

Subject Code: 504

Subject Name: International Business Environment

Unit I: International Economy **2 Hrs**

Importance of International Economy

Global Economic Environment

Inter regional Trade Vs International Trade

Unit II: International Trade Theory (Part I) **5 Hrs**

Old theory of trade:-The Mercantilists' View on Trade

Absolute Advantage theory, Comparative advantage theory

Empirical tests of the Ricardian Model,

Why Nations Trade: Factor Endowment Theory

Empirical Tests of the Hecksher – Ohlin Model.

Unit III: International Trade Theory (Part II) **5 Hrs**

Intra- Industry Trade

The Product Life Cycle Theory of Trade

Porter –diamond theory

Country similarity Theory

Degree of Dependence

Strategic Trade Policy

Unit IV: International Trade Policy **5 Hrs**

Cases & Arguments in Favour of Free trade

Economic Argument in Favour of Protection

Non-Economic Arguments in Favour of Protection

Fallacious Arguments

Unit V: Trade Restrictions

5 Hrs

Trade Restrictions: Tariffs

Partial Equilibrium Effects of A Tariff

Effects of a Tariff on Consumer & Producer Surplus

Non Tariff Trade barriers

Import Quotas

Effects of an Import Quota

Comparison of an Import Quota to an Import Tariff

Other Non Tariff Barriers and the New Protectionism

Unit VI: Terms of Trade

6 Hrs

Introduction

Concepts of Terms of and Their Significance

Factors Determining Terms of Trade

Terms of Trade and Underdeveloped Countries

Unit VII: Regional Trading Arrangements

5 Hrs

Types of Regional Trading Arrangements

The Impetus for Regionalism

Effect of a Regional Trading Arrangement

European Union (A Case Study)

South Asian Association for Regional Co-operation

Unit VIII: IMF & WTO

7 Hrs

Introduction to IMF

Objective of the Fund

Functions of the Fund

Quotas & Subscription

Special Drawing

IMF and International Liquidity

Critical Appraisal of the Fund

WTO & its Various Issues

The Uruguay Round & Dunkel Draft Proposal.

Unit IX: International Bank for Reconstruction and Development **5 Hrs**

Introduction to IBRD

Objectives of the World Bank

Functions of the World Bank

Critical Appraisal

Unit X: Foreign Exchange Markets **10 Hrs**

Foreign Exchange Rates

Spot and Forward Rates

Foreign Exchange Risks, Hedging and Speculation

Interest Arbitrage

Changes in Exchange Rates

Eurocurrency Markets

Unit XI: Exchange Rate Determination **5 Hrs**

Meaning and Importance of Exchange rates.

Classical Gold Standard.

IMF Gold Exchange Standard.

Purchasing – Power Parity Theory.

The “Big Mac” Index.

Balance of Payment Theory.

Recommended Books:

International Economics by B.Soderstern

International Economics by Salvatore

International Economics by Krugmann

International Economics by Francis Cherunilam

International Economics by Dr.Vasudha Garde and Prof. JyotiChandiramani