

11. INTERNATIONAL ECONOMICS

Course Objective: This Course aims to develop a systematic understanding of the key concepts and theories in international economics, enabling them to critically evaluate the impact of trade policies on national economies and welfare.

Course Learning Outcomes:

After completing the course, the student shall be able to achieve the following outcomes:

- CO1:** Explain the importance and concepts of international trade
- CO2:** Make a critical analysis of the theories of international trade
- CO3:** Explain changes in the methods of determining exchange rates
- CO4:** Analyse the effects of Trade Barriers and protectionism in International Trade.
- CO5:** Explain multilateralism, regionalism and India's international trade

Unit - 1: Introduction to Theory of International Trade

- International Trade (IT): Meaning and Importance; Gains from Trade, Free Trade vs Restricted Trade
- Offer Curves: Meaning, Properties; Trade Elasticity
- Terms of Trade (ToT): Concept, Types, Equilibrium
- Opportunity Costs in IT; Trade Multiplier

Unit - 2: Theories of International Trade

- Classical Trade Theories: Absolute Advantage Theory, Comparative Advantage theory
- Modern Trade Theories: Heckscher-Ohlin Factor Endowments Theory, Leontief Paradox, Stolper-Samuelson Theorem
- Other Trade Theories: Prebisch-Singer's Secular Deterioration Thesis, Gunnar Myrdal Trade Theory in brief

Unit - 3: Exchange Rates and BOP Mechanism

- Exchange Rates: Meaning and Types; Changes in Exchange Rates: Devaluation & Revaluation, Depreciation & Appreciation
- Factors and Determination of Exchange Rate Purchasing Power Parity
- Balance of Payments (BoP): Definition, Composition, Equilibrium and Disequilibrium
- BoP Adjustment Mechanisms; Policy Assignment Problems and Mundel Model in brief

Unit- 4: Trade Barriers and International Finance

- Trade Barriers: Tariffs, Quotas, Subsidies, Dumping & Anti-Dumping, Price Discrimination, Effects of Trade Barriers

- Optimum Tariff: Theory and Formula; Effective Rate of Protection; New Protectionism
- Role of International Finance in Trade; Role of World Bank and IMF in International Trade and Finance

Unit- 5: Multilateralism, Regionalism and India's International Trade

- Multilateralism: Concept, GATT & WTO
- Forms of Economic Cooperation: Free Trade Area, Customs Union and Common Market
- India's International Trade: Trade Volume, Composition, Direction, BoP, Forex Reserves
- India's Important Trade Agreements and New Foreign Trade Policy

References:

1. Salvatore, D., "International Economics", John Wiley, 12th Edition, 2015
2. Krugman, P., Obstfeld, M. and Melitz, M., "International Economics: Theory and Policy", Pearson Education Indian Edition, 9th Edition, 2012
3. Cherunilam. F (2016), *International Economics*, The McGraw-Hill, New Delhi
4. Open Source Online Materials & Videos: IGNOU, e-PG Pathasala, SWAYM, Khan Academy etc.
5. Websites of WTO, IMF, WB, Ministry of Commerce, DPIIT, Govt of India

Suggested Activities:

Unit-1: Assignments and Student Seminars on theories of International Trade.

Unit-2: Web Assignments on economic cooperation and economic clusters

Unit-3: Poster presentations on free trade and protection

Unit-4: Debate on Indian trade and current trends

Unit-5: Workshop on DGFT sops for beginning export/import business