

INTERNATIONAL ECONOMICS (M.A.III SEMESTER-ECONOMICS)

INTRODUCTION TO INTERNATIONAL ECONOMICS

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INTERNATIONAL ECONOMICS

- International Economics deals with the economic activities of various countries and their consequences. It studies economic and political issues related to international trade and finance. International trade involves the exchange of goods and services and other factors of production, such as labour and capital, across the international borders. On the other hand, international finance studies the flow of financial assets or investment across borders. All this became possible across nations only due to the emergence of globalization.

Reasons for the evolution of international economics:

- It has developed certain specific tools of analysis and has applied them to different problems encountered in international trade, payments, foreign exchange markets and economic policies.
- Several complex diversities in economic policies in different countries.
- No perfect mobility of goods and factors between countries because of the barriers in the form of custom duties, trade restrictions, exchange controls, health and quality regulations and immigration laws.
- Differences in the values of currencies of different countries which necessitates international payment adjustments.
- Differences in demand patterns and cost conditions between the different countries.
- Varying political economic systems ranging from capitalism to mixed economies, communism and authoritarianism.

Contents of International Economics:

- Theory of international trade
- Theory of commercial policy
- Foreign exchange
- Balance of payments
- International economic institutions

Inter-Regional and International Trade:

The exchange which takes place between two individuals, firms or industries within the same country is called internal, domestic or inter-regional trade while when it takes place between two or more nations or countries it is called international trade.

Distinguishing features of International Trade:

- Immobility of factors
- Mobility of products
- Non-homogeneity of markets
- Differences in resource endowments
- Differences in geographical and climatic conditions
- Differences in currencies
- Differences in economic environment
- Differences in transport costs
- Differences in political systems
- Differences in trade policies
- International payments problem

Importance of International Trade:

- International division of labour and specialization
- Optimum use of world resources
- Stabilisation of prices
- Technological progress
- Easy flow of capital
- Promotion of competition
- Greater bilateral co-operation
- Growth of international economic institutions
- Export-led growth
- Basis of economic survival

Arguments against International Trade:

The major arguments from the point of view of less developed countries like India are as follows:

- Exploitation of resources and markets of poor countries by the advanced countries for the expansion of their industries and their markets for dumping their exports.
- Mounting burden of balance of payments deficits on less developed countries which inhibit them from achieving a higher rate of growth.
- It has created an acute problem of repayment of international debts.
- Adverse terms of trade for the poor countries.
- International transmission of cyclical fluctuations from one country to another causes a serious destabilization of their economic systems.

- Lack of industrial diversification which creates a blockade in the process of growth.
- Shortage of development finance in poor countries.
- No advanced technical know-how in the poor countries.
- No international stability of exchange rates.
- Discriminatory trade policies harmful to the interests of the weak and poor countries.
- No economic self-sufficiency and self-reliant growth for poor countries.
- Political interference in the form of political slavery and exploitation of poor countries.
- Cause of war between countries.

Conclusion:

Trade can be an engine of growth, provided there is mutuality of interests and co-operation among the trading countries and that trade and aid policies are not used as instruments of exploitation of poor countries.

THANKYOU

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