

Course ECBS5430: International Economic Integration

Lecturers:

Michael Landesmann, Roman Stöllinger, Julia Grübler¹

(all from: The Vienna Institute for International Economic Studies; wiiw; www.wiiw.ac.at)

This course covers some of the most important areas of international economic integration.

The course is organised around three blocks: Block 1 provides a theoretical background of the current state of theories of international economic integration, covering international trade (in goods and services), capital markets integration (FDI and the operation of multinationals), and migration. We shall also look at the interaction of these various tracks of international economic integration and the links to economic growth and economic development. Block 2 will cover the thriving area of current research on global value chains. It will cover historical developments, concepts and measurement, and the impact which countries' insertion into (global or regional) value chains can have on economic development, on value creation and value absorption in the context of international power relations. Block 3 deals with developments in international trade policy. It will analyse the increasing move from multilateralism towards regional trade agreements, cover the important area of non-tariff trade barriers which have become a major factor in international trade relationships and in trade policy negotiations and discuss the range of trade policy agreements in which the European Union is currently (or has recently been) engaged.

The three blocks (4 lecture units in each) which will be taught by three different lecturers:

Block 1: Theories of international economic integration

Michael A. Landesmann

This part of the course will give an overview of:

1. Classical theories of international trade
2. More recent developments: New trade theory and new, new trade theory
3. International trade, FDI, technology diffusion and economic growth
4. Migration flows and international economic integration

Block 2: Global Value Chains

Roman Stöllinger

1. Basic economics of GVCs: Offshoring in the Global Economy
2. Global Value Chains: Concept, Measurement, Indicators, and Recent Developments
3. Global Value Chains and Development
4. Smile Curve Economics: Functional Specialisation, Value Creation and Power Relations in GVCs

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Block 3: Trade Policy

Julia Grübler

1. Multilateralism: The dwindling international trade order?
2. Regional trade agreements: Going further and deeper.
3. Non-tariff trade policy: An expanding toolkit.
4. Antidumping: Fighting unfair trade practices or protectionism?

Literature linked to the different blocks

Block 1: International Economic Integration: theoretical background

Main textbooks or handbooks covering a wide range of topics:

Elhanan Helpman: Understanding Global Trade, Cambridge, Mass; Harvard University Press, 2011

Elhanan Helpman: Globalization and Inequality; Harvard University Press, 2018

(both books by Helpman provide literary overviews of important recent developments in the field)

Charles van Marrewijk (2012): International Economics – theory, application, and policy; Oxford University Press (useful introductory textbook covering some more advanced topics in a simple manner)

Rivera-Batiz, L.A. and M.A. Oliva (2003): International trade – theory, strategies and evidence; Oxford University Press.

Robert C. Feenstra (2004): Advanced International Trade, Theory and Evidence; Princeton University Press (this is an advanced - graduate level - textbook)

Handbooks of International Economics; 4 volumes; North-Holland Publ.

Feenstra, R.C. and A.M. Taylor (2014): International Economics; 3rd edition; Freeman and Co.; (introductory textbook)

Krugman, P., M. Obstfeld and M. Melitz (2018): International Economics: Theory and Policy; 11th Edition; Pearson Addison Wesley (very introductory textbook)

Lecture One: Classical Theories of International Trade and some Empirics

Chs. 1 and 3 in: L.A. Rivera-Batiz and M-A Oliva: International Trade – Theory, Strategies and Evidence; Oxford Univ. Press. – advanced treatment of the topic

Or revise in some of the more elementary textbooks from above.

Lecture Two: New Trade Theory and New, New Trade Theory

Ch. 2 in: L.A. Rivera-Batiz and M-A Oliva: *International Trade – Theory, Strategies and Evidence*; Oxford Univ. Press.

P. Krugman: Increasing returns, imperfect competition, and the positive theory of international trade: Ch. 24 in *Handbooks of International Economics*, vol. 3 (ed. by G. Grossman, and K. Rogoff), North-Holland Publ.

Marc Melitz and Stephen Redding: *Heterogeneous Firms and Trade*; Ch. 1 in: *Handbooks in Economics: International Economics*, vol. 4 (edited by Gopinath, Helpman and Rogoff); North Holland Publ.

Lecture Three: International economic trade, FDI, technology diffusion and economic growth

Chs. 6 and 10 in: L.A. Rivera-Batiz and M-A Oliva: *International Trade – Theory, Strategies and Evidence*; Oxford Univ. Press.

G. Grossman and E. Helpman: *Technology and Trade*; Ch. 25 in *Handbooks of International Economics*, vol. 3 (ed. by G. Grossman, and K. Rogoff), North-Holland Publ.

Pol Antras and Stephen Yeaple: *Multinational Firms and the Structure of International Trade*; Ch. 2 in: *Handbooks in Economics: International Economics*, Vol. 4 (edited by Gopinath, Helpman and Rogoff); North Holland Publ.

Lecture Four: Migration Flows and International Economic Integration

Handbook of the Economics of International Migration (eds: B. Chiswick and P. Miller): Part 1: *The Determinants of International Migration*; Vol. 1A; North-Holland, 2014.

Hatton T.J. and J.G. Williamson (1998): *The Age of Mass Migration, Causes and Impacts*; Oxford University Press.

Borjas, G.J.: *Issues in the Economics of Immigration*; University of Chicago Press.

Zimmermann, K.F. (ed.): *European Migration: What do we know?* Ch.1: *The Economics of Migration*; Oxford Univ. Press. 2005.

Block 2: Global Value Chains

Roman Stöllinger

1. (a) From Household Production to Global Value Chains: A Short History of Globalisation

Baldwin, R. (2016) *The Long History of Globalization in Short*, in: *The Great Convergence: Information Technology and the New Globalization* (Chapter 1), Cambridge, Massachusetts: Harvard University Press.

O'Rourke, K. H., Williamson, J. G. (2002), *When did globalization begin?*, *European Review of Economic History*, 6, pp. 23-50.

(b) Basic economics of GVCs: Offshoring in the Global Economy

Feenstra, R., Taylor, A.M. (2017), *International Economics*, (International Edition). MacMillan

2. Global Value Chains: Concept, Measurement, Indicators, and Recent Developments

Li, X., Meng, B., Wang, Z. (2019), Recent patterns of global production and GVC participation, in: WTO (ed), Global Value Chain Development Report 2019: Technological Innovation, Supply Chain Trade, and Workers in a Globalized World (Chapter 1), Washington, D.C.: World Bank

World Bank (2019), World Development Report 2020. Trading for Development in the Age of Global Value Chains (Overview) World Bank: Washington, D.C.

Baldwin, R., Lopez-Gonzalez, J., (2015) Supply-chain Trade: A Portrait of Global Patterns and Several Testable Hypotheses. *The World Economy* 38(11), 1682–1721.

Timmer, M.P., Los, B., Stehrer, R., de Vries, G.J., Pijoan-Mas, J. (2013), Fragmentation, incomes and jobs: an analysis of European competitiveness, *Economic Policy*, 28(76), pp. 613-661

Fernandez-Stark, K., Gereffi, G. (2019) Global value chain analysis: a primer (second edition), in: Ponte, S., Gereffi, G., Raj-Reichert, G. (eds.) *Handbook on global value chains* (Chapter 2), Cheltenham: Northampton, MA: Edward Elgar Publishing.

3. Global Value Chains and Development

Kaplinsky, R. (2019), Rents and inequality in global value chains, *Handbook of Global Value Chains*, in: Ponte, S., Gereffi, G., Raj-Reichert, G. (ed.), [Handbook on Global Value Chains](#), chapter 8, Edward Elgar Publishing. pp. 153-168

Whittaker, D.H., Zhu, T., Sturgeon, T., Tsai, M.H., Okita, T. (2010), Compressed Development, *Studies in Comparative International Development*, 45(4), pp. 439–467.

Milberg, W., Winkler, D. (2013) Economic Development as Industrial Upgrading in Global Value Chains, in: *Outsourcing Economics: Global Value Chains in Capitalist Development* (Chapter 7). Cambridge University Press.

World Bank (2019), Consequences for development, in: World Development Report 2020. Trading for Development in the Age of Global Value Chains (Chapter 3) World Bank: Washington, D.C.

4. Smile Curve Economics: Functional Specialisation, Value Creation and Power Relations in GVCs

Stöllinger, R. (2021) Testing the Smile Curve: Functional Specialisation and Value Creation in GVCs, *Structural Change and Economic Dynamics*, 56, pp 93–116

Szalavetz, A. (2019) Digitalisation, automation and upgrading in global value chains – factory economy actors versus lead companies, *Post-Communist Economies*, 31(5), pp.646-670.

Kaplinsky, R., 2010. Globalisation and unequalisation: What can be learned from value chain analysis?, *Journal of Development Studies* 37(2), 117–146.

Milberg, W., Winkler, D. (2013) Outsourcing Economics, in: *Outsourcing Economics: Global Value Chains in Capitalist Development* (Chapter 8). Cambridge University Press.

Block 3: Trade Policy

Julia Grübler

1. Multilateralism: The dwindling international trade order?

- a.) **EU Report:** European Commission (2019), 'Europeans' attitude on Trade and EU trade policy', Special Eurobarometer, No. 491, November. (Only partial coverage in class)
- b.) **Paper:** Larch, M., J-A. Monteiro, R. Piermartini, Y.V. Yotov (2019), 'On the Effects of GATT/WTO Membership on Trade: They Are Positive and Large after All, CESifo Working Papers, No. 7721, July.

2. Regional trade agreements: Going further and deeper.

- a.) **EU Report:** European Commission (2020), 2020 Report on Implementation of EU Trade Agreements. 1 January 2019 – 31 December 2019, DOI 10.2781/56440
- b.) **Paper:** Dür, A., L. Baccini, and M. Elsig (2014), 'The design of international trade agreements: Introducing a new dataset', The Review of International Organizations, Vol. 9, No. 3, pp. 353-375.

3. Non-tariff trade policy: An expanding toolkit.

- a.) **EU Report:** European Commission (2020), Report from the Commission to the Parliament and the Council on Trade and Investment Barriers, 1 January 2019 – 31 December 2019.
- b.) **Paper:** Grübler, J, and O. Reiter (2020), 'Characterising Non-tariff Trade Policy', wiiw Research Report, No. 449, August.

4. Antidumping: Fighting unfair trade practices or protectionism?

- a.) **EU-Report:** European Commission (2020), 38th Annual Report from the Commission to the Council and the European Parliament on the EU's Anti-Dumping, Anti-Subsidy and Safeguard activities and the Use of trade defence instruments by Third Countries targeting the EU in 2019, COM(2020) 164 final, 30 April.
- b.) **Paper:** Moore, M.O., and M. Zanardi (2011), 'Trade Liberalisation and Antidumping: Is There a Substitution Effect?', Review of Development Economics, Vol. 15, No. 4, pp. 601-619.

Grading

Grading will be based on a mix of essays and “quizzes”, which are a set of single-choice questions. Please note that the grading system uses pre-determined grade cutoffs. There is a maximum of 90 points to be earned, 30 points in each of the three blocks, of which 50% are required to obtain a minimum pass. The detailed grading boundaries are as follows:

Grade	Name	Points (out of 90)
A	Outstanding	86 - 90
A-	Excellent	81 - 85
B+	Very Good	73 - 80
B	Good	65 - 72
B-	Satisfactory	57 - 64
C+	Minimum Pass	46 - 56
F	Fail	0 - 45

Within each block, the performance requirements are:

Block 1:	Essay (4-5 pages):	30 points
Block 2:	Essay (2-3 pages):	20 points
	Quiz	10 points
Block 3:	Essay (2-3 pages):	20 points
	Quiz	10 points

For the essays students can chose a topic from a set of questions which will be provided by the lecturers. The essays have to be handed in two weeks after the end of the course at the latest. The quizzes in block 2 and block 3 will be held during the last lecture of the respective block (i.e. lectures 8 and 12).