



# ECON847

## International Trade

S2 External 2017

*Dept of Economics*

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#### **Disclaimer**

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## General Information

Unit convenor and teaching staff

Unit Convenor

Ha Vu

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Contact via [ha.vu@mq.edu.au](mailto:ha.vu@mq.edu.au)

E4A 429 (Phone: 9850 8499)

Thursdy 1- 2pm, and by appointment

Credit points

4

Prerequisites

ECON632 or ECON633 or ECON649

Corequisites

Co-badged status

Unit description

This unit examines international trade both in theory and practice. It first reviews the theories related to inter- and intra-industry trade determination and the empirical evidence supporting them. It then examines trade policies, covering a wide range of topics, illustrated by up-to-date case studies. The unit has a policy approach and aims at also providing students with a good understanding of major trade issues around the world and the effects of globalisation on trade. It focuses on current applications of theoretical principles.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

Characterize major international trade theories to explain alternative patterns of trade.

Examine international trade instruments, and articulate arguments for and against protectionism.

Evaluate the impact of major trade issues on countries with a focus on the tradeoffs between efficiency and equity.

Recognize how changes in the terms of trade and economic growth affect the welfare of

nations engaged in international trade.

## General Assessment Information

It is important to note that students must complete all tasks in this course to successfully complete this unit.

### Submission method

The assignments and review essay must be submitted online through Turnitin to detect plagiarism and to determine whether the submitted work is your own.

The Online Tests must be completed online during the designated period of time.

It is important to note that any student who submits an assignment, essay or test that is not their own work will be automatically be given a mark of zero. Students will also face serious disciplinary action, which may include an automatic failure of ECON847 and the possible exclusion from Macquarie University. For further information on plagiarism and how to avoid it, please refer to the Academic Honesty Policy link in the *Policies and Procedures* section of this guide.

### Extension

No extensions will be granted.

For the assignment and review essay, there will be a deduction of 10% of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission – 20% penalty). This penalty does not apply for cases in which an application for disruption to studies is made and approved.

For the online tests, no attempt will result in a mark of zero, unless an application for disruption to studies is made and approved. When an application for DTS has been approved, policy allows for the provision of one additional assessment task. This task need not be the same as the missed assessment.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Online Test 1</u>	20%	No	11pm Sunday 27/08/2017
<u>Review Essay</u>	20%	No	11pm Sunday 17/09/2017
<u>Assignment</u>	20%	No	11pm Sunday 15/10/2017
<u>Online Test 2</u>	40%	No	11pm Sunday 12/11/2017

### Online Test 1

Due: **11pm Sunday 27/08/2017**

Weighting: **20%**

The Online Test 1 is considered as a diagnostic test to identify and assist students at academic risk.

The test will be accessed through the unit web page at <http://ilearn.mq.edu.au>, and will be opened between 9am Thursday 24/08/2017 and 11pm Sunday 27/08/2017. Students will have 60 minutes to complete the test in one sitting.

Read the instruction carefully before your attempt.

On successful completion you will be able to:

- Characterize major international trade theories to explain alternative patterns of trade.

## Review Essay

Due: **11pm Sunday 17/09/2017**

Weighting: **20%**

A "review essay" is a summary of your own words of the provided article (to be released on ilearn), together with an appraisal of it.

Your review essay should be about 70% summary and 30% appraisal, and should NOT be more than 1600 words.

"Summary" means you summarize the main points discussed in the article in your own words. Figures, tables, or equations in the article should not be included in your essay.

"Appraisal" means you express your own thoughts about the article, for example, whether the article is full of insightful remarks, whether the article gives adequate consideration/analysis of the main issues, or if the article covers too much or too little ground, any additional aspects should be included in the article.

On successful completion you will be able to:

- Characterize major international trade theories to explain alternative patterns of trade.
- Examine international trade instruments, and articulate arguments for and against protectionism.
- Evaluate the impact of major trade issues on countries with a focus on the tradeoffs between efficiency and equity.

## Assignment

Due: **11pm Sunday 15/10/2017**

Weighting: **20%**

This assignment will include a number of explanation questions. To assess students' ability to apply the theory of international trade to explain and analyze real-world problems, students will be given a set of reading articles (mainly up-to-date news articles) and use the information from the articles to answer the questions.

The assignment questions and related reading articles will be released on iLearn about two weeks before the due date.

On successful completion you will be able to:

- Characterize major international trade theories to explain alternative patterns of trade.
- Examine international trade instruments, and articulate arguments for and against protectionism.
- Evaluate the impact of major trade issues on countries with a focus on the tradeoffs between efficiency and equity.
- Recognize how changes in the terms of trade and economic growth affect the welfare of nations engaged in international trade.

## Online Test 2

Due: **11pm Sunday 12/11/2017**

Weighting: **40%**

The Online Test 2 will be accessed through the unit web page at <http://ilearn.mq.edu.au> and will be opened between 9am Thursday 9/11/2017 and 11pm Sunday 12/11/2016.

Students will have two hours to complete the test. Detailed instruction about this test will be provided in Week 11.

On successful completion you will be able to:

- Characterize major international trade theories to explain alternative patterns of trade.
- Examine international trade instruments, and articulate arguments for and against protectionism.
- Evaluate the impact of major trade issues on countries with a focus on the tradeoffs between efficiency and equity.
- Recognize how changes in the terms of trade and economic growth affect the welfare of nations engaged in international trade.

## Delivery and Resources

### Technology used:

All assessments will be implemented on iLearn at the time and date specified in accordance with each assessment component.

Lecture materials (power of point slides and videos) and exercise questions will be posted on iLearn website. You need to check iLearn regularly.

## Recommended Textbooks:

Salvatore, Dominick (2012), *Introduction to International Economics*, 3rd Ed, John Wiley and Sons.

Gerber, James (2010), *International Economics*, 5th Ed, Pearson Addison-Wesley.

Krugman, P, Obstfeld, M., and Melitz, M. (2015) *International Economics: Theory & Policy*, 9th Ed, Pearson.

Carbaugh, R. (2005), *International Economics*, 10th Ed, Thomson.

Husted, S. and Melvin, J. (2013), *International Economics*, 9th Ed, Pearson Addison Wesley.

Pugel, T. (2014), *International Economics*, 16th Ed, McGraw-Hill.

Sawyer, W. and Sprinkle, R. (2006), *International Economics*, Pearson.

## Useful Websites:

Australian Department of Foreign Affairs and Trade, [www.dfat.gov.au](http://www.dfat.gov.au)

Australian Bureau of Statistics, [www.abs.gov.au](http://www.abs.gov.au)

International Monetary Fund, [www.imf.org](http://www.imf.org)

Journal of International Economics, <http://www.sciencedirect.com/science/journal/00221996>.

Organisation for Economic Cooperation and Development, [www.oecd.org](http://www.oecd.org)

The Economist, [www.economist.com](http://www.economist.com)

The United Nations Conference on Trade and Development (UNCTAD), [www.unctad.org](http://www.unctad.org)

World Trade Organisation, [www.wto.org](http://www.wto.org)

World Bank, [www.worldbank.org](http://www.worldbank.org)

## Unit Schedule

### LECTURE TOPICS

There are 10 topics to be covered over the 13-week semester. Some topics are longer than others, thus the numbering of topics below is not related to the number of lecture weeks. It is essential that students watch the video recorded for each topic on a weekly basis.

#### Topic 1: The Gains from Trade and Sources of Comparative Advantage

This topic discusses the classical theories and the gains of trade. More specifically, it covers the mercantilism and the way how people thought in the 16<sup>th</sup> to the 18<sup>th</sup> Century, Adam Smith's idea of the Gains from Trade and his concept of absolute advantage and specialisation, David Ricardo's idea of the Comparative Advantage, Heckscher-Ohlin's model and its implications which include the Stolper Samuelson theorem and the factor price equalization theorem.

#### Topic 2: Intra-Industry Trade

This topic looks at other theories which explain some of the facts about trade. In particular, it includes the product life cycle model, the economies of scale, and the product differentiation as some possible candidates for the explanation of intra-industry trade.

### **Topic 3: Trade Restrictions (1): Tariffs**

This topic discusses the most prominent instrument used by almost all governments in the world. It is Tariffs, a tax on importing goods and services into a country, usually collected by customs officials at the place of entry.

### **Topic 4: Trade Restrictions (2): Non-Tariff Barriers**

A number of non-tariff measures to be discussed include import quota, voluntary export restraint, subsidy (more specifically export subsidy), anti-dumping duties, government regulations (aka implicit barriers), and other instruments.

### **Topic 5: Political Economy of Trade**

The free-trade argument suggests that if each nation produces what it does best and permits trade, all nations will be beneficial. In reality, all countries have imposed some trade restrictions. This topic looks at numerous reasons for protection from both proponents' and opponents' points of view.

### **Topic 6: Trade and the Global Economy**

This topic analyses the effects of using sanctions to enforce labor and environmental standards, and alternative methods which might be used to improve this standards without adversely affecting trade.

### **Topic 7: Trade Blocs**

This topic describes various stages of economic integration, and analyses the effects of a customs union. It also looks at the EU and NAFTA as examples of trade blocs.

### **Topic 8: Trade and Development**

This topic focuses on another branch of international trade, which is the relationship between trade and development, including the static and dynamic effects of trade on development, the deterioration in the terms of trade in developing countries, the immiserizing growth model, and the two industrialization policies to steer an economy away from producing and exporting primary product, toward manufactured products.

### **Topic 9: International Factor Movements**

In shifting our attention to international factor flows, we relax the assumption that we have used in much of the discussion up to this point, that is factors do not move internationally. In other words, factors of production can and do move between countries in amounts that are often large enough to have economic effects and to grab political attention. In this topic we will examine the economics of international migration by focusing on people who migrate for economic reasons, and then the effect of foreign direct investment on the host and the source country.

### **Topic 10: International Trade and Exchange Rate Movements**

Exchanges of goods and services are normally accompanied by exchanges of funds such as money and cheque. Hence importers and exporters do really care about the fluctuation in exchange rates and try to forecast the future exchange rate to plan their exports and imports as well as their production plan. In this final topic, we will look at alternative exchange rate arrangements, some arguments for and against the use of flexible exchange rates versus the fixed regimes, and alternative models to forecast or predict the future exchange rate.

## Learning and Teaching Activities

### Lectures and exercise questions

Video lectures are intended to provide overviews of the conceptual frameworks that are critical to the core themes of the unit. Students are expected to read the relevant chapters in one of the recommended books for each topic, as well as the extra reading materials provided on the unit webpage. In addition, students should attempt all practice questions for each topic.

### Learning by Doing

ECON847 relies heavily on independent learning where students read the relevant materials, revise the lecture topics, attempt practice questions, and extend themselves by doing additional readings, questions, exercises, problems. Students are recommended to spend at least 7-9 hours each week to study this subject.

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](#). Students should be aware of the following policies in particular with regard to Learning and Teaching:

Academic Honesty Policy [http://mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://mq.edu.au/policy/docs/academic_honesty/policy.html)

Assessment Policy [http://mq.edu.au/policy/docs/assessment/policy\\_2016.html](http://mq.edu.au/policy/docs/assessment/policy_2016.html)

Grade Appeal Policy <http://mq.edu.au/policy/docs/gradeappeal/policy.html>

Complaint Management Procedure for Students and Members of the Public [http://www.mq.edu.au/policy/docs/complaint\\_management/procedure.html](http://www.mq.edu.au/policy/docs/complaint_management/procedure.html)

Disruption to Studies Policy (in effect until Dec 4th, 2017): [http://www.mq.edu.au/policy/docs/disruption\\_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html)

Special Consideration Policy (in effect from Dec 4th, 2017): <https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policies/special-consideration>

In addition, a number of other policies can be found in the [Learning and Teaching Category](#) of Policy Central.

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: [https://students.mq.edu.au/support/student\\_conduct/](https://students.mq.edu.au/support/student_conduct/)



## Results

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit [ask.mq.edu.au](#).

## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

## Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/).

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources Policy](#). The policy applies to all who connect to the MQ network including students.

## Graduate Capabilities

### PG - Discipline Knowledge and Skills

Our postgraduates will be able to demonstrate a significantly enhanced depth and breadth of knowledge, scholarly understanding, and specific subject content knowledge in their chosen fields.

This graduate capability is supported by:

## Learning outcomes

- Characterize major international trade theories to explain alternative patterns of trade.
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- Evaluate the impact of major trade issues on countries with a focus on the tradeoffs between efficiency and equity.
- Recognize how changes in the terms of trade and economic growth affect the welfare of nations engaged in international trade.

## Assessment tasks

- Online Test 1
- Review Essay
- Assignment
- Online Test 2

## PG - Critical, Analytical and Integrative Thinking

Our postgraduates will be capable of utilising and reflecting on prior knowledge and experience, of applying higher level critical thinking skills, and of integrating and synthesising learning and knowledge from a range of sources and environments. A characteristic of this form of thinking is the generation of new, professionally oriented knowledge through personal or group-based critique of practice and theory.

This graduate capability is supported by:

## Learning outcomes

- Characterize major international trade theories to explain alternative patterns of trade.
- Examine international trade instruments, and articulate arguments for and against protectionism.
- Evaluate the impact of major trade issues on countries with a focus on the tradeoffs between efficiency and equity.
- Recognize how changes in the terms of trade and economic growth affect the welfare of nations engaged in international trade.

## Assessment tasks

- Online Test 1
- Review Essay
- Assignment
- Online Test 2

## PG - Research and Problem Solving Capability

Our postgraduates will be capable of systematic enquiry; able to use research skills to create new knowledge that can be applied to real world issues, or contribute to a field of study or practice to enhance society. They will be capable of creative questioning, problem finding and problem solving.

This graduate capability is supported by:

### Learning outcomes

- Examine international trade instruments, and articulate arguments for and against protectionism.
- Evaluate the impact of major trade issues on countries with a focus on the tradeoffs between efficiency and equity.

### Assessment tasks

- Review Essay
- Assignment