

Lingnan University
Department of Economics
ECO305
International Trade
Term 1, 2008-2009

Lecturer: Dr. K.Y. Cheung
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Office Hours: Tu 15:30-16:50
Thu 10:30-11:20 and 15:00-16:20
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Objectives

This course equips students with a basic knowledge of the principles and tools of trade theory and policy. After completing the course, students should be able to demonstrate a good understanding of the determination of trade, the growth of trade and the formation and the effects of commercial policy.

Essential Reading

Sawyer, C and R Sprinkle., International Economics, 2nd edition, Pearson/Prentice Hall, 2006. (*S & S*)

Supplementary

Appleyard, D.R. and A.J. Field, Jr., International Economics, 5th ed. McGraw Hill, 2006.

Gerber J., International Economics, 3rd edition, Pearson/Prentice Hall, 2005.

Pugel T., International Economics, 13th edition, McGraw Hill, 2007. (*P*)

Indicative Content:

- I. Why Countries Trade
(Ref: *S & S Ch 2; P Ch2 & 3*)
 - a. Absolute advantage
 - b. Comparative advantage
 - c. Transaction costs and non-traded goods

- II. General equilibrium and the gains from trade
(Ref: *S & S Ch 2; P Ch2 & 3*)
 - a. Reciprocal demand
 - b. International general equilibrium
 - c. The gains from trade

- III. Factor endowments and the Heckscher-Ohlin model of trade
(Ref: *S & S Ch 3; P Ch 4 & 5*)
 - a. Production structure of a two-factor economy

- b. The effects of endowment differences
 - c. The Heckscher-Ohlin theorem
 - d. Income distribution and the gains from trade
 - e. Effects of factor increase and factor intensity on output growth
 - f. The factor-price-equalization theorem
- IV. Economic growth and international trade
(Ref: *S & S Ch 10; P Ch 7*)
- a. Trade effects of production growth
 - b. Trade effects of consumption growth
 - c. Trade and technological change
- V. International factor movements
(Ref: *S & S Ch 5; P Ch 15*)
- a. International labor movements
 - b. International capital movements
 - c. Direct investment and the multinational firm
- VI. The instruments of trade policy
(Ref: *S & S Ch 6 & 7; P Ch 8 to 109*)
- a. Tariffs
 - b. Quotas
 - c. Export taxes and other non-tariff barriers
 - d. Tariffs and economic welfare
- VII. Trade Policies in developing countries
(Ref: *P Ch 14*)
- a. The unemployment problem in the LDCs
 - b. Export promotion versus import substitution
 - c. Long-run terms-of- trade deterioration
- VIII. Economic integration
(Ref: *S & S Ch 9; P Ch 8 to 10*)
- a. Trade integration
 - b. Factor market integration

Assessment

Continuous Assessment:	50%
Tutorial participation	5%
Term paper	20%
Midterm (28 October, 2008)	25%
<u>Final Examination:</u>	<u>50%</u>
Total	100%