MACQUARIE UNIVERSITY
Division of Economic and Financial Studies

UNIT OUTLINE

ECON847: INTERNATIONAL TRADE

August 2005

http://online.mq.edu.au/pub/ECON847/
ECON 847: INTERNATIONAL TRADE

ABOUT THIS UNIT

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.

ECON847, a Department of Economics offering, is also a core unit in the Master of International Business (MIB) programme

Credit points: 4

TEACHING STAFF

Marc Lombard, Unit Convenor
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Pundarik Mukhopadhaya
Room C5C-376, ph: 9850 6476, e-mail: pundarik@efs.mq.edu.au

The first part of the course will be taught by Marc Lombard, the second part (from lecture week 7 onwards) by Pundarik Mukhopadhaya

Consultation times will be announced at the beginning of the course.

CLASSES

There will be a weekly three-hour session, consisting of a two-hour lecture and one-hour seminar.

Classes will be held both in the day and in the evening.

Day session: Mondays, 6-9pm, in E6A-102

Day session: Wednesdays, 11am-2pm, in W5A-T2
REQUIRED AND RECOMMENDED TEXTS

Prescribed text:

Prescribed journal articles: see the reading guide below.
In addition, a number of prescribed, up-to-date journal articles will be announced during lecture time and be made available in ERIC.

Additional references
The following books have been placed in the Reserve section of the Library:


Articles on aspects of international trade appear in a wide variety of economic journals, available in the Library. Among them:
- Intereconomics, Review of International Trade and Development
- The World Economy

Up-to-date articles on trade issues can also be found in the weekly “The Economist”.

Useful websites:

- A daily survey of trade articles in English published worldwide can be found at [http://dailynews.yahoo.com/fc/Business/Trade](http://dailynews.yahoo.com/fc/Business/Trade)
- World Trade Organisation, [www.wto.org](http://www.wto.org)
- The United Nations Conference on Trade and Development (UNCTAD), [www.unctad.org](http://www.unctad.org)
- The International Trade Centre, a partnership between the UNCTAD and the WTO, [www.intracen.org](http://www.intracen.org)
- International Monetary Fund, [www.imf.org](http://www.imf.org)
• Australian Department of Foreign Affairs and Trade, www.dfat.gov.au
• The Economist, www.economist.com
• Paul Krugman, web.mit.edu/krugman/www/

UNIT WEB PAGE
http://online.mq.edu.au/pub/ECON847/

LEARNING OUTCOMES
At the completion of this unit, students should be conversant with major trade theories and with the current major issues concerning world trade. They should be made more aware of the world at large, the importance and the role of key players in the globalisation process, and the impact trade issues have on all countries.

This unit also encourages critical analysis, by comparing conflicting policies and examining motives behind trade disputes.

ASSESSMENT

The assessment will consist of:

• **A final examination** (2 hours), covering the whole course, worth 70% of the marks

• **Class tests and seminar discussions**, worth 30% of the marks.
  Final format to be announced in lecture week one, as it will be determined by the number of students enrolled in the unit

Assessment will be based on both the material discussed in the lectures/seminars and the prescribed readings.

The final examination will take place in the week immediately following the last lecture week. Date and place will be announced at the beginning of the semester

Absence from allocated seminars and class tests will result in a mark of zero, unless absence is supported by acceptable documented evidence. In this case, the final exam mark will be converted to a higher percentage of the total marks.

NOTE:
1) **To successfully complete this unit, students must pass the final exam**
   (A policy of the Economics Department)

2) It is essential that students attend all sessions, as the examination/test will include
   material discussed in the lectures and seminars, not available on-line nor in ERIC.
You are advised that it is Macquarie University policy not to set early examinations for individual or group of students. All students are expected to ensure that they are available until the end of the teaching semester, that is the final day of the official examination period.

UNIT STRUCTURE and READING GUIDE

Essential reading is indicated by an asterisk *

In addition, a number of prescribed, up-to-date journal articles will be announced during lecture time and be made available in ERIC.

**Topic 1:** The Global Economy
* Gerber, chapter 1 (pp. 2-10), chapter 2 (pp. 17-24, 29-34).
* Soros, G., "Globalisation-lopsided generator of wealth", *Sydney Morning Herald*, 02-02-'04
* Kuttner, R. "Rethinking Free Trade", *The Boston Globe*, 29-09-04
* "Trade Disputes", *The Economist*, 18-09-04
* "Nike admits to abuse in its factories", *Sydney Morning Herald*, 16-04-'05

**Topic 2:** The Gains from Trade
* Gerber, ch. 3

**Topic 3:** Comparative Advantage and Factor Endowments
* Gerber, ch. 4 (pp. 58-70)

**Topic 4:** New Theories of Trade
* Gerber, ch. 4 (pp. 70-79), ch. 5 (pp. 84-94)

**Topic 5:** Trade Restrictions (1): Tariffs
* Gerber, ch. 6 (pp.111-121)

**Topic 6:** Trade Restrictions (2): Non-Tariff Barriers
* Gerber, ch. 6 (pp. 121-128), chapter 7 (pp. 143-146)

**Topic 7:** Political Economy of Trade
* Gerber, ch. 5 (pp.94-106), chapter 7 (pp. 131-145), and chapter 8
* "Imitating property is Theft", *The Economist* (available in ERIC)
* "The WTO Under Fire", *The Economist* (available in ERIC)

**Topic 8:** Trade Blocs
* Gerber, ch. 1 (pp. 23-26), ch.13 (pp.290-293, 305-17), ch. 14 (pp.320-23, 340-45)
### Topic 9: Trade and Development

### Topic 10: International Factor Movements
* Gerber, ch. 9 (180-183), ch.12 (pp.272-73, 283-87)

### Topic 11: Australia’s Trade and Balance of Payments

### Topic 12: International Trade and Exchange Rates Movements
* Gerber, 10 (pp.220-222), 11(pp.254-263)

**NOTE**: The numbering of topics above is not related to the number of lecture weeks. Some topics are shorter/longer than others.

A summary of the lecture will be posted every week on the ECON847 website, a few days after the lecture. Diagrams presented in the lectures and additional reading material will be made available in the EFS Resources and Information Centre (ERIC) in C5C-244.

**PLAGIARISM**
The University defines plagiarism in its rules: “Plagiarism involves using the work of another person and presenting it as one’s own”. Plagiarism is a serious breach of the University’s rules and carries significant penalties. You must read the University’s practices and procedures on plagiarism. These can be found on the web at: [http://www.student.mq.edu.au/plagiarism/](http://www.student.mq.edu.au/plagiarism/). Penalties may include a deduction of marks, failure in a unit, and/or referral to the University Discipline Committee.

**UNIVERSITY POLICY ON GRADING**
Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG).

On occasion your raw mark for a unit (i.e., the total of your marks for each assessment item) may not be the same as the SNG which you receive. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past performances of their students should achieve similar results. The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark.