



**Diploma in Business Economics (870) – International Trade & Policy**

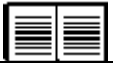


<b>Prerequisites:</b> Knowledge of accounting and business terminology.	<b>Corequisites:</b> A pass or higher in Certificate in Business Studies or equivalence.
<b>Aim:</b> This course covers the most recent research in international trade theory including topics of imperfect competition, firm heterogeneity, trade policies, trade liberalisation, gains from trade, outsourcing, political economy and endogenous growth. The course will bring candidates to the forefront of knowledge in international trade. The aim is that candidates will be able to: identify and explain motivations for trade, effects of trade policy and trade liberalisations and distributional consequences of trade; explain central mechanisms in the covered trade models; compare, contrast and relate different trade models to each other; apply the analytical tools/models of the course in an independent analysis of a specific problem within the topics covered; reflect on the importance of assumptions and model structure for model results, and to evaluate how this affects the generality and applicability of the results; reflect on the consequences of adding new features to known trade models.	
<b>Required Materials:</b> Recommended Learning Resources.	<b>Supplementary Materials:</b> Lecture notes and tutor extra reading recommendations.
<b>Special Requirements:</b> The course requires a combination of lectures, demonstrations and discussions.	
<p><b>Intended Learning Outcomes:</b></p> <p>1 Analyse the components of globalisation. Define an economic model. Understand the circular flow of an economy</p> <p>2 Explore gains from trade</p> <p>3 Analyse the relationship between international trade and economic growth</p>	<p><b>Assessment Criteria:</b></p> <p>1.1 Explain why economists use models.</p> <p>1.2 Describe the current level of globalisation</p> <p>1.3 Illustrate how the closed economy circular flow diagram can be extended into an open economy circular flow diagram.</p> <p>1.4 Explain the balance of payments accounts, which reflect the logic of the open economy circular flow diagram.</p> <p>1.5 Analyse foreign exchange markets and explain how foreign exchange rates are determined by the supply and demand for currencies, which are fundamentally related to the flows recorded in the balance of payments.</p> <p>1.6 Explain the net investment position of a country and how it is related to the balance of payments.</p> <p>2.1 Describe the general equilibrium model of international trade.</p> <p>2.2 Discuss how imports and exports are closely related.</p> <p>2.3 Describe how trade affects both the domestic and foreign economies.</p> <p>2.4 Describe how increasing returns to scale provide a second source of potential gains from trade.</p> <p>3.1 Describe how the power of compounding makes international trade’s effect on economic growth much more important for human welfare than the static gains in</p>

<p>4 Analyse how nations restrict trade. Discuss why Governments restrict trade?</p>	<p>welfare.</p> <p>3.2 Initiate the Solow growth model and describe how international trade affects economic growth when investment is subject to diminishing returns and depreciation.</p> <p>3.3 Explain the Schumpeterian model of technological progress and show how international trade affects the determinants of long-run technological progress.</p> <p>4.1 Explain the effects of tariffs using both partial equilibrium and general equilibrium models</p> <p>4.2 Explain the important Lerner Symmetry Theorem.</p> <p>4.3 Demonstrate the similarities between tariffs and quotas.</p> <p>4.4 Describe ways in which governments restrict international trade.</p> <p>4.5 Analyse the concept of rent seeking and how it applies to trade policy from both a static and an growth perspective.</p> <p>4.6 Distinguish the distribution of the welfare gains and losses from international trade.</p> <p>4.7 Explain the strategic trade and infant industry arguments for protection.</p> <p>4.8 Distinguish the assumptions that must be satisfied for the strategic trade and infant industry arguments for protection to be valid.</p>
<p>5 Analyse the ups and downs of trade policy. Illustrate how the government sets trade policies</p>	<p>5.1 Be able to use historical examples to illustrate how economic, social, and political factors determine trade policies.</p> <p>5.2 Be able to relate historical trends in trade policies to changes in economic, social, and political factors.</p> <p>5.3 Discuss the trend towards free trade.</p> <p>5.4 Research information on the GATT, the World Trade Organisation, and the other institutions that guide the trade policies of individual countries today.</p> <p>5.5 Discuss how trade policy is likely to evolve in the future.</p>
<p>6 Define Regional Economic Integration. Explore discriminatory trade policies including free trade areas and antidumping protection</p>	<p>6.1 Analyse contradictory clauses in the GATT.</p> <p>6.2 Explain how trade creation and trade diversion make the welfare effects of a trade bloc theoretically ambiguous.</p> <p>6.3 Familiarise with several recent regional integration schemes, including the EU and NAFTA.</p> <p>6.4 Discuss whether regional economic integration is a step on the way to full multilateral free trade or whether it creates permanent discriminatory regional economic groups.</p> <p>6.5 Explain GATT/WTO rules on</p>

<p>7 Discuss the relationship between international trade and international investment. Analyse the economics of international investment. Describe the different forms of international investment</p>	<p>antidumping procedures.</p> <p>7.1 Show how international investment raises the total value of world output and income, and why all countries share in the net gains.</p> <p>7.2 Explain how international investment permits investors to spread their risk among a greater variety of assets.</p> <p>7.3 Be able to present evidence and models suggesting that international investment also facilitates the flow of technology between countries.</p> <p>7.4 Describe determinants of intertemporal comparative advantage</p> <p>7.5 Explain why international investment is still small compared to what it could be.</p> <p>7.6 Detail the principal types of international investment flows and their recent growth.</p> <p>7.7 Discuss the reasons why firms operate in more than one country.</p> <p>7.8 Describe how portfolio investment has grown in recent decades as governments liberalised investment flows.</p> <p>7.9 Explain international banking and the growth of the eurocurrency markets.</p> <p>7.10 Discuss foreign aid and the reasons why developed country governments have reduced their foreign aid transfers.</p>
<p>8 Describe the historical development of the foreign exchange market. Discuss the evolution of the international financial system</p>	<p>8.1 Review the historical development of foreign exchange markets.</p> <p>8.2 Explain how the foreign exchange rate reflects the demand and supply of goods, services, and assets, and the other flows that make up the balance of payments.</p> <p>8.3 Explain geographic arbitrage, triangular arbitrage, and inter temporal arbitrage.</p> <p>8.4 Define the spot and forward foreign exchange markets.</p> <p>8.5 Explain foreign exchange risk and how to hedge risk.</p> <p>8.6 Describe effective exchange rates.</p> <p>8.7 Evaluate the history of the international financial system that existed before today's mixture of floating, fixed, and manipulated exchange rates.</p> <p>8.8 Use the historical examples to illustrate how the trilemma was dealt with and how well each system promoted human welfare.</p> <p>8.9 Describe why financial orders tend to change when changing economic, social, and political conditions cause policy makers to address the trilemma differently.</p>
<p>9 Evaluate the economic policy in an open economy</p>	<p>9.1 Illustrate why it is difficult to keep exchange rates constant.</p> <p>9.2 Explain how foreign exchange market intervention works and why it cannot</p>

<p>10 Analyse the causes of international migration of people. Describe the factors that determine immigration, and underline the role of immigration policy.</p>	9.3	permanently fix exchange rates. Describe purchasing power parity (PPP) and review the evidence on how well it explains long-run exchange rates. Introduce the aggregate demand/aggregate supply (AD/AS) macroeconomic model, which determines price levels.
	9.4	Explain the trilemma and show how attempts to defy the trilemma has caused recent financial crisis.
	10.1	Analyse the labour supply and demand model of immigration.
	10.2	Be able to use the labour supply and demand model of immigration to frame the analysis of the gains and losses from immigration on source and destination countries.
	10.3	Review the evidence on international migration's welfare effects.
	10.4	Examine how immigration is likely to influence countries' rates of economic growth.
	10.5	Use the history of UK policies toward immigrants as a case study of immigration policy.
	10.6	Describe immigration policy in neighbouring countries.
	10.7	Analyse illegal immigration, its likely causes, and its consequences.
	10.8	Analyse the bureaucratic world of immigration regulation by examining how people go about getting immigrant visas in the UK and other countries.

### Recommended Learning Resources: International Trade & Policy

<b>Text Books</b>	<ul style="list-style-type: none"> <li>• The Politics of International Trade in the 21st Century: by Dominic Kelly and Wyn Grant. ISBN-10: 1403904847</li> <li>• Handbook on International Trade Policy by William A. Kerr, James D Gaisford and James D. Gaisford. ISBN-10: 1848443129</li> <li>• International Trade Theory and Policy (Paperback) by Giancarlo Gandolfo. ISBN-10: 3540643168</li> </ul>
<b>Study Manuals</b> 	BCE produced study packs
<b>CD ROM</b> 	Power-point slides
<b>Software</b> 	None

Tel: 0044 7423211037

Email: [info@londoncomputercollege.co.uk](mailto:info@londoncomputercollege.co.uk) Website: [www.londoncomputercollege.co.uk](http://www.londoncomputercollege.co.uk)

Registered No: 3267009 (England)