

PAPER-II INTERNATIONAL TRADE AND FINANCE

(Questions will set from each Unit/Section)

- UNIT-I** **Theory of International Trade** - Theories of absolute advantage, comparative advantage and opportunity cost theory of international trade: Theorem of factor price equalisation; Empirical testing of theory of absolute cost and comparative cost-Heckscher-ohlin theory of trade.
- UNIT-II** **Measurement of Gains and Theory of Interventions** - Measurement of gains from trade and their distribution; concepts of terms of trade, their uses and limitations; Trade as an engine of economic growth; welfare implications- The Theory of Interventions (Tariffs, Quotas and non-tariff barriers); Economic effects of tariffs and quotas on national income, output, employment, terms of trade, income distribution.
- UNIT-III** **Balance of payments** - Meaning and components of balance of payments; Equilibrium and disequilibrium in the balance of payments; The process of adjustment under systems of gold standard, fixed exchange rates and flexible exchange rates; A critical review of the monetary approach to the theory of balance of payments adjustment; Foreign trade multiplier with and without foreign repercussions and determination of national income and output; Relative merits and demerits of fixed and flexible exchange rates in the context of growth and development in developing countries.
- UNIT-IV** **The theory of Regional Blocks** : Forms economic cooperation; Reforms for the emergence of trading blocks at the global level; Static and Dynamic effects of a customs union and free trade areas; Rationale and economic progress of **SAARC/SAPTA** and **ASEAN** regions. Problems and prospects of forming a customs union in the Asian region. Regionalism (**EU, NAFTA**); Multilateralism and **WTO**; Rise and fall of gold standard and Bretton-woods system; Reform of the International Monetary System, India and developing countries; Theory of shortterm capital movements and East-Asian Crisis and lessons for developing countries; International trade and financial institutions - Functions of **GATT/WTO (TRIPS, TRIMS), UNCTAD, IMF, World Bank** and Asian Development Bank- Their achievements and failures; **WTO and world Bank** from the point of view of India .,
- UNIT-V** **Trade Policies in India** - Trade problems and trade policies in India during the last five decades; Recent changes in the direction and composition of trade and their implications; Rationale and impact of trade reforms since 1991 on balance of payments, employment and growth, Problems of India's international debt; Working and regulations of MNCs in India; Instruments of export promotion and recent and export policies and agenda for future.