



**MA Economics  
International Trade  
[Core Course]**

**Semester I**

**Credits: 4**

**Subject Code: MEC 12003**

**Lectures: 48**

**Course Outcomes:**

**At the end of the Course, the learner will be able to:**

- Discuss and describe the theoretical framework of International Trade.
- Explain the concept of terms of trade and the measurement of terms of and gains from trade
- Discuss and debate the theoretical and practical aspects of free trade policy.
- Explain and demonstrate the terminology used, parties involved and transactions in International Trade.
- Discuss and debate the International Trading and Monetary mechanism and the agreements within.

**Unit 1:International Trade Theories**

**10**

- The Comparative Cost Theory of International Trade along with the Opportunity Cost Approach
- Factor Endowment Theory (Heckscher- Ohlin Theory)
- Leontief paradox
- Samuelson's Factor Price Equalization Theory
- Rybczynski Theorem
- Vernon's Product Cycle Theory
- Porter's Competitive Advantage of Nations
- Competitive Advantage on a Warming Planet-Lash & Wellington

**Unit 2:Gains from Trade & Terms of Trade**

**10**

- Static & Dynamic Gains from Trade
- Mill's Doctrine of Reciprocal Demand-Offer Curves
- Concepts of Terms of Trade-Net Barter, Gross Barter, Income, Single Factoral and Double Factoral Terms of Trade
- Factors affecting Terms of Trade
- Measurement of Terms of Trade
- Secular deterioration in the ToT of developing countries (Prebisch-Singer Hypothesis)

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**Unit 3: International Trade Policy**

**10**

- Outward and Inward looking policy
- Relevance of Free Trade Policy under Globalization
- Methods of Protection- Tariffs and Non-Tariff Barriers on Trade
- Types of Tariffs & Non-Tariff Barriers (Import Quotas, Voluntary Export Restraints, Export Subsidies, Countervailing Duties)
- Effects of Tariffs & Quotas under Partial Equilibrium (Price Effect, Terms of Trade Effect, Competitive Effect, Income Effect, Revenue Effect)
- Tariff versus Quota

**Unit 4: International Trading & Monetary System**

**10**

- WTO-Evolution; Structure; Functions; Agreements- TRIPS, TRIMS, Agreement on Agriculture, GATS, WTO & India
- Trading Blocs-EU, SAARC, ASEAN; BRIC; BRICS; BRICM, Asia-Pacific Economic Cooperation (APEC)
- UNCTAD
- IMF & World Bank
- Asian Development Bank

**Unit 5: Aspects of International Trade**

**08**

- Risks in International Trade
- Parties to an International Trade Transaction
- International Trade Terminology - cif (cost, insurance, freight); cfr (cost and freight); fas (free alongside ship); fob (free on board); cip (carriage & insurance paid to), cpt, (carriage paid to); dat (delivered at terminal); dap (delivered at place); ddp (delivered duty paid), exw (ex works); fca (free carrier)
- Documents in International Trade-Bill of Exchange, Bill of Lading, Letter of Credit
- Certificate of Origin of Goods and their types
- Counter trade-Types, Pros & Cons of Counter Trade; Outsourcing; Ethics in International Trade-Employment Practices, Human Rights, Environment Protection, Combating Corruption, Social Responsibility

**#12 lectures are assigned for library work, assignments, guest lectures and other contact hours**

**Recommended Text Books:**

- Gupta, K.R.(latest edition): “*International Economics*”, Atma Ram & Sons, Delhi
- Hill, Charles, W.L & Jain, A. K (latest ed): *International Business – Competing in the Global Marketplace*
- Krugman, Paul .R. & Obstfeld, Maurice (2009): “*International Economics Theory and*

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*Policy*", Pearson Education Publication, New Delhi.

- Lash, Jonathan & Wellington, F(2007): "*Competitive Advantage on a Warming Planet*", Harvard Business Review, Mar 2007; reproduced in HBR on Green Business Strategy, 2007, Harvard Business School Press, USA, p125-148.
- Paul, Justin (2004) ed., "*International Business*", Prentice-Hall India Pvt. Ltd
- Porter, M.E. (1990): "*The Competitive Advantage of Nations*", HBR, Mar-April, 1990: Harvard Business School Publishing Press., USA.
- Pugel T.A (2008): "*International Economics*", Tata McGraw-Hill Publishing Company Ltd, New Delhi.
- Salvatore, D. (Latest ed.) "*International Economics*", Prentice Hall, Upper Saddle River, N.J., New York.
- Salvatore, D (2004) "*Theory and Problems of International Economics*" Schaum's Outline Series, Tata McGraw Hill Publishing Co. Ltd., New Delhi.
- Sawyer, W.C and Sprinkle, R.L (2003) "*International Economics*", Pearson Education
- Soderston, Bo (latest edition): "*International Economics*", The Macmillan Press Ltd.,London.
- Srivastava, O.S.(latest edition), "*International Economics*", Kalyani Publishers
- Williamson, J & Milner, C (1991): "*The World Economy-A Textbook in International Economics*", New York University Press, N. York.

#### Reference Books:

- Bhagwati, J (1969), "*Trade, Tariff & Growth*", Weidenfeld & Nicolson
- Carborough, R.J. (1999) "*International Economics*", Thompson Publishing, NY
- Chacholiades, M. (latest edition): "*International Trade: Theory and Policy*", McGraw - Hill, Kogakusha, Japan.
- Ellsworth, P.T (1969) "*International Economy*", Collier MacMillan International
- Gerber, J (2012): "*International Economics*", Pearson Publication. New Delhi.
- Hoekman, B, Mattoo, A & English, P (ed)- "*Development, Trade and the WTO-A Handbook*"-The World Bank, Washington, D.C., First Indian Reprint 2005, Atlantic Publishers & Distributors, N. Delhi.
- Ingram, James. C (1983) "*International Economics*", John Wiley & Sons, Inc.
- Kenen, Peter (2008) "*The International Economy*", Cambridge University Press.
- Kindleberger, C.P.(latest edition): "*International Economics*", R.D. Irwin, Homewood.
- Lindert, Peter, H. (1987) "*International Economics*" Richard Irwin Inc.
- Rugman, Alan. M and Hodgetts, Richard, M (2004): "*International Business*", Pearson Education
- Sengupta, D, Chakraborty, D, Banerjee, P, (ed)(2006): "*Beyond the Transition Phase of WTO-An Indian Perspective on Emerging Issues*" published by Academic Foundation in association with Centre de Sciences Humaines, New Delhi.
- Srinivasan, T.N. (1998): "*Developing Countries and the Multilateral Trading System*" OUP, Delhi
- Sodersten, Bo & Reed, G ( latest edition): "*International Economics*", MacMillan
- Trivedi, Sonu (2005) "*Regional Economic Cooperation and Integration*", New Century Publications, New Delhi.

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**MA Economics  
International Finance  
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<b>Semester II</b>	<b>Credits: 4</b>	<b>Subject Code: MEC22003</b>	<b>Lectures: 48</b>
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**Course Outcomes:**

**At the end of the Course, the learner will be able to:**

- Discuss and describe the theoretical framework of International Finance and recognize the features of an International Financial system.
- Describe the concept of balance of payments and the mechanism required to balance the same.
- Identify and explain the theoretical and practical aspects of foreign exchange transactions and operations.
- Examine and evaluate the movement of capital flows and working of International financial markets.

<b>Unit 1: International Finance</b>	<b>04</b>
<ul style="list-style-type: none"><li>• International Finance- Meaning, Scope &amp; Importance</li><li>• Benefits of a well-developed International Financial System</li><li>• Important International Financial Crisis and the role of IMF (Oil crisis, International debt crisis, South East Asian crisis, Brazil Argentina and Mexico, Russia and Eastern Europe, The sub-prime crisis)</li></ul>	

<b>Unit 2: Balance of Payments</b>	<b>14</b>
<ul style="list-style-type: none"><li>• Meaning, Structure and Components of the Balance of Payments</li><li>• Balance of Payments- Identification of Disequilibrium &amp; Causes of Disequilibrium</li><li>• Correction of Disequilibrium- Automatic &amp; Deliberate Correction</li><li>• Working of the Foreign Trade Multiplier</li><li>• Adjustment Mechanisms of BOP-Absorption Approach and the Monetary Approach</li><li>• Policies for Internal and External Balance-Fiscal and Monetary Policy under Fixed and Floating Exchange Rates.</li></ul>	

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**Unit 3: Foreign Exchange**

**14**

- Foreign Exchange Rate Movements-Depreciation, Appreciation, Devaluation and Overvaluation of Foreign Exchange Rate
- Foreign Exchange Market Transactions - Spot and Forward Market Transactions
- Exchanges, Futures, Swap Operation, Hedging, Arbitrage, Speculation
- Theories of Foreign Exchange Rate Determination- Purchasing Power Parity Theory
- Monetary and Portfolio Balance Models of Exchange Rate determination; Exchange Rate Forecasting
- Balance of Payments Theory.
- Exchange Rate Systems- Fixed and Flexible Exchange Rates-Case for and against Fixed and Flexible Exchange Rates; Types of Floating Rates-Clean Float, Dirty Float, Managed Float, filthy float, joint float, exchange rate band and snake in the tunnel
- Convertibility of a currency-Current and Capital Account Convertibility – Meaning, Benefits, Pre-requisites & Problems
- Relation between global Interest rates and exchange rates

**Unit 4: International (Foreign) Capital Flows**

**10**

- Evaluation of Foreign Direct Investment : Trends, Direction, Sources, Forms- Horizontal and Vertical FDI; Capital Budgeting for Foreign Direct Investments
- Foreign Portfolio Investment and its types
- International Bond Market:-
  - Emergence of International Bond Market
  - Types of International Bonds -Foreign Bond, Eurobond, Sovereign Bond
  - Variations in Bond Features - Fixed Coupon, Floating Coupon, Zero Coupon, Convertible Bond, Dual Currency Bond

**Unit 5: International Financing**

**06**

- International Financing Decision based on interest rates, maturity, choice of market and instruments
- Evaluating Borrowing Decisions –based on all-in costs, interest rate and currency exposure
- Funding Avenues in Global Capital Markets-EuroCurrency Markets, EuroBond Markets; Eurocurrency Financial Instruments-EuroCPs, EuroCDs, Euroloans, Euronotes, Eurobonds.; Syndicated Loans
- International Equity Financing- The Depository Receipts Mechanism-ADRs and GDRs
- Project Finance- Meaning, Sources for Project Finance, Types, Guarantees and Risk Insurance

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#### **Recommended Text Books:**

- Bhalla, V.K(2010): *International Financial Markets*, Anmol Pub. Pvt. Ltd, New Delhi
- G.Shailaja (2011): *International Finance*, Universities Press India Pvt Ltd, Hyderabad.
- Gupta, K.R.(latest edition): “*International Economics*”, Atma Ram & Sons, Delhi
- Krugman, Paul .R. & Obstfeld, Maurice (2009) : “*International Economics Theory and Policy*”, Pearson Education Publication, New Delhi.
- Levi, M.D ( 2009): *International Finance*, Routledge, Taylor & Francis Group, New York, Special Indian Edition
- Pugel T.A (2008): “*International Economics*”, Tata McGraw-Hill Pub. Co. Ltd, ND.
- Salvatore, D. (latest ed): “*International Economics*”, Prentice Hall, N.J.
- Salvatore, D (2004) “*Theory and Problems of International Economics*” Schaum’s Outline Series, Tata McGraw Hill Publishing Co. Ltd., New Delhi.
- Sawyer, W.C and Sprinkle, R.L (2003) “*International Economics*”, Pearson Education
- Soderston, Bo (latest edition): “*International Economics*”, The Macmillan Press Ltd.,London.
- Srivastava, O.S.(latest edition), “*International Economics*”, Kalyani Publishers.
- Williamson, J & Milner, C (1991): “*The World Economy-A Textbook in International Economics*”, New York University Press, N. York
- Prakash G Apte, (2017) “*International Finance – A Business Perspective*”, CFM-McGraw-Hill Professional Series In Finance – Second Edition

#### **Reference Books:**

- Heller, Robert H., NJ: International Monetary Economics Prentice Hall, Englewood Cliffs
- Kindleberger, Charles P., D.B. International Economics, Taraporewala and Sons, Mumbai
- Rugel, Thomas A. International Economics, McGraw Hill, New Delhi.
- Ellsworth P.T. and Clark J.Leith, The International Economy New York Macmillan Publishing Co.
- Gowda, Venkatagiri K., Eurodollar Flows and International Monetary Stability, Geetha Book House, Mysore.
- Verghese, S.K., Foreign Exchange and Financing of Foreign Trade, Vikas Publishing House, New Delhi.
- Heller, Robert, H., International Monetary Economics Prentice Hall, Cliffs.
- Salvatore, Dominick, International Economics Macmillan, New York Publishing Co. New York
- Jalan Bimal, India's Economic Crisis, Oxford University Press, Oxford

#### **Journals & Periodicals:**

- “Economic and Political Weekly” (Relevant Issues).
- “Economic Survey”, Government of India
- “Foreign Trade Review”- Journal of the Indian Institute of Foreign Trade, New Delhi.

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- “Report on Currency and Finance” (annual), RBI, New Delhi
- “World Investment Report” (annual), UNCTAD

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