International Economics
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Lecture No. # 43

Good afternoon. Today, we are giving the concluding lecture on the video course on international economics. The course format was video. So, the idea of giving this concluding lecture is to recapitulate the things that we have covered during the last, so the first primary question that comes into the mind of anyone who is studying international trade is why is there a need to study the international trade. And generally in India, when we discuss this course on international trade, they say that our contribution to the world trade is meager, so why do you need to take it up as a separate course or even when talking of the issues like foreign direct investment, people say that it is meager in respect of what the other countries are receiving. So, why to discuss?

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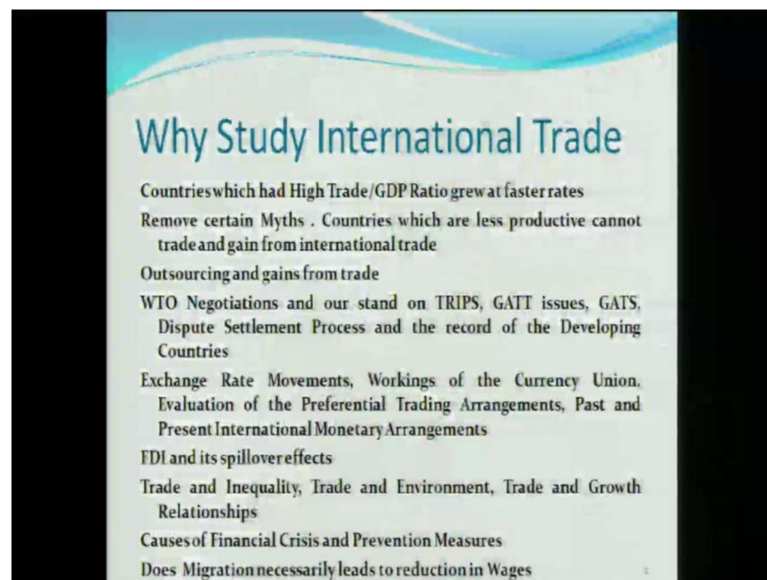

So, the first slide is about, why do we study international trade. Now, this is an empirical fact and it is shown by various studies. The most influential is by professor Sacks of the Harvard University which says that countries which had high trade to G D P ratio, they grew at faster rates. This is particularly true for the East Asian economies whose trade to

G D P ratio reached more than 200 percent. If you see their growth, at least from the sixties till the nineties, they grew at more than 6 percent in this thirty years' time period. India's trade to G D P is low, it is around 26 to 27 percent and you see that the this ratio is increasing.

So, one need to then understand, why and how do we increase trade of the country, so that countries which are more open up, which are more open, they when we know that they would, they would grow at faster rate. So, then we should devote some time studying, why why do we need to trade, what do you need to trade and what benefits trade can bring to the economy.

Now, the second reason that we study international trade is to remove certain myths, which are that countries which are less productive in the production of all goods, they cannot trade and gain from international trade. Now, you already seen that in case of the Ricardian model, countries which are less productive or efficient in the production of all goods, they can still gain from trade, because there is a possibility that they can produce goods at a lower opportunity cost. The gain from international trade is that, the exporters get higher prices, and the importers can get products at a lower price from the countries or their partner countries.

So, particular myth is also challenged by the empirical facts. You can see that, there are countries which are less productive in the production of all goods, but they are still trading, because they can produce the good at a lower opportunity cost in comparison to the trading partner. Then we saw in the previous few lectures, the trade intermediate products outsourcing, which not only helps the the host country, but also helps the source country when I say help, because the demand for skilled labor increases in both the host nation and the source nation. Then when you talk about outsourcing, there are two different types of outsourcing. There is manufacturing outsourcing and the service outsourcing. Service outsourcing, is case of India, brings benefits to its own country, because the type of jobs which are done are more skilled and it requires a level of skilled labor.

So, a lot of planning lot of inputs are needed to achieve the threshold level of a training a skilled labor to take up these job of service outsourcing. They may not be entirely focused on call centers or back office operations. They can be skilled because financial

analytics, business processing outsourcing, can all be taken or taken up or medical transcription can be taken up under service outsourcing. So, service outsourcing or manufacturing outsourcing, it is helpful for the host country, because the host country can now produce goods at a lower cost, because that is the reason that they outsource these products or part of the production process to the other countries. Because then they can produce the good at a lower cost and definitely the lower wages helps in bringing gains to to the host country.

Now, these are very sensitive issues, political issues. Like in US, there are certain states which have not allowed outsourcing because they fear that the part of the the job will get transferred to the developing nations. Now, to counter that, one can always argue that when you outsource things, you are doing it because you can now do it at a cheaper cost, and no firm would like to produce goods at a higher cost. They will always look for opportunities where they can produce goods at a lower cost. So, outsourcing is always helpful for a firm.

Now, when they claim that the jobs will be given to nations, developing nations, well, when when you slice up the production process, say the assembly part and the component, production may be, it gets done in the outside countries. But the final part, where the marketing and sales and R and D is done in the developed countries, one cannot just think that the jobs will will get reduced because there will be another set of jobs which will be, which will come up. Because now, at least in the home, in the home country there will be a change in composition of the jobs. More skilled intensive jobs will be available. So, the composition of jobs will change, but it is, it is definitely, it is difficult to think that there will be a reduction in in the job. May be in the short run, but in the long run, the composition will change.

So, Paul Samuelson also had a comment on the service outsourcing. Paul Samuelson was concerned that, if the R and D take place in India, in the sector in which the developed countries have a comparative advantage, then the developed nations will see a decline in their terms of trade. He says that, there will be an improvement in terms of trade for the developing countries.

Now, if you see the empirical literature in terms of trade, especially for the developed nations, you do not see a decline in terms of trade. So, whatever Paul Samuelson is

saying that the outsourcing will reduce terms of trade in the developed countries, is not met by the empirical facts on the terms of trade. So, this is another reason that you study international trade. Then the trade policy part has a discussion on a WTO negotiation, and our stand on the TRIPS, GATT issues and GATS, which makes up the W T O.

So, one can understand the different negotiations taking place, the dispute settlement process and the record of the developing countries in winning cases against the developed nations, as far as the dispute settlement process is concerned. TRIPS is trade related intellectual property rights. GATT is general agreement on trade and tariffs, and GATS is general agreement on trade and services. So, WTO is different from GATT, because WTO has TRIPS, GATT and GATS and it was formed on first of January 1995. Before that the WTO was called GATT and the GATT came into force in 1948 and India and many other developing countries were the signatories of the GATT agreement.

So, all negotiations related to the bilateral agreements, the preferential trading agreements are also discussed under the W T O negotiations. There is something like an article 24, which allows the preferential trading agreements to exist. So, long they are a stepping stone towards the multilateral liberalization. Article 24 is also a bone of contention, because it allows the preferential trading arrangements. So, you seen the treaties which have come up, the regional agreements, they it has sprouted all over. So, one can say that they are also threat to the multilateral liberalization, but then the idea of having these treaties is that there should be a stepping stone towards multilateral liberalization rather than a protectionist.

So then the issue of TRIPS, which is, intellectual property rights, anything which is a creation of human mind needs protection. All these things are discussed under the TRIPS agreement. The issues of patent, the issue of geographical indications, the issue of trademarks, all these are discussed under TRIPS agreement. Related to TRIPS is the availability and accessibility of medicines to common citizens. When you talk of patenting, you have to design the different ways of protecting new invention.

Now, in certain countries, they define what is new, what is a prior art and what should be the application of that industrial good. So, this definition of what is new is very much open. WTO is quite silent on on this particular issue of what is new. Now, there are some

some countries which have a very broad definition. There are some countries which have a very specific definition. India has a very broad definition of what is new.

So, therefore in India, the the new applications which have come from 1995 to 2005 are, say more than the number for, specially for pharmaceuticals, the number of applications that we have received is far ahead of the new molecules which were formed in between 1995 to 2005. So, there is whole sort of issue regarding what is new. India defines it very broadly and when it defines it very broadly, the number of applications that have come for the pharmaceutical sector is huge.

So, there is some problem regarding the definition of what is new, so but there are certain countries which are very specific on what is new. So, there is a whole lot of debate on what is new, under the TRIPS agreement. Then there is the role of what is new in agriculture because here in TRIPS, it talks of not only industrial goods, but it also talks of the agricultural goods. In the agricultural goods, when you define what is new, you have to have a sui generis system; a system of its own.

So, when you talk of inventing new plants or discovering or realizing that there are new animals, new plants and new animals, they can be also protected, so this protection issues are also discussed under TRIPS. Then there are host of things which cannot be protected. So, TRIPS also defines certain things, certain articles, wherein it says that these are the goods and services which cannot be patented. So, all sort of issues come under TRIPS. GATT is talking about reducing tariff and non tariff barriers. There is whole lot of issues there GATS is about promoting trade and services and there are four different modes of service deliveries, so whole lot of issues regarding GATS. So, this particular aspect, WTO negotiations comes under trade policy, while the second and the third is talking about the trade theory. The fourth one talks about the trade policy. The first one again talks about the trade theory.

So, the first three is about trade theory. The fourth one is about trade policy. So, this course covers not only trade theory, trade policy, but it also covers international monetary theory and international monetary policy. In trade theory, we study what is the basis and pattern of trade and we discuss all theories of international trade. In international monetary theory, we discuss what determines exchange rate movements.

So, the fifth particular part here talks about the exchange rate movements. What determines exchange rate movements and you will see that, we study different theories of exchange rate and they are all clubbed under different approaches to balance of payments. Balance of payment is a summary statement, which any country makes while it does transaction with the rest of the world. Every transaction which a country does with the outside world, with the rest of the world is recorded in the balance of payment. So, under international monetary theory, you study different approaches to the balance of payment. They can be the elasticity approach, the absorption approach, the monetary approach, the asset market approach and then now, we have the new open economy macro economics.

So, under these different approaches, what thing, there is one thing which is common is that, it determines different factors which effect the exchange rates movements. Now, when you say exchange rates movement, say what determines Indian rupee US dollar exchange rate. If one resorts to these different approaches, you will see that the factors which are important for the exchange rate movements are the differential interest rates, the differential inflation rates, the forward premium, the differential money supply, and the differential per capita incomes. All these factors come from the theory and they determine the exchange rate movements. For example, there is something like a purchasing power parity theory, which says for the same set of goods, how much do you pay here in India and how much do you pay outside.

So, purchasing power parity relates the Indian prices with the prices outside for the same set of goods and that throws up the differential inflation rate as one of the factor which effects the exchange rate movements. Then there is an open interest parity, which explains the differential inflation rate is important in explaining the exchange rate movements. Then role of expectations also play an important role in exchange rate movements.

So, forward premiums, the rate, the forward rate which is greater than the spot rate, those are factors which also effect the exchange rate movements. Then there is differential money supply; this differential money supply, coming from the monetary approach to balance of payments. In the monetary approach to balance of payments, any disequilibrium in the balance of payment is a temporary phenomenon. There we saw that excess supply of money is a function of the savings rate. If the excess supply of money

goes up, then the saving rates go down and there will be an excess demand for goods and securities. If there is excess demand for goods and securities, it would lead to balance of payment deficit.

So, any excess supply of money is related to deficit in the balance of payment. Deficit in balance of payment means, that there is a net outflow of foreign exchange. So, excess supply and excess demand for money is also related with the exchange rate movements.

So, money supply is related to the exchange rate movements. Then G D P's; higher the G D P, is higher is the demand for money. When higher is the demand for money, higher will be the savings rate and lower will be the demand for goods and securities and there will be a balance of payment surplus. So, the G D P's, the money supply, the differential interest rates, the differential inflation rates and forward premiums are some factors which have an impact on the exchange rate movements. So, this particular aspect is studied in quite a detail in the international monetary theory and this is all discussed under the different approaches to the balance of payments.

Now here, coming back to the trade policy part. In the trade policy part, you have the workings of the currency union, the evaluation of the preferential trading arrangements. Now, as I said, preferential trading arrangements are arrangements which allow trade liberalization under a regional group. Now, how to evaluate the preferential trading arrangement? There is, particularly, there are terms which are discussed, which are in case of preferential trading arrangements. When you evaluate preferential trading arrangements, then there is something like a trade creation and a trade diversion. These two terms come from Professor Jacob Vinerin in the mid fifties.

So, this particular aspect on evaluating preferential trading arrangement, help us to understand the trade creation and trade diversion. Now, there is something called the single market preferential analysis, a smart analysis helps us to go behind what textbooks do. It works out the trade creation, the trade diversion effects, the terms of trade effects, the revenue effects.

So, one can evaluate whether a country should align itself with a set of countries or with another set of countries. Then preferential trading arrangements are of different types. First is a preferential trading arrangement, where you give access to the goods of the other country by reducing tariffs on certain goods. Then you move to another level,

where you have a free trade area where you impose zero tariffs on goods coming from the regional trading partners. Then you move to another level, where you have common external tariffs besides having a free trade area. That is called a customs union.

Then, you have a common market, where there is a free flow of not only goods and services, but factors of production. Then you form the highest form of economic union. A highest form of the preferential trading arrangements, which is called the economic union, which we see in Europe, where you have not only free flow of goods and services, you not only have free flow of factors of production, but you have common policies. You have common fiscal policy, you have common monetary policy, you have one central bank, you have one currency, and you have one parliament. That is the highest form of preferential trading arrangements.

So, this is, these are the different forms of preferential trading arrangements. Then interestingly you study about how does the currency union works where a group of countries come together and adopt a single currency. How does it work because there is a fixed part. It is, the exchange rate is fixed Vis a Vis the euro, each country which is part of this regional grouping has a fixed exchange rate against the euro. But the euro floats against the non members, so then one need to understand the workings of the currency union. Then one need to understand how these adjustments takes place and what sort of policies are needed to take care of the adjustments, which which a country should have, if it wants to be a part of the currency union. What is important is, when you talk of the adjustments, you talk of the fiscal union or or you talk of a smooth functioning of the fiscal transverse taking place.

Then under the international monetary policy, you discuss the past and the present international monetary arrangements, where you start from discussing a international monetary arrangement, which was the gold standard where any deficit or surplus in balance of payment was a temporary phenomena. It worked because there was something like a price p c phenomena. There is a, there was a relationship which one believe that will take place and that relationship was between money supply and prices.

So, any country which had a balance of payment deficit would see an outflow of gold. This was equivalent to saying that there was a decline in reserves which would lead to a decrease in the money supply leading to a decrease in prices, which will eventually lead

to an increase in exports and a reduction in imports. Eventually, your balance of payment deficit will be back to normal, will be back to equilibrium over a course of time.

The essential assumption of the gold standard, which was the first international monetary arrangement, was that it assumed that there is a direct relationship between monetary policy between money supply and prices. One could assume that because the the gold standard flourished from 1870 till the First World War. It was a golden time period when there were no, few central banks. So, one can, one could easily relate monetary policy to prices because there were no domestic concerns. There were no domestic; there were no central banks. So, one could easily visualize the the relationship between money supply and prices working quite smoothly. But the difficult time was between First World War to the Second World War, when there was some countries wanted to be back on the gold standards, but because inflation was quite high, they reverted it back to and forth from gold standards to another preferential, another arrangement that is international monetary arrangement.

So, it was a difficult time. So then there was a famous conference which took place in the US, wherein three important institutions came into existence. One was the World Bank, the second was, there was a thinking to form an international trade organization which later formulized into GATT in 1948 and then third was the IMF. So, three important institutions came, because there was an important conference which was held in 1944 and that conference took place because increasingly countries could not adopt an international monetary arrangement which was beneficial to them. Gold standard was not working, protectionism had increased recession, global recession had taken place from 1929 onwards and there was the Second World War, which had brought lot of pains and infrastructure loss to the economies.

So then these three important institutions came into being. From 1944 to 1973, we saw a working of the fixed exchange rate system, which is called the gold exchange rate, the gold exchange rate system. This failed because; the US was supposed to play the role of nth country. Please recall that, if there are three countries, you can have only two independent exchange rates. So, US inadvertently was playing the role of the nth country, which had, which it did by running a balance of payment deficit because if it runs a deficit, the other countries were running a surplus in the balance of payments.

Now, what US did not realize that when it runs a deficit, there will be a pressure on its own currency to depreciate? Now, US never wanted its own currency to depreciate. It wanted the other countries to appreciate their currency because in that way, they could take care of that the possible depreciation in the US dollars. But then US also thought that it was a major superpower by depreciating its currency it will lose its superpower status. So, it did not do anything about it. But then the the the problem increased and in the early 70's, the US and the other currencies floated against the other currencies. So thereafter, after 1973, when there was the Bretton wood system failed or the fixed exchange system failed, most of the countries adopted the flexible exchange rate.

Now, under the flexible exchange rates, you have different systems. You have a crawling peg, where the exchange rates moves according to certain parameters. You have a dirty float, which or a manage floating where the central bank intervenes to bring orderly conditions in the foreign exchange market and to reduce speculation in the market. So that, this is what India adopts. Then you can have a currency board, where any increase in the domestic money supply has to be backed up by the foreign exchange reserves. So, the source of changes in high powered money is only due to changes in the foreign exchange reserves, that is, like a currency board. What it does is, that it guards against fiscal profligacy, which leads to depreciation of the currency and hence speculation. So, to guard against that, many countries especially in South America, they adopt the currency board. So, all these are part of the flexible exchange rate. So, in this course, we discussed the gold standard. Then we discussed the fixed exchange rate regime, then we discussed the floating exchange rate regime and then we finally ended up by discussing the workings of the currency union.

So, very detailed discussion took place on the past and the present international monetary arrangements. So, as I said that, international trade course has four parts; international trade theory, international trade policy where we discuss the impact of tariffs, quotas, export subsidies and voluntary export restraints on certain parameters of the economy. Then we discussed international monetary theory, where we discussed what determines the exchange rate movements and this is all put under the different approaches to the balance of payment. Then the fourth part is international monetary policy, where we discussed the past and the present international monetary arrangements. Apart from this, there are other discussion on the foreign direct investments and its spillover effects, the

trade and inequality, the trade and environment and trade and growth relationships, the causes of financial crisis and the prevention measures. We will have a discussion on this in the next few slides.

Then, we also discussed does migration necessarily leads to reduction in wages. This we resorted to two models. One was the specific factor model, which could help us to understand the effect of migration on wages in the short run and then the other was the Rybczynski effect, which would tell how migration leads to a change in output mix with no changes in in the wages. So, you study international trade for many reasons. These are some core issues which can be resolved by studying international trade.

Now, I will show you some slides, which will give you some idea of what I am talking about. Some empirical data that I want to show, and then I will back it up with what I have discussed in this very first slide.

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Trade/GDP Ratio in 2008 Countries

Country	Trade/GDP (%)	GDP ($ billion)	Country	Trade/GDP (%)	GDP ($ billion)	Country	Trade/GDP (%)	GDP ($ billion)
Hong Kong, China	207%	215%	South Africa	37	276	Turkey	26	735
Malaysia	116	222	Canada	33	1,501	Russian Federation	26	1,679
Hungary	81	155	China	33	4,327	Venezuela	25	314
Thailand	75	272	United Kingdom	30	2,674	India	25	1,159
Switzerland	65	492	Indonesia	29	511	Argentina	23	328
Austria	56	414	Italy	29	2,303	Pakistan	18	165
Denmark	54	341	Mexico	29	1,088	Japan	16	4,911
Sweden	50	479	Spain	29	1,604	United States	15	14,093
Germany	44	3,649	Greece	28	356	Brazil	14	1,575
Norway	38	452	France	28	2,857			

Look at the trade to GDP ratio in 2008 for a number of countries. Look at Hong Kong, China; the trade to GDP ratio which is a trade is exports plus imports trade to GDP ratio of Hong Kong, China. Hong Kong is 207 percent, Malaysia 106 percent, Hungary, and Thailand; they are all on the higher side. If you look at China, the trade to GDP is 33 percent with the GDP of more than four trillion dollars, United Kingdom with trade to GDP ratio of 30 with with an economy of 2.674 trillion, India with the trade to GDP ratio

of 25 with the GDP of 1.159 trillion, Russian federation trade to GDP of 26 percent with with the GDP of 1.6 trillion.

Now, what we have seen that, countries which had high trade to GDP ratio, they are the ones who grew at faster rates. So, we have to achieve still higher growth rates. We need to increase our trade to GDP ratio because you see that all countries which had higher trade to GDP ratio, they are the ones which who grew at faster rates. Now, there is a, there are certain exceptions also for example, US and Japan and Brazil.

They are so closed. Japan had high growths in the 60's and the 70's, but the difference was they were a closed economy, but they could generate enough of competition within the economy to become an efficient economy. India, all this time had a low trade to GDP, but it did not take care of the the high efficiency, sorry, the low efficiency that it had in producing goods, because it protected it markets. It did not allow competition to come in.

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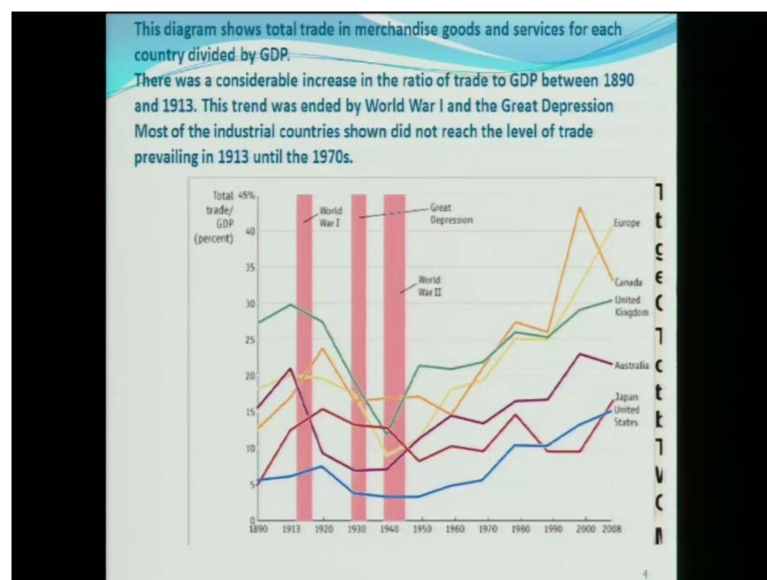

So, this table is about trade to GDP ratio and also will tell you, which are the countries which had higher trade to GDP ratio. This table is about the trade and merchandise goods and services for each country divided by GDP. So, it is trade to GDP ratio. Now, you can see that during the great depression, the trade to GDP of most of the countries including Europe, Canada, United Kingdom, Australia, Japan, and United States had fell in the forties. Then it took another fifty years to come back to the trade and GDP ratio of what

they achieved in say 1913 and 1890. So then any recessionary conditions will lead to a situation where the trade to GDP goes down, but at the same time you need so many years to reach back to the old trade to GDP ratio.

So, this shows that we need to resolve the situation of why you have a financial crisis. Why you study financial crisis because then it takes so many years to reach to to the level you had achieved earlier.

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This is another slide on the share of world trade in goods. You can see Europe with share of world trade to be 31 percent, Europe internal plus trade with the US 31 percent, America's internal trade 11 percent, Europe and America's exports 60 percent, Asian exports 27 percent and and so on. So, the countries which have higher share of world trade, they are the ones which have grown at a faster rate.

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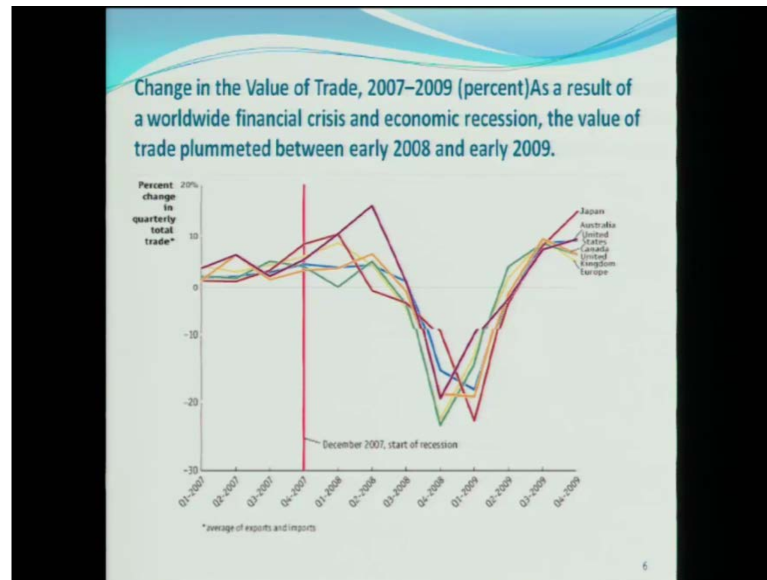

Again, this shows the change in value of trade in 2007 to 2009. As a result of the world financial crisis and economic recession, the value of trade plummeted between 2008, and early 2009 for most of the developed nations. Point is that we need to resolve this situation, understand the vulnerabilities which are created, identify what caused this crisis, give some prevention measures, because then once this recession takes place to comeback to normality it takes lot of time, and lot of parameters have to come back to normalcy. It will take ages or years to come back to normalcy.

So, it is very important to study the reasons for the financial crisis and then you give recommendations to how to resolve the situation. So, this course talked about the financial crisis, the causes of financial crisis, the different models, the four generation models of financial crisis and what needs to be done to prevent this crisis from occurring. Now, this crisis, financial crisis has become a regular phenomenon in the twentieth century.

So, one needs to understand why you see a constant occurring of the financial crisis. The latest being the, latest one being in Europe, especially in countries like Greece and Ireland, which which saw an increase in public debt being reaching another level, the budget deficits increasing and an higher increase in interest rates.

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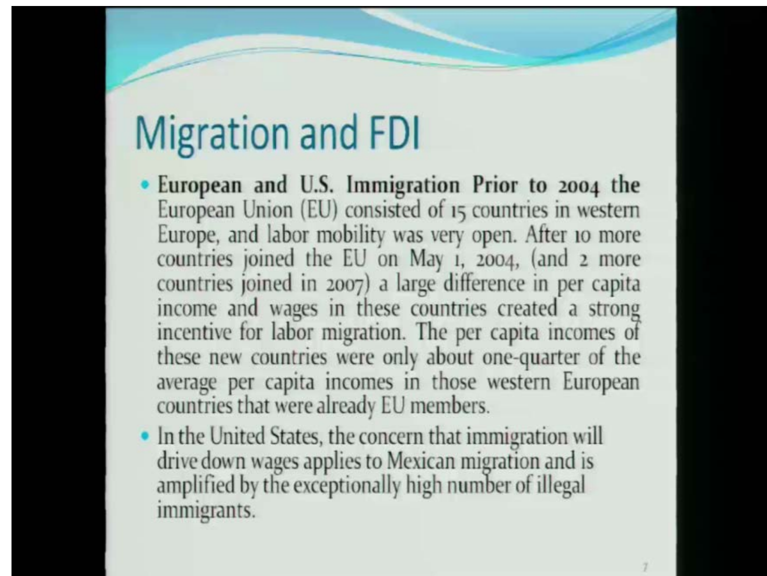

About Migration in FDI, Europeans and US immigration prior to 2004, the Europeans saw that the large, earlier the European Union consisted of 15 countries in Western Europe and labor mobility was very open. After, 10 more countries joined the European Union on May 1, 2004. A large difference in per capita income and wages in these countries, created a strong incentive for labor migration. The per capita income of these new countries was only about a one quarter of the average per capita incomes in those Western European countries that were already EU members.

So, you saw a movement of people moving from say Eastern Europe to Western Europe, and that brought many core issues like the issue of productivity, the issue of wages, the issue of housing and things like that. So, all these things are important. In the United States, the concern that immigration will drive it down, the wages applies to Mexican migration and is amplified by the exceptionally high number of illegal immigrants.

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As far as the FDI is concerned, the majority of world flows of foreign direct investment occur between industrial countries. In 2006, more than one third of the world flows of FDI were between Europe or between Europe and the United States and 90 percent of the world flows of FDI were into or out of the OECD countries.

Now, you can make a distinction between horizontal FDI and vertical FDI. The majority of the foreign direct investment occurs between industrial countries, where you duplicate your efforts outside, when a firm from one industrial country owns a company in another industrial country. We refer to these flows as horizontal FDI. Vertical FDI is when the investments come in the upstream and the down streams sectors, where a firm from an industrial country owns a plant in a developing country, which is called vertical FDI. The principle agent is the low wages, which is the main reason that firm shifts production abroad to the developing countries.

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FDI data

- European and U.S. FDI The largest stocks of FDI are within Europe; these stocks amounted to $5.6 trillion in 2006, or nearly one-half of the world total.

FDI in the Americas Brazil and Mexico are two of the largest recipients of FDI among developing countries, after China.

- FDI with Asia China has become the largest recipient country for FDI in Asia and the fourth largest recipient of FDI in the world.

About the FDI data, European and US FDI, the largest stock of FDI are within Europe. These stocks amount to dollar 5.6 trillion in 2006 or nearly one half of the world total. FDI in Americas, Brazil and Mexico are two of the largest recipients of FDI among developing countries, after China. In Asia, China has been the largest recipient of the FDI. India is also picking up as far as the FDI is concerned.

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Some Conclusions from the Globalization Process

- Globalization means many things: the flow of goods and services across borders, the movement of people and firms, the spread of culture and ideas among countries, and the tight integration of financial markets around the world.
- • Although it might seem as if such globalization is new, international trade and the integration of financial markets were also very strong in the period before World War I.
- • Migration across countries is not as free as international trade, and all countries have restrictions on immigration.
- • Foreign direct investment is largely unrestricted in the industrial countries but often faces some restrictions in developing countries.

So, some conclusions: Globalization means many things. It means the flow of goods and services across borders, the movement of people and firms, the spread of culture, and

ideas among countries and the tight integration of financial markets around the world. This is not a a new phenomena. You already saw a wave of a globalization from the golden period of capitalism, which was 1870 to the time when you had the First World War. So, you already saw globalization process taking place in that time period. Migration across country is not as free as international trade, and all countries have restrictions on immigration. FDI is largely unrestricted in industrial countries, but often faces some restrictions in the developing countries.

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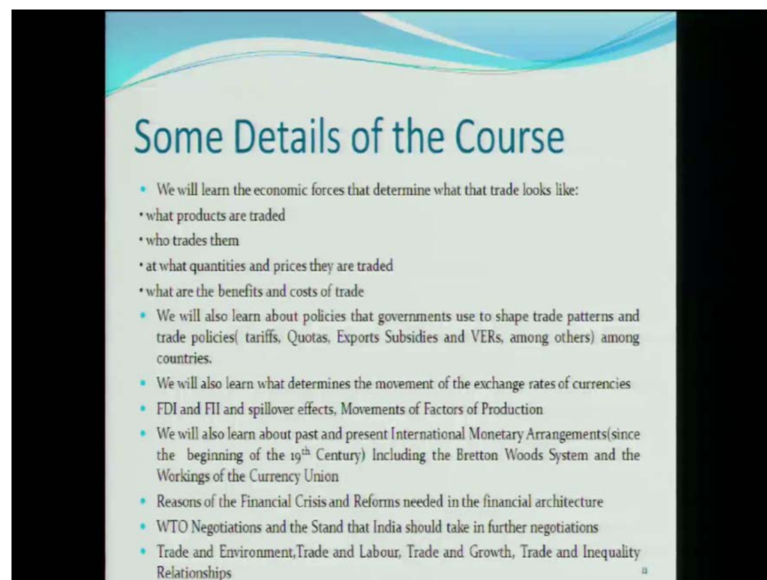

So, what is this course about? This course told you the details are about international trade theory. In that international trade theory, what was discussed was the bases and the pattern of trade and in that, what products are traded, who trades them at what quantities, and what are the benefits in cost of trade. Then we moved to the trade policy, where you discussed, learnt about policies that governments use to shape trade patterns and trade policies like the discussion on tariff quotas, export subsidies, the voluntary export restraints and among others.

Then you come to international monetary theory where you discussed the theories of exchange rates under the different approaches to balance of payment. Then again in international part of the international trade theory, you have FDI and FII. You then discussed the international monetary arrangements and the reasons for the financial crisis, the WTO negotiations and then some new topics like trade and environment and

trade and labor, trade and growth and trade and inequality relationships, trade and inequality relationships, starting from the Stolper Samuelson theorem which tries to relate factor prices with the trade prices.

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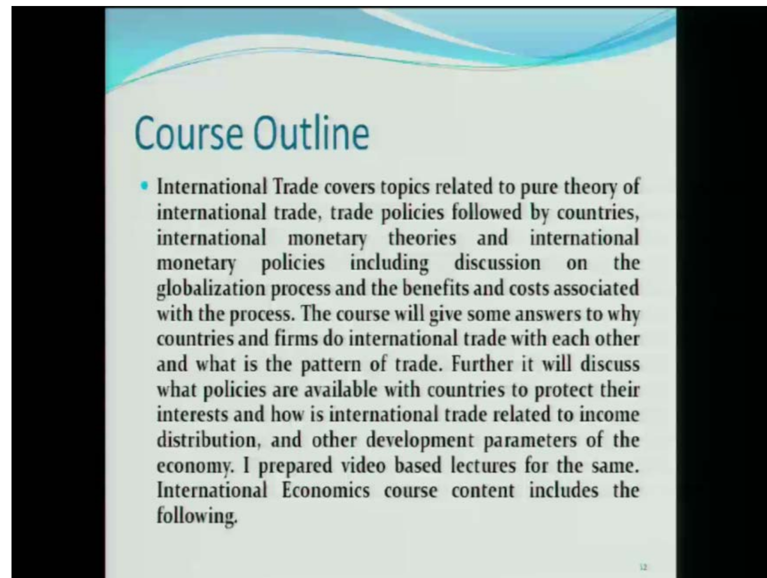

So, the courses outline. International trade, covered topics related to pure theory of international trade, trade policies followed by countries, international monetary theories and international monetary policies including discussion on the globalization process, and the benefits and costs associated with the course. So, the course will give some answers to why countries trade, and why firms trade. Further, it will discuss policies which are available with countries to protect their interest, and how is international trade related to income distribution and other development parameters of the economy. So, these were the video based courses that we prepared to discuss the different segments of the international trade course.

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Course Content

Serial Number	Topic	Number of Lecture Hours
I	Empirical Facts of International Trade and their Explanations	01
II	Globalization Process: Costs and Benefits	01
III	Offer Curves, Community Indifference Curves, Trade Indifference Curves, Terms of Trade, Marshall Lerner Condition for Stability, Ricardian Model of Trade and Extensions, Mercantilist Views on Trade and Adam Smith Trade Model	04
IV	Specific Trade Model and Income Distribution	02
V	Production at Autarky, Heckscher-Ohlin- Samuelson Model, Stopler Samuelson, Rzybnzski Theorems, Factor Price Equalization Theorem, Technological Progress and Trade	05
VI	Extension of Heckscher Ohlin Model	01
VII	Posner and Vernon's Changing Comparative Advantage Theories	02
VIII	Linder's Hypothesis	01
IX	Heckscher -Ohlin -Vanek Theorem	02
X	Empirical Testing of Trade Theories and Leontief Paradox	04
XI	Melitz New New Trade Theory	02
XII	International Factor Movements and Theories of Foreign Direct Investments and Foreign Institutional Investment, FDI Spillovers	02
XIII	Trade Policies: Economic Analysis of Tariffs, Quotas, Export Subsidies and VERs	02
XIV	Arguments for Trade Barriers and Measurement of Protection	01
XV	Political Economy of Trade Policy, Foreign Capital and Welfare	01
XVI	Trade, Growth, Development, Inequality and Poverty Relationships	02

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So, broadly you can divide the set of lectures into empirical facts of international trade, the globalization process and some basics of trade theory. Then the different theories of trade starting from Ricardo to Heckscher Ohlin to Linder to Paul Krugman to Pastner's to Helpmankrugman's to and then finally, to the Melitz theory of trade. Then there were discussion on foreign direct investments. Then trade policies, the economic analysis of tariff quotas, export subsidies and voluntary export restraints, the protectionist arguments, and the the relationship of trade with various parameters of the economy. Then the WTO and its provisions, impact of WTO on trade and development, the balance of payment deficit and surplus, the past and the present international monetary arrangements starting from gold standard to the flexible exchange rate, and then international monetary policies and reforms which are needed in international financial system to to determine the vulnerabilities and to reduce the vulnerabilities in the economy.

So that, economies do not fall into the trap of the balance of payment crisis or a financial crisis or a currency crisis, then importantly policies for mitigating occurrence of financial crisis, different models of currency banking and the balance of payment crisis.

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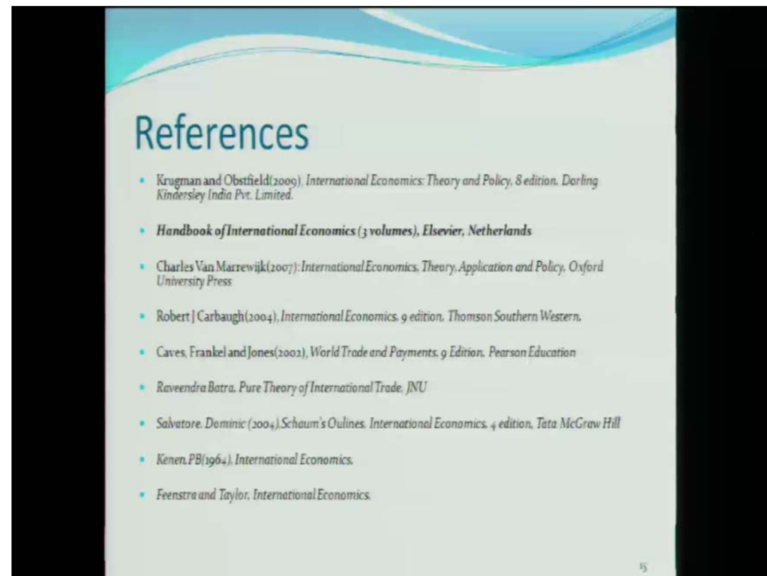

So, it is summed up to the forty one lecturers. Now, the references that we used were, essentially the book by the Feenstra and Taylor which is quite lucid and it has applications as well, but apart from that I used Raveendra Batra's book for the trade theory part. Feenstra, and Taylor basically for trade policy, it was quite good and it is also the relationship of trade with the other parameters of the economy. Feenstra and Taylor is quite good. Then kenen for international monetary theory and international monetary policy; Salvatore, Dominick, Caves, Frankel and Johns, Charles Marrewijk then for the empirical part for research part, handbook of international economics, Krugman and Obstfield, another text used text book on international economy. So, these were the references for this complete course on international trade. Here I will end up, thank you so much for your patience and listening to my lectures.