

# Introduction

*Ila Patnaik*

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`ipatnaik@ncaer.org`

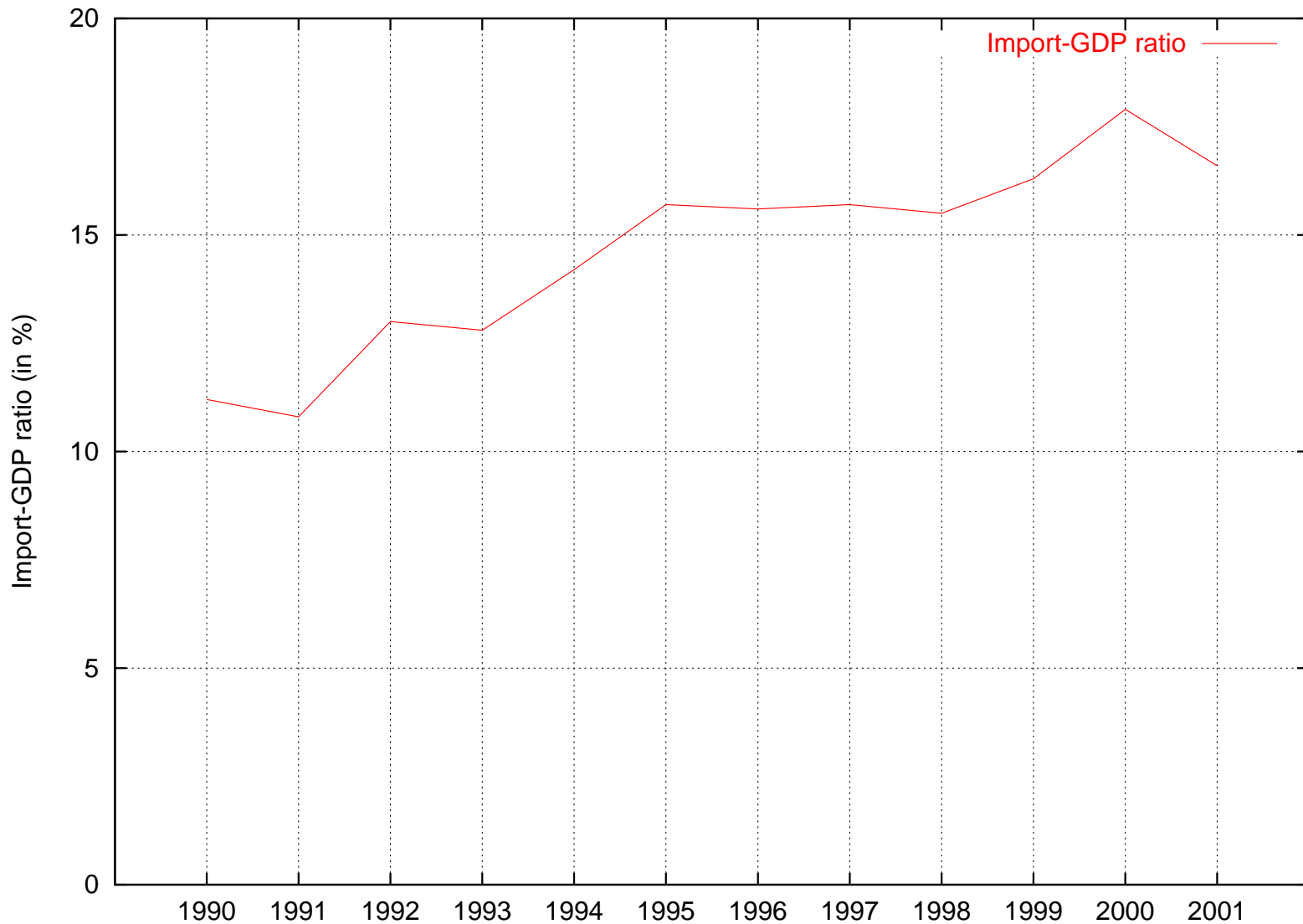
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# Questions

- How much of what we consume do we import?
- How do we pay for our imports?

# Imports

How much of what we consume do we import?



# Growth of imports

	1991-92	2001-02	1991-92	2001-02
	(Billion USD)		(Percent to GDP)	
Merchandise				
Exports	18.3	44.0	6.9	9.3
Imports	21.0	51.6	7.9	11.9
Invisibles				
Exports	9.5	36.7	3.6	7.4
Imports	7.9	23.2	2.9	4.5
<b>Sum</b>	<b>56.7</b>	<b>155.5</b>	<b>21.3</b>	<b>33.1</b>

# What does India import from the world

Top five commodities      Share in Total Imports  
(2002-03)

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Pearls, precious & semiprecious stones	9.88
Gold & silver	6.91
Electronic goods	8.72
Non-electrical ma- chinery	5.61
Organic Chemicals	3.01

# Importance of POL imports

Year	POL imports (Rs. crore)	POL as % of total imports
2000-01	71558	18.603

# From Whom Do We Buy and Sell

Import Partners (2002-03)	Export Partners (2002-03)
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USA (7.21)	
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Belgium (6.06)	
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China (4.54)	
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UK (4.53)	
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Germany (3.88)	
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	USA (20.78)
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	UAE (6.34)
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	UK (4.73)
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	HongKong (4.68)
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	Germany (3.95)
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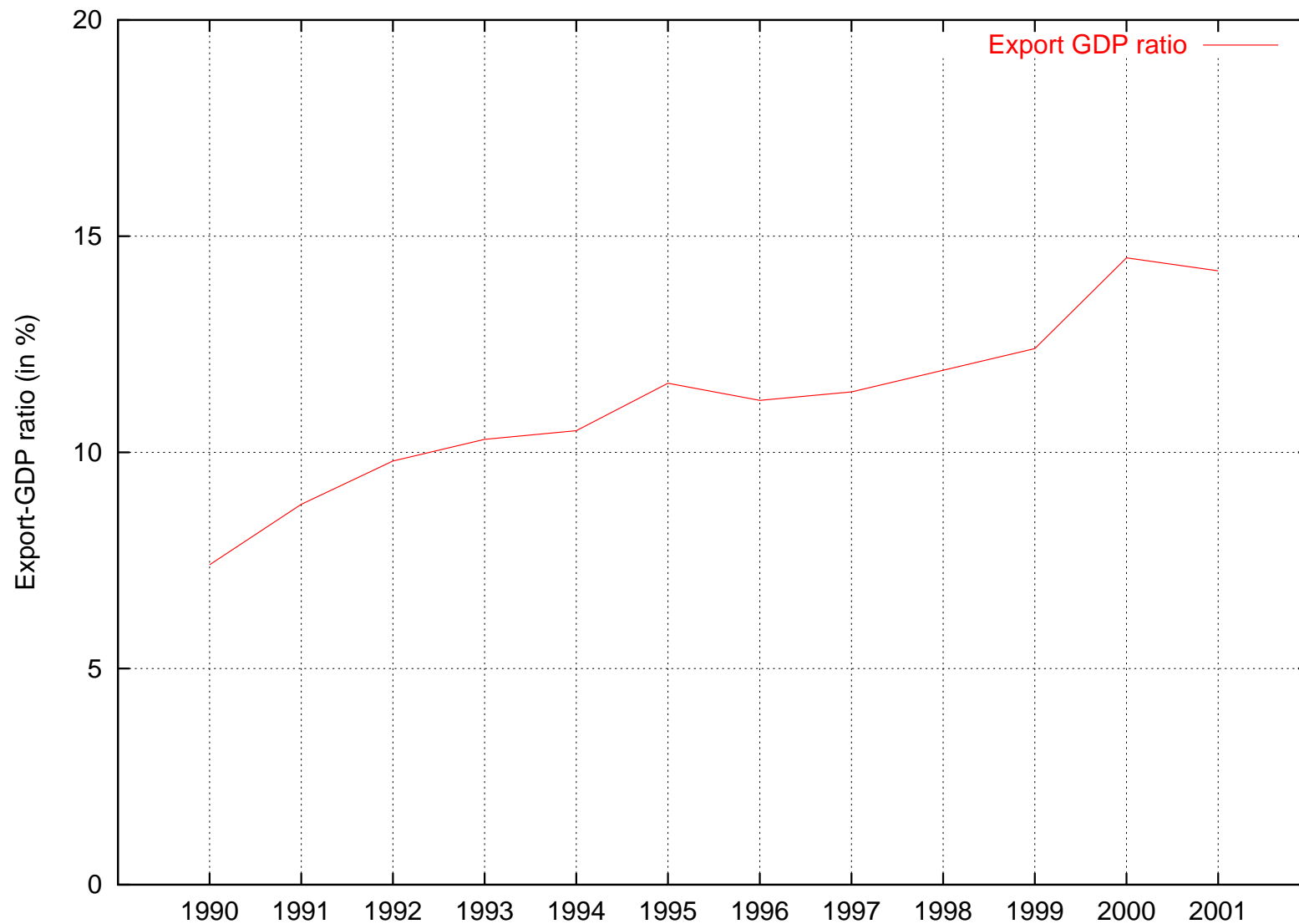
# How do we pay for our imports?



# We need dollars

- Sell (export)
- Beg (aid)
- Borrow (external debt and foreign investment)

# Export GDP ratio



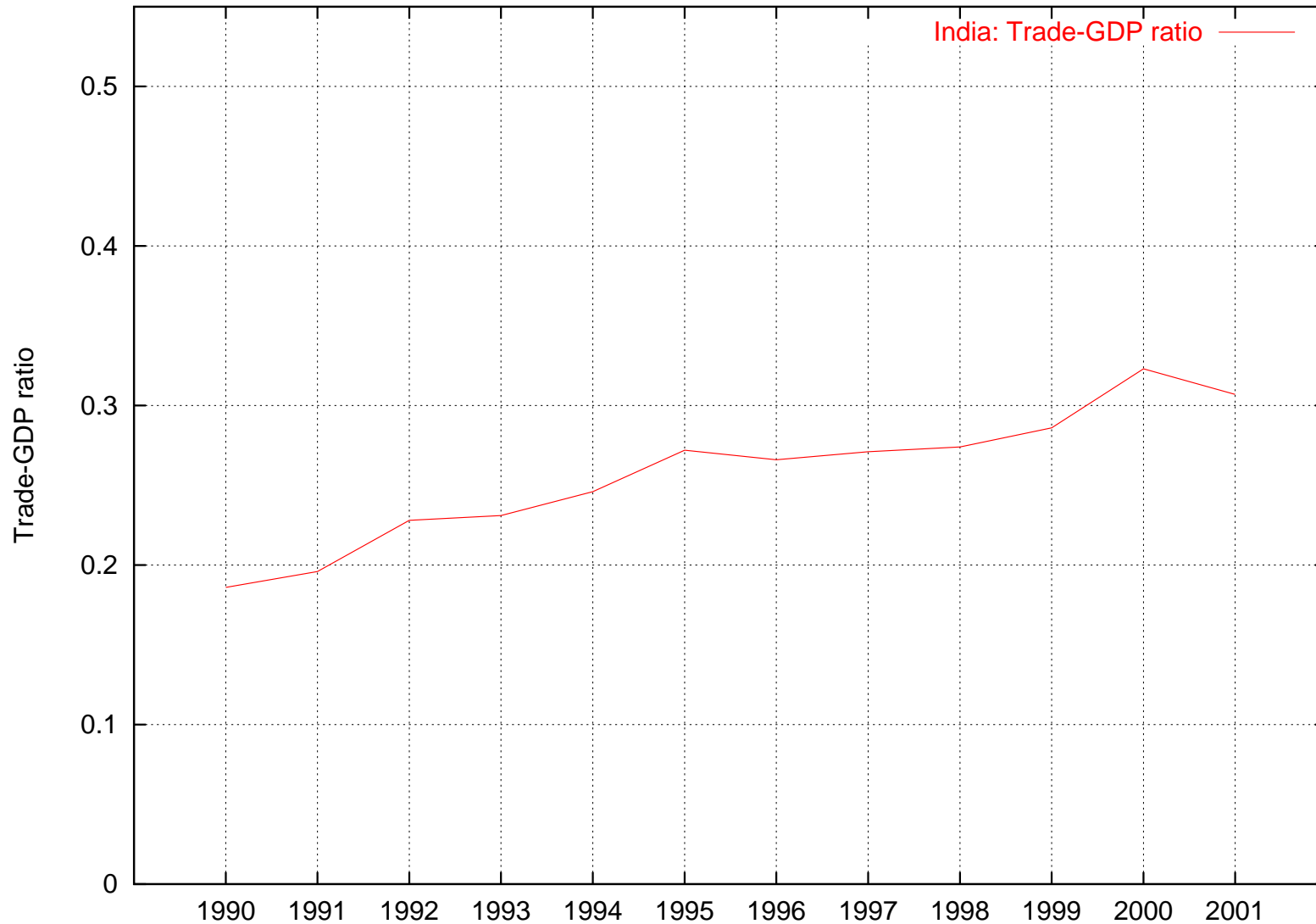
# What do we sell

Top five commodities      Share in Total Exports  
(2002-03)

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Gems & Jewellery	16.95
Readymade garments of cotton including accessories	8.01
Cotton yarn fabric madeups etc	6.26
Drugs, pharma and fine chemicals	4.72
Machinery and & instruments	3.49

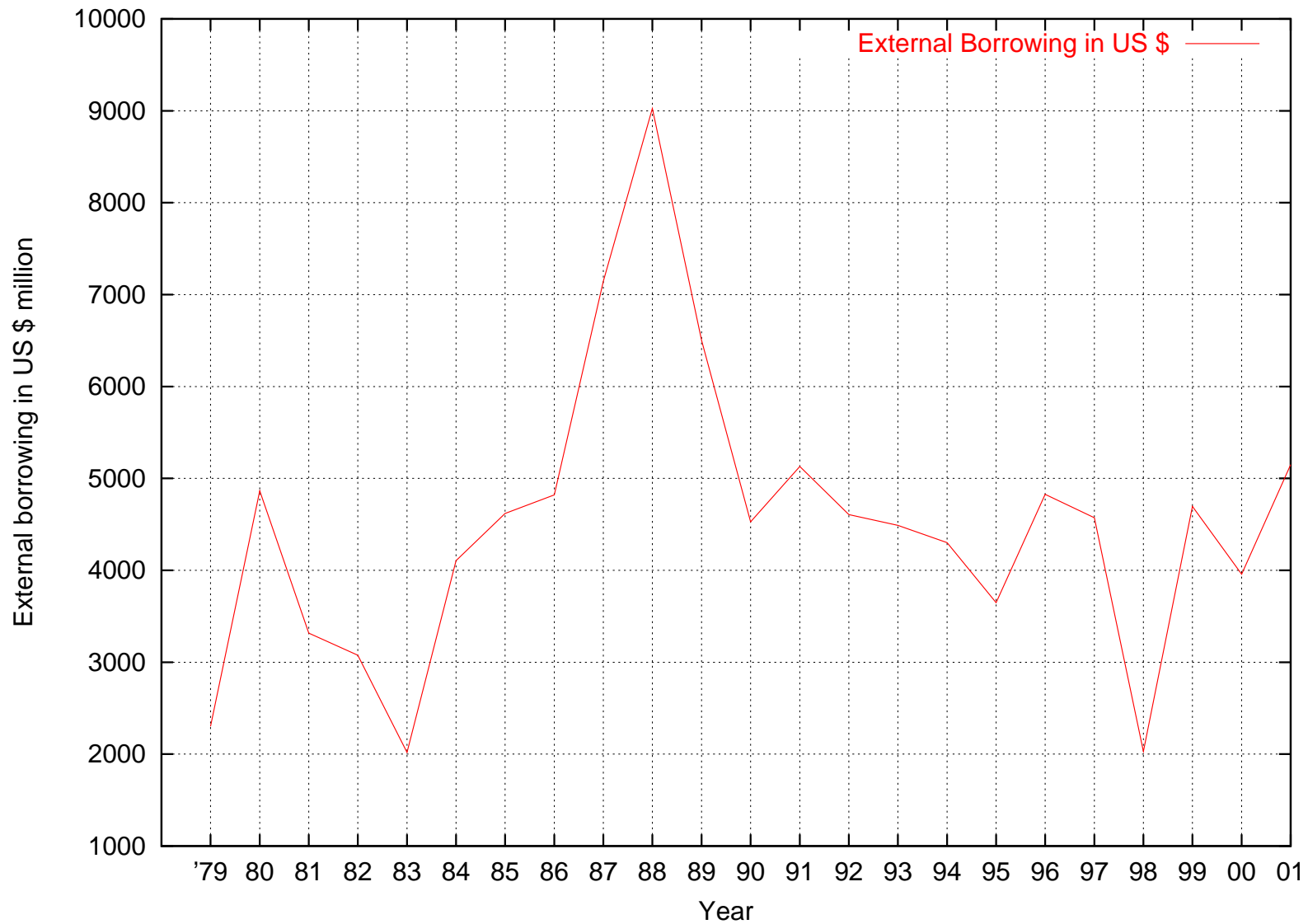
# Trade-GDP ratio



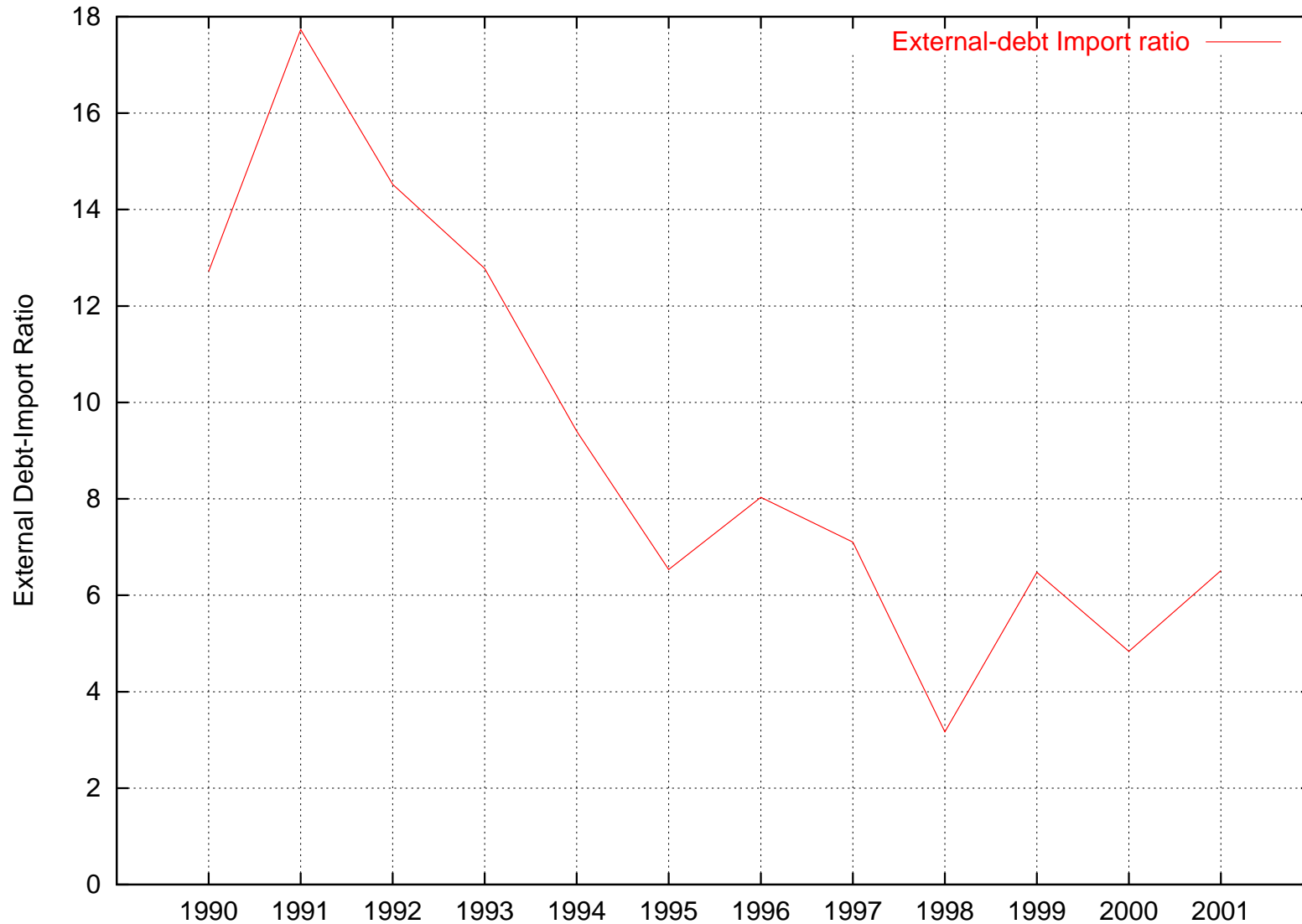
# Beg: Foreign Aid

Year	Grants (in US\$ million)
1980	4768.9
1990	4236.4
2000	3769.3

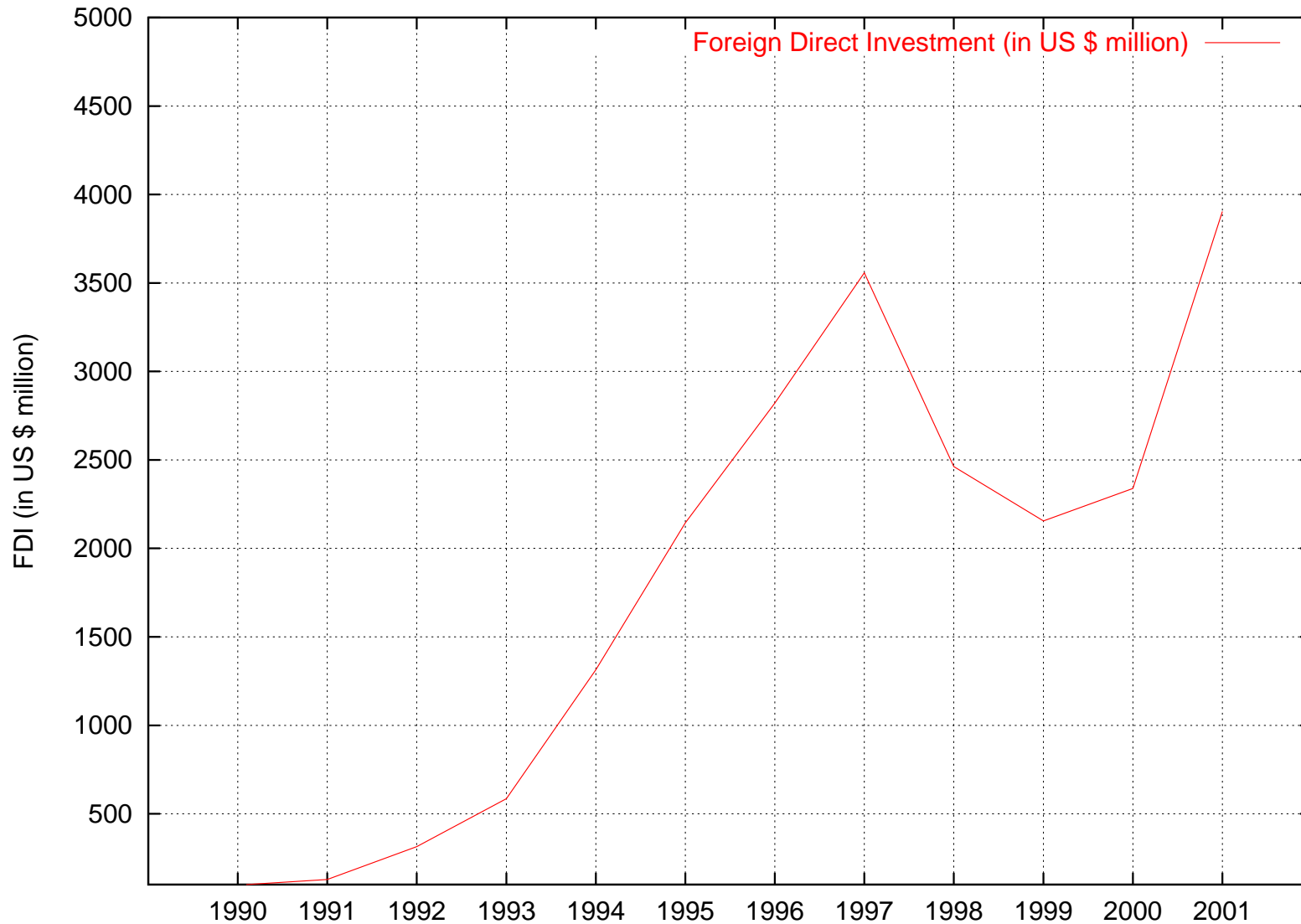
# Borrow



# External Debt import ratio

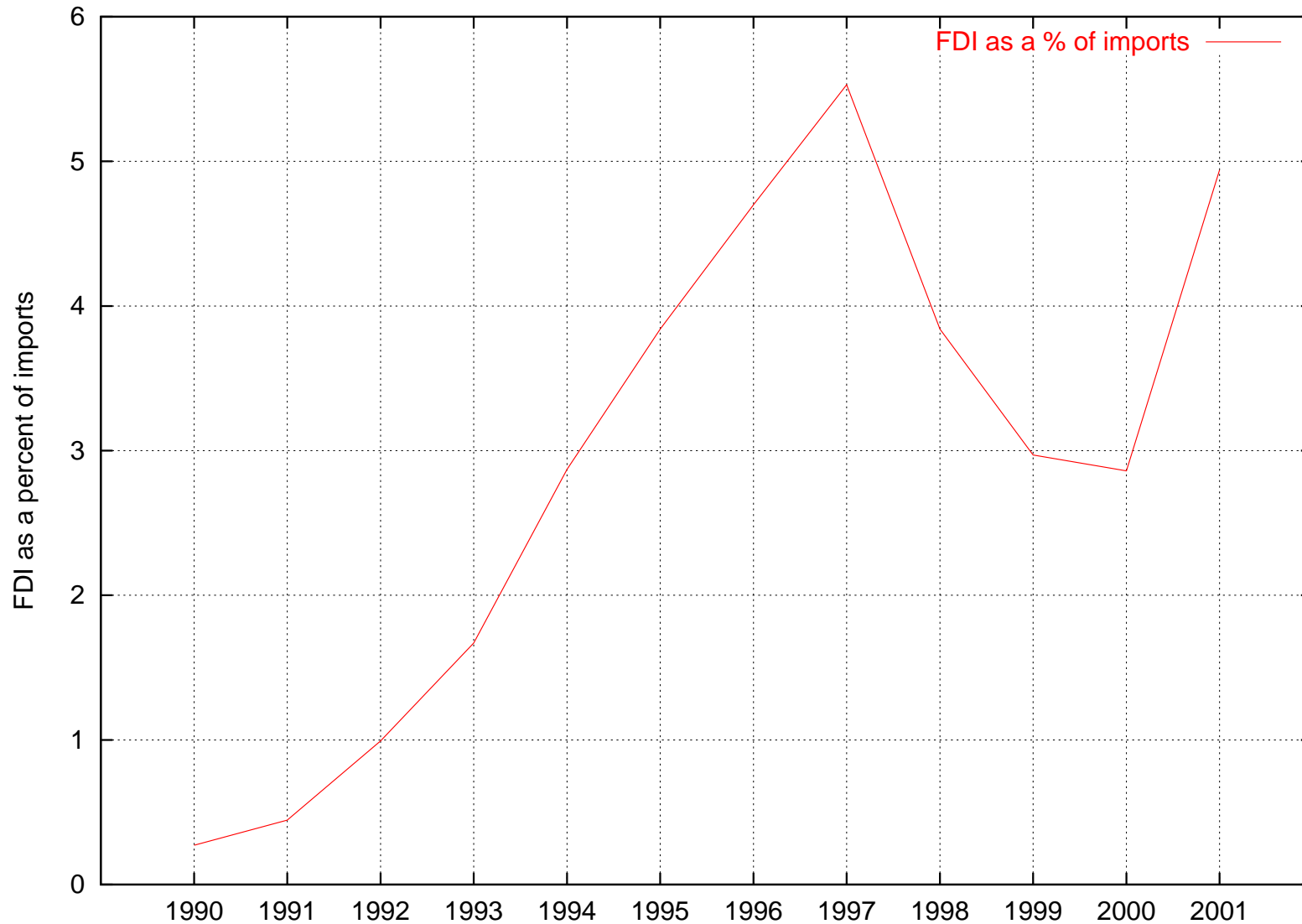


# Foreign Direct Investment

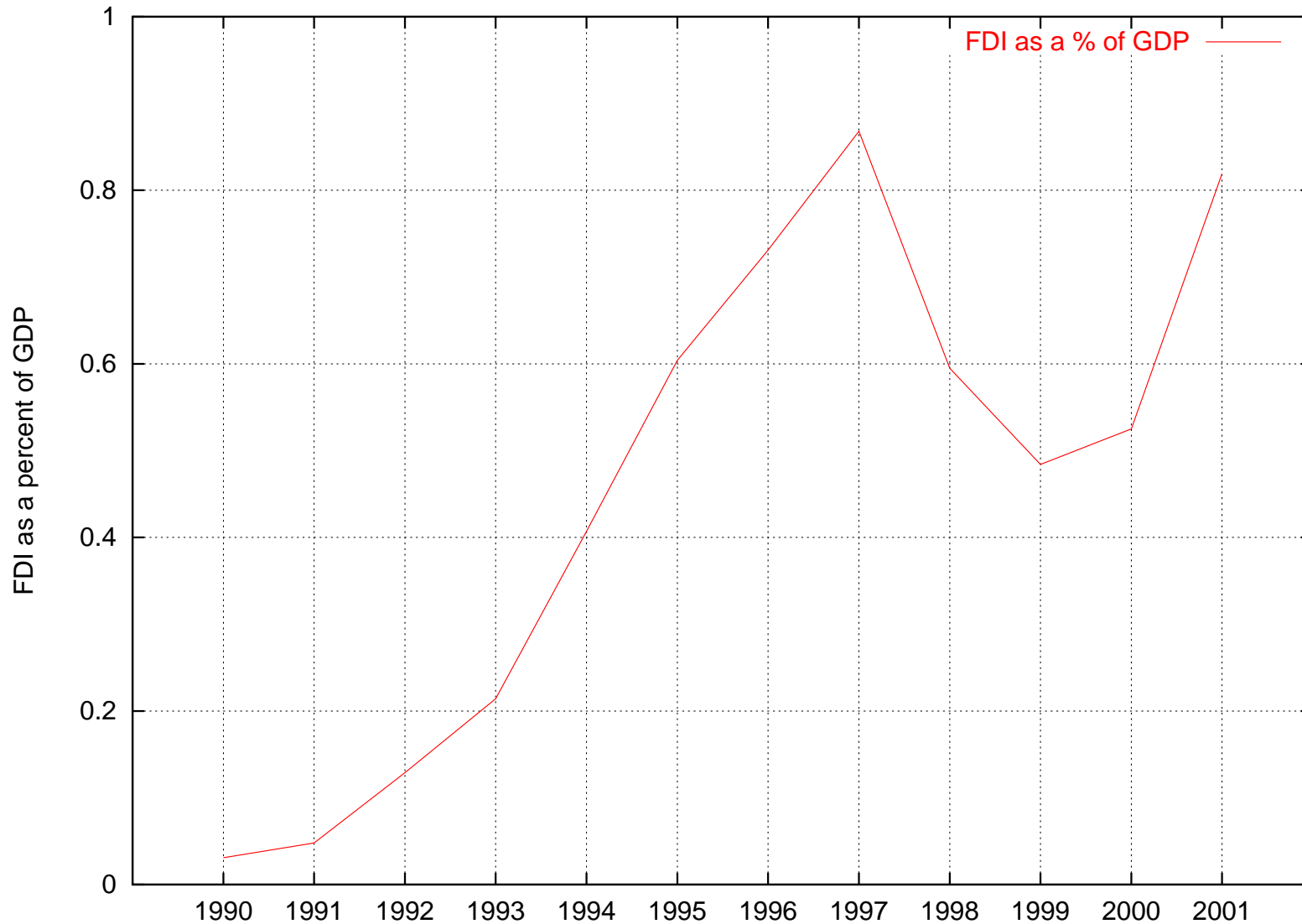




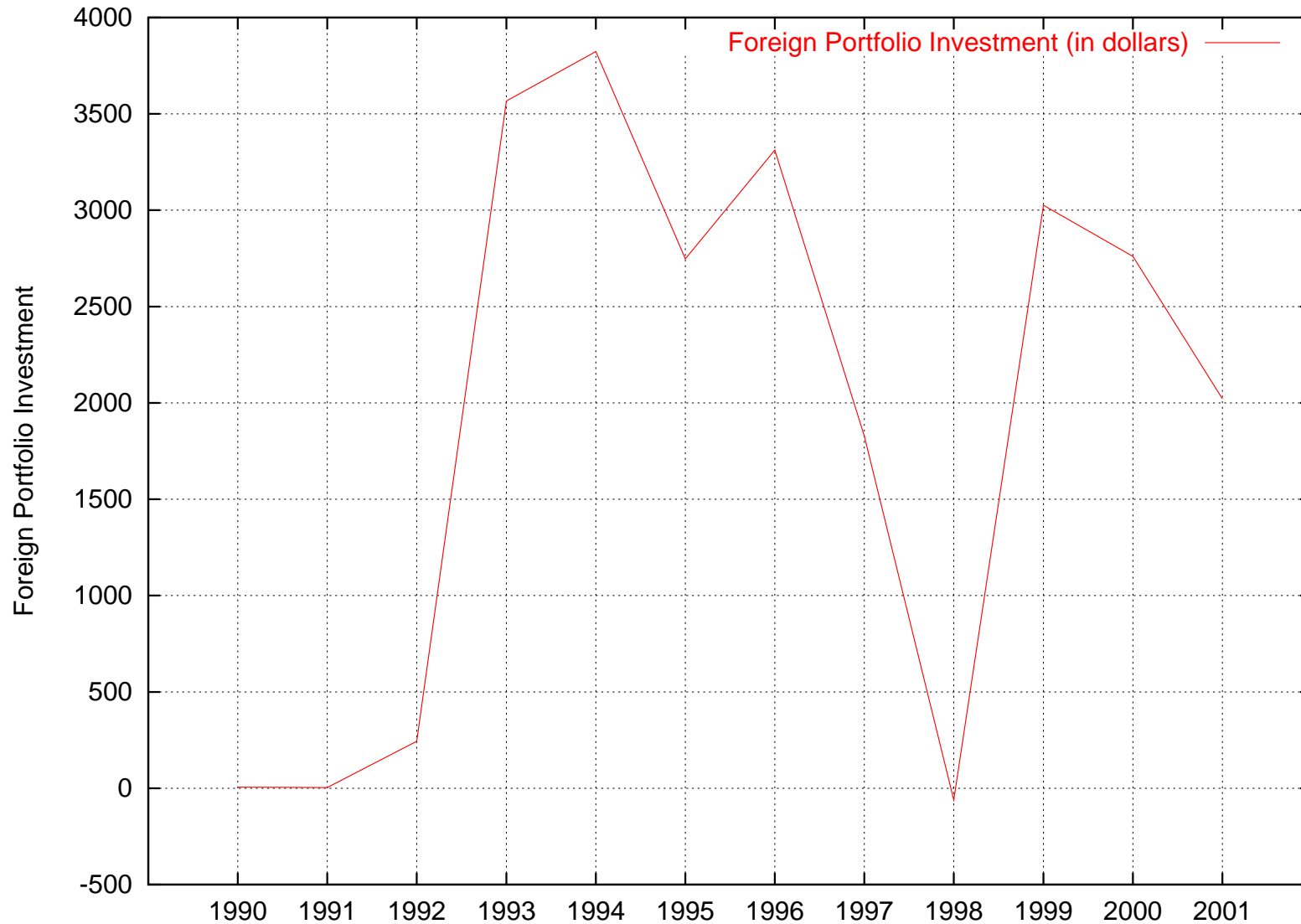
# FDI as a percent of imports



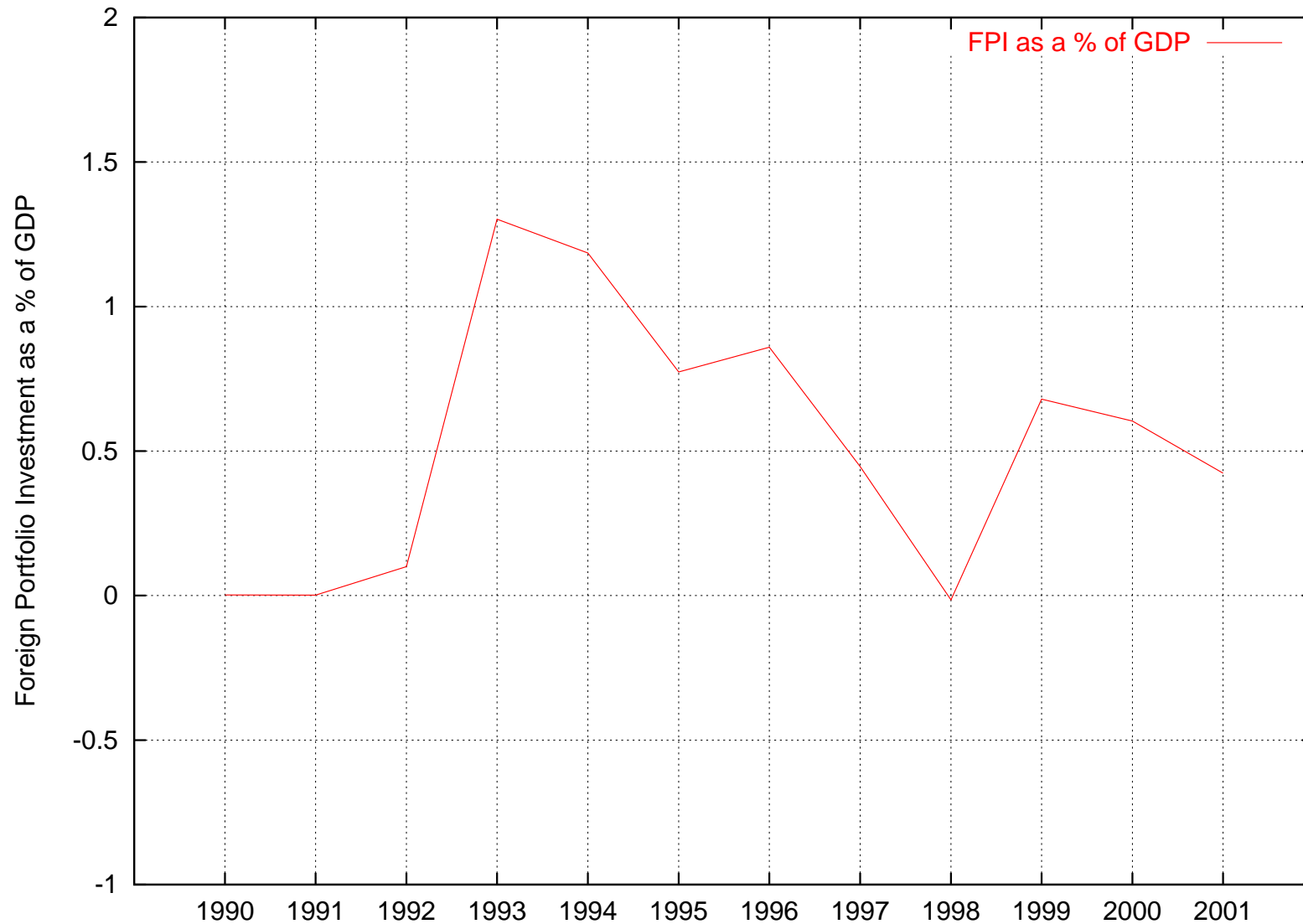
# FDI as a percent of GDP



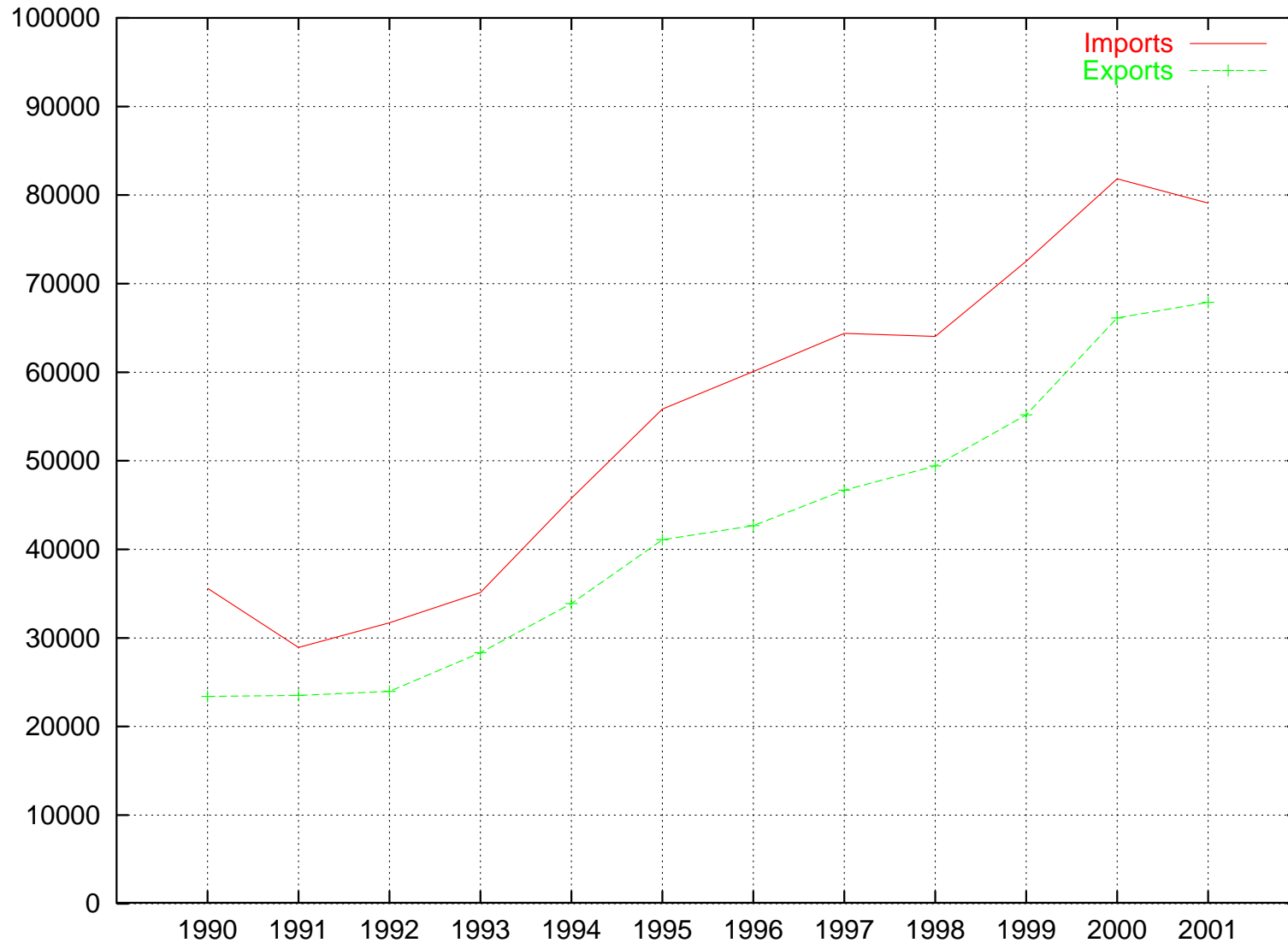
# Foreign Institutional Investment



# FII as a percent of GDP



# Summary



# Price of imported good

One barrel of oil=\$25

If \$1=Rs.45

Then price of one barrel of oil = Rs.1125

# If the rupee depreciates

One barrel of oil=\$25

If \$1=Rs.100

Then price of one barrel of oil = Rs.2500

# Price of exports

Initial price \$1

After depreciation 50 cents

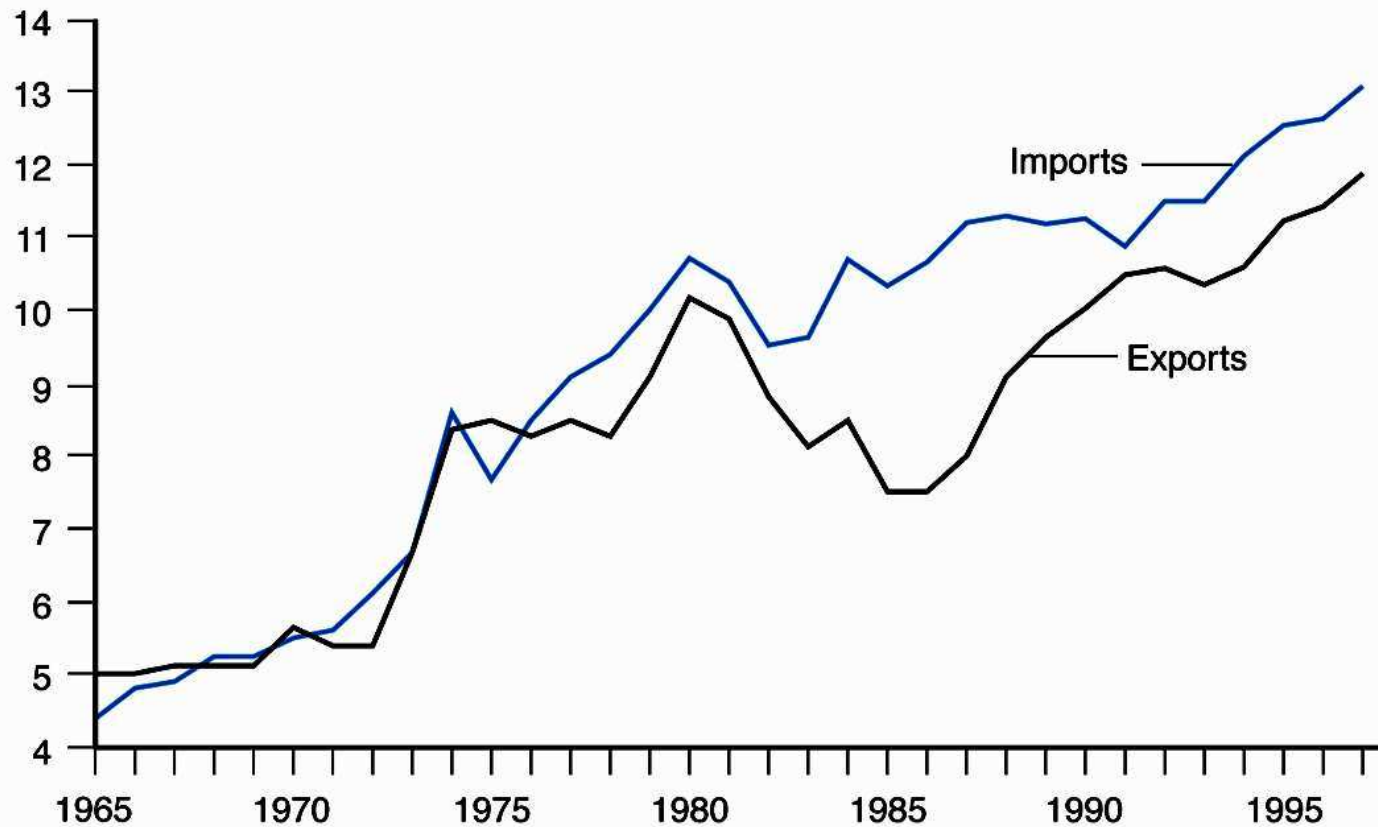
If they were to buy the same amounts then our earnings would halve.

But if they buy more Indian goods then we can sell more.

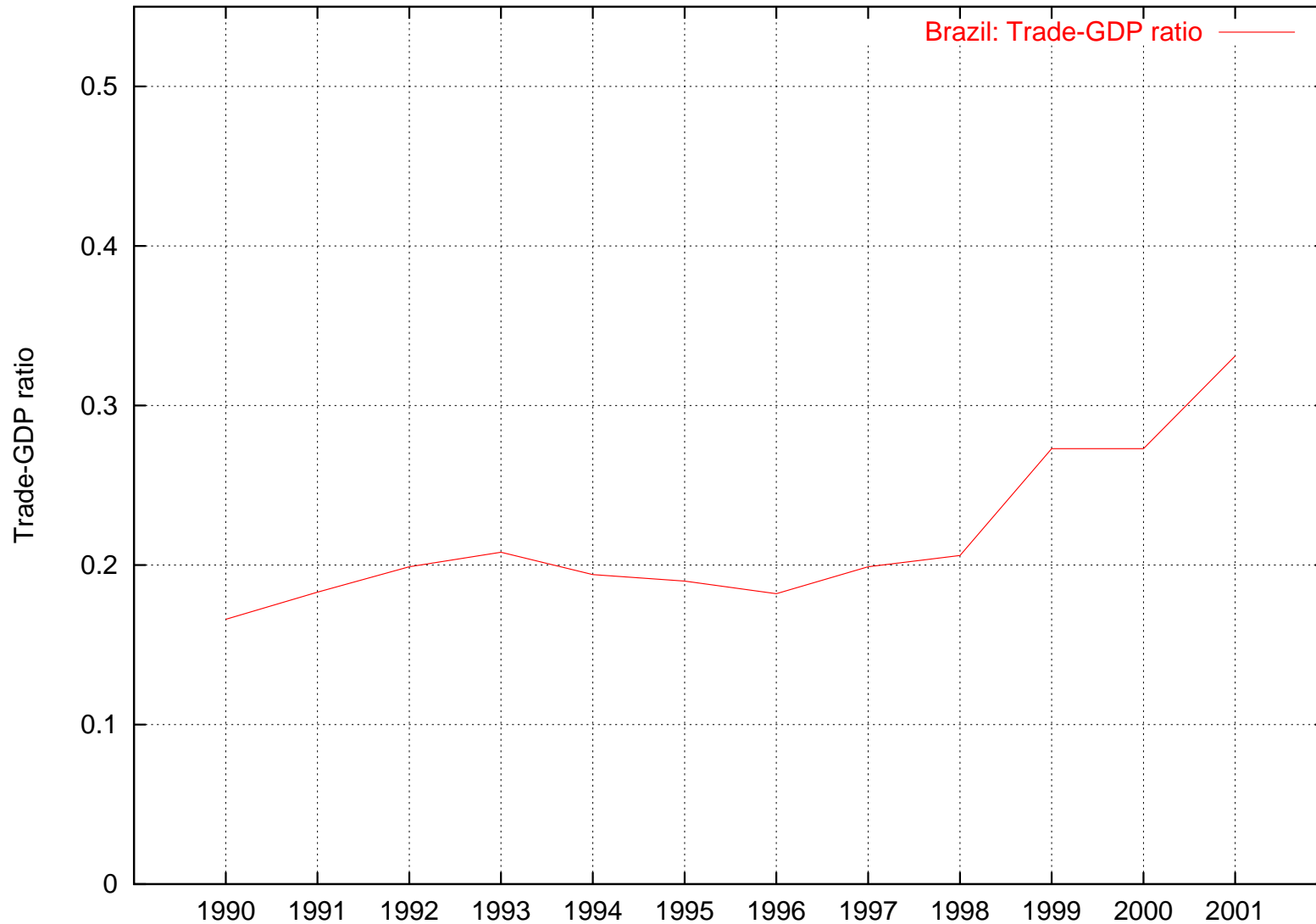


# International Comparisons

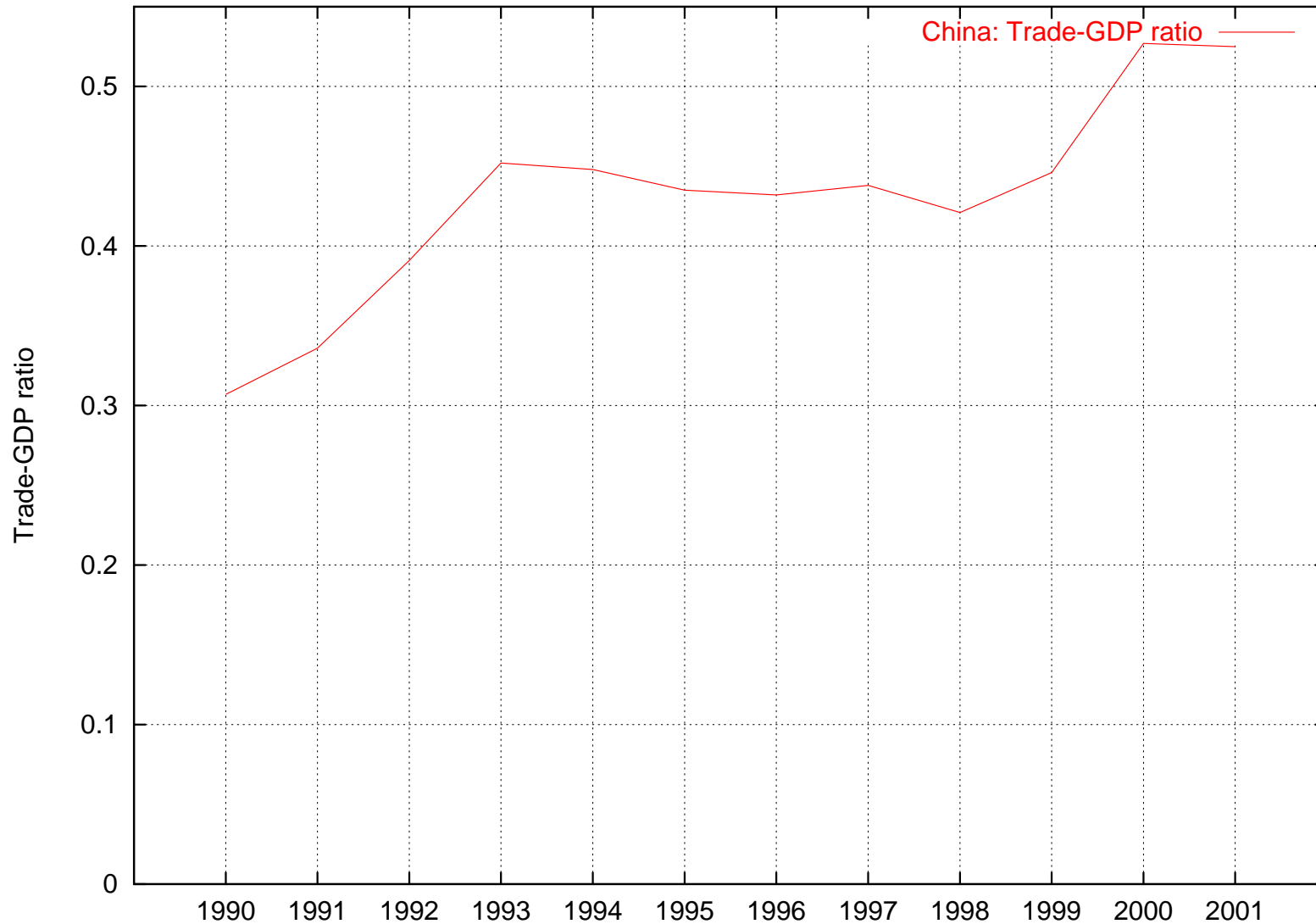
Exports, imports  
(percent of U.S.  
national income)



# Brazil: Trade GDP ratio



# China: Trade GDP ratio



# Course outline

## Module 1: Lectures 1-8

### International Trade Theory

1. Introduction.
2. Labor Productivity and Comparative Advantage: The Ricardian Model.
3. Resources and Trade: The Heckscher-Ohlin Model.
4. Economies of Scale, Imperfect Competition, and International Trade.
5. International Factor Movements.
6. The Instruments of Trade Policy.
7. The Political Economy of Trade Policy.

## Module 2: Lectures 9-30

### Exchange Rates And Open-Economy Macroeconomics.

9-10 National Income Accounting and the Balance of Payments.

11-12 Exchange Rates and the Foreign Exchange Market: An Asset Approach.

13-14 Money, Interest Rates, and Exchange Rates.

15-16 Price Levels and the Exchange Rate in the Long Run.

17-18 Output and the Exchange Rate in the Short Run.

20-24 Fixed Exchange Rates and Foreign Exchange Intervention.

25-26 India's choice of currency regime

27 The International Monetary System, 1870-1973.

28 The Global Capital Market: Performance and Policy Problems.

29-30 Currency crisis.

# Books

The main book for the course is Krugman and Obstfeld's International Economics.

Apart from this, there is a need for numerous readings, which are all linked to specific lectures and topics in this course outline.

# Teaching method

Lectures : Two hour lecture once a week for 15 weeks  
(Total 30 hours)

Tutorials: One hour a fortnight (Total 7 hours)

Case studies: Presented by the students for the relevant topics



# Evaluation

Mid semester exam : 30

Case Study - 2000 word paper and presentation : 30

End semester exam: 40