

B.COM
SEMESTER VI
International Economics (CC 18)
(100Marks, 60 Lectures)

Objectives:

1. To enable the students to understand the role of international trade and the importance of trade policy in the current global scenario
2. To enable the students to have an understanding of the importance of investment flows across countries and their dependence on various macroeconomic variables that are of significance in an open economy
3. To acquaint students with the key accounts of the balance of payments, how exchange rates are determined in the markets for foreign exchange and help them understand the connection between balance of payments and exchange rate movements
4. To enable students to be aware of the meaning and significance of regional and multilateral trade negotiations

Unit I International Trade

(25 Marks, 15 Lectures)

International trade – meaning and features; Theories of international trade: Classical (comparative advantage), H-O theorem, Product Life Cycle, Technological Gaps, Intra-Industry trade; Gains from International trade; Terms of Trade: meaning and 3 concepts (Net Barter, Gross Barter and Income Terms of Trade); Free Trade v/s protectionism; types of protective devices - tariff and non-tariff barriers (exchange control, voluntary export restraints, anti-dumping duties & countervailing duties, social clauses such as labour & environmental standards, sanitary & phyto-sanitary measures and administered protection).

Unit II Balance of Payments & Foreign Exchange Rates

(30 Marks, 18 Lectures)

Balance of Payments: Meaning and Structure; Distinction between Balance and Equilibrium; Balance of Trade and Balance of Payments; Disequilibrium – meaning, types and causes; Corrective Measures– exchange rate adjustments (Revaluation and Devaluation), Exchange Control, Trade Measures, Effects of Monetary policy and Fiscal policy on internal and external balance (brief explanation of how the measures work)

Foreign exchange rates: Foreign exchange market – meaning, features and functions; Types of exchange rate systems (fixed, flexible and managed floating – meaning of each); Types of foreign exchange transactions (spot and forward transactions, arbitrage, currency swaps, futures contracts, speculation); Factors influencing short-term exchange rates; Concept of convertibility of Rupee on current account and capital account; Liberalized Exchange Rate Management System (LERMS); Hedging and Exchange rate risk management; Concept of PPP dollar

Unit III International Investment

(25 Marks , 15 Lectures)

20

Foreign Investment – meaning and composition (FDI & FPI), Foreign Direct Investment: Meaning; Determinants of FDI (resources, market size, trade barriers, economic and business environment of the host country), Multinational corporations: meaning and operational characteristics; Entry modes adopted by Multinational Corporations (licensing, franchising, joint ventures/collaborations, wholly-owned subsidiaries, mergers and acquisitions); Foreign Portfolio Investment: Meaning; Operations of Foreign Institutional Investors; Determinants of FPI (return on investment, level of financial sector development, capital controls, exchange risk); Impact of FPI on capital markets and the exchange rate.

Unit IV Multilateralism and Regional Economic Cooperation

(20 Marks , 12 Lectures)

16

Multilateralism and Regionalism – meaning and distinction; World Trade Organization – objectives, principles, functions and Agreements (Market access, Agreement on Agriculture, TRIPs, TRIMs, GATS, Dispute Settlement); Regional economic cooperation - Meaning and reasons for growth; Forms of regional integration - Preferential Trade Agreement, Free Trade Agreement, Customs Union, Monetary Union, Economic Union; ~~Integration efforts among countries in Europe, North America and Asia (NAFTA, EU, ASEAN and SAARC)~~

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3. Cherunilam, F. 2013, International Business Environment, Himalaya Publishing House, New Delhi, 6th Revised Edition
4. Dutt, R. and Sundaram, K.P.M. , Indian Economy, S. Chand and Co., New Delhi, Latest Edition
5. Kindleberger, C.P. 1973, International Economics, Homewood, R.D. Irwin
6. Krugman, P.R. and Obstfeld, M. 2009, International Economics: Theory and Policy, Pearson International Edition, Boston MA
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