



Trade theory and regional integration

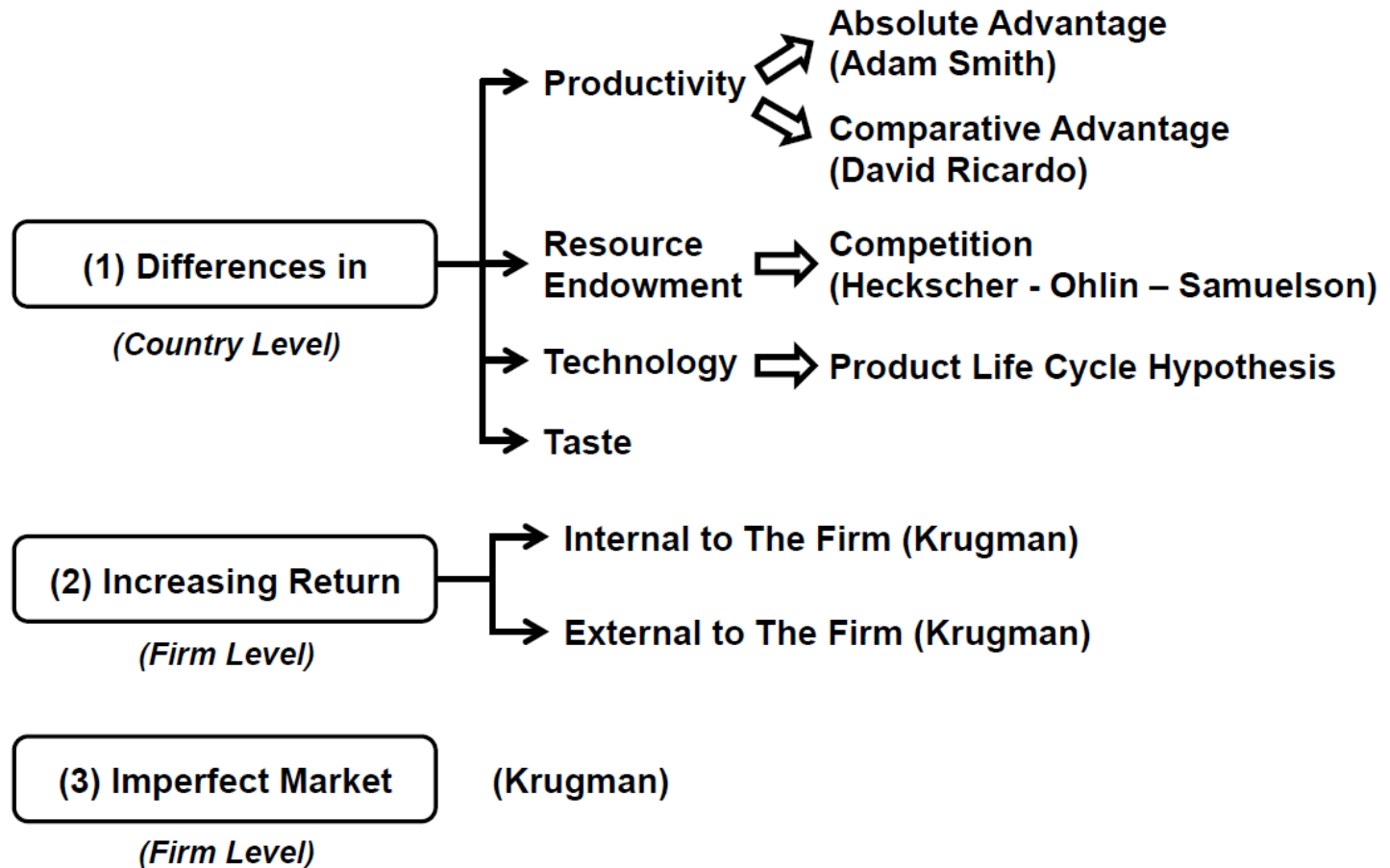
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Outline of this presentation

- We will look into what causes international trade (“why countries trade?”) and what are the welfare outcomes of trade when it is free
- We will explore why countries are not satisfied with just implementing their own free trade policy (or other trade policy) and strive to negotiate various agreements through which they reciprocate trade (and other concessions)
- We want to understand benefits and costs of these efforts, especially for a country such as Myanmar

Summary of the causes for trade



Evolution of International Trade Theory

- Mercantilist (1500-1600)
- Classical (1600-1700)
- Neo-Classical or Standard Trade Theory (1900)
- New Trade Theory (1980)
- New New Trade Theory (2000s)
- ????

Mercantilism

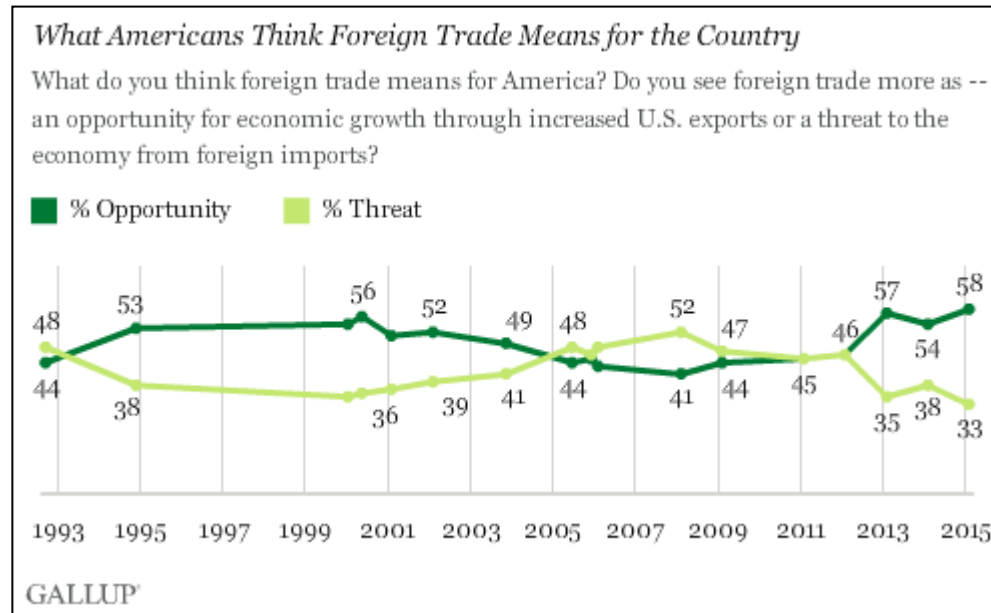
Thomas Munn
(1571-1641)
wrote “England
Treasure by
Foreign Trade”

- The nation will become rich and powerful if it exports more than imports
- The more gold and silver a nation had, the richer and more powerful it was. Wealth of nations measured by stocks of precious metal
- The government had to do all in its power to stimulate the nation's export and discourage imports.
- One nation could gain only on the expense of other nations (known as the **zero sum game**)
- Believe in strict government control of all economic activity and preached economic nationalism
- Policy implications:
 - Protectionist tariffs on imports to ensure a country exports a lot but imports very little
 - Government intervention to gain as much surplus as possible

Mercantilism – is it still alive?

How about
Myanmar?

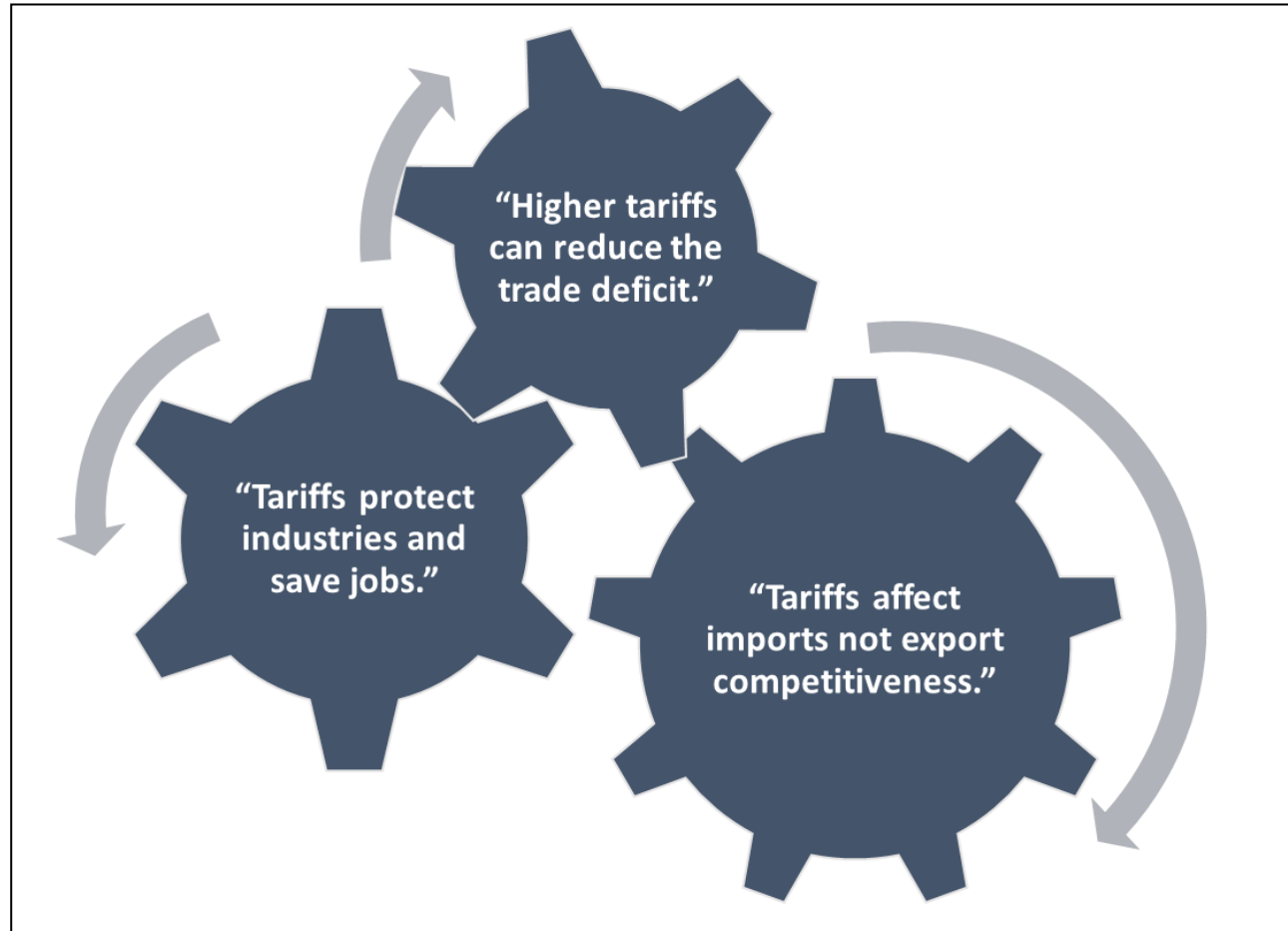
- Developed countries – US , EU, Japan, etc.?



- Do we get a different picture from the US in 2016 (election campaign?)
- What about EU and other countries?
- Developing countries (remember average protection is higher in developing countries)

Do you support these claims? Why or why not?

Replace tariffs with quotas, antidumping, etc...



Classical trade theory

Adam Smith
(1723-1790)

David Ricardo
(1772-1823)

- Theory of absolute advantage
- Theory of comparative advantage
- **Both explanations result in the same policy prescription: free trade**
- Why:
 - Efficient allocation of resources
 - Maximum output
 - Maximum welfare
- Important assumptions: perfect competition, no externalities or distortions, perfect information,

预览已结束，完整报告链接和二维码如下：

https://www.yunbaogao.cn/report/index/report?reportId=5_3269

