**Course Title: International Economics**

Course No: Eco. Ed. 434 Full marks: 100

Nature of the course: Theoretical Pass marks: 35

Level: B.Ed. Period per week: 6

Year: Third Total periods: 150

Time per period: 55 minutes

**1. Course Description:**

This course is designed for under graduate students opting for economics as a subject at bachelor level of education. It is classified under eight units. It provides the students an understanding of the concept of international trade. It may help the students to examine concept, meaning and definition of internal and international trade, similarities and differences between internal and international trade, theories of international trade, balance of payments and trade, foreign exchange rate, foreign exchange control, free trade and protectionism, international trade organizations and present condition of Nepalese foreign trade

**2. General Objective:**

The general objectives of the course are as follow:

* To make the students familiar with concept, meaning and definition of internal and international trade.
* To make the similarities and differences between internal and international trade.
* To provide the students the theories of international trade.
* To provide the students balance of payments and trade.
* To make the students able to analyze the foreign exchange rate.
* To make the students able to analyze the foreign exchange control.
* To make the students able to free trade and protectionism.
* To familiarize the students with international trade organizations.
* To make the students able to describe the present condition of Nepalese foreign trade.

**3. Specific Objectives and Contents:**

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| **Specific Objectives** | **Contents** |
| * To explain the concept of internal and international trade. * To show similarities and differences between internal and international trade. * To explain the subject matter of international trade. * To explain the importance, problems and remedies of international trade. | **Unit I: Introduction (10)**  1.1 Concept of Internal and International Trade.  1.2 Similarities and Differences between Internal and International Trade.  1.3 Subject Matter of International Trade.  1.4 Importance, Problems and Remedies of International Trade. |
| * To explain the absolute cost advantage theory * To explain the comparative cost advantage theory * To explain the opportunity cost theory * To explain the factor endowment theory | **Unit II: Theory of International Trade (25)**  2.1 Classical Theory of International Trade  2.1.1 Absolute Cost Advantage Theory (Smith)  2.1.2 Comparative Cost Advantage Theory (Ricardo)  2.1.3 Opportunity Cost Theory (Haberler)  2.2 Modern Theory of International Trade  2.2.1 Factor Endowment Theory (Heckscher-Ohlin) |
| * To define the concept of balance of payment * To explain the components of balance of payment * To explain the causes of disequilibrium in balance of payment * To explain the devaluation, elasticity and absorption approaches. * To define the concept of balance of trade * To explain the surplus, deficit and balance of balance of trade | **Unit III: Balance of Payment and Trade (20)**  3.1 Balance of Payment  3.1.1 Meaning, Definition and Components of Balance of Payment  3.1.2 Causes of Disequilibrium in Balance of Payment  3.1.3 Adjustment Mechanisms in Balance of Payment  3.1.4 Devaluation, Elasticity and Absorption Approaches.  3.2 Balance of Trade  3.2.1 Surplus, Deficit and Balance of Balance of Trade |
| * To define the concept of foreign exchange rate * To explain the purchasing power parity theory, mint par parity theory and balance of payment theory * To define the concept of fixed and flexible exchange rate * To explain the merits and demerits of fixed and flexible exchange rate. | **Unit IV: Foreign Exchange Rate (25)**  4.1 Meaning and Types of Foreign Exchange Rate.  4.2 Determinants of Exchange Rate  4.2.1 Purchasing Power Parity Theory  4.2.2 Mint Par Parity Theory  4.2.3 Balance of Payment Theory  4.3 Merits and Demerits of Fixed and Flexible Exchange Rate. |
| * To define the meaning, features and objectives of foreign exchange control. * To explain the methods of foreign exchange control. * To explain the justification and limitation of devaluation. * To evaluate the defects of exchange control. | **UNIT V: Foreign Exchange Control (15)**  5.1 Meaning, Features and Objectives of Foreign Exchange Control.  5.2 Methods of Foreign Exchange Control  5.2.1 Direct Method  5.2.2 Indirect Method  5.3 Justification and Limitation of Devaluation  5.4 Defects of Exchange Control |
| * To define the concept of free trade and protectionism. * To explain the merits and demerits of free trade. * To explain the merits and demerits protectionism. * To explain the forms of protectionism | **UNIT VI: Free Trade and Protectionism (8)**  6.1 Meaning of Free Trade and Protectionism  6.2 Merits and Demerits of Free Trade  6.3 Merits and Demerits of Protectionism  6.4 Forms of Protectionism |
| * To Introduce and explain the objectives of United Nations Conference on Trade and Development * To Introduce and explain the objectives of General Agreement on Tariffs and Trade * To Introduce and explain the objectives of World Trade Organization * To explain opportunities and challenges for Nepal as a Member of WTO * To Introduce and explain the objectives of Economic and Social Council for Asia Pacific * To Introduce and explain the objectives of South Asian Free Trade Area * To Introduce and explain the objectives of International Development Association | **UNIT VII: International Trade Organization (17)**  7.1 Introduction and Objectives of United Nations Conference on Trade and Development (UNCTAD)  7.2 Introduction and Objectives of General Agreement on Tariffs and Trade (GATT)  7.3 Introduction and Objectives of World Trade Organization (WTO): Opportunities and Challenges for Nepal as a Member of WTO  7.4 Introduction and Objectives of Economic and Social Council for Asia Pacific (ESCAP)  7.5 Introduction and Objectives of South Asian Free Trade Area (SAFTA)  7.6 Introduction and Objectives of International Development Association (IDA) |
| * To show the foreign trade situation with volume and growth of Nepal * To present composition and direction of foreign trade of Nepal. * To review the balance of payment and trade of Nepal * To explain the prospect of foreign trade expansion of Nepal * To explain the reasons of growing foreign trade deficit of Nepal. * To present the foreign exchange reserve and exchange rate of Nepal * To review foreign trade policy of Nepal * To explain the problems and remedies of foreign trade of Nepal | **UNIT VIII: Foreign Trade of Nepal (30)**  8.1 Foreign Trade Situation with Volume and Growth  8.2 Composition and Direction of Foreign Trade.  8.3 Balance of Payment and Trade of Nepal  8.4 Prospect of Foreign Trade Expansion  8.5 Reasons of Growing Foreign Trade Deficit.  8.6 Foreign Exchange Reserve and Exchange Rate of Nepal  8.7 Foreign Trade Policy of Nepal  8.8 Problems and Remedies of Foreign Trade of Nepal |

*Note: The figures in the parenthesis indicate the approximate period for the respective units.*

**4. Instructional Techniques**

**4.1** **General Instructional Techniques**

(a) Lecture (d) Discussion.

(b) Demonstration (e) Inquiry and question answer.

(c) Writing articles

**4.2** **Specific Instructional Techniques**

**Unit I:**

* Group discussion to analyse the similarities and differences between internal and international trade, subject matter of international trade, importance, problems and remedies of international trade.

**Unit II:**

* Library study and group discussion to gain knowledge about theories of international trade.

**Unit III:**

* Library study and then class presentation aboutbalance of payment and balance of trade

**Unit IV, V, VI & VII:**

* Review of foreign exchange rate, foreign exchange control, free trade and protectionism and international trade organization through the study of text books and reference books and website consultation. List of these text books and reference books are given below at point 6 and related websites are:
* [www.cbs.gov.np](http://www.cbs.gov.np)
* [www.mof.gov.np](http://www.mof.gov.np)
* [www.nrb.gov.np](http://www.nrb.gov.np)
* [www.npc.gov.np](http://www.npc.gov.np)
* [www.moi.gov.np](http://www.moi.gov.np)
* [www.doi.gov.np](http://www.doi.gov.np)
* <https://www.wto.org/english/res_e/publications_e/publications_e.htm>
* <http://unctad.org/en/Pages/Publications.aspx>
* <http://www.unescap.org/publications>
* <https://www.thebalance.com/world-economy-4073936>

**Unit VIII:**

* Inquiry of foreign trade situation with volume and growth of Nepal, composition and direction of foreign trade of Nepal and balance of payment and trade of Nepal and then demonstration by students in classroom under the supervision of subject teacher.
* Collection of Nepal government's publications for inquiry are:
* Economic Survey (Annual Publication of Ministry of Finance)
* Nepal Living Standard Survey (Central Bureau of Statistics)
* Economic Development Planning (National Planning Commission)
* Review of Monetary Policy (Nepal Rastra Bank)
* Statistical Record (Central Bureau of Statistics)

**5. Evaluation Scheme**

Students will be evaluated on the basis of classroom tests, class participation, presentation of the reports and other practical activities. The scores obtained will not be considered in the annual examination. It will be used only for feedback purposes. The office of the Controller of Examinations, Tribhuvan University will conduct theoretical annual examination at the end of year to evaluate student’s performance.

**5.1 Theoretical Annual Examination**

The types, number and marks of the theoretical (subjective and objective) questions will be as follows.

|  |  |  |  |
| --- | --- | --- | --- |
| **Types of questions** | **Total questions**  **to be asked** | **Number of questions**  **to be answered and marks allocated** | **Total marks** |
| Group A: Multiple Choice Items | 20 questions | 20 x 1 mark | 20 |
| Group B: Short Questions | 8 with 3 alternative questions | 8 x 7 marks | 56 |
| Group C: Long Questions | 2 with 1 alternative question | 2 x 12 marks | 24 |

**6. Recommended Books and References**

**Recommended Books**

* Cabes R. and Jones R. (2010). *Readings in International Economics.* Washington DC: American Economic Association (For I – VII Units)
* Kindleberger, C.P. (2004). *International Economics.* New Delhi: All India Traveler Book Seller (For I to VII Units).
* Manur, H.G. (2007). *International Economics: Theory and Issues.* New Delhi: Vikash Publishing House (For I – VII Units).
* Mithane, D.M. (2007). *International Economics.* Mumbai: Himalayan Publishing House For I – VII Units).
* Paudel M.R. (2016). *Nepalese Economy.* Kathmandu: MK Publisher and Distributers (For VIII Unit).

**References**

* Cherunilm, D. (2006). *International Economics.* New Delhi: Tata Mc-Graw Hill Publishing Company Limited.
* Jhingan, M.L. (2006). *International Economics.* New Delhi: Konark Publishers Pvt. Ltd.
* Salvatore, D. (2005). *International Economics.* New Delhi: Tata Mc-Graw Hill Publishing Company Limited.
* Paul, R.R. (2002). *Monetary Economics.* New Delhi: Kalyani Publishers.