

**MNE 697E International Minerals Trade
Spring Semester 2009**

Instructor: Michael Rieber, Emeritus Professor, Economics

Credit: 1 credit, 100%

Grade: A,B,C,D,E

Catalog Description:

This course covers those areas of the economics of international trade of particular relevance to the mineral industries. The theory introduced is that required to support and inform the applications. It is assumed that the mineral has been mined, but not necessarily processed, and will be disposed primarily by export. Imports, from ore through embodied minerals, affect domestic production. Basic areas of the trade will be surveyed and analyzed.

Course Objectives:

To provide a survey and partial blueprint of the nature and practices of the minerals trade. The emphasis is on the economic consequences of transport modes and means to both exporters and importers. The course will provide the basis for decision making with respect to long and short term carriage and risk.

Topics:

TRADE IMPACTS: NATIONAL, STATE, LOCAL

Minerals Trade: Importance

Trade and Growth

Income effects – scale and distribution

Export dependence – resource exports and effects
vulnerability
commodity price volatility

Balance of payments

RESOURCES TRADE: THEORY AND APPLICATIONS

Basis for Trade: Factor Endowments and Exchange – Comparative Advantage

“The Miracle of Trade,” *Economist*, 27/1/96, pp. 61-2

“Not So Absolutely Fabulous,” *Economist*, 4/11/95, p. 86

Commodity Trade: Competitive Advantage – Factor Mobility or Commodity Trade –
The Alternatives

Rieber, M., “Level Playing Fields, Tilted Playing Fields and U.S
Competitiveness,” *Resources Policy*, 19(11) 235-246 (1993)

Rieber, M., “The Future Competitiveness of U.S. Copper,” *Proceedings
International Symposium, Cobre 91*, Vol. 1, pp. 153-167, Ottawa, Can., Pergamon
Press (1991)

Rieber, M., “Playing Fields: Level and Otherwise,” *Proceedings*, International
Session (Australasia), 2002 SME Annual Meeting, Phoenix, Arizona, 20 pp.

Factor Price Equalization – Which Factors?

Hellmer, S., "The Role of Produce Differentiation in the Iron Ore Industry,"
Resources Policy, 22(1/2) 49-60 (1996)

Pricing and Trade Mechanics

See: Laulajainen, R., "The Geographical Reach of a Commodity Exchange,"
Resources Policy, 21(2)133-141, 1995.
Holroyd, W.G., "Raw Material Trade: Mine to Market," Chap. 2.7 in
Hartman, H.L. (ed), *SME Mining Engineering Handbook*, Vol. 1 (1992)
O'Driscoll, M. "Trading in Industrial Minerals," *Industrial Minerals*,
Special Review, 1994

See Also: *Industrial Minerals, Engineering and Mining Journal*,
Metals Bulletin, etc. for monthly price data by location,
form and market.

PHYSICAL TRADE

Market Structure/Product Variation/Product Stage

Exchanges/Agents/Dealers/Brokers

Vertical Integration/Transfer Pricing/Multinationals

Commodity Market Stabilization – Cartels, Oligopoly, UNCTAD

Restricted Markets

Regional and Bilateral Agreements
Contracts
Cartels and Combines

Results – Price Formation

Stage
Agency
Transparency

Market Disequilibrium – trade barriers

Regional and bilateral agreements
Contracts
Cartels and combines

Interventions

Trade policy instruments

Restrictive Trade Practices

Protection

References

"Prices," *E&MJ*, monthly

"Prices," *Industrial Minerals*, Monthly

Laulajainen, R., "The Geographical Reach of a Commodity Exchange,"
Resources Policy, 21(2) 133-141 (1995)

Bedi, N., "Quality Assurance," *Trading in Industrial Minerals*, (1994)

Davies, T. and S. Buckley, "Sampling and Quality Assurance," *IM Trading*, Special Review (1994)

TRANSPORT

Physical Issues/Process Location/Product Specs.

See: Barker, "Industrial Minerals – Ship Transport", SME Preprint, 96-188

Costing and Netbacks

See: Chartering Annual (1995), Maritime Research, Inc., New Jersey
Lundgren, N-G, "Bulk Trade and Maritime Transport Costs,"
Resources Policy, 22(1/2)5-32 (1996).

Bedi, N., "Quality Assurance," Trading in Industrial Minerals,
Industrial Minerals, 1994

Davies, T. and S. Buckley, "Sampling and Quality Assurance,"
Industrial Minerals, 1994

See also for reference:

Branch, A.E., Dictionary of Shipping International Trade Terms
And Abbreviations, 3rd ed., London: Witherby and Co.,
1986. (Very extensive, many descriptions, unlikely that
anything is missing)

Branch, A.E., Economics of Shipping Practice and Management,
2nd ed., London: Chapman and Hall, 1988.

(First half is of interest as an introduction, written from the
exporter's and vessel owner's viewpoint)

Gray, J.W., Futures and Options for Shipping, London: Lloyds
List, 1987

(Very detailed, hands-on), all you are ever likely to need for
hedging cargoes, ships and currency)

TRADE FINANCE AND RISK

Principals/Agents

Physical – Risk and Hedge

Commodity Price

Transport Cost

Inventory

Credit/Financing – Who owns what and when?

See: Peterson, "Increasing Importance of Countertrade," World Trade
In Metals and Minerals

Melvin, M., 1992, "Import and Export Financing" Chapter 11 in
International Miney and Finance 3rd edition, Harper Collins
171-182

Shapiro, A.C., 1998, "Financing Foreign Trade", Chapter 12 in
Multinational Financial Management 6th edition, Prentice Hall
391-418

Levi, M.D. 1990, "The Instruments, Institutions and Organization
of International Trade", Chapter 17 of *International Finance: The*

HEDGING versus SPECULATION

Introduction: What Can Be Hedged, Why and How

Spot Rates and Forward Rates

Baltic International Freight Futures Exchange

FOREIGN EXCHANGE & HEDGING

The Market

Shapiro, A., "The Foreign Exchange Market," *Multinational Financial Management*, Prentice-Hall, (1998)

The Mechanisms

Levi, M.D., "Forward Futures and Option Markets," *International Finance*, McGraw-Hill, (1990)

Grading:

Final Exam (60%)
Paper

Total
60%
40%

Write a 4-page paper on any course aspect with specific reference to an ore or mineral commodity with which you are familiar.

Grading Policy:

90-100%=A
89-80%= B
79-70%= C
69-60%= D
Less than 60%=E

Text books:

None

Readings: *see for each topic*

Prerequisites:

MNE 697c or background in mineral economics