

Department of Agricultural Economics and Agribusiness  
Louisiana State University and A&M College

AGEC 4613  
International Trade and Development in Agriculture  
116 Tureaud Hall  
9:00 – 10:20 AM, Tuesday/Thursday

**AGEC 4613 *International Trade and Development in Agriculture* (3) F-O Prereq.: AGE3003 or equivalent. Structure, trade, and practices in exporting and importing regions and nations; policies of major agricultural trading nations and institutions; aid, development relationships, and current development trade policy.**

**Upon completion of the course, students should be able --**

1. to identify and define the "gains from trade".
2. to explain the role of the various models used to analyze trade.
3. to explain the basic workings of domestic and trade policies and their effect on international agricultural trade.
4. to describe the effects of various multinational trade agreements and explain how they will affect producers, consumers, and the governments of the countries involved.
5. to describe the relationship between agricultural trade and various components of society, such as the environment, development, and growth.

**Required Text:**

Koo and Kennedy. *Agricultural Trade: Theories and Practice*, Blackwell Publishers, Oxford. First Edition, 2005.

## **Grading Policy**

The grade obtained in this course will be determined by the student's performance on quizzes, 3 mid semester examinations, and a comprehensive final examination. Quizzes will account for 25 percent, mid semester exams will account for 45 percent, and the final exam will account for 30 percent of the final grade, respectively. The final grading scale is as follows:

90.0 – 99.9 = A; 80.0 – 89.9 = B; 70.0 – 79.9 = C; 60.0 – 69.9 = D; and < 60.0 = F.

Tentative dates for the examinations are as follows:

Exam I: Thursday, February 7, 2013  
Exam II: Thursday, March 7, 2013  
Exam III: Thursday, April 11, 2013  
Final Exam: Wednesday, May 8, 2013

Quizzes will not always be announced prior to the day of the quiz. Makeup quizzes will only be given if an absence is pre-excused. If a calculator is required, the student must bring a calculator. The use of cell phones and other mobile communication devices with calculator applications is not permitted during quizzes or examinations.

## **Graduate Student Criteria:**

As an additional part of their course requirement, graduate students enrolled in this course must complete a term project on a topic mutually agreed upon by the instructor and the student.

## **Other Policies and Procedures:**

1. The instructor expects students to attend class regularly and to be active in classroom discussions. Students are encouraged to ask questions concerning material covered in class.
2. The class will meet two times per week (Tuesday/Thursday from 9:10 to 10:30 AM. It is expected that all reading assignments be completed prior to the lecture.
3. The instructor expects the student to be responsible for his (her) success as a student. If you are unable to attend class on a given day, make sure you obtain the notes from someone since materials will be covered that are not in the textbook. There are no excuses for missing material covered in class.
4. Examinations will not be offered at any time other than the scheduled time.

## **Code of Student Conduct:**

Students will be bound by the *LSU Code of Student Conduct* regarding Academic Misconduct.

## **Outline – AGEC 4613**

### **The Theory of International Trade**

5. Comparative Advantage and the Gains from Trade
  - a. Basic Theory of Comparative Advantage
  - b. Production Possibilities Frontier and Production Equilibrium
  - c. Consumption Possibilities Frontier and Consumption Equilibrium
  - d. General Equilibrium in Open and Closed Economy
  - e. The Gains from Trade
  
6. Comparative Advantage and Factor Endowments; Heckscher-Ohlin Model
  - a. Heckscher-Ohlin Theorem
  - b. Factor Price Equalization Theorem
  - c. Stolper-Samuelson Theorem
  - d. Rybczynski Theorem
  - e. Comparative Advantage under Imperfect Competition (Modern Trade Theory)
  
7. Partial Equilibrium Analysis
  - a. Import Demand Equation
  - b. Export Supply Equation
  - c. Partial Equilibrium
  - d. Transportation and other Transfer Costs

### **Trade Policies**

8. Protection – What is it Good For?
  
9. Tariffs
  - a. Tariff Systems and Types
  - b. Incidence of Tariffs
  - c. Welfare Implications of Tariffs
  - d. Nominal and Effective Tariffs
  - e. Optimal Tariff Policies
  
10. Quotas
  - a. Import and Export Quotas
  - b. Economic Effects of Quotas
  - c. Comparison Between Quotas and Tariffs
  - d. Tariff Rate Quota

11. Other Non-tariff Barriers
  - a. Voluntary Export Restraints
  - b. Technical, Administered Protection, Other Regulations
  - c. International Cartels
  - d. Dumping
  
12. Internal and Export Subsidies
  - a. Specific Production Subsidies
  - b. Open-end Production Subsidies
  - c. Deficiency Payment System
  - d. Variable Levy System
  - e. Export Subsidies
  
13. U.S. Commercial Policies and Multilateral Trade Negotiations
  - a. The General Agreement on Tariffs and Trade
  - b. Agricultural Trade Liberalization under the Uruguay Round of GATT
  
14. Economic Integration
  - a. The Theory of Economic Integration
  - b. Various Types of Regional Economic Integration
  - c. Trade Creation and Diversion Effects
  - d. Welfare Effects of Free Trade Area
  - e. History of Attempts at Economic Integration
    - i. The European Union
    - ii. North American Free Trade Agreement
    - iii. Other Free Trade Areas (APEC, MERCOSUR, etc.)

### **Foreign Exchange Markets and the Balance of Payments**

15. The Foreign Exchange Markets
  - a. Functions of the Foreign Exchange Markets
  - b. Floating and Fixed Exchange Rate System
  - c. The Equilibrium Foreign Exchange Rate
  - d. Arbitrage
  - e. Spot and Forward Rates
  - f. Foreign Exchange Risk, Hedging, and Speculation

16. Adjustments in The Balance of Payments and Foreign Exchange Markets
  - a. Adjustment with Flexible Exchange Rates
  - b. Stability in Foreign Exchange Markets
  - c. Marshall-Lerner Condition
17. The Income Adjustment
  - a. National Income in a Closed Economy
  - b. National Income in a Small Open Economy
  - c. Foreign Repercussions
18. Foreign Exchange Rates and Agricultural Trade.

### **Direct Foreign Investment, Economic Growth, and Environment**

19. Direct Foreign Investment
20. Multinational Corporations
21. Role of Trade in Economic Growth
22. Trade and the Environment