

AIR TRANSPORT ECONOMICS & STATISTICS

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RECAP

- Aviation Forecasting Techniques
- Evolving Air Transport Industry
- Economic Impact of Air Transport- Direct, Indirect & Induced

Module : 2.3

International Economics and Aviation

- ❖ International Economics and Trade
- ❖ Free Trade- Arguments in favour & Against
- ❖ Production Possibility Curve
- ❖ Basis of International Trade –Absolute Advantage, Comparative Advantage
- ❖ Trade Protection & Trade Barriers
- ❖ Foreign Currency and Exchange

International Economics, Trade & Aviation: An Overview

- Trade Liberalization:
- Balance of Trade (BoT) & Balance of Payments (BoP)
- Foreign Direct Investment (FDI)
- Exchange Rates
- Globalization
- International Trade & Supply Chains
- Transportation Economics
- Multilateral Agreements

Free Trade in Aviation

Pros:

- **Lower Fares:**
- **Greater Connectivity:**
- **Economic Growth:**
- **Reduced Costs:**
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- **Cons:**

- **Increased Competition:**

- **Environmental Impact:**

- **Overcapacity:**

- **Loss of Sovereignty:**

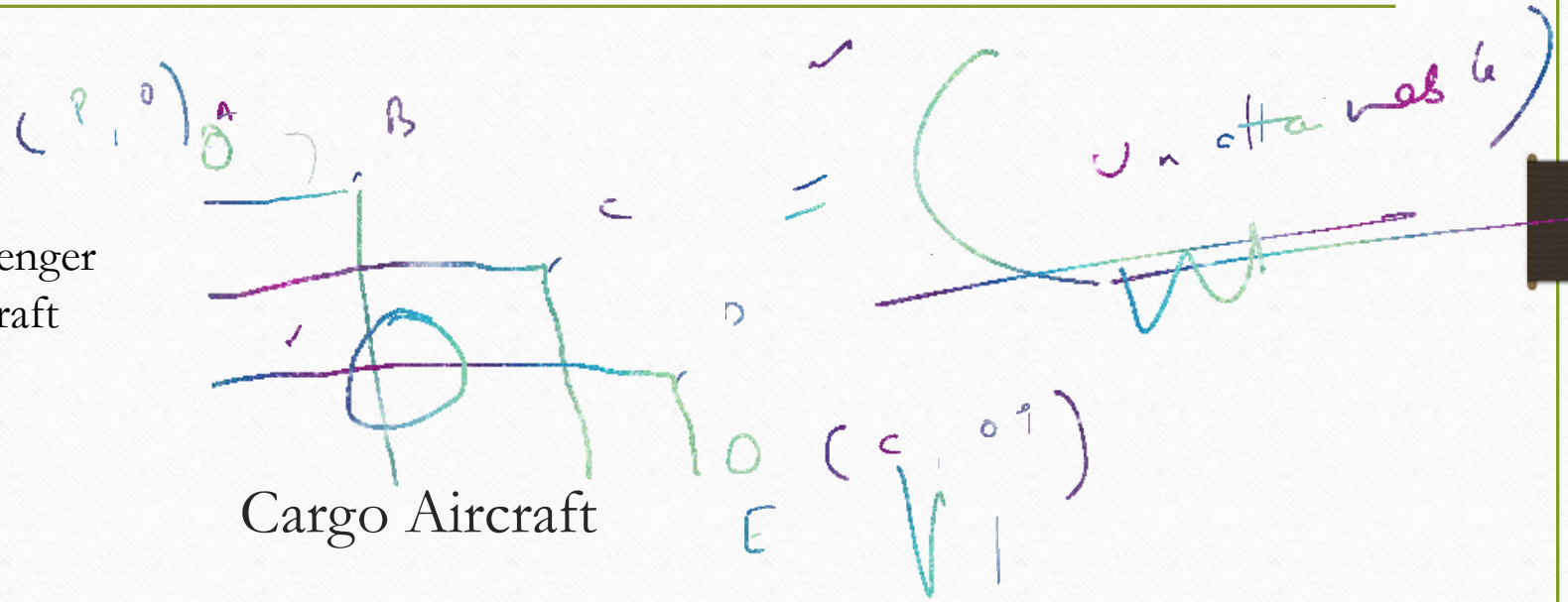
Production Possibility Curve

- Trade-offs in Aviation Production
- Opportunity Cost
- Technological Advancements and Shifts
- Resource Constraints
- Economic Efficiency

Production Possibility Curve

Passenger
Aircraft

Cargo Aircraft



Basis of International Trade –Absolute Advantage

Country	Passenger Aircraft Production (units per year)	Cargo Aircraft Production (units per year)
Country A	100	50
Country B	60	30

Basis of International Trade –Comparative Advantage

Country	Passenger Aircraft Production (units per year)	Cargo Aircraft Production (units per year)
Country A	100	50
Country B	60	30

Other Theories of International Trade

- –Heckscher-Ohlin Theory
- New Trade Theory
- Porter's Diamond Model
- Gravity Model of Trade

Trade Protection & Trade Barriers

- **I. Trade Protection**
- Subsidies
- Preferential Treatment
- Regulatory Standards

Trade Protection & Trade Barriers

- **II. Trade Barriers**
- Tariffs and Duties
- Import Quotas
- Non-Tariff Barriers
- National Security Concerns
- Air Service Agreements

Foreign Exchange in Aviation

- Revenue and Expenses
 - Exchange Rate Risk
 - Currency Conversion

Currency Management in Aviation

- Pricing Strategies
- Financial Planning and Budgeting
 - Cross-Border Operation

THANKS