



International Trade

Lecture 1



Syllabus

- Introduction: International economics-Gains from trade-pattern of trade - International capital market-Trade protectionism – reasons and strategies; India's international trade-World trade overview
- Classical Theories of trade: Classical theories-Mercantilism, comparative advantage theory; offer curves and Terms of Trade
- New theories of trade: Factor Endowments, Heckscher-Ohlin Theory, Empirical evidence on H-O model- Stolper-Samuelson Theorem, Gravity model; Economies of scale, Economic growth and international trade





Syllabus

- International trade policy: Trade restrictions-tariffs, non-tariff barriers, new protectionism policies; Economic integration-Customs Unions, inter-regional trade, trade blocks and Free trade Areas; International resource movement; World Trade Organisation (WTO)
 - Balance of Payments and Foreign exchange market: Capital and current accounts-BoP- Foreign exchange rates-exchange rate determination
 - International Monetary System: Price adjustment mechanism with flexible and fixed exchange rates; Income adjustment mechanism-automatic adjustments; Open economy adjustment policies; IMF; International monetary system and policy coordination
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Reference

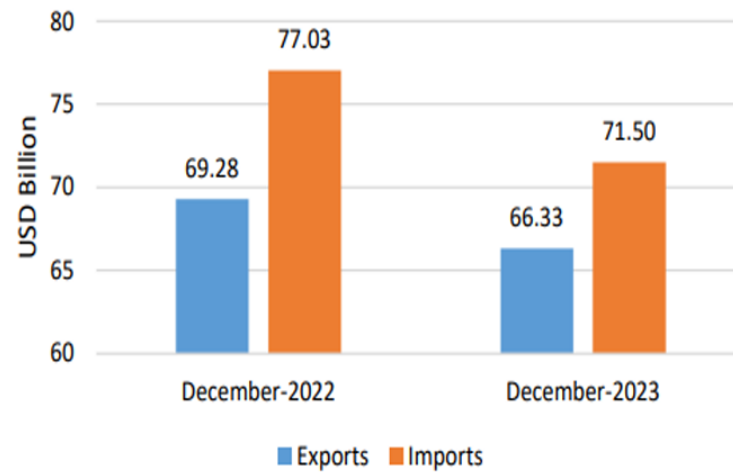
- Paul Krugman- International Economics
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Table 1: Trade during December 2023

		December 2023 (USD Billion)	December 2022 (USD Billion)
Merchandise	Exports	38.45	38.08
	Imports	58.25	61.22
Services*	Exports	27.88	31.19
	Imports	13.25	15.81
Overall Trade (Merchandise +Services) *	Exports	66.33	69.28
	Imports	71.50	77.03
	Trade Balance	-5.17	-7.75

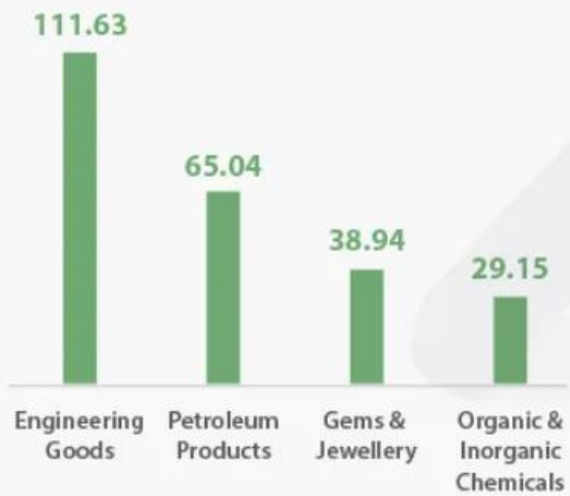
Source: Ministry of Commerce & Industry

Fig 1: Overall Trade during December 2023

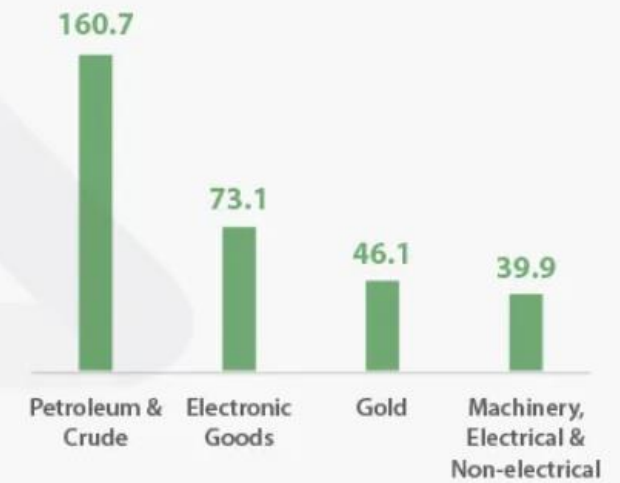


India

Key Export Products (FY22) (US\$ Billion)



Key Import Products (FY22) (US\$ Billion)



Top trading partners

India's Top Trading Partners in FY 2021-22 (in US\$ Million)

Country	Export	Import	Total trade	Trade balance
US	76,167.01	43,314.07	119,481.08	32,852.94
China	21,259.79	94,570.57	115,830.36	-73,310.78
UAE	28,044.88	44,833.48	72,878.36	-16,788.60
Saudi Arabia	8,758.94	34,100.58	42,859.52	-25,341.64
Iraq	2,403.27	31,927.05	34,330.33	-29,523.78

Import partners

- The latest available country-specific data shows that almost two-thirds (65%) of products imported into India was furnished by providers in:
 - mainland China (15.2% of the Indian total),
 - Russia (9.2%),
 - United Arab Emirates (6.7%),
 - United States of America (6.4%),
 - Saudi Arabia (5.1%),
 - Iraq (4.4%),
 - Indonesia (3.4%),
 - South Korea (3.2%), Singapore (3%), Switzerland (2.94%), Hong Kong (2.75%) and Japan (2.6%).

Top export partners

List of India's top exporters

S. No.	Countries	MAY'23 (Million USD)	APR' 23- MAY' 23 (Million USD)	MAY'24 (Million USD)	APR'24- MAY'24 (Million USD)	% Change (MAY'24)	% Change (APR'24- MAY'24)
1	U.S.A.	6573.41	12467.43	7432.21	14045.46	13.06	12.66
2	U.A.E.	2,568	4,792	3067.14	5566.35	19.43	16.16
3	Netherlands	1,523	3,264	2191.83	4598.54	43.92	40.87
4	U.K.	1,029	2,146	1374.43	2620.39	33.54	22.09
5	China P.R.	1,285	2,674	1327.99	2581.58	3.35	-3.45

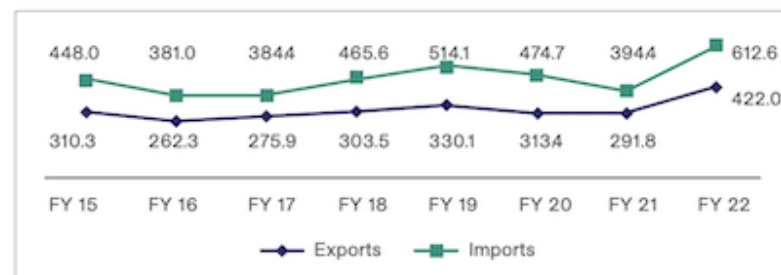
India's merchandise trade (USD billion)

Global exports

↑ 44.6%
y-o-y

ASEAN exports

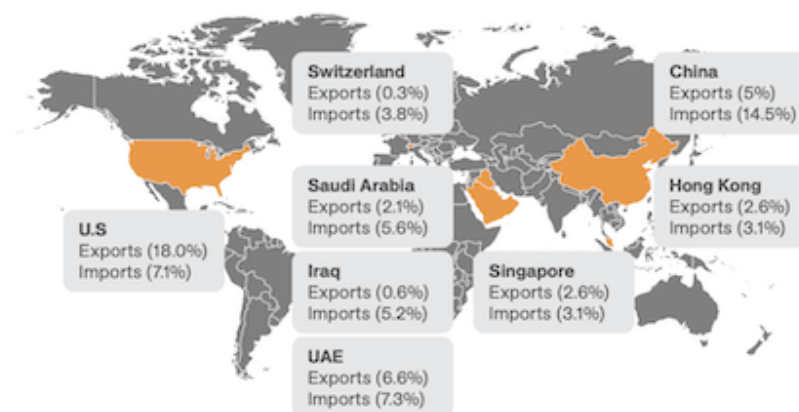
↑ 34.4%
y-o-y



Export - Top 10 commodities	FY22 (USD billion)	% Growth (y-o-y)
Mineral fuels, oils and products	69.6	158.5
Gems and jewelry	39.3	50.1
Nuclear reactors, boilers, machinery	25.4	34.1
Iron and steel	22.9	88.9
Organic chemicals	22.0	22.8
Vehicles other than railway or tramway	20.2	42.0
Pharmaceutical products	19.8	44.9
Electrical machinery	19.4	0.1
Cereals	12.9	27.4
Cotton	10.8	70.7

Source: KPMG

Top trading partners (FY22) (% of total imports and exports)



Significant growth across commodities; data indicates that the PLI scheme has benefitted most of the top commodity exports.



- Agriculture and pharma to remain key sectors for driving export momentum
- Export of finished or intermediate goods on the rise. India no longer an exporter of primary goods
- Roll out of District Export Hub and initiatives such as PLI, Remission of Duties and Taxes on Export Products (RoDTEP) to augment growth



India's merchandise
trade (USD billion)

Global
exports

↑ 44.6%
y-o-y

ASEAN
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International Trade

- Gains from trade
- Pattern of trade
- How much to trade
- Balance of Payment
- Exchange rate determining
- International Policy Coordination
- International capital market

