

IV SEMESTER

Hard Core

EC551 INTERNATIONAL ECONOMICS

➤ **Learning Objectives and Outcomes:**

- Main purpose of this paper is to introduce theories and practices of international trade.
- By learning this students are expected to know about - International Trade Theories, Measurement of Trade Gains, Commercial Policy, International Factor Movements, Balance of Payments, International Liquidity and Debt.

Module I : International Trade Theories:

Basis of international trade-theories of absolute advantage, comparative advantage and opportunity costs-critique. Heckscher-Ohlin theory of international trade-factor price equalization theory-Leontief's paradox-empirical evidence of H-O theory-limitations

Modern theories of international trade. Simultaneous equilibrium achievements models of Mundell and Swan-limitations Optimum currency area theories of Mundell, Mckinnon, Magnifico -Britton Wood Achievements and limitations of WTO.

Module II: Measurement of Trade Gains:

Factor supply increase-impact of trade-Rybczynski theorem-immiserizing growth and secular deterioration hypothesis-trade as engine of economic growth.

Module III: Commercial Policy:

Free, Restricted Policy - Arguments for tariff-partial and general equilibrium analysis-import tariffs versus import quotas-tariffs and terms of trade-nominal, effective and optimal tariff rates-effective rate of protection.

Stolper-Samuelson theorem-economic effects of tariffs-subsidies-non-tariff barriers-current policy.

Partial and general equilibrium analysis of customs union-free trade areas-approaches of Viner, Lipsey and Vanek-regional trade blocs-EU, NAFTA, SAARC/SAFTA, UNCTAD, WTO-trade liberalization and growth.

Module IV: International Factor Movements:

International capital and labour movements-MNCs and their operation-international trade in services and knowledge-based industries-GATS, TRIPs, TRIMs-trade problems of developing countries.

Module V : Balance of Payments:

Balance of payments accounting-balance of payments and balance of trade-BOP settlement and adjustment methods.

Exchange rates a-spot, forward rates-hedging, speculation, arbitrage-BOP and foreign exchange rate relationship- exchange rate overshooting-Approaches to BOP adjustment-monetary approach-elasticity approach-Marshall-Lerner-Robinson conditions-absorption approach of Alexander

Module VI : International Liquidity and Debt:

International monetary system-gold standard-Bretton Woods System-Reforms in International Monetary system-determinants of international reserves-problems of international liquidity –role of IMF and World Bank in International Liquidity

Foreign debt crisis-debt analysis-policy changes-current position

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