



## HIMACHAL PRADESH NATIONAL LAW UNIVERSITY, SHIMLA

### Semester: III

**B.A./B.B.A. LL.B. (Hons)**

**Paper Code: LB-304**

**Economics-III (Economics of International Trade)**

**Credit - 04**

#### **Introduction:**

This course aims at providing the students with thorough analytical understanding of international business environment. It would expose the students to theories of international trade, investment, exchange rate and regional trading blocs along with critically evaluating their practical significance for international business. It would also analyze the various agreements of World Trade Organization and their impact on international business.

#### **Course Objectives:**

1. To provide the students with thorough analytical understanding of international business environment.
2. To expose the students to theories of international trade, investment, exchange rate and regional trading blocs along with critically evaluating their practical significance for international business.
3. To analyze the various agreements of World Trade Organization and their impact on international business.
4. To link international trade and monetary relations and its impact on exports of nation.

#### **Learning Outcomes:**

On the successful completion of course, students will be able to:

1. Conceptually explain and understand the various constituents of business environment and their impact on businesses in general.
2. Conceptually explain and apply the trade theories, investment theories, exchange rate theories and regional trading bloc theories and their impact on economic welfare and businesses.
3. Apply and analyze the different exchange rate regimes' impact on businesses in general.
4. Integrate all constituents of international trade and their impact on decision about finalizing the location of business in other countries.

## **Module - I**

### **Introduction to International Economics and Trade Theories**

- 1.1. Economics and International Economics, Subject matter of Economics of International Trade, Features and importance of International Trade - Inter-Regional and International Trade;
- 1.2. Theory of Absolute Advantage;
- 1.3. Theory of Comparative Advantage;
- 1.4. Theory of Opportunity Costs;
- 1.5. Theory of Heckscher-Ohlin Theory of Trade – Its main Features, Assumptions and Limitations; Leontief Paradox.

## **Module - II**

### **Terms of Trade, Tariff and Economic Integration**

- 2.1. Terms of Trade: Concept, Measurement and Effects on Nation's Welfare;
- 2.2. Trade Policy: Arguments for and against Free Trade and Protection;
- 2.3. Tariff and Non-Tariff Barriers: Economic Effects;
- 2.4. Economic Integration: Concept and Forms of Regional Integration;
- 2.5. Static and Dynamic Effects of Custom Union.

## **Module - III**

### **Balance of Payment and Foreign Exchange Rate**

- 3.1. BOT, BOP, Current Account, Capital Account, Visible and Invisible, causes and consequences of disequilibrium in Balance of Payments, Methods of correcting the disequilibrium;
- 3.2. Devaluation of Currency, Convertibility of Currency: Partial Account and Full Account. Recent trends in balance of Payment in India;
- 3.3. Exchange Rate - Meaning - Demand and supply of Foreign Exchange; Types of Exchange Rate: Fixed Vs Flexible Exchange Rate;
- 3.4. Managed floating. Determination of exchange rate in a free market;
- 3.5. Theories of Foreign Exchange Rate: Mint-Parity Theory, Purchasing Power Parity Theory, BoP Theory.

## **Module - IV**

### **International Organizations**

- 4.1. Objectives, Functions and Role of IMF, GATT and WTO;
- 4.2. FDI and Portfolio Investment;
- 4.3. MNC's and regulation of MNC's, MNC'S and India;
- 4.4. Globalization and its Consequences;
- 4.5. Global Economic Crisis of 2007-09: USA and India.

**Prescribed Books:**

1. Rakesh Mohan Joshi, INTERNATIONAL BUSINESS, (Oxford, 2021).
2. K. C. Rana and K. N. Verma, INTERNATIONAL ECONOMICS, (Vishal Publishing Company, 2022).
3. Francis Cherunilam, INTERNATIONAL ECONOMICS, (Tata McGraw Hill, 2021).

**Prescribed Readings:**

1. Dominick Salvatore, INTERNATIONAL ECONOMICS, (Wiley India, 2021).
2. H. G. Mannur, INTERNATIONAL ECONOMICS, (Vikas Publishing House, 2021).
3. Thomas A Pugel, INTERNATIONAL ECONOMICS, (McGraw Hill 2020).
4. Paul Krugman & Maurice Obstfeld, INTERNATIONAL ECONOMICS, (Pearson 2017).
5. C. P. Kindleberger, INTERNATIONAL ECONOMICS, (R. D. Irwin, Homewood, 8th Ed.).
6. Bo Soderstein and Geoffrey Reed INTERNATIONAL ECONOMICS, (MacMillan, 2022).
7. Errol D'Souza, MACRO ECONOMICS, (Pearson Education, 2020).
8. J. Robert Carbaugh, INTERNATIONAL ECONOMICS, (South Western Publishers, Cincinnati Ohio, 2019).
9. RBI BULLETIN, Various issues.

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