

**COURSE TITLE:** INTERNATIONAL TRADE THEORY AND POLICY

**COURSE CODE:** ECON 3006

**LEVEL:** UNDERGRADUATE LEVEL (FINAL YEAR)

**NO OF CREDITS:** 3

**PREREQUISITES:** ECON 1001, ECON 1002

**COURSE DESCRIPTION / RATIONALE:**

This course covers, the theory of international trade including alternative theories of trade: the structure of world trade and the main factors influencing trade (trade in services); the relationship between trade, growth and development; international trade policy; international investments; the multinational firm; institutions and agreements which influence international trade (WTO, Post Lome etc.), regional economic integration including North-South cooperation and Local Economic Development issues. The course maintains a perspective on the Caribbean.

This course will be taught in 2 hours lecture as well as 1 hour tutorial sessions handled by Research Assistants. The teaching approach will be interactive where the student's input and feedback are encouraged. The course comprises of a combination of theoretical, quantitative and practical empirical components. The course will be assessed through a detailed written project as well as a final exam.

This course fits well with the mission of the Department and the University in terms of its contribution to preparing students with an in-depth knowledge of trade issues that affect the development of Caribbean economies.

**PURPOSE OF THE COURSE**

Students are expected to become familiar with the basics of international trade and the implications of different events on the short and long run growth possibilities of an economy. Additionally students would become more aware of the various linkages among the international, regional and hence national levels of economic activity.

The course exists so that students can better understand the fundamentals of what international trade is about particularly for small open economies like those in the Caribbean. International trade is an integral part of every country's economy thus it is important to understand the dynamics of what a country decides to export and import and the countries they decide to trade with. It is also important to grasp the interconnections between economies particularly as the world becomes more integrated. This trade course will further delve into how small open economies can obtain sustained development through localized economic development to buffer their economies from the threats that open trading may bring.

**INSTRUCTOR INFORMATION****LECTURER:** Dr. Roger Hosein**LECTURER's EMAIL:** [Roger.Hosein@sta.uwi.edu](mailto:Roger.Hosein@sta.uwi.edu)**LECTURER's PHONE CONTACT:** 662-2002 EXT 83041

Office hours- To be announced on first day of lectures

Communication policy – Please contact lecturer during assigned office hours

**LETTER TO THE STUDENT**

Dear Students,

International Trade is a course that will allow you to get a better understanding of issues of integration, globalization and how they relate to economic development of small open economies like those of CARICOM.

This course is going to be very interactive and it will be to your benefit to participate during lectures as your questions is what will guide the sessions and make the class more interesting. Trade issues relate to every day issues for all citizens of a country and the goal of this course is for students to better appreciate how important trade to propelling growth and development for every country.

Note that your success with the material depends on you. Welcome to Trade Economics. I look forward to your participation and engagement.

**CONTENT**

1. International Trade: Its Contemporary Dimensions
2. Neo-Classical Trade Theory- The Relevant Tools
3. Gains from Trade in Neo Classical Theory
4. Offer curves and the Terms of Trade
5. The Basis of Trade- Factor Endowments and the H/O Model with Extensions
6. Empirical Tests of the H/O Model
7. Alternative Theories of Trade and IIT
8. Economic Growth and International Trade
9. International Factor Movements
10. The Instruments of Trade Policy
11. Local Economic Development

## **GOALS/AIMS**

To equip students with an adequate set of tools; theoretical and practical; to understand the issues in international trade

### **Aims**

- To provide students pursuing the Bsc. Economics degree as a Major or a Minor with the ability to conduct in-depth analysis of trade issues affecting CARICOM.
- To provide students wishing to further their academic careers in Trade Economics with the analytical skills to have a good command of major topics in Trade Economics.
- To broaden the career potential for Economics Graduates who intend to pursue industrial or public careers as economic analysts/consultants within the Caribbean or elsewhere.

## **GENERAL OBJECTIVES**

- To simplify international trade theory into practical easy to follow steps.
- To enable the students to understand trade issues within CARICOM
- To enable the students a better understanding of the concept of Local Economic Development
- To enable the students to analyze the fundamentals of what international trade is about.

## **LEARNING OUTCOMES**

1. Familiarize themselves with the nature and composition of the Caribbean's merchandise trade portfolio as a prelude to export diversification.
2. Be better equipped with the theoretical and technical skills for assessing the effects of trading agreements on its signatories.
3. To gain an understanding of the opportunities and challenges of the emerging markets on CARICOM countries.
4. Develop an ability to analyze the impact that natural resource rents have on the various arms of the economy.
5. Be exposed to new types of trade, specifically intra industry trade and its potential for boosting the Caribbean's intra-regional and extra regional trade volume.

## **ASSIGNMENT**

Students will be required to attempt tutorial sheets and attend tutorial sessions.  
Students will also be required to undertake a project.

## **COURSE ASSESSMENT**

20% Individual Coursework Project

80% Final Examination

## EVALUATION

### Written Project (20%):

The project topics will be drawn from the material to be covered in the course and will be assigned during the first week of classes. The assignments must be uploaded to the mylearning page on the designated deadlines.

1. Using a general equilibrium framework, explain why countries engage in trade according to the Heckscher Ohlin theory.
2. Has Caribbean economies benefitted from trade liberalization? Provide a detailed discussion including relevant examples to justify your position.
3. How can T&T benefit from the inflow of Venezuelan migrants?
4. Using offer curves as a point of reference, illustrate what would be the impact of the Trump trade wars with China on trade between the US and China.
5. Discuss any five push / pull factors promoting the migration of skilled persons such as nurses and teachers from the Caribbean.

### Final Examination (80%):

The final examination will be 2 hours long and will test all aspects of the course through the use of case studies.

Describe how and when you will obtain feedback about students experiences during the course

Describe how you will use feedback to improve the course and its implementation

## PRINCIPAL READING LIST

- Hosein, R. 2013. *Applications of International Trade Theory: The Caribbean Perspective*, UWIPRESS.
- Tewarie, B. and R. Hosein. 2007. *Trade Investment and Development in the Contemporary Caribbean*, Ian Randle.
- Salvatore, D. 2009. *International Economics*, 10<sup>th</sup> ed., Wiley.
- Sodersten, B. 1994. *International Economics*, 3<sup>rd</sup> ed., Macmillan.
- Yarbrough, B. and R. Yarbrough. 2001. *The World Economy: Trade and Finance*, 6<sup>th</sup> ed., South-Western, Div Of Thomson Learning.
- Husted, S. and M. Melvin. 2007. *International Economics*, 7<sup>th</sup>ed., Pearson/Addison-Wesley
- Kenan, P.B. 1994. *The International Economy*. Cambridge University Press, London.
- Lecturer notes –available from the lecturer

## COURSE CALENDAR

Topic	Reading	Week
<p><b>International Trade: Its Contemporary Dimensions</b></p> <p>What is International Trade Dimensions of International Trade International Trade economics in the context of economics.</p>	<p>Applications of International Trade Theory: The Caribbean Perspective Chapter 1, 2, and 3 The World Economy: Trade and Finance 6<sup>th</sup> Edition Yarbrough and Yarbrough (2001) Chapter 1 The International Economy 3<sup>rd</sup> Edition Kenen P. B. (1994) Chapter 1 International Economics 7<sup>th</sup> Edition, Husted and Melvin (2007) Chapter 1</p>	1
<p><b>Neo-Classical Trade Theory-The Relevant Tools</b></p> <p>Indifference Curve Analysis Isoquant Isocost Analysis Edgeworth boxes</p>	<p>Applications of International Trade Theory: The Caribbean Perspective Chapter 4 The World Economy: Trade and Finance 6<sup>th</sup> Edition Yarbrough and Yarbrough (2001) pgs 22-23, 28-29, 69-72, 81-82. International Economics 7<sup>th</sup> Edition, Husted and Melvin (2007) Chapter 2</p>	2
<p><b>Gains from Trade in Neo-Classical Theory</b></p> <p>From conditions of autarky to trade Absolute and Comparative Advantage Gains from Trade: Exchange and Specialization The Heckscher Ohlin Theory</p>	<p>Applications of International Trade Theory: The Caribbean Perspective Chapter 4 The World Economy: Trade and Finance 6<sup>th</sup> Edition Yarbrough and Yarbrough (2001) Chapter 3 International Economics 7<sup>th</sup> Edition, Husted and Melvin (2007) Chapter 3 and 4</p>	3
<p><b>Offer curves and the Terms of Trade</b></p> <p>What is the Offer Curve What causes changes in the shape of the offer curves Differences between offer curves for small and large countries</p>	<p>Applications of International Trade Theory: The Caribbean Perspective Chapter 5 The World Economy: Trade and Finance 6<sup>th</sup> Edition Yarbrough and Yarbrough (2001) pgs 159-196. The International Economy 3<sup>rd</sup> Edition Kenen P. B. (1994) pgs 38-42, 192-196, and 207-208</p>	4
<p><b>The Basis of Trade- Factor Endowments and the H/O Model with Extensions</b></p> <p>Detailing the H/O Theory Factor Price Equalization Theory The Stolper Samuelson The Rybcznski Theory</p>	<p>Applications of International Trade Theory: The Caribbean Perspective Chapter 6 The International Economy 3<sup>rd</sup> Edition Kenen P. B. (1994) Chapters 4-6</p>	5
<p><b>Alternative Theories of Trade and IIT</b></p> <p>Intra Industry Trade The Product Life Cycle Hypothesis Imitation Gap Hypothesis</p>	<p>Applications of International Trade Theory: The Caribbean Perspective Chapter 7 The World Economy: Trade and Finance 6<sup>th</sup> Edition Yarbrough and Yarbrough (2001) Chapter 5 The International Economy 3<sup>rd</sup> Edition Kenen P. B. (1994) Chapters 7</p>	6 and 7

<p><b>Economic Growth and International Trade</b></p> <p>Growth and the Trade Triangle</p>	<p>Applications of International Trade Theory: The Caribbean Perspective Chapter 8 International Economics 7<sup>th</sup> Edition, Husted and Melvin (2007) Chapter 10 Growth trade triangle Dutch Disease Immizerising Export Led Growth</p>	8
<p><b>International Factor Movements</b></p> <p>Mobility of labor and migration issues Case study on migration of Caricom nurses Capital mobility: Foreign Direct Investment</p>	<p>Applications of International Trade Theory: The Caribbean Perspective Chapter 9-10 The World Economy: Trade and Finance 6<sup>th</sup> Edition Yarbrough and Yarbrough (2001) Chapter 9-10 The International Economy 3<sup>rd</sup> Edition Kenen P. B. (1994) Chapters 8 Applied Papers to be given in class</p>	9
<p><b>The Instruments of Trade Policy</b></p> <p>Tariffs barriers Non-Tariff barriers</p>	<p>Applications of International Trade Theory: The Caribbean Perspective Chapter 11 -12 The World Economy: Trade and Finance 6<sup>th</sup> Edition Yarbrough and Yarbrough (2001) Chapter 6-7 International Economics 7<sup>th</sup> Edition, Husted and Melvin (2007) Chapter 6-7</p>	10
<p><b>Local Economic Development</b></p>	<p>Case study papers to be announced.</p>	

### COURSE ACTIVITIES PLANNED

1. Attendance at the Post National Budget Forum
2. Attendance at TEDU Community Engagement Series events
3. Attendance at the Conference on the Economy.

## ADDITIONAL INFORMATION

Please note that **UWI Examination Regulation No. 19** states that:

*Any candidate who has been absent . . . . or whose attendance at prescribed lectures, classes, ... **tutorials**, ... has been unsatisfactory . . . . or who has failed to submit essays or other exercises . . . . **may be debarred** by the relevant Academic Board, on the recommendation of the relevant Faculty Board,. . . . **from taking any University examinations** . . . . “*

The Department of Economics//Faculty of Social Sciences **requires students to attend and participate in at least 75% of tutorials for a course to avoid being debarred from taking the final exam.**

- “97. (i) Cheating shall constitute a major offence under these regulations.  
 (ii) Cheating is any attempt to benefit one’s self or another by deceit or fraud.  
 (iii) Plagiarism is a form of cheating.  
 (iv) Plagiarism is the unauthorized and/ or unacknowledged use of another person’s intellectual effort and creations howsoever recorded, including whether formally published or in manuscript or in typescript or other printed or electronically presented form and includes taking passages, ideas or structures from another work or author without proper and unequivocal attribution of such source(s), using the conventions for attributions or citing used in this University.

103. (i) If any candidate is suspected of cheating, or attempting to cheat, the circumstances shall be reported in writing to the Campus Registrar. The Campus Registrar shall refer the matter to the Chairman of the Campus Committee on Examinations. If the Chairman so decides, the Committee shall invite the candidate for an interview and shall conduct an investigation. If the candidate is found guilty of cheating or attempting to cheat, the Committee shall disqualify the candidate from the examination in the course concerned, and may also disqualify him/her from all examinations taken in that examination session; and may also disqualify him/her from all further examinations of the University, for any period of time, and may impose a fine not exceeding Bds\$300.00 or J\$5000.00 or TT\$900.00 or US\$150.00 (according to campus). If the candidate fails to attend and does not offer a satisfactory excuse prior to the hearing, the Committee may hear the case in the candidate’s absence.”

### How to study for this Course

Students should keep up-to-date with lectures, office hours and tutorials.