



# ECON847

## International Trade

S1 Evening 2017

*Dept of Economics*

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#### **Disclaimer**

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## General Information

Unit convenor and teaching staff

Unit convenor & Lecturer

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E4A 429

Wednesday 11am - 12

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:

Be conversant with major international trade theories.

Understand and appreciate current major world trade and policy issues.

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

Critically analyse, compare and examine the motives behind trade disputes.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Presentation</u>	10%	No	Weekly
<u>Class Test</u>	20%	No	Week 7
<u>Assignment</u>	20%	No	12pm Wednesday 17th May
<u>Final Examination</u>	50%	No	Formal Examination Period

### Presentation

Due: **Weekly**

Weighting: **10%**

In the first class, groups of 3-4 students will be formed. You are required to stick to your group for the whole semester. Each week, starting from week 2 during the practice session, each group will be given a question to discuss and then an individual from the group will present their resultant answer/explanation to the class. Each student is expected to present five times throughout the semester. Depending on effort, group member coordination, and the quality of the presentation, up to 10% of final assessment marks will be awarded to each student individually.

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### Class Test

Due: **Week 7**

Weighting: **20%**

The Class Test will be conducted at the beginning of the class in Week 7. The class test will be a combination of short-answer questions, true and false, and multiple choice questions. It will be of 75 minutes duration.

Absence from the Class Test without acceptable documented evidence will result in a mark of zero. Only under exceptional circumstances will a supplementary mid-session test be granted. A date, time and location will be provided in due course.

*Important Notice: Students must be available during the time of the lecture class to sit the class test. The only exception to this is if a student could not do the test because of documented illness or unavoidable disruption. In these circumstances this student may wish to consult the*

University's Disruption to Studies policy- [http://www.mq.edu.au/policy/docs/disruption\\_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html)

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## Assignment

Due: **12pm Wednesday 17th May**

Weighting: **20%**

To assess students' ability to apply the theory of international trade to explain and analyze real-world problems, the assignment will include discussion/explanation questions based on a set of provided articles.

Students will have to complete and submit the assignment online on or before **12pm Wednesday 17th May** through turnitin on the ECON847 ilearn website. A hard copy **MUST** also be submitted to the lecturer in the class **on or before the same due date**.

No extensions will be granted. Late submission will receive a deduction of 10% of the total awarded mark for each 24-hour period 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.

It is important to note that any student that submits an assignment online through turnitin 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. Turnitin will be used extensively to determine whether the submitted work is your own work.

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## Final Examination

Due: **Formal Examination Period**

Weighting: **50%**

The final exam will be held during the official examination period. It is important to note that it is your responsibility to find out the exact time, location and examination date for ECON847.

The structure of the final examination will typically involve short and longer answer questions, which may also include calculations and diagrammatical illustrations. Details on the exact nature and structure of the final examination will be provided in due course. It is important to note that students must pass the final examination to satisfactorily complete this unit. However, it is also important that students must complete all tasks in this course to successfully complete this unit.

Failure to attend the final examination will result in a Fail grade for this unit. The only exception to not sitting an examination at the designated time is because of **documented** illness or **unavoidable** disruption. In these circumstances you may consider applying for Disruption to Studies (See the Policies and Procedure section for details).

**Important Note:** It is Macquarie University Policy to not schedule any final examinations earlier than the official date. Therefore, DO NOT organise any travel within the formal examination period as all requests will be rejected.

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## Delivery and Resources

### CLASSES:

The unit has 3 hours face-to-face teaching per week, comprising a two-hour lecture and an hour class practice session. The lectures will provide students with an overview of international trade both in theory and practice, as well as a good understanding of major and current trade issues.

The class practice sessions will ask students to answer unseen questions from the previous week's lecture and any additional assigned reading material. The answers to these questions will be provided and discussed only in class. The objective of this strategy is to provide each student with immediate feedback on their answers with the expectation that this will assist and deepen their understanding of various issues of international trade. Students are expected to read in advance the lecture notes provided online, as well as the required readings, and to participate in class discussions.

**Timetable Link:** [http://students.mq.edu.au/student\\_admin/timetables](http://students.mq.edu.au/student_admin/timetables)

### Recommended Textbooks:

Pugel, Thomas. (2014), International Economics, 16th ed, McGraw-Hill

Salvatore, Dominick (2012), Introduction to International Economics, Third Edition, John Wiley

and Sons.

Gerber, James (2014), *International Economics*, 6th ed, Pearson Addison-Wesley.

Krugman, P, Obstfeld, M., and Melitz, M. (2014) *International Economics: Theory & Policy, International Trade: Theory & Policy*, Prentice Hall.

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

### **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)

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)

Lecture material will be posted on ilearn website. Any technical issues that you may have with ilearn needs to be directed to the IT section of the university.

## **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 teaching weeks. It is essential that students attend all classes as the test and exam will focus on material discussed in the lectures and supplemented with the relevant readings.

#### **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.



## 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](http://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](https://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

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- Understand and appreciate current major world trade and policy issues.
- Fully appreciate the impact of major trade issues on countries with a focus on the tradeoffs between efficiency and equity.
- Critically analyse, compare and examine the motives behind trade disputes.

#### Assessment tasks

- Presentation
- Class Test
- Assignment
- Final Examination

### 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:

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- Understand and appreciate current major world trade and policy issues.
- Fully appreciate the impact of major trade issues on countries with a focus on the tradeoffs between efficiency and equity.
- Critically analyse, compare and examine the motives behind trade disputes.

## Assessment tasks

- Presentation
- Class Test
- Assignment
- Final Examination

## 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

- Be conversant with major international trade theories.
- Understand and appreciate current major world trade and policy issues.
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## Assessment task

- Assignment