



FACULTY OF / FAKULTEIT
Economic and Management Sciences
Ekonomiese en Bestuurswetenskappe



DEPARTMENT OF ECONOMICS

ECONOMICS 244
INTERNATIONAL TRADE

2021

*“... 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: Dr. H. Hollander

Tutors: Prof. S. du Plessis & Dr. M. Nchake

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Note: This brochure should be read with the General Information brochure for undergraduate students in Economics. See https://learn.sun.ac.za/pluginfile.php/2305456/mod_resource/content/1/Economics%20348.pdf

Introduction

During 2020, an unprecedented upheaval in the form of the Covid-19 pandemic swept across the globe with devastating speed and impact. The resultant global uncertainty about economic growth and employment presents some important questions about Africa's ability to recover from the pandemic and return to 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, as well as the African Continental Free Trade Agreement

foster coherent intra-continental trade-related policy implementation in order to advance economic growth in African countries? The Economics 244 (International Economics) module is geared to find solutions to the major challenges that the international economy, Africa and South Africa face today. As the sub-module aims to introduce students to practical aspects of international trade, students are required to engage critically with the readings provided and attempt to generate innovative solutions to current policy issues.

Learning Objectives

Engaging with this sub-module content, you will learn to:

- Understand the current economic conditions and the implications for economic growth and trade prospects;
- Gain insights from International Trade Theories that explain why international trade matters;
- Understand why, how and to what effect governments intervene in international trade;
- Understand the multilateral global trading system and how it advances trade amongst countries;
- Understand regional integration, its purpose, possibilities and obstacles;
- Use the insights from theory to understand how the confluence of freer trade under the World Trade Organisation's Trade Facilitation Agreement, the African Continental Free Trade Agreement and the Fourth Industrial Revolution can propel Africa into economic prosperity, despite many obstacles and the Covid-19 pandemic.

Outcomes

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

Theme 1: Trade and economic growth prospects in the time of the Covid-19 pandemic and global uncertainty. Is this the end of International Trade and why did it matter in the first place? What are the significant barriers to increased global trade and economic growth?

Theme 2: The African Continental Free Trade Agreement. What are the options for Africa to improve growth prospects through increased trade? How can multilateral and regional efforts at reducing barriers to trade help?

Theme 3: Africa and South Africa's prospects for economic prosperity through trade in a post-Covid-19 world. How can Africa, and by implication, South Africa, harness the opportunities provided by the Fourth Industrial Revolution, regional integration and the World Trade Organisation's Trade Facilitation Agreement to recover from the pandemic's economic impact, foster economic growth, and create jobs, especially for vulnerable groups, such as women and the youth?

Prescribed Literature

©Jafta, R C C & I Semenya, 2021. Economics 244: International Trade Reader (eBook) is available SUNLearn. You are encouraged to expand your knowledge through wider reading, listening to podcasts, etc.

Approach

The module follows a student-centred, **continuous** learning approach. This means that we make it possible for students to **learn by doing**. The module is structured around crucial issues that an intermediate International Economics student should have a **well-reasoned** opinion about.

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.

We will follow ARTLA, the hybrid mode of teaching and learning, which includes face-face (in class and online lecturing (synchronous and asynchronous). The module outline below provides key questions for which you should work out well-structured answers with the aid of your prescribed eBook. Deadlines for completion, linked to the available lecture slots, will be indicated in the slides to make sure you stay on track. You will receive guidance in class, asynchronous lecture slides and a weekly Q & A synchronous session, as well as tutorials. Other questions and queries will be dealt with in the discussion forum. **You are, therefore, urged to follow SUNLEARN**

closely for information on lecture slides availability, preparation and assessments.

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.

Assessment

Flexible assessment, in line with the Undergraduate Assessment Regulation of the Faculty of Economic and Management Sciences, is followed in this module. Please watch the student information video regarding the EMS Undergraduate Assessment Regulation on your module's SUNLearn page and read the regulation on the Faculty's webpage (www.sun.ac.za/ems under current students tab). Specific information about assessment composition and format for Economics 244 will be provided on SUNLearn in due course.

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.

Theme 1: Trade and economic growth prospects in the time of the Covid-19 pandemic and global uncertainty.

| Session | Main Issues | Prior Knowledge | Literature | Example questions |
|---------|---|---|---|--|
| 1 | Quick revision of determinants of economic growth and the role of trade in it. | Economic growth <ul style="list-style-type: none"> • What is it? • How is it measured? • What are the sources of economic growth? | | 1.1. Explain with the aid of the Keynesian equation in Macroeconomics, what the role of trade is in generating economic growth. [6] |
| 2. | What is the current state of the world economy with respect to trade and economic growth? | | https://www.wto.org/english/tratop_e/covid19_e/covid19_e.htm | 1.2. Explain briefly the impact of the Covid-19 pandemic on global trade and prospects for economic growth.[10] |
| 3. | Why does international trade matter and what policy advice could Africa derive from International Trade Theory? | International Trade <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 | Jafta & Semanya, 2021, PART I, pp.6-7. Jafta & Semanya, 2021, PART I, pp.7-10. | 1.3. What are the key elements of mercantilist thought on trade? [10] 1.4. Explain the central arguments with which Adam Smith countered the Mercantilist thought on International trade. [10] |
| 4 | What if one country has an absolute advantage in both goods traded? | | Jafta & Semanya, 2021, PART I, pp.10-16. | 1.5. 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. [15] 1.6. What is the basis for Comparative Advantage in Ricardo's theory? [2] |
| 5 | Could African countries that are less well-endowed with resources still gain from international trade? | | Jafta & Semanya, 2021, PART I, pp.16-18. | 1.7. Explain the Heckscher-Ohlin (H-O) model of comparative advantage, indicating what they believe the basis for comparative advantage is. [10] 1.8. What are the trade patterns that will arise if countries followed the H-O model's policy message? [2] |

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|----|---|--|--|---|
| 6 | How can we make sense of modern-day trade patterns, such as intra-industry trade? | | Jafta & Semanya, 2021, PART I, pp.19-21. Jafta & Semanya, 2021, PART I, pp.21-23. | 1.9. How does Linder explain trade patterns on the basis of overlapping demand? [6] 1.10. How does Paul Krugman explain the role of economies of scale as basis for international trade? Substantiate your answer. [10] |
| 7 | What is dynamic comparative advantage and what role does technology play in it? | | Jafta & Semanya, 2021, PART I, pp.23-27. | 1.11. What does dynamic comparative advantage mean? [2] 1.12. Is technological change an important cause of differences in comparative advantage? Explain, with reference to the technology gap and product lifecycle theories. [12] |
| 8 | Why do governments intervene in International trade? How does government intervene, i.e. what are the instruments that they use? | Restrictions on free trade • Tariffs and the impact of tariffs • Consumer and producer surplus • Quotas and the influence of quotas • Other non-tariff restrictions | Jafta & Semanya, 2021, PART II | 1.13. Explain three justifications for restrictions on trade with the aid of real world examples. [10] 1.14. Name and describe briefly five non-tariff restrictions. [10] |
| 9. | What is the impact of government intervention in international trade? | The laws of demand and supply | Jafta & Semanya, 2021, PART II | 1.15. 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 steel. [10] |

Theme 2: The African Continental Free Trade Agreement. What are the options for Africa to improve growth prospects through increased trade

| Session | Main Issues | Prior Knowledge | Literature | Example questions |
|---------|---|--|--|---|
| 10 | <p>Barriers to trade are removed under the auspices of the World Trade Organisation.</p> <p>How could Africa benefit from participation in the World Trade Organisation?</p> | <p>Multilateral trading system</p> <ul style="list-style-type: none"> • What is it? • What is the WTO, its purpose and functions? • What is globalisation? | Jafta & Semanya, 2021, PART III | <p>2.1. Why was the WTO and its predecessor, the GATT established? [6]</p> <p>2.2. Explain what the WTO's Trade Facilitation Agreement is, how it works what progress has been made with implementation so far. [12]</p> |
| 11 | <p>Regional integration also aims to remove barriers to trade to encourage intra-regional trade.</p> <p>What is the African Continental Free Trade Agreement and what is it aimed at achieving?</p> | | <p>Jafta & Semanya, 2021, PART III</p> <p>Jafta & Semanya, 2021, PART IV</p> | <p>2.3. What does economic integration mean? [2]</p> <p>2.4. When is economic integration called regional integration? [1]</p> <p>2.5. Use examples to distinguish between the static and dynamic effects of regional integration. [10]</p> <p>2.6. What is the African Continental Free Trade Agreement and what is it aimed at achieving? [10]</p> |
| 12 | <p>What is the Fourth Industrial Revolution and how can Africa benefit from it?</p> <p>What are global supply chains and how can Africa benefit from it?</p> <p>What is the role of women in trade and how can their prospects be enhanced?</p> | What and when were the other three Industrial revolutions? | Jafta & Semanya, 2021, PART IV | <p>2.7. How can the opportunities provided by the Fourth Industrial Revolution assist Africa to achieve its regional integration ambitions? Explain with the aid of examples. [15]</p> <p>2.8. How can the technologies of the FIR help African businesses join global and regional supply chains? [10]</p> <p>2.9. How can the TFA and the FIR assist women to be more successful in trade? Explain with the aid of examples. [15]</p> |

Theme 3: Africa and South Africa's prospects for economic prosperity through trade in a post-Covid-19 world.

| Session | Main Issues | Literature | Example questions |
|---------|--|--------------------------------------|--|
| 13 | What is South Africa's biggest macroeconomic challenge? | www.statssa.gov.za | 3.1. What is the composition of the unemployed in South Africa? [10] |
| 14 | Is a combination of the opportunities provided by the Fourth Industrial Revolution and the WTO's Trade Facilitation Agreement (TFA), as well as the AfCFTA, powerful enough to propel the economy onto a higher growth path through trade? | Jafta & Semenya, 2021, PART IV | 3.2. How could the FIR and the TFA together with the AfCFTA help South Africa reduce youth unemployment? Explain. [15] |
| 15 | Bringing it all together | Jafta & Semenya, 2021, PART IV, p.80 | 3.3. Make an infographic or mind map to show the potential advantages of the TFA, the FIR and the AfCFTA for South Africa, indicating the mechanisms through which these advantages may link to trade and economic growth. |