), 135-146

Module 3: International Trade and Economic Integration

- IV The World Trade Organization
 - 2 Trade Policy and the WTO: Conflicts and Negotiations
 - 2.1 GATT/WTO: Fields of Action, Success Stories and Unsolved Problems
 - 2.1.1 Basic Principles of the GATT Treaty: Economics, Politics and the Advantages of Negotiations
 - 2.1.1.1 Non-Discrimination (Art. I and III)
 - 2.1.1.2 Reciprocity (Preamble of the GATT)
 - 2.1.1.3 A Prisoner's Dilemma: The Need to Coordinate Trade Policy through International Agreements
 - 2.1.2 Market Access: Progressive Liberalization
 - 2.1.2.1 Reduction of Tariffs (Art. XXVIII and II)
 - 2.1.2.2 Prohibition of the Use of Quotas (Art. XI)
 - 2.1.2.3 Welfare Gains from Liberalization
 - 2.1.3 Beyond Governmental Border Protection, Trade Remedy Laws, and the "Safeguard Complex"
 - 2.1.4 Developing Countries: Special and Differential Status (SDS)
 - 2.1.5 Dispute Settlements
 - 2.2 WTO: The Success of the GATT as a Precedent ?
 - 2.2.1 Why the GATT Succeeded
 - 2.2.2 From the GATT to the WTO
 - 2.3 The Doha Development Round
 - 2.3.1 The Doha Agenda: An Overview
 - 2.3.2 Diverging Positions of the Most Crucial Players: USA, EU, China, India, Brazil
 - 2.4 The Deadlocked WTO: What Can Be Done
 - 2.5 China's and Vietnam's Participation in the WTO
 - 2.5.1 The Chinese Case
 - 2.5.2 The Vietnamese Case
 - 3 Regional Integration and the WTO
 - 3.1 Stages of Regional Economic Integration
 - 3.1.1 The Balassa Concept
 - 3.1.2 EU's Internal Market
 - 3.2 Exceptions to WTO Obligations
 - 3.3 Trade Creation, Trade Diversion and the "General-Incidence Clause" 3.3.1 Trade Creation and Diversion of a Customs Union (CU)
 - 3.3.2 The General Incidence Clause
 - 3.4 Regional Integration in South East Asia: ASEAN

Basic Literature

Trebilcock, Michael J. and Robert Howse (2005): The Regulation of International Trade, London.

Van de Ven, Johannes (2008): Assessing WTO Doha Development Round's Ministerial Meeting in Geneva – Lack of Consensus or Denial of New Leadership?, in: *SCG Occasional Papers*, 17, Geneva, http://www.swissconsultinggroup.com/docs/17.pdf

Pelkmans, Jacques (2006): European Integration – Methods and Economic Analysis (Third ed.), Harlow

Extended Literature

Collier, Paul (2006): Why the WTO is deadlocked: and what can be done about it, World Economy, Vol. 29. No. 10, pp. 1423-1449

Messerlin, Patrick A. (2007): The Doha Round: Where Do We Stand?, http://www.gem.sciences-

po.fr/content/publications/pdf/Messerlin_where_do_we_stand092007.pdf

Finger, Michael J. (2002): The Doha Agenda and Development: A View from the Uruguay Round, ERD Working Paper No. 21, Manila

Plummer, Michael G. and Chia Siow Yue (2009): Replacing the Asean Economic Community – A Comprehensive Assessment, Singapore

MODULE 4: READING MATERIAL

Module 4: Development Strategies of China and Vietnam

- I Introduction: Poverty and Economic Growth
- II Foundations: Economics of Growth and Development
 - 1 The DOMAR Model: Dying out of Academic Literature but still Being Widely Applied
 - 1.1 Model Structure and Results
 - 1.2 Application in Development Economics: Financial Gap Approach and the World Bank's Minimum Standard Model
 - 1.3 Supportive Concepts and Events: Surplus Labour (LEWIS), "Takeoff" (ROSTOW) and Industrialization in the Soviet Union
 - 1.4 Serious Flaws: Investment, Development Aid, and Economic Growth in the Light of Experience
 - 2 Neoclassical Modeling: Overcoming Capital Fundamentalism
 - 2.1 Stylized Facts of Economic Growth in Germany and China 2.1.1 The German Case (1860/64-1986/89)
 - 2.1.2 The Chinese Case (1952-1998)
 - 2.2 The SOLOW Model: Balanced Growth Rates, Transition, and Engines of Growth
 - 2.2.1 Model Structure
 - 2.2.2 Capital-Output Ratio (COR) and Capital per Effective Labor (k) over Time
 - 2.2.3 Balanced Growth
 - 2.2.4 Growth Paths in Different States
 - 2.2.5 The Balanced Growth Path and the Savings Rate
 - 2.3 Flaws of the SOLOW Model: Exogenous Technological Progress and Transition
 - 2.3.1 Growth Accounting and the "SOLOW Residual"
 - 2.3.2 Transition
 - 2.4 Further Applications of the SOLOW Model: Growth Accounting Again
 - 2.4.1 KRUGMAN's "Myth of Asia's Miracle"
 - 2.4.2 Regression Estimates and Growth Accounting: The Case of China

- 2.5 Empirical Tests of the SOLOW Model: Cross-Country Differences
 - 2.5.1 Growth of Output per Worker: Transition and Convergence
 - Diverging Levels of Outputs per Worker: Factor Endowment 2.5.2 and Technology
 - 2.5.3 Summary: Arguments Against Capital Fundamentalism
- Beyond the SOLOW Model: New Growth Theory 3
 - Extending the SOLOW Model to Include Human Capital 3.1
 - 3.1.1 Basic Concept
 - 3.1.2 Transition and Convergence
 - 3.1.3 Empirical Application: Explaining Cross-Country Income Differences
 - 3.1.4 The Education Explosion in Developing Countries and Economic Growth
 - 3.2 R & D Models: Explaining Technological Progress
 - 3.2.1 Basic Concepts
 - 3.2.2 SCHUMPETER's Creative Destruction: Another Reason for Convergence?
 - 3.2.3 Access to Knowledge and Explanation of Cross-Country **Income Differences**
- The Role of International Trade and Foreign Direct Investment (FDI) 4
 - International Trade and Economic Growth
 - 4.1.1 Trade as a Source for Growth
 - 4.1.2 Import-Substituting Industrialization
 - 4.1.3 Measurement of Protection: A Digression
 - 4.1.4 Dismantling Protection of Import-Substituting Industries
 - 4.1.5 Export-Oriented Industrialization
 - 4.2 Foreign Direct Investment
 - 4.2.1 A Fundamental Approach to Economic Evaluation
 - 4.2.2 Distributional Effects of Capital Movements
 - 4.2.3 Multinational Firms
 - 4.2.4 FDIs and Knowledge Transfer
- Economic Systems, "Governance", and Economic Development 5
 - 5.1 Government Interventions in LDCs: Stylized Facts
 - 5.2 Government Interventions in LDCs: Some Evidence on Impediments to Growth
 - Summary 5.3

4.1

Basic Literature

Romer, David (2006): Advanced Macroeconomics, New York

Blanchard, Olivier (2009): Macroeconomics, 5 ed., Upper Saddle River (NJ) Barro, Robert J. and Xavier Sala-i-Martin (2004): Economic Growth, Cambrigde (MA) Easterly, William (2002): The Elusive Quest for Growth - Economists' Adventures and Misadventures in the Tropics, Cambridge (MA)

Krugman, Paul R. (1994): The Myth of Asia's Miracle, in: Foreign Affairs, 73 (6), 62-78

Module 4: Development Strategies of China and Vietnam

- III Economic Development, Development Strategies, and System Transformation
 - 1 Performance of Growth and Structural Change in China and Vietnam
 - 1.1 Macroeconomic Growth
 - 1.2 Structural Change
 - 2 Development Strategies and System Transformation: An International Comparative View of Basic Concepts
 - 2.1 Development Strategies
 - 2.1.1 Some Concepts of Development Economics
 - 2.1.2 The "Asian Development State" and the Export-led Growth Hypothesis
 - 2.2 System Transformation
 - 2.2.1 Some Basic Conceptions
 - 2.2.2 Economic Transition in Eastern Europe and the Former Soviet Union
 - 3 System Transformation in China and Vietnam: Historical Facts and Theoretical Reflections
 - 3.1 A Comparative Perspective on the Political Economy of System Transformation
 - 3.2 Some Basic Features of System Transformation: Market Mechanisms and Property Rights
 - 3.2.1 "Private Sector": Evolution of Hybrid and Ambiguous Ownership Forms
 - 3.2.2 State-Owned Enterprises (SOEs): Non-Viability and the Two-Tier Price System
 - 3.2.3 Agriculture: Use Rights of Individual Households between Communal and Private Ownership
 - 4 Development Strategies in China and Vietnam: Some Features
 - 4.1 Foreign Direct Investment
 - 4.2 The "Asian Development State": Interregional Similarities and Divergences
 - 5 Strategy Implementation in China and Vietnam: Different Areas of Public Policy
 - 5.1 Introduction: A Systematic Approach to Public Policy
 - 5.2 Macroeconomic Control through Monetary and Fiscal Policy
 - 5.2.1 Monetary Policy: Central Banking in China and Vietnam
 - 5.2.2 Monetary Policy in Open Economies: The "Impossible Trinity" and its Management by Asian Countries
 - 5.2.3 Fiscal Policy in China and Vietnam
 - 5.3 Industrial Organization and Related Structural Policies
 - 5.4 An Extensive Role for Public Finance and Fiscal Policy
 - 5.5 Social Security and the Labor Market
 - 5.6 Legal and Institutional Framework

- 6 Outlook: Potentials for Economic and Monetary Integration in Asia
 - 6.1 Economic Integration and Structural Policies
 - 6.2 Monetary Integration and Macroeconomic Control

Basic Literature

Brandt, Loren/Thomas R. Rawski (eds.) (2008): China's Great Economic Transformation, Cambridge (MA)

Chow, Gregory C. (2007): China's Economic Transformation, Malden (MA) Masina, Pietro (2006): Vietnam's Development Strategies, London

Extended Literature

Guo, Sujian (2004): Economic Transition in China and Vietnam: A Comparative Perspective, in: Asian Profile, 32 (5), 393-410

Lin, Justin Yifu (2007): The Implications of China's Economic Transformation for Modern Economics, in: Ross Garnaut/Ligang Song (eds.), China - Linking Markets for Growth, Canberra

Zhang, Jun (2009), Assessing China's Economic Transformation and Growth since 1978, in: Sweetman, A./Jun Zhang (eds.), Economic Transitions with Chinese Characteristics: Thirty Years of Reform and Opening Up, Montreal, 12-41

O'Connor, David (1998), Rural Industrial Development in Vietnam and China: A Study in Contrasts, MOC-MOST: Economic Policy in Transition, Springer Netherlands, No. 4, 7-43

Goodfriend, Marvin/Eswar Prasad (2006), Monetary Policy Implementation in China, BIS Papers (31), Monetary Policy in Asia: Approaches and Implementation, 25-39

Camen, Ulrich (2006), Monetary Policy in Vietnam: The Case of a Transition Country, BIS Papers (31), Monetary Policy in Asia: Approaches and Implementation, 232-252

Xafa, M. (2008): Monetary Stability, Exchange Rate Regimes, and Capital Controls: What Have We Learned?, Cato Journal, Vol. 28, No. 2

Agrawal, A. (2007): I Am Possible Trinitiy, Industrial Development Bank of India Limited (IDBI), Economic Research, amol.agr.googlepages.com/lampossible**Trinity**.pdf [03.11.2010] Cheung, Yin-Wong/Menzie, D. Chinn/Elji Fujis (2009): China's Current Account and Exchange Rate, NBER Working Paper 14673, Cambridge (MA)

Pelkmans, J. (2006): European Integration – Methods' and Economic Analysis (Third Ed.), Harlow, pp. 379-410 (Economic and Monetary Union)