



STELLENBOSCH UNIVERSITY

DEPARTMENT OF ECONOMICS

ECONOMICS 244
INTERNATIONAL TRADE

2018

“ ... One of the things that make economics graduates so employable is that the subject teaches you to think in a **careful** and **precise** way. The fundamental economic issue is how society decides to allocate its resources: how the costs and benefits of a course of action can be evaluated and compared, and how appropriate choices can be made. A degree in economics gives training in decision making principles, providing a skill applicable to a very wide range of careers. ”

The Royal Economic Society

MODULE FRAMEWORK

LECTURERS

Trade: Prof. R C C Jafta

Finance: Mrs. O Ezeobi

INTERNAL MODERATOR: Prof Mrs. L. Nieuwoudt

MODULE CONVENOR: Prof R C C Jafta

Note: This brochure should be read with the General Information brochure for undergraduate students in Economics. See <https://learn.sun.ac.za/course/view.php?id=34563§ion=1>.

Introduction

International trade is a crucial contributor to global economic growth. Trade has become centre-stage in global policy circles as a result of Mr. Donald Trump's affinity for trade wars. The resultant global uncertainty about economic growth and employment presents some interesting questions about Africa's ability to continue the pace of economic growth seen over the last two decades. Would the Fourth Industrial Revolution and the easier and cheaper cross-border trade following the World Trade Organisation's Trade Facilitation Agreement foster coherent intra-continental trade agreements in order to advance economic growth in African countries? The

Economics 244 (International Economics) course is geared to find solutions to the major challenges that the international economy, Africa and South Africa face today. As the course aims to introduce students to practical aspects of international trade, students are required to engage critically with the readings provided and work in groups to generate innovative solutions to current policy debates.

Outcomes

After completion of this module students should have a good understanding of the following three broad themes and have the necessary competencies to critically debate the related issues:

Problem 1: Trade and economic growth prospects in the era of Trumponomics and Trade Wars: good, bad or just plain ugly? What are the significant barriers to increased global trade and economic growth?

Problem 2: What are the options for Africa to improve growth prospects through increased trade? What does International Trade Theory suggest?

Problem 3: How can South Africa capitalise on the opportunities provided by the Fourth Industrial revolution and the World Trade Organisation's Trade Facilitation Agreement to grow the economy and create jobs, especially for the youth?

Literature

A reader for the module is made available, but all literature will also be available on SUNLearn.

Approach

The module follows a student-centred, **continuous** learning approach. This means that we make it possible for students to **learn by doing**, whether on their own or in groups. Students are required to organize themselves into groups of three and register their group. Students remain in these groups for all contact sessions – tutorials included. The module is structured around crucial issues that an intermediate International Economics student should have a **well-reasoned** opinion about.

100% class attendance is therefore required.

The module is structured to enable a systematic learning process. Each of the problems in International Economics that we have identified can be addressed with the aid of the knowledge you already have and the new knowledge that you will gain.

LANGUAGE OF INSTRUCTION:

For this module where both Afrikaans and English are used in the same class group, the combination of facilitated learning opportunities is as follows:

During each lecture, all information is conveyed at least in English and summaries or emphasis on content are also given in Afrikaans. Questions in Afrikaans and English are, at the least, answered in the language of the question.

Students are supported in Afrikaans and English during a combination of appropriate, facilitated learning opportunities (e.g. consultations during office hours, or scheduled tutorials and Practicals).

For first-year modules, SU makes simultaneous interpreting available during each lecture. During the second and subsequent years of study, simultaneous interpreting is made available by SU upon request by a faculty, if the needs of the students warrant the service and SU has the resources to provide it. If two weeks have passed with no students making use of the interpreting service, it may be discontinued.

Problem 1: Trade and economic growth prospects in the era of Trumponomics and Global Trade Wars: good, bad or just plain ugly? What are the significant barriers to increased trade and economic growth?

Session	Main Issues	Prior Knowledge	Literature	Example questions
1	What is the current state of the world economy with respect to trade and economic growth?	<p>Economic growth</p> <ul style="list-style-type: none"> • What is it? • How is it measured? • What are the sources of economic growth? <p>Source: Arnold, ch.12</p> <ul style="list-style-type: none"> • The laws of demand and supply 	<ol style="list-style-type: none"> 1. WTO, Press/820.Strong growth in 2018 rests on policy choices. 12 April 2018. 2. World Bank, Global Economy to expand by 3.1% in 2018, slower growth seen ahead. 5 June 2018. 	<ol style="list-style-type: none"> 1.1. Explain with the aid of the Keynesian equation in Macroeconomics, what the role of trade is in generating economic growth.
2.	What are the most significant barriers to freer international trade?	<p>Restrictions on free trade</p> <ul style="list-style-type: none"> • Tariffs and the impact of tariffs •Consumer and producer surplus •Quotas and the influence of quotas •Other non-tariff restrictions <p>Source: Arnold, ch. 16</p>		<ol style="list-style-type: none"> 1.2. Explain with the aid of a graph, what the impact on the South African economy will be when the government levies an import tariff on chicken. 1.3. Name and describe briefly five non-tariff restrictions.
3	Why are there restrictions on trade?			<ol style="list-style-type: none"> 1.4. Explain three justifications for restrictions on trade with the aid of real world examples.

Problem 2: What are the options for Africa to improve growth prospects through increased trade? What does International Trade Theory suggest?

Session	Main Issues	Prior Knowledge	Literature	Example questions
4.	What policy advice could Africa derive from International Trade Theory?	<p>International trade</p> <ul style="list-style-type: none"> • Why do nations trade? <ul style="list-style-type: none"> ○ Absolute advantage ○ Comparative advantage • Production possibility curves • Indifference curves • Opportunity cost • Source: Arnold, ch 16 	Ingham, B. 2014. International Economics, A European focus, chapter 2	<p>2.1. What are the key elements of mercantilist thought on trade?</p> <p>2.2. Explain David Ricardo's theory of Comparative Advantage with the aid of a graph so that the gains from trade and the implied policy advice is clear.</p> <p>2.3. What is the basis for Ricardo's Comparative Advantage theory?</p>
5.	Could African countries that are less well-endowed with resources still gain from international trade?		Ingham, B. 2014. International Economics, A European focus, chapter 2	<p>2.4. Explain the Hecksher-Ohlin(H-O) model of comparative advantage, indicating what they believe the basis for comparative advantage is.</p> <p>2.5. What are the trade patterns that will arise if countries followed the H-O model's policy message?</p>
6 &7	How can we make sense of modern-day trade patterns, such as intra-industry trade?		Salvatore, B. Introduction to International Economics, Ch. 4 [The Hecksher-Ohlin and other Trade Theories]	<p>2.6. How does the notion of economies of scale contribute to comparative advantage? Explain.</p> <p>2.7. How can we explain trade patterns on the basis of overlapping demand?</p> <p>2.8. Is technological change an important cause of differences in comparative advantage? Explain.</p>

8	What will happen in theory if the barriers to free trade are removed?			2.9. Show graphically what the impact on the domestic economy of a small country will be when an import tariff is removed.
9	Barriers to trade are removed under the auspices of the World Trade Organisation. How could Africa benefit from participation in the World Trade Organisation?	Multilateral trading system <ul style="list-style-type: none"> • What is it? • What is the WTO, its purpose and functions? • What is globalisation? Source: Arnold, ch. 16 & 18	WTO Trade Facilitation Agreement: easing the flow of goods across borders.	2.10. What is the current status of the WTO's Trade Facilitation Agreement and how can African economies benefit from it?
10	Regional integration also aims to remove barriers to trade to encourage intra-regional trade. What is the African Continental Free Trade Agreement and what is it aimed at achieving?		Asmita Parshotam, 2018. Can the African Continental free trade Area offer a new beginning for trade in Africa? (SAIIA)	2.11. How does trade amongst African countries compare to African countries' trade with the rest of the world?
11	What is the Fourth Industrial Revolution and how can Africa benefit from it? What are global supply chains and how can Africa benefit from it? What is the role of women in trade and how can their prospects be enhanced?	What and when were the other three Industrial revolutions?	Mondi Mawasha, 2017. The Fourth Industrial revolution-An African Perspective, Fin24, September 25. WTO, Gender Aware Trade Policy, A springboard for Women's Empowerment	2.12. How can the opportunities provided by the Fourth industrial revolution assist Africa to achieve its regional integration ambitions? Explain. 2.13. How can the TFA and the FIR assist women to be more successful in trade? Explain.

Problem 3: How can South Africa capitalise on the opportunities provided by the Fourth Industrial Revolution and the World Trade Organisation's Trade Facilitation Agreement to grow the economy and create jobs, especially for the youth?

Session	Main Issues	Literature	Example questions
12	What is trade & industrial Policy? What are the instruments used to pursue trade and industrial policy?		3.1. Distinguish between trade and industrial policy.
13	What is South Africa's biggest macroeconomic challenge?	www.statssa.gov.za	3.2. What is the composition of the unemployed in South Africa?
14	Is a combination of the opportunities provided by the Fourth Industrial Revolution and the WTO's Trade Facilitation Agreement (TFA) powerful enough to propel the economy onto a higher growth path through trade?	Combine all the readings and the knowledge you have gained to answer the final question(3.3.)	3.3. How could the FIR and the TFA help South Africa to realise the potential of its youth, in and out of employment? Explain.