

**B. COM
SEMESTER V
INTERNATIONAL ECONOMICS
(100 Marks- 75 Lectures)**

Objectives of the Course: To enable students understand the role of international trade and investment in economic growth and development; to acquaint students with the various macroeconomic variables that are of significance in an open economy; to help students understand economic trends in the global economy

**Unit 1: International Trade
lectures)**

(25 marks-19

International trade – meaning; Factors giving rise to International Trade (comparative advantage, resource endowments, technology, economies of scale, product differentiation, operations of Multinational Corporations); 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 & phytosanitary measures and administered protection)

Unit 2: Foreign Investment (25 marks-19 lectures)

Foreign Investment – meaning and composition (FDI & FPI)

Foreign Direct Investment: Meaning; Multinational Corporations and Foreign Direct Investment; Entry modes adopted by MNCs (licensing, franchising, joint ventures/collaborations, wholly-owned subsidiaries, mergers and acquisitions); Determinants of FDI (resources, market size, trade barriers, economic and business environment of the host country)

Foreign Portfolio Investment: Meaning; Foreign Institutional Investors and their operations; 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 3: Balance of Payments & Foreign Exchange Rates (30 Marks-22 lectures)

Balance of Payments: Meaning and Structure; Concepts of (i) Balance and Equilibrium (ii) Balance of Trade and Balance of Payments; Disequilibrium – meaning, types, causes and impact of deficits on the exchange rate and foreign exchange reserves; Measures to correct deficits – exchange rate depreciation, exchange control, trade-related measures (brief explanation of how the measures work)

Foreign exchange rates: Foreign exchange market - meaning, features; 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; Concept of PPP dollar

Unit 4: Multilateralism and Regionalism in Trade (20 Marks-15 lectures)

Multilateralism and Regionalism – meaning; 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

Books for Study and Reference:

Bhole L. M. & Mahakud J. (2009): Financial Institutions and Markets: Structure, Growth & Innovations, New Delhi, Tata-McGraw Hill

Chreunilam F. (2008): International Economics New Delhi, Tata McGraw-Hill

Dutt R. and Sundaram K.P.M. (Latest Edition): Indian Economy, New Delhi, S. Chand and Co.

Kindleberger C.P. (1973): International Economics, Homewood, R.D. Irwin

Krugman P.R. and M. Obstfeld (2009): International Economics: Theory and Policy, Boston MA, Pearson International Edition

Machiraju H.R. (2009): International Financial Markets and India, New Delhi, New Age International

Rajwade A.V. (2008): Foreign Exchange International Finance Risk Management (Academic Foundation)

R. B.I. Reports on Currency Finance

Salvatore, D.L. (1997): International Economics, Upper Saddle River, N.J. Prentice-Hall

Sharan V. (2012): International Financial Management, New Delhi, PHI Learning Pvt. Ltd.

Sodersten B. & G. Reed (1994): International Economics, London, Palgrave Macmillan

Subba Rao P. (2008): International Business: Text & Cases, Mumbai, Himalaya