

Department of Economics
Govt- Degree College Baramulla (Autonomous)
Semester: 6th (Major / Minor)
Paper Title: International trade theory and practice **ECOC1622M**
Credit = 4+2

Objectives: This paper provides the students a thorough understanding and deep knowledge about the basic principles that tend to govern the free flow of trade in goods and services at the global level. The contents of the paper, spread over various units, lay stress both on theory and applied nature of the subject that have registered rapid changes during the last decade. Besides this, the contents prepare the students to know the impact of free trade on different sectors of the economy as well as at the macro level. The students would also be well trained about the rationale of recent changes in the export become relatively more relevant from the policy of globalization and liberalization.

Course Outcomes: The students will be able to:

1. Know the various theories and concepts of international economics.
2. Understand the role and importance of international trade.
3. Apply their knowledge to understand the working of trade and investment.
4. Evaluate the implications of various policies pertaining to international trade and investment.
5. Suggest ways and means to boost up trade and investment in the country.

Unit-I: International trade theory

(16 hours)

International economics: meaning, scope and importance; Basis of international trade; Mercantilists' views on trade, Trade based on absolute advantage, comparative advantage and opportunity cost, Factor endowments and Heckscher Ohlin theory of trade (Leontief Paradox).

Unit – II: Demand and Supply, Offer Curves and the terms of trade.

(16 hours)

Introduction, Partial equilibrium Analysis (Relative commodity prices and trade equilibrium), Offer curves: origin and definition. Derivation and shape of offer curves, General equilibrium

analysis (Relative commodity prices and trade equilibrium). Terms of Trade: definition, measurement; International trade and economic development.

Unit-III: Balance of Payment and Foreign Exchange

(16 hours)

Meaning of foreign exchange; Functions of foreign exchange market; Spot and Forward foreign exchange markets; Exchange rate system: fixed vs. floating exchange rate policy; Foreign exchange risks: Hedging and speculation; Exchange rate determination: Purchasing Power Parity the theory; Crypto currency: Nature and working; Balance of payments: Concept and components, Disequilibrium in balance of payments.

Unit-IV: Trade restrictions and international institutions

(16 hours)

Free trade and protection: arguments for and against; and effects; Quota: meaning, types and effects, Optimum tariff, Effective rate of protection; GATT & WTO: Functions and agreements; objectives, functions and performance; World Bank and developing Countries; UNCTAD: An overview.

Tutorials:

- a) Trade as an Engine of Economic Growth.
- b) Theory of second best.
- c) India's Balance of Payment: A case study of current balance of payments
- d) Arguments in favour of trade restrictions.
- e) Latest strategies in order to promote international trade in India.

References:

1. Aggarwal, M.R. (1979): Regional Economic Cooperation in south Asia, S. Chand and Co., New Delhi.
2. Bhagwati, J. (Ed.) (1981): International Trade, Selected Readings, Cambridge University Press, Mass
3. Cherunilam, F (2008): International economics, McGraw Hill Education (India) Private Limited;
4. Crockett, A. (1982): International Money: Issue and Analysis, ELBS and Nelson, London.



5. Greenaway, D. (1983): International Trade Policy, Macmillan Publishers Ltd., London.
6. Heller, H.R. (1968), : International Monetary Economics, Prentice Hall, India.
7. Husted and Melvin (2013): International Economics, Prentice hall.
8. Mannur, H. G (1999): International Economics, Vikas Publishing House.
9. Paul Krugman, : International Economics: Theory and Policy, Maurice Obstfeld and Addison-Wesley (Pearson Education Indian Marc Melitz, (2012.) Edition), 9th edition.
10. Salvatore, D.L. (2014): International Economics, Jhon Wiley and sons, New York.

Unit-III: Sampling and Point Estimation

Concept of sample survey; methods of sampling; the role of sampling theory; properties of random samples; Estimation of population parameters using methods of moments and maximum likelihood procedures; properties of estimators; confidence intervals for population parameters.

Unit-IV: Correlation and Regression

(16 hours)

Concept of correlation: types and degrees of correlation. Calculation of coefficient of correlation Karl Pearson's and Spearman's Rank correlation; Regression analysis; uses of regression; estimation of regression lines; Regression equation of Y on X and X on Y; Introduction to time series analysis.

Tutorials:

2 credits

- Base Graphics with use of MS excel: Scatter Plots, Time Series Plots, Bar Plots, Histogram, Pie Charts.
- Problem sets on different measures of central tendency and dispersion.
- Problem sets on different measures of correlation.
- Problem sets on different measures of Regression.
- Application of correlation and regression in economics.

References:

1. Croxton, F.E., D.J. Cowden: Applied General Statistics, Prentice Hall, New York.
2. Ganai I.A. & Dar T.A.: Economics: A treat to beginners, RIGI Publications, Punjab.
3. Goon, Gupta and Dasgupta: Basic Statistics, World Press.
4. Gupta, S.C. and V.K. Kapoor: Fundamentals of Applied Statistics Sultan Chand & Sons.
5. Jay L. Devore: Probability and Statistics for Engineers, Cengage Learning.
6. John E. Freund: Mathematical Statistics, Prentice Hall.
7. Nagar and Das: Basic statistics, Oxford University Press.
8. N. G. Das: Statistical Method (Part I & II), McGraw Hill Companies.
9. Richard J. Larsen: An Introduction to Mathematical Statistics and Applications, Marx Prentice Hall.

10. Spiegel, M. R: Theory and Problems of Statistics, Tata McGraw Hill.
11. Thomas, R. L.: Using Statistics and Economics. McGraw Hill Companies.