

Economics of International Trade

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Teaching time	Morning

Course Description:

Real time information systems have resulted in a high degree of economic interdependence among nations. Each country has an opportunity to push forward the production possibilities frontier and obtain a higher level of efficiency and income with help of the international trade.

This course is designed to provide a theoretical and analytical framework for understanding the complexities of international trade. It will provide insight into the effects of ever changing economic and political order on international trade. Implications of the multilateral agreements will be also analyzed. In addition, students will develop an understanding of the fundamental principles of balance of payments for a country and exchange rate determination. Students will explore issues such as: Is free trade beneficial for a country? Why do some countries adopt protectionist's policies? What are the effects, short-run, and long-run, of major trade agreements on the country's economy? Why does the exchange rate fluctuate constantly?

By the end of this course, students should be able to critically evaluate current economic and political events related to international trade.

Materials/Text: All the study material will be available online, free of charge.

Requirements: Completion of Micro and/or macro economics course is recommended.

Consistent attendance is important for success in this subject. If you are absent from class for any reason, please notify your professor by e-mail. You are still responsible for the material and assignments missed and may be required to provide documentation. For extensions or special considerations, make the request well in advance of any due dates. Considerate classroom conduct, adequate class preparation, and constructive participation will enhance your academic experience and that of your colleagues. You are asked to be prompt, courteous, responsible, and collaborative, where relevant.

Schedule: 3hours/day x 15days = 45hours per course

Assignments: Weekly Homework Labs/Quizzes, and readings. Group Project Proposal, Report and Presentation.

Evaluation: Tests, homework labs/Quizzes, project work, group presentation and final exam will evaluate student's understanding of theoretical and empirical material covered in the lectures and the ability to relate this knowledge to public policy issues.

Tentative Class Schedule

Class 1 (Monday, 7/15)

- Icebreaker
- An introduction to the course and assessment scheme.
- Discuss the historical and current world trade trends.

Class 2 (Tuesday, 7/16)

- Group project is introduced, and groups are formed. Groups start working on project proposals and concept maps.
- Analyze the role of three main international economic organizations, IMF, World Bank and WTO.
- Compare different levels of integration found in regional trade agreements with examples.

Class 3 (Wednesday, 7/17)

- Analyze examples of absolute and comparative advantages to show the reasons and advantages of international trade.
- Discuss the economic and ethical considerations of economic restructuring caused by international trade.
- Groups continue to work on project proposals and concept maps.

Class 4 (Thursday, 7/18)

- Test #1 (15% of the course grade)
- Use the Heckscher-Ohlin Trade Model to analyze trade patterns between two countries with two inputs and two outputs.

Class 5 (Monday, 7/22)

- Predict the impacts on different factors of production of trade opening.
- Introduction to tariffs and quotas
- Groups continue to work on project proposals and concept maps.

Class 6 (Tuesday, 7/23)

- Use supply and demand analysis to explain and illustrate the effects of tariffs on prices, output, imports, exports, and consumer and producer surplus.
- Groups continue to work on project proposals and concept maps.

Class 7 (Wednesday, 7/24)

- Use tariff data on inputs and outputs to compare effective and nominal rates of protection.
- Compare and contrast quotas and tariffs.
- Describe the differences in tariffs across economic sectors and overtime.
- Reasons why economists favor trade openings.
- Explain why costs to consumers of a tariff or quota are greater than the net welfare costs to a nation.
- Project proposal and concept map (10% of course grade) is due before the end of the class.
- Start working on project report and presentation.

Class 8 (Thursday, 7/25)

- Test #2 (25%)

- Discuss South Korea's commercial policy.
- Continue to work on project report and presentation.

Class 9 (Monday, 7/29)

- Compare and contrast the three options for setting standards in trade rules.
- Give examples of the relationship between income levels and environmental and labor problems.
- Define Human Development Index (HDI) and describe the three key dimensions of HDI.
- Continue to work on project report and presentation.

Class 10 (Tuesday, 7/30) –

- Define the current, capital, and financial accounts of a country's balance of payments.
- Explain the importance of the three main components of the current account.
- Describe three types of international capital flows.
- Continue to work on project report and presentation.

Class 11 (Wednesday, 7/31) –

- Use a simple algebraic model to relate the current account to savings, investment, and the general government budget balance.
- Discuss the pros and cons of current account deficits.
- Continue to work on project report and presentation.

Class 12 (Thursday, 8/1) –

- Evaluate the reasons for holding foreign exchange and the main institutions in the foreign exchange market.
- Show the effects on the home currency of a change in the supply or demand for foreign currency.
- Differentiate short-run, medium-run, and long-run forces that help determine the value of a currency.
- Continue to work on project report and presentation.

Class 13 (Monday, 8/5)

- Compare and contrast hard pegs, crawling pegs, and flexible exchange rate systems.
- Evaluate South Korea's exchange rate system.
- Contrast between nominal and real exchange rate.
- Calculate the real exchange rate.
- Project report and peer evaluation sheet (15% of the course grade), and peer evaluation sheet must be posted before the class.
- Group project presentations for some groups (10% of the course grade) during the class

Class 14 (Tuesday, 8/6)

- Catch up and Review for the Exam
- Group project presentations for some groups (10% of the course grade) during the class
- Comment on two Presentations (10% of course grade) must be posted before the end of the day.

Class 15 (Wednesday, 8/7)

- Final Exam (25% of course grade)